

Module 4: Central banks and banking regulations

Unit 2: Regulations

READING

1) Answer these questions:

1. Do you know any regulations for banks in your country?
2. Why is it important to regulate the way banks do business? Do you think it is better for each country to regulate its banks or should there be worldwide laws?

FSA want public bank investigation *by Mary Almond*

The UK Financial Services Authority says the overseeing regulator should have power to investigate bank failures and publish such information.

STUDY TIP

There are two ways you can approach this task. As :

- 1) **a writing task** – think about the questions carefully and write down your answers. Then go through your answers again and change anything you need to change.
- 2) **a speaking task** – ask a friend or colleague to do the task with you and discuss the questions together. You can continue with the rest of the worksheet together, as well.

READING

2) Match these headlines from financial newspapers (1-6) to the article extracts (A-F):

1 Financial crisis makes governments take another look at risk	A The amount of core capital, which consists of retained profits plus shareholder equity, has been raised. Governments are making sure that banks keep enough money on hand for crisis situations.
2 Bank bankruptcies becoming problem for customers	B Banks often raise cash by finding more shareholders. Several banks are thinking about this and hoping that the public is interested. However, they do not want to reduce the dividend payments. The banks would like to keep their shareholders happy.
3 Are the risks worth the higher interest rates?	C When banks began failing due to liquidity problems, governments in many countries had to step in and help. Some banks had made very risky loans and could not recover the money. This meant that governments needed to think about new regulations for banks.
4 Core capital requirements set by governments	D Many banks were keeping a number of highly risky assets on their books. These loans were not backed up by collateral. However, the banks were able to charge much higher interest for them. The problems began when the borrowers began to default on these loans.
5 Ensuring bank liquidity	E When banks have a healthy balance of equity to risky assets, they can get through a crisis more easily. Banks need to keep enough core capital on hand if their risky investments do not work out.
6 Several banks issuing new shares	F People want to trust their banks. They need to know that their money is safe and they can withdraw it when they need it. Banks should be extremely careful with the money customers deposit. Losing customers' money through risky investments is certainly not what a trustworthy institution would do.

VOCABULARY

3) Find words in the extracts in 2 that match these definitions:

1. money the bank earned and kept (article A) _____
2. money paid to investors from the profits of a company (article B) _____
3. how quickly an asset can be converted to cash (article C) _____
4. not pay back money you owe (article D) _____
5. investments which are not guaranteed (article E) _____
6. something or someone you can believe (article F) _____

SLOVAK CORNER

to default on sth (e.g. your mortgage)

- prekladáme ako dostať sa do defaultu.
- V angličtine je to sloveso a používa predložku *on*, ktorá sa neprekladá.

LANGUAGE

Defining relative clauses

A **defining relative clause** identifies which person or thing we are talking about. It gives essential, not just additional information. There is no comma between the main clause and the defining relative clause.

We can leave the relative pronoun out if it is the object of the relative clause but not if it is the subject.

	Subject of relative clause	Object of relative clause
People (<i>who, that</i>)	People who/that have been wanting to make investments can now borrow money more cheaply.	The broker (who/that) the firm employed was very competent.
Things (<i>which, that</i>)	These are points which/that are not finished from the last meeting.	Reserves are the amount of cash (which/that) a bank needs to have.

4) Match 1-8 to a-h to make sentences, adding *who, which* or *that*. In which sentence can you leave out the relative pronoun?

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Regulations are rules 2. Auditors are staff members 3. We need a computer system 4. Money laundering is a system 5. A brokerage is a company 6. An insider trader is a person 7. An agenda is a document 8. The chair is the person | <ol style="list-style-type: none"> a) identifies credit card fraud. b) sells stocks and bonds. c) have to be followed. d) everyone needs at the start of a meeting. e) runs the meeting. f) exchanges illegal money for legal money. g) makes money illegally with inside knowledge about companies. h) the bank employs to watch over other companies. |
|---|---|

PRONUNCIATION TIP

The vowel cluster *-au-* is pronounced as /ɔ:/ - very similar to the Slovak /ó/. Try it for yourself: *auditor, fraud, laundering* – ó, ó, ó ☺

SLOVAK CORNER

money laundering (idiom) – pranie špinavých peňazí
Toto je tzv. idióm (frazologizmus), ktorý má prenesený, metaforický význam. Idiómy sa zvyčajne priamo neprekladajú z angličtiny do slovenčiny, ale tento funguje. Len si zapamätajte, že po anglicky nehovoríme ~~dirty~~ money. Iba *money*. ☺

KEY:

Exercise 1: 1 E; 2 F; 3 D; 4 A; 5 E; 6 B

Exercise 3: 1. retained profits; 2. dividends; 3. liquidity; 4. to default; 5. risky assets; 6. trustworthy

Exercise 4:

1. c) which/that; 2. h) (who/that); 3. a) which/that; 4. f) which; 5. b) which/that; 6. g) who; 7. d) (which/that); 8. e) who