

商务英语本科系列教材

English for Bank Management

# 银行管理英语

傅 恒 编著



浙江工商大学出版社  
ZHEJIANG GONGSHANG UNIVERSITY PRESS

商务英语本科系列教材

English for Bank Management

# 银行管理英语

傅 恒 编著



浙江工商大学出版社  
ZHEJIANG GONGSHANG UNIVERSITY PRESS

杭州

### 图书在版编目(CIP)数据

银行管理英语 / 傅恒编著. —杭州:浙江工商大学出版社,  
2019.4

ISBN 978-7-5178-3138-9

I. ①银… II. ①傅… III. ①银行管理—英语—教材  
IV. ①F830.22

中国版本图书馆 CIP 数据核字(2019)第021374号

### 银行管理英语

YINHANG GUANLI YINGYU

傅 恒 编著

---

责任编辑 王 英

封面设计 林蒙蒙

责任印制 包建辉

出版发行 浙江工商大学出版社

(杭州市教工路198号 邮政编码310012)

(E-mail: zjgsupress@163.com)

(网址: <http://www.zjgsupress.com>)

电话: 0571-88904980, 88831806(传真)

排 版 杭州朝曦图文设计有限公司

印 刷 浙江全能工艺美术印刷有限公司

开 本 787mm×1092mm 1/16

印 张 13.75

字 数 317千

版 印 次 2019年4月第1版 2019年4月第1次印刷

书 号 ISBN 978-7-5178-3138-9

定 价 42.00元

---

版权所有 翻印必究 印装差错 负责调换

浙江工商大学出版社营销部邮购电话 0571-88904970



# 前 言

《银行管理英语》是为培养复合型商务英语专业学生而编写的教材,共分为10章,每章针对银行管理中的一个方面的知识展开,并配有相应的练习,包括术语互译、定义搭配、知识理解与判断、专业翻译、阅读理解、数学运算等,旨在帮助读者全面熟悉并掌握现代银行管理英语的表达方式和术语内涵,了解该领域英语的词汇、语法、风格的特殊性,最终使读者掌握现代银行管理英语,同时为从事现代银行管理的基本工作打下坚实的基础。

本书可作为高等院校商务英语、英语、银行、金融、国际经济管理等专业的教材,也可作为非涉外专业学生的选修教材。本书还可作为外贸部门和国际管理行业的工作人员的英语培训教材或自学参考书。

本书编写所用的英语资料多取材于 Barbara Casu, Claudia Girardone, Philip Molyneux (英国)合编的 *Introduction to Banking* (2006),有助于向读者提供纯正的英语。编者也从 Peter S. Rose 的 *Bank Management and Financial Services* 一书中获取了不少灵感,还参考了当下最新的金融财经类期刊、报纸及相关网络文献,包括 *Financial Times*, *Bloomberg*, *Wall Street Journal*, *Economists* 等。编者在此表示感谢。

本书的撰写,得到了浙江工商大学外国语学院的支持和刘法公教授的指导,没有他们的帮助,本书的编写和出版难以顺利完成。

本书中的内容难免有不足之处,欢迎批评指正。

编 者

2018年秋 杭州

# Contents

<b>Chapter One</b>	<b>What Is a Bank?</b>	001
1.1	Origin of the Bank	001
1.2	The Nature of Financial Intermediation	001
1.3	The Role of Banks	004
1.4	Transaction Costs	005
1.5	Economies of Scale and Economies of Scope	005
1.6	Asymmetric Information	006
<b>Chapter Two</b>	<b>Why Do Banks Exist?</b>	017
2.1	Financial Intermediation and Delegated Monitoring	017
2.2	The Benefits of Financial Intermediation	019
<b>Chapter Three</b>	<b>Banking Activities</b>	028
3.1	Banks and Other Financial Institutions	028
3.2	Structural and Conduct Deregulation	029
3.3	Supervisory Re-regulation	030
3.4	Competition	031
3.5	Financial Innovation and the Adoption of New Technologies	031
3.6	Responses to the Forces of Change	033
<b>Chapter Four</b>	<b>Banking Services</b>	046
4.1	Payment Services	046
4.2	Deposit and Lending Services	048
4.3	Investment, Pensions and Insurance Services	049
4.4	E-banking	049
4.5	Fintech	050
<b>Chapter Five</b>	<b>Personal and Private Banks</b>	065
5.1	Traditional VS Modern Banking	065



