

# ENGLISH FOR INTERNATIONAL BANKING AND FINANCE **GUIDE FOR TEACHERS**

Jim Corbett

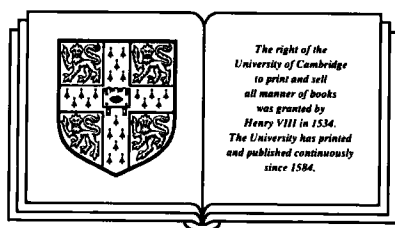
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# **ENGLISH**

## **FOR INTERNATIONAL BANKING AND FINANCE**

### **GUIDE FOR TEACHERS**

*Jim Corbett*



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# To the teacher

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*English for International Banking and Finance* is for people who need English for their day-to-day work in international banking, as well as for students of international banking and professional people whose work brings them into contact with international banking and finance.

The book is organized into nine thematically linked units which are self-contained, so that they can be used in any order or grouped together to form modules according to individual needs.

The units can be used in class, in one-to-one teaching and for self-study. They are divided into four sections. The first three sections in a unit are based on listening passages. The fourth section in a unit mainly contains work based on reading texts. Each unit provides between three and five hours work.

Each of the nine units of this *Guide for teachers* provides you with these things:

- an introductory *Briefing* section which provides background information about the banking business content of a unit
- ideas about how to teach the individual components of the units
- a tapescript of what is on the *Cassette*
- an answer key

Please note that you have permission to photocopy for your learners the *Briefing* sections at the beginning of each unit and the crossword puzzle solutions in Units 2, 4, 6 and 8.

We welcome comments and reactions from teachers who use the materials. Please send them to Jim Corbett, c/o Cambridge University Press, The Edinburgh Building, Shaftesbury Road, Cambridge, CB2 2RU, UK.

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# Unit 1 Bank organization

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## Briefing

The way in which a bank is organized and operates is determined by its objectives and by the type of economy in which it conducts its business. A bank may not necessarily be in business to make a profit. **Central banks**, for example, provide a country with a number of services, while **development banks** exist to increase the economic growth of a country and raise the living standard of its population. On the other hand, the aim of **commercial banks** is to earn profits. They therefore provide and develop services that can be sold at a price that will yield a profit.

A commercial bank which provides the same range of services year after year is less likely to be successful than one which assesses changes in the demand for its products and which tries to match products to its customers' needs. New services are constantly being introduced and developed by commercial banks, and the full-service philosophy of many banks means that they are akin to financial supermarkets, offering a wide variety of services. However, not every bank may want to offer every kind of financial service.

Many banks offer a combination of **wholesale** and **retail** banking. The former provides large-scale services to companies, government agencies and other banks. The latter mainly provides smaller-scale services to the general public. Both types of banking, however, have three essential functions, which are:

- deposits
- payments
- credits

These three functions are the basis of the services offered by banks. They make it possible for banks to generate profits and to achieve their operating aims.

Several factors have combined to make banking an international business. These include the growth of multinational companies and of international capital markets, the increased competition between the banks themselves, and important improvements in communications and transportation. The major banks of the world have established extensive international operations by acquiring banks in other countries, by extending their own branch network abroad and by establishing correspondent relationships with foreign banks so as to develop profitable joint operations. The operations of these major commercial banks are dynamic and rapidly changing, and their organization is of a global nature.

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## Section A **A1**

Don't allow your learners to spend too much time on this warm-up task. Get individuals to report back orally to the class on the responsibilities of the three

people without reference to the text, e.g. *Bernard Rogers is currently ... but will soon be ...*. This will allow you to check pronunciation and comprehension.

### Answers

1

**Bernard Rogers**

Division: corporate banking and international banking.

**Lucy John**

Division: finance operations.

Responsibilities: foreign exchange, short-term money market operations, accounting.

**David Lacey**

Division: retail banking.

Responsibilities: branch network.

2 1C; 2I; 3G; 4B; 5E; 6F

### A2

Point out to your learners that this first listening is for general comprehension and that they will have the opportunity to hear the conversation again.

### Tapescript

**PRESENTER:** Ed Walker describes the structure of his bank to Françoise Caie.

**ED:** OK, there's an organization chart here, Françoise, in the back of the annual report, that we can run through, just to make things a little clearer.

