

## Module 4: Central banks and banking regulations

### Unit 1: National and central banks

#### READING

- 1) Choose the correct answers:
  1. Central Banks are responsible for
    - a) setting fees for current accounts.
    - b) keeping prices stable.
  2. The European Central Bank (ECB) has to
    - a) supply all the money for the euro-zone.
    - b) produce financial data.
  3. Many central banks
    - a) keep reserves for other banks.
    - b) keep deposit accounts for governments.

#### STUDY TIP

Exercise 1 can be done as a short quiz. To practice speaking, ask a partner to do it as well and then compare your answers. You can do the same with the rest of the worksheet and make yourself a communicative lesson. 😊

- 2) Read these forum posts on central and national banking and check your answers in 1:

<p><b>Bob, USA</b> Do we need the Federal Reserve in the USA? Why should we pay taxes to have another big bank?</p> <p><b>Katia, German National Bank</b> Central or national banks help both the government and the other banks in the country. The basic function of a central or national bank is maintaining price stability by using a variety of methods. In many cases, the role of a central bank is encouraging financial stability. Sometimes a central bank has a monitoring role which may involve supervising the commercial banks. It often holds reserves for the other banks. In some countries the central bank controls the supply of money by deciding how much money other banks have to hold as reserves. In many countries the central bank issues and prints the currency. Some also manage the exchange rate of a country's currency.</p>	<p><b>Joëlle, France</b> What is the purpose of the European Central Bank?</p> <p><b>Marie, consultant for the ECB, Belgium</b> The ECB is very important to the euro-zone. Its main function is keeping prices stable in the euro-zone and inflation just under two percent. The ECB is the central bank for the euro, the common currency in the European Union euro-zone member states. The first task of the ECB is deciding on and implementing monetary policy. This includes setting the interest rates for banks in the euro-zone. Then the banks decide how much interest to charge or pay customers for their business. It is also responsible for carrying out foreign exchange. Holding and managing the official foreign reserves of the euro area countries is a very important job for the ECB. In addition, the ECB has to regulate the payment systems within the euro-zone and make sure that it works without problems. Keeping the countries within the euro-zone economically stable is a very important function of the ECB.</p>	<p><b>Ania, Poland</b> Who makes the euro coins for each country? And what else does the ECB do? Can't the National Bank of Poland just do everything we need?</p> <p><b>Franz, ECB, Germany</b> There are other jobs that the ECB does. One is deciding when to issue banknotes and coins within the euro area. The ECB is the only organisation which can authorise this. However, individual countries are responsible for minting their own coins. Another important task is collecting, analysing and publishing financial statistics. These are necessary for the ECB to decide on monetary policy and to carry out its other tasks.</p>
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3) Read the forum posts again. Which sentence is correct?

1. Keeping prices stable is an important function for central banks such as the ECB. Gathering statistical information helps them with monetary policy.
2. Keeping prices stable, printing banknotes and minting coins are responsibilities common to all central banks.

## VOCABULARY

4) Find words or phrases in the forum posts in 2 that match these definitions:

1. print money or mint coins (Katia) \_\_\_\_\_
2. money a bank needs to keep for possible future withdrawals (Katia) \_\_\_\_\_
3. making sure that costs of goods and services do not change much (Marie) \_\_\_\_\_
4. a general increase in the price of goods and services (Marie) \_\_\_\_\_
5. changing one currency for another (Marie) \_\_\_\_\_
6. making something public in writing (Franz) \_\_\_\_\_

## LANGUAGE

### Gerund as subject and object

A verb in the *-ing* form (**gerund**) can work as a noun and be the subject or the object of a sentence.

**Holding** the foreign reserves of the country is a task of many central banks.

We often use the gerund with the verb *be* but we can also use it with other verbs.

**Maintaining** price stability helps the economy. This includes **setting** the interest rates.

5) Complete the headings for this leaflet. Use the gerund of the verbs in the box:

authorise	guarantee	maintain	publish	set	supervise
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### Functions of central banks

- (1) \_\_\_\_\_ financial information

One important duty of a central bank is to collect financial information and make it public.

- (2) \_\_\_\_\_ commercial banks
- Another responsibility of the central bank is often to oversee commercial banks.

- (3) \_\_\_\_\_ new money

Central banks decide if new money needs to be printed.

- (4) \_\_\_\_\_ liquidity

Another duty is to make sure that debts within the system can be paid.

- (5) \_\_\_\_\_ interest rates

The central bank is responsible for deciding how high the interest rates should be.

- (6) \_\_\_\_\_ price stability

One of the main duties of a central bank is keeping prices stable.

KEY:

Exercise 1: 1 b); 2 b); 3 a)

Exercise 3:

Sentence 2 is correct. Sentences 1 say that all banks, including the ECB, gather statistical information. However, according to the text, this is the task of the ECB, not all central banks. (see orange column)

Exercise 4:

1. issue currency; 2. reserves; 3. keep prices stable; 4. inflation; 5. carry out foreign exchange; 6. publish