5.2 Universal Banking and the Bancassurance Trend	067
5.3 Retail or Personal Banking	069
5.4 Private Banking	071
<b>Chapter Six Corporate Banking and Investment Banking</b>	084
6.1 Corporate Banking	084
6.2 Banking Services Used by Small Firms	084
6.3 Banking Services for Mid-market and Large Corporate Clients	087
6.4 Investment Banking	092
<b>Chapter Seven Rationale of International Banking</b>	108
7.1 International Banking	108
7.2 A Brief History of International Banking	109
7.3 Why Do Banks Go Overseas?	111
<b>Chapter Eight Types of International Banks and Services</b>	129
8.1 Types of International Banks	129
8.2 International Bank Products and Services	131
<b>Chapter Nine Theory of Central Banking</b>	154
9.1 Main Functions of Central Banks	154
9.2 How Does Monetary Policy Work?	155
9.3 Functions and Instruments of Monetary Policy of a Central Bank	156
9.4 Why Do Banks Need a Central Bank?	161
<b>Chapter Ten Central Banking in Practice</b>	175
10.1 Federal Reserve Bank	175
10.2 The Bank of England	179
10.3 The European Central Bank	182
<b>KEYS</b>	197



# CHAPTER ONE

## What Is a Bank?

### 1.1 Origin of the Bank

The word “bank” is derived from the Italian word “banca,” which is the German word for “bench.” Moneylenders in Northern Italy originally did business in open areas or open rooms where each lender worked from his own bench or table. The very first banks were probably in religious temples of the ancient world. Charging interest on loans and paying interest on deposits developed in ancient Rome.

Many people don’t know that banks probably predated the invention of money. The first banks were probably the religious temples of the ancient world, established sometime during the third millennium B.C. Deposits initially consisted of grain and later other goods including cattle, agricultural implements, and eventually precious metals such as gold, in the form of easy-to-carry compressed plates. Temples and palaces were the safest places to store gold as they were constantly attended and well built. There are extant records of loans from the 18th century B.C. in Babylon that were made by temple priests/monks to merchants. Ancient Greece holds further evidence of banking. Greek temples, as well as private and civic entities, conducted financial transactions such as loans, deposits, currency exchange, and validation of coinage.

### 1.2 The Nature of Financial Intermediation

A bank is a financial institution that provides banking services such as accepting deposits and making loans. There are also financial institutions that provide certain banking services without meeting the legal definition of a bank that are called non-banks. Nowadays banks



also offer a wide range of additional services, but it is these functions that constitute banks' distinguishing features. Because banks play such an important role in channeling funds from savers to borrowers, in this chapter we use the concepts of "bank" and "financial intermediary" almost as synonyms as we review the role of banks and their main functions: size transformation, maturity transformation and risk transformation.

To understand how banks work, it is necessary to understand the role of financial intermediaries in an economy. This will help us to answer the question about why we need banks. Financial intermediaries' and financial markets' main role is to provide a mechanism by which funds are transferred and allocated to their most productive opportunities.

A bank is a financial intermediary whose core activity is to provide loans to borrowers and to collect deposits from savers. In other words, they act as intermediaries between borrowers and savers. By carrying out the intermediation function banks collect surplus funds from savers and allocate them to those with a deficit of funds (borrowers). In doing so, they channel funds from savers to borrowers thereby increasing economic efficiency by promoting a better allocation of resources.

A **financial claim** is a claim to the payment of a future sum of money and/or a periodic payment of money. More generally, a financial claim carries an obligation on the issuer to pay interest periodically and to redeem the claim at a stated value in one of three ways: a) on demand; b) after giving a stated period of notice; c) on a definite date or within a range of dates.

Financial claims are generated whenever an act of borrowing takes place. Borrowing occurs whenever an economic unit's (individuals, households, companies, government bodies, etc.) total expenditure exceeds its total receipts. Therefore, borrowers are generally referred to as **deficit units** and lenders are known as **surplus units**. Financial claims can take the form of any **financial asset**, such as money, bank deposit accounts, bonds, shares, loans, life insurance policies, etc. The lender of funds holds the borrower's financial claims and is said to hold a financial asset. The issuer of the claim (borrower) is said to have a **financial liability**.