**FRANÇOISE:** Oh, good.

**ED:** We were reorganized earlier this year, so the organization is still fairly new. Basically, as you can see, we're split into six line divisions. The first of these, the Banking Division, consists of three geographic groups: Group One The Americas, Group Two Europe, and Group Three Africa, Asia and the Middle East. All these groups offer a full range of international banking services.

Then there's the Private Banking Division which serves consumers in the domestic and international markets.

The Treasurer's Division has a wide spread of operations which includes investment portfolio management, commercial paper, government and municipal bonds, foreign exchange, bullion, and public finance.

**FRANÇOISE:** So there are three operative divisions.

**ED:** That's right, and these three operative divisions are backed up by another three servicing divisions. Firstly, there's the Administrative Division which covers administrative services as well as personnel, premises and economic analysis. The Financial and Information Systems Division includes the Comptroller's Department, the Corporate Tax Department, and the Systems and Data Processing Department.

And then finally, the Corporate Planning Division includes strategic planning, and credit policy and administration.

**FRANÇOISE:** Yes, I see.

ED: It gets much more complicated than that if we go into detail, but I'll leave the annual report with you, in case you ever need it for reference.

FRANÇOISE: Right. Thank you very much.

PRESENTER: That was Ed describing the structure of a leading American bank.

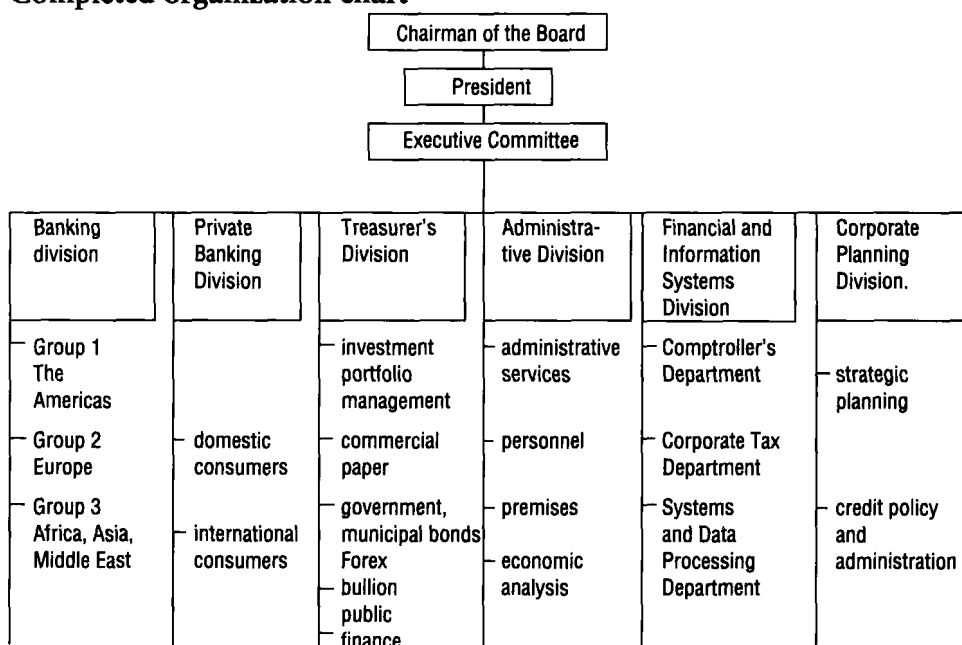
## Answers

1a); 2a)

## A3

Focus attention on the organization chart and play the cassette again. It is essential that you stop the cassette every so often to allow time for the learners to write down the information. You may need to play the cassette a third time or you may wish to break up the task a little by eliciting answers for each division as you go along rather than all at the end.

## Completed organization chart



## A4

The purpose of this task is to check the important vocabulary from the Listening. You may wish to set it as homework or do it at your next meeting to revise the vocabulary.

## Answers

1 annual report; 2 reorganized; 3 line divisions; 4 consumers; 5 domestic; 6 investment portfolio management; 7 commercial paper; 8 municipal bonds; 9 bullion; 10 personnel; 11 premises; 12 comptroller's department; 13 strategic planning; 14 credit policy



**Section B    B1**

As with A2, the purpose of the first listening is general comprehension.