Savers and borrowers do not need banks to intermediate their funds: In **direct finance**, borrowers obtain funds directly from lenders in financial markets. However, two types of barriers can be identified to the direct financing process: a) the difficulty and expense of matching the complex needs of individual borrowers and lenders; b) the incompatibility of the financial needs of borrowers and lenders. Lenders are looking for safety and liquidity. Borrowers may find it difficult to promise either.

#### **Lenders' requirements:**

- ◎ **The minimisation of risk.** This includes the minimisation of the risk of default (the borrower not meeting its repayment obligations) and the risk of the assets dropping in





value.

- ◎ **The minimisation of cost.** Lenders aim to minimise their costs.
- ◎ **Liquidity.** Lenders value the ease of converting a financial claim into cash without loss of capital value; therefore they prefer holding assets that are more easily converted into cash. One reason for this is the lack of knowledge of future events, which results in lenders preferring short-term lending to long-term.

#### **Borrowers' requirements:**

- ◎ Funds at a particular specified date.
- ◎ Funds for a specific period of time; preferably long-term (e.g., a company borrowing to purchase capital equipment which will only achieve positive returns in the longer term or of an individual borrowing to purchase a house).
- ◎ Funds at the lowest possible cost.

In summary, the majority of lenders want to lend their assets for short periods of time and for the highest possible return. In contrast the majority of borrowers demand liabilities that are cheap and for long periods.

Financial intermediaries can bridge the gap between borrowers and lenders and reconcile their incompatible needs and objectives. They do so by offering suppliers of funds safety and liquidity by using funds deposited for loans and investments. Financial intermediaries help minimise the costs associated with direct lending—particularly **transactions costs** and those derived from **information asymmetries**.

Transactions costs relate to the costs of searching for a counterparty to a financial transaction (the costs of running the economic system, usually measured in time and money spent in carrying out a financial transaction), the costs of obtaining information about them, the costs of negotiating the contract, the costs of monitoring the borrowers, and the eventual enforcements costs should the borrower not fulfil its commitments. In addition to transaction costs, lenders are also faced with the problems caused by asymmetric information. These problems arise because one party has better information than the counterparty. In this context, the borrower has better information about the investment (in terms of risk and returns of the project) than the lender. Information asymmetries create problems in all stages of the lending process.

Transaction costs and information asymmetries are examples of **market failures**; that is, they act as obstacles to the efficient functioning of financial markets. One solution is the creation of organised financial markets. However, transaction costs and information asymmetries, though reduced, still remain. Another solution is the emergence of financial intermediaries. Organised financial markets and financial intermediaries co-exist in most economies.

Having discussed the advantages of financial intermediation over direct finance, it is



necessary to point out that financial intermediaries create additional costs for borrowers and lenders who use their services. Therefore, in order to be able to state that intermediated finance is more advantageous than direct finance, it is necessary that the benefits of such activity outweigh the costs associated with intermediation.

The role of financial intermediation has now become more complex as intermediaries perform additional roles, such as brokerage services (i.e., buying and selling stocks and bonds for clients) and securitisation (i.e., the pooling and repackaging of illiquid financial assets into marketable securities), thus creating an extra layer of intermediation. When financial intermediaries hold claims issued by other financial intermediaries, then an extra layer of financial intermediation is created. Nowadays, given the increased complexity of credit flows, it is not uncommon to have more than two layers of intermediation.

## 1.3 The Role of Banks

To understand fully the advantages of the intermediation process, it is necessary to analyse what banks do and how they do it. We have seen that the main function of banks is to collect funds (deposits) from units in surplus and lend funds (loans) to units in deficit. Deposits typically have the characteristics of being small-size, low-risk and high-liquidity. Loans are of larger-size, higher-risk and illiquid. Banks bridge the gap between the needs of lenders and borrowers by performing a transformation function:

### 1.3.1 Size Transformation

Generally, savers/depositors are willing to lend smaller amounts of money than the amounts required by borrowers. For example, think about the difference between your savings account and the money you would need to buy a house. Banks collect funds from savers in the form of small-size deposits and repackage them into larger size loans. Banks perform this size transformation function exploiting **economies of scale** associated with the lending/borrowing function, because they have access to a larger number of depositors than any individual borrower.

### 1.3.2 Maturity Transformation

Banks transform funds lent for a short period of time into medium- and long-term loans. For example, they convert demand deposits (i.e., funds deposited that can be withdrawn on demand) into 25-year residential mortgages. Banks' liabilities (i.e., the funds collected from savers) are mainly repayable on demand or at relatively short notice. On the other hand, banks' assets (funds lent to borrowers) are normally repayable in the medium to long term. Banks are said to be "borrowing short and lending long" and in this process they are said to



“mismatch” their assets and liabilities. This mismatch can create problems in terms of **liquidity risk**, which is the risk of not having enough liquid funds to meet one’s liabilities.

### 1.3.3 Risk Transformation

Individual borrowers carry a risk of default (known as credit risk) that is the risk that they might not be able to repay the amount of money they borrowed. Savers, on the other hand, wish to minimise risk and prefer their money to be safe. Banks are able to minimise the risk of individual loans by diversifying their investments, pooling risks, screening and monitoring borrowers and holding capital and reserves as a buffer for unexpected losses.

## 1.4 Transaction Costs

Banks traditionally differ from other financial intermediaries for two main reasons: 1) bank liabilities (i.e., deposits) are accepted as a means of exchange; and 2) banks are the only intermediaries that can vary the level of deposits and can create and destroy credit. Modern views on financial intermediation indicate as a crucial function of financial intermediaries the transformation of primary securities issued by firms (deficit units) into secondary securities that are more attractive to surplus units.

In this context, financial intermediation can be explained in terms of reduction of transaction costs. Secondary securities will be less risky, more convenient and more liquid than primary securities, because banks benefit from economies of scale in transaction technologies and are able to carry out a rational diversification of risks. This allows them to offer lower loan rates relative to direct financing. However, most bank assets are illiquid (non-negotiable) and this can be explained by issues relating to asymmetric information.

## 1.5 Economies of Scale and Economies of Scope

Financial intermediaries reduce transaction, information and search costs mainly by exploiting **economies of scale**. By increasing the volume of transactions, the cost per unit of transaction decreases. Moreover, by focusing on growing in size, financial intermediaries are able to draw standardised contracts and monitor customers so that they enforce these contracts. They also train high-quality staff to assist in the process of finding and monitoring suitable units in deficit. It would be very difficult, time-consuming and costly for an individual to do so.

Financial intermediaries can reduce risks by “pooling” individual risks so that in normal circumstances, surplus units will be depositing money as deficit units make withdrawals. This enables banks, for instance, to collect relatively liquid deposits and invest most of them in





long-term assets. Another way to look at this situation is that large groups of depositors are able to obtain liquidity from the banks while investing savings in illiquid but more profitable investments.

**Economies of scope** refer to a situation where the joint costs of producing two complementary outputs are less than the combined costs of producing the two outputs separately. Let us consider two outputs,  $Q_1$  and  $Q_2$  and their separate costs,  $C(Q_1)$  and  $C(Q_2)$ . If the joint cost of producing the two outputs is expressed by  $C(Q_1, Q_2)$ , then economies of scope are said to exist if:  $C(Q_1, Q_2) < C(Q_1) + C(Q_2)$ .

This may arise when the production processes of both outputs share some common inputs, including both capital (for example, the actual building the bank occupies) and labour (such as bank management). Consider, for example, the economies derived from the joint supply of both banking and insurance services. A bank might sell both mortgages and life insurance policies that go with them, therefore creating cross-selling opportunities for the bank. However, economies of scope are difficult to identify and measure.

## 1.6 Asymmetric Information

Information is at the heart of all financial transactions and contracts. Three problems are relevant: a) not everyone has the same information; b) everyone has less than perfect information, and c) some parties to a transaction have “inside” information which is not made available to both sides of the transaction. Such “asymmetric” information can make it difficult for two parties to do business together, and this is why regulations are introduced to help reduce mismatches in information.

Transactions involving asymmetric (or private) information are everywhere. A government selling a bond does not know what buyers are prepared to pay; a bank does not know how likely a borrower is to repay; a firm that sells a life insurance policy does not know the precise health of the purchaser (even though they have a good idea); an investor that buys an equity in Nokia does not know the full details about the company’s operations and future prospects. These types of informational asymmetries can distort both firm’s and user’s incentives that result in significant inefficiencies.

Information is at the centre of all financial transactions and contracts. Decisions are made beforehand on the basis of less than complete information and sometimes with counterparties who have superior information with the potential for exploitation. In any financial system, information is not symmetrically distributed across all agents, which implies that different agents have different information sets. Put another way, full and complete information is not uniformly available to all interested parties. In addition, not all parties have the same ability to utilise the information that is available to them. In particular,





parties have more information about themselves (including their intentions and abilities) than do others. The problem arises because information is not a free good and the acquisition of information is not a costless activity. If either were the case, there would never be a problem of asymmetric information.