**Tapescript**

**PRESENTER:** Clive Regis is interviewed about his bank's organization.

**INTERVIEWER:** First of all, could you tell me how you're organized?

**CLIVE:** Yes, certainly. Just to give you the background, we were established as a merchant bank as long ago as 1869. We operated independently as one of the major merchant banks in the City until 1976, when Metropolitan and Provincial acquired a one third interest in us, and as of last year we are now a wholly-owned subsidiary of that bank.

**INTERVIEWER:** Oh, really? I didn't realize that.

**CLIVE:** Mmm. One of the consequences of our acquisition was that we sold off our non-banking related activities, though of course we still cover a full range of international banking services. Now in terms of management structure, we have an Administration Division which looks after all administrative matters. These include planning, group financial control, accounting and audit, computer services, legal services, personnel, premises and so forth.

**INTERVIEWER:** Ah, yes. That's cost centre services then?

**CLIVE:** That's cost centre services, right. Next we have the Banking Division and they deal with loans, syndicated loans, project finance, overdrafts, documentary credits and correspondent banking.

**INTERVIEWER:** I see.

**CLIVE:** We're very active in the markets and so therefore we have a Dealing Division. They cover foreign exchange, currency options, money market transactions, bonds, floating rate notes, Eurodollar CDs, ...

**INTERVIEWER:** CDs?

**CLIVE:** Certificates of Deposit.

**INTERVIEWER:** Oh, I see. Yes.

**CLIVE:** CDs, financial futures and bullion. Then there's our Corporate Finance Division which has expanded quite rapidly over the last couple of years. They provide advice to a large number of UK and international companies. The activities of the Corporate Finance Division include mergers, takeovers, acquisitions and divestments, as well as stock market and USM flotations in London, and of course capital raising.

**INTERVIEWER:** Mmm, I see.

**CLIVE:** We also have an Investment Management Division which provides services to companies: pension funds, investment trusts, unit trusts and offshore funds. And finally there's a Leasing Division which organizes leasing packages for lessors and lessees. Well, that's who we are, and what we do. I think that sums it up.

**INTERVIEWER:** Ah, yes indeed. Now if we could move on to the ...

**PRESENTER:** That was Clive describing the structure of a merchant bank in London.

**Answer**

Clive Regis gives a brief history of the bank, and then talks about recent changes and the range of services provided.

**B2**

As with A3, it is essential that you stop the cassette at frequent intervals to allow your learners to write in the information.

**Filled in boxes**

<b>Administration Division</b> Planning Group financial control Accounting and Audit Computer services Legal services Personnel Premises	<b>Banking Division</b> Loans, syndicated loans Project finance Overdrafts Documentary credits Correspondent banking	<b>Dealing Division</b> Foreign exchange Currency options Money market transactions Bonds Floating rate notes Eurodollar CDs Financial futures Bullion	<b>Corporate Finance Division</b> Mergers Takeovers Acquisitions Divestments Stock market and USM flotations Capital raising	<b>Investment Management Division</b> Companies Pension funds Investment trusts Unit trusts Offshore funds	<b>Leasing Division</b> Packages for lessors and lessees
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**B3**

See instructions for A4.

**Answers**

1 J; 2 G; 3 L; 4 S; 5 B; 6 C; 7 N; 8 H; 9 I; 10 D; 11 Q; 12 R; 13 P; 14 F; 15 O; 16 A; 17 T; 18 M; 19 K; 20 E

**B4**

Allow the learners a short period of time to look through the exercise, and then to ask any questions that they might have. Next, allow two or three minutes for the learners to make their individual plans. When they have done so, divide the group into pairs, to compare their answers and to justify any differences that their plans may contain. Finally, you may wish to see if there is any consensus of opinion among the class on a plan which links the functional areas in the best way. There is obviously no one correct solution to this task.

## Section C C1

Check that the learners understand the meaning of the services listed before carrying out this warm-up task.

### Answers

These activities are traditionally associated with savings banks:

personal loans, safe-deposit services, deposit accounts, payment of standing orders and cheque paying services.

## C2

You may want the learners to listen to Kai's presentation first without completing the chart.

### Tapescript

**PRESENTER:** Kai Larsen describes the organization of a Scandinavian savings bank.

**KAI:** In understanding how we're organized, it's perhaps first necessary to understand just what we are, and that is a savings bank. This has some important implications as to why we're organized the way we are. As the Capital Savings Bank, founded in 1878, we were the oldest and largest savings bank in the country. In 1980 we merged with the two largest regional savings banks and effectively this now gives us a nationwide network of branches to serve the private customer.

Head Office of course is here, that's in the central region, and there are two other regional offices. There's a Board of Directors, which is elected by the Board of Trustees of the bank, and a Managing Director, who has two Deputy Managing Directors who are responsible to him.

The one Deputy Managing Director is responsible for the branch network of offices, and reporting to him are the three Regional Managers, for the northern, central and southern regions.

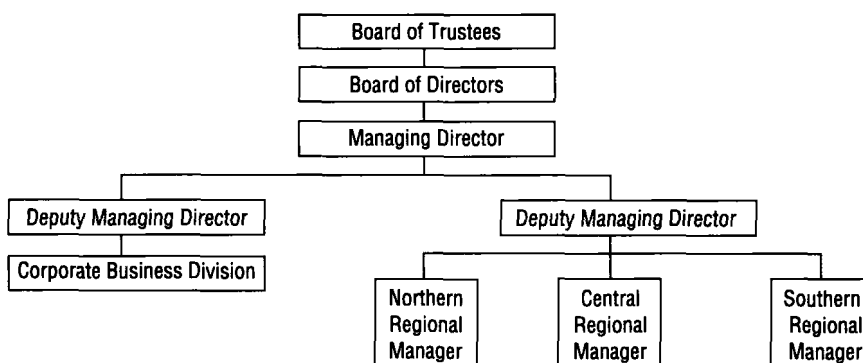
The other Deputy Managing Director is responsible for the Corporate Business Division, and the formation of this division, really, was one of the main objectives of the merger: to pool our resources and to gain access to the lucrative markets dominated by the commercial banks.

And well, I think we've succeeded. We've still got a long way to go, of course, but we've turned from a savings bank which, prior to 1970, couldn't accept deposits in excess of the equivalent of ten thousand dollars, because of the regulations, into a commercially competitive bank which last year, for instance, granted an international debenture loan of forty-five million dollars and which had a loan portfolio fifty per cent of which, in terms of volume, related to corporate customers.

And we've done this virtually from scratch, building up our client list of small and medium-sized companies, establishing and expanding worldwide correspondent banking relationships, and, of course, making major investments in terms of personnel and technology. In our case, the new organization structure was very necessary for us to be able to broaden the scope of our activities.

**PRESENTER:** Kai, there, telling us about the organizational structure of a Scandinavian savings bank.

### Completed organization chart



### C3

The purpose of this activity is to check the understanding of the important vocabulary – words and phrases – in the Listening.

### Answers

1 savings bank; 2 founded; 3 merged; 4 nationwide network of branches; 5 Trustees; 6 lucrative markets; 7 commercial banks; 8 prior to; 9 in excess of; 10 debenture loan; 11 loan portfolio; 12 correspondent banking relationships; 13 personnel; 14 broaden the scope of our activities

### C4

You may want to ask your learners to prepare their presentations as homework rather than in class. If learners work for the same bank, ask each person to make the presentation to a partner. This will avoid consecutive presentations of a similar nature. If you do this, circulate amongst the pairs, monitoring performance and giving any necessary feedback.

## Section D

### D1

Allow approximately five minutes for the learners to read the text.