## Exercises

### 1. Concept Check:

- 1) What is the role of financial intermediaries in an economy?
- 2) What is the core activity of a bank?
- 3) What are the barriers to the direct financing process?
- 4) How do lenders' and borrowers' requirements differ? How can financial intermediaries bridge the gap between them?
- 5) Explain how banks can lower transaction costs.
- 6) What are the advantages of financial intermediation over direct finance?
- 7) Explain the relevance of information asymmetries in the intermediation process.

### 2. True/False Judgement:

- 1) \_\_\_\_\_ Borrowers are generally referred to as surplus units and lenders are known as deficit units.
- 2) \_\_\_\_\_ The issuer of the financial claim is said to have financial assets.
- 3) \_\_\_\_\_ The lender of the funds holds the borrower's financial claim and is said to hold a financial asset.
- 4) \_\_\_\_\_ Lenders prefer long-term lending to short-term.
- 5) \_\_\_\_\_ As for information asymmetries, lender has better information about the investment than borrowers.
- 6) \_\_\_\_\_ Deposits are normally small-size, low-risk and high-liquidity.

### 3. Give the Chinese Equivalents to the Following English Terms:

- |                            |       |
|----------------------------|-------|
| 1) financial intermediary  | _____ |
| 2) allocation of resources | _____ |
| 3) economic efficiency     | _____ |
| 4) direct finance          | _____ |
| 5) deficit units           | _____ |
| 6) financial asset         | _____ |



- |                         |       |
|-------------------------|-------|
| 7) financial liability  | _____ |
| 8) brokerage service    | _____ |
| 9) residential mortgage | _____ |
| 10) liquidity risk      | _____ |

#### 4. Give the English Terms to the Following Chinese:

- |          |       |
|----------|-------|
| 1) 金融债权  | _____ |
| 2) 证券化   | _____ |
| 3) 市场失灵  | _____ |
| 4) 盈余单位  | _____ |
| 5) 违约风险  | _____ |
| 6) 间接金融  | _____ |
| 7) 变现能力  | _____ |
| 8) 规模经济  | _____ |
| 9) 期限转换  | _____ |
| 10) 活期存款 | _____ |

#### 5. Matching:

*Directions: In the box below, there are several financial concepts, please match each financial concept to the appropriate definition/explanation.*

financial claim	securitisation	liquidity	demand deposit
deficit unit	brokerage services	direct finance	surplus units
market failure	banks' liabilities	transaction costs	banks' assets
default	risk of default	liquidity risk	

- 1) \_\_\_\_\_ the borrower not meeting its repayment obligations
- 2) \_\_\_\_\_ borrowers obtain funds directly from lenders in financial markets
- 3) \_\_\_\_\_ a claim to the payment of a future sum of money and / or a periodic payment of money
- 4) \_\_\_\_\_ borrowers
- 5) \_\_\_\_\_ the risk of not having enough liquid funds to meet one's liabilities
- 6) \_\_\_\_\_ the costs of running the economic system, usually measured in time and money spent in carrying out a financial transaction
- 7) \_\_\_\_\_ lenders
- 8) \_\_\_\_\_ funds deposited that can be withdrawn on demand
- 9) \_\_\_\_\_ the risk that they might not be able to repay the amount of money they



borrowed

- 10) \_\_\_\_\_ funds lent to borrowers
- 11) \_\_\_\_\_ inefficient functioning of financial markets
- 12) \_\_\_\_\_ buying and selling stocks and bonds for clients
- 13) \_\_\_\_\_ the ease of converting a financial claim into cash
- 14) \_\_\_\_\_ the pooling and re-packaging of illiquid financial assets into marketable securities
- 15) \_\_\_\_\_ the funds collected from savers

### 6. Fill in the Blanks with Proper Words:

Individual borrowers carry a \_\_\_\_\_ 1) \_\_\_\_\_ (known as credit risk) that is the risk that they might not be able to \_\_\_\_\_ 2) \_\_\_\_\_ the amount of money they borrowed. Savers, on the other hand, wish to \_\_\_\_\_ 3) \_\_\_\_\_ risk and prefer their money to be \_\_\_\_\_ 4) \_\_\_\_\_. Banks are able to minimise the risk of individual loans by \_\_\_\_\_ 5) \_\_\_\_\_ their investments, \_\_\_\_\_ 6) \_\_\_\_\_ risks, and \_\_\_\_\_ 7) \_\_\_\_\_ borrowers and holding capital and \_\_\_\_\_ 8) \_\_\_\_\_ as a \_\_\_\_\_ 9) \_\_\_\_\_ for unexpected losses.