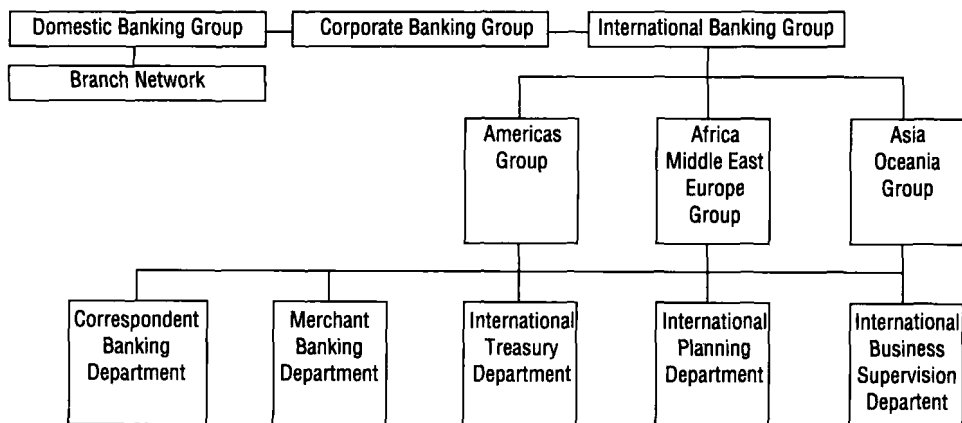
### Best heading

Global banking resources

### D2

After your learners have completed the organization chart, ask them to compare their chart with that of a partner. If necessary, run through the answer on the board and draw attention to the relevant details in the text. If you have the time and resources, you could ask individuals to present the structure on an overhead transparency.

### Completed organization chart



### D3

This is a quick comprehension check. Make sure learners justify their answers.

#### Answers

- 1 False. *(It services the needs of over 200 of the nation's largest corporations.)*
- 2 True. 3 True. 4 True. *(12 branches and 18 representative offices.)* 5 True.

### D4

Get students to do this problem-solving task in pairs or small groups.

#### Answers

- 1 The savings bank. *(The commercial bank and the clearing bank both have six business sectors. All of the banks are independent, except for the merchant bank, which is a wholly-owned subsidiary. This bank is split into five line divisions, and it can thus only be the savings bank which has four line divisions.)*
- 2 The clearing bank. *(The savings bank was formed in 1920, and the commercial bank in 1928. The bank which is not independent, i.e. the merchant bank, was established in 1896, and it must therefore be the clearing bank that was formed in 1946.)*

### D5

Allow approximately ten minutes for the two interviews to be carried out, and then a further ten minutes for each learner to write up his or her description. Circulate and help as necessary. Conclude by asking the learners to read through their partner's description, and to comment as necessary.

If all the learners work for the same bank, it is better that they talk about a bank in which they worked previously or about another bank they know well, such as one of their correspondent banks.

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# Unit 2 Bank performance

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## Briefing

Banks necessarily use sophisticated accounting systems to record as clearly as possible what the financial situation of the bank is. Normally such a system is based on the principle of the **double entry**, which means that each transaction is entered twice, as a **credit** in one account and as a **debit** in another account. If we deposit £100 with a bank, for example, the bank enters a debit for the receiver and a credit for the giver. The former represents an **asset** to the bank, since it is a sum of money at the bank's disposal, as well as a **liability**, since it will one day have to be repaid.

The **balance sheet** of a bank gives us a view of its financial situation at one point in time, usually 31 December of a particular year. But we do not know what has happened between two balance sheets. This information is provided by the **profit and loss account** for the period in question. Neither statement is exactly uniform from bank to bank, but both contain certain essential features.

The largest asset of a bank is normally its total portfolio of loans. Deposits usually constitute the largest liability. Balance sheets usually include the following items listed as assets:

- Cash on hand and due from banks – money in vaults, balances with other banks, cheques in process of collection.
- Investments – bonds, shares, etc.
- Loans – to companies, the general public, etc.
- Fixed assets – buildings, equipment, etc.

Items listed in the balance sheet as liabilities are:

- Deposits – all money owed to depositors
- Taxes payable – national and local
- Dividends payable – decided on, but not yet paid

The profit and loss account records the income of a bank, and here, typically, the items in order of size are:

- interest on loans
- return on investments
- fees, commissions, service charges

The granting of credit provides the largest single source of bank income. Typically, two thirds of an American commercial bank's yearly earnings result from interest on loans. Nine out of every ten dollars they lend come from depositors' funds.

The following items normally constitute the main expenses in a bank's profit and loss account, again in typical order of size:

- interest paid
- salaries and other benefits
- taxes

A bank's accounting systems, then, are designed to record and present the many transactions that take place every day. Substantial reserves over and above statutory requirements are an indication to customers of the bank's strength, that it has run its business well and has retained profits in the business for future operations. Profitability indicates the effectiveness of a bank's performance and how well it has managed the resources under its control. Published figures thus provide some essential data on the liquidity, safety and income of a bank.

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## Section A **A1**

Give the group a couple of minutes in which to read the texts silently and to choose an appropriate heading for each from the list given. Check answers orally and answer any questions which may arise.