### 7. Multiple Choices:

- 1) The economies of scale can be explained by the following perspective, except for \_\_\_\_\_.
  - A. lower average cost
  - B. more standardized contracts and regulations
  - C. more adequate capital
  - D. highly qualified staff
- 2) How to understand that “Financial intermediaries can reduce risks by ‘pooling’ individual risks” ?
  - A. Individuals will have more confidence.
  - B. There are abundant capital inflows despite capital outflow so that the possibility of capital chain break is lower.
  - C. The intermediaries are more reliable.
  - D. Individual risks share similarities.
- 3) Assume that Q1 and Q2 are two outputs, and C(Q1) and C(Q2) means the separate costs. If the joint cost of producing the two outputs is expressed by C(Q1, Q2), how can the economies of scope be expressed by formula?
 

A. $C(Q1, Q2) < C(Q1) + C(Q2)$	B. $C(Q1, Q2) = C(Q1) + C(Q2)$
C. $C(Q1, Q2) > C(Q1) + C(Q2)$	D. $C(Q1, Q2) \approx C(Q1) + C(Q2)$
- 4) Which of the following can be an example of “cross-selling” mentioned in the



passage?

- A. Sell one and send one free.
  - B. Sell the product with coupon.
  - C. Sell an upgraded product to the customer.
  - D. Sell additional product to an existing customer.
- 5) "A firm that sells a life insurance policy does not know the precise health of the purchaser" is an example of the situation of \_\_\_\_\_.
- A. not everyone has the same information
  - B. everyone has less than perfect information
  - C. some parties to a transaction have "inside" information which is not made available to both sides of the transaction
  - D. some information is fabricated
- 6) Why information is at the centre of all financial transactions?
- A. The ability to use information varies.
  - B. Information is not equally available to all parties.
  - C. Acquiring information is costly.
  - D. All the above.

### 8. Translate the Following into Chinese:

- 1) By carrying out the intermediation function banks collect surplus funds from savers and allocate them to those with a deficit of funds (borrowers). In doing so, they channel funds from savers to borrowers thereby increasing economic efficiency by promoting a better allocation of resources.

---

---

---

---

---

- 2) A financial claim is a claim to the payment of a future sum of money and/or a periodic payment of money. More generally, a financial claim carries an obligation on the issuer to pay interest periodically and to redeem the claim at a stated value in one of three ways: a) on demand; b) after giving a stated period of notice; c) on a definite date or within a range of dates.

---

---

---

---

---





- 3) Financial claims can take the form of any financial asset, such as money, bank deposit accounts, bonds, shares, loans, life insurance policies, etc.

---

---

---

- 4) The minimisation of risk includes the minimisation of the risk of default (the borrower not meeting its repayment obligations) and the risk of the assets dropping in value.

---

---

---

- 5) Transactions costs relate to the costs of searching for a counterparty to a financial transaction (the costs of running the economic system, usually measured in time and money spent in carrying out a financial transaction), the costs of obtaining information about them, the costs of negotiating the contract, the costs of monitoring the borrowers, and the eventual enforcements costs should the borrower not fulfil its commitments.

---

---

---

## 9. Reading Comprehension:

### Shadow Banking

Shadow banking, in fact, symbolizes one of the many failings of the financial system leading up to the global crisis. The term “shadow bank” was coined by economist Paul McCulley in a 2007 speech at the annual financial symposium hosted by the Kansas City Federal Reserve Bank in Jackson Hole, Wyoming. In McCulley’s talk, shadow banking had a distinctly US focus and referred mainly to nonbank financial institutions that engaged in what economists call maturity transformation. Commercial banks engage in maturity transformation when they use deposits, which are normally short-term, to fund loans that are longer term. Shadow banks do something similar. They raise (that is, mostly borrow) short-term funds in the money markets and use those funds to buy assets with longer-term maturities. But because they are not subject to traditional bank regulation, they cannot—as banks can—borrow in an emergency from the Federal Reserve (the US central bank) and do not have traditional