### Answers

1 Loss reported; 2 Profits growth; 3 Mixed profits; 4 Profits forecast

## **A2**

You may want to do the pre-listening task as a group activity. Once your learners have heard the informal presentation, you may also wish to elicit briefly what listed points Ed Walker did not mention.

### Tapescript

**PRESENTER:** Ed Walker gives an informal presentation of his bank to a prospective client.

**ED:** I have here a copy of our last annual report for your reference which you'll no doubt want to look through later. But I can give you right now a very brief overview of our performance last year.

**JEAN:** OK, fine.

**ED:** As of December 31st 1990, the Cybulski Bank Corporation was the fifth largest bank in the United States, based on stockholders' equity, and sixth largest based on deposits. The bank has over one thousand two hundred offices around the world with some fourteen thousand employees spread over thirty-five foreign countries. And within this worldwide framework we offer a wide range of financial services to a very diverse customer base which includes corporate clients, government agencies and correspondent banks.

**JEAN:** Right.

**ED:** In 1990 we achieved record earnings coupled with our tenth consecutive year of profit growth in what is, as you know, an intensely competitive environment. Consolidated net income was five hundred and fifty million dollars, ten per cent up on 1989, and this was the second year that our net income reached the half-billion dollar mark.

A part of the bank's policy is to maintain a strong capital base and at the end of 1990 our total assets amounted to over sixty-five billion dollars. We hold deposits of around thirty-seven point eight billion dollars and net interest income alone in fiscal 90 was one point nine billion dollars. In addition, we hold two point two billion dollars' worth of investment securities. Net income, the net income per

share for the period, was five dollars sixty-five. So, all in all, it was a pretty good year, and a year that we are proud of.

JEAN: Yes, I can imagine.

PRESENTER: That was Ed giving us a broad view of his bank's financial performance for 1990.

### Points mentioned by Ed

Size of the bank based on stockholders' equity, deposits, number of offices and staff; earnings; consolidated net income; total assets; deposits; net interest income; investment securities; net income per share.

### A3

Direct the learners' attention to the extract from the Annual Report and the information to be filled in. Then replay the presentation, stopping the cassette to allow time for the learners to write in the missing figures.

<b>Highlights</b>		
\$ In millions, except per share data		
For the Year	<b>1990</b>	<b>1989</b>
Net Income	550	500
Net Interest Income	1,900	1,600
Per Share		
Net Income	5.65	4.80
At Year-End		
Assets	65,000	59,000
Deposits	37,800	34,700
Investment Securities	2,200	1,900
Employees	14,000	13,650
Number of Offices	1,200	1,150

### A4

Allow the pairs a few minutes in which to look through the extracts and to discuss possible answers. Then replay the presentation, stopping it immediately after each target word or phrase.

### Answers

1 annual report; 2 brief overview; 3 stockholders' equity; 4 deposits; 5 very diverse customer base; 6 corporate clients; 7 correspondent banks; 8 record earnings; 9 tenth consecutive year; 10 Consolidated net income 11 our total assets; 12 fiscal 90; 13 investment securities

### A5

#### Answers

- 1 One thousand two hundred; twelve hundred
- 2 Five hundred and sixty million
- 3 Five billion; five thousand million. (Note that the first is used in American English and the second in British English. British English may, however, use the



word *billion* in the American sense.)

- 4 Thirty-seven million six hundred thousand; thirty-seven point six million
- 5 One million five hundred thousand six hundred and seventy two
- 6 One and a half million; one point five million; one million five hundred thousand

## Section B **B1**

You may want to ask learners where they would expect to meet those expressions which they crossed.

### Answers

- 1 ✓; 2 ✗ – more likely to be read in an advertisement or, perhaps, an annual report;
- 3 ✓; 4 ✓; 5 ✓; 6 ✗ – typical of the auditor's report in an annual report; 7 ✓;
- 8 ✓; 9 ✓

## **B2**

Point out that the purpose of this first listening is to answer the three questions only.

### Tapescript

**PRESENTER:** Claire Seal gives some information about her bank to a group of professional visitors from abroad.

**CLAIRE:** This diagram gives a very brief summary of some of the key figures relating to our performance in 1990. We'll be meeting these figures again later in greater detail, but it may be useful at this stage to present them and to indicate a number of important trends.

If we begin with income then, you will see that the total group income amounted to a record level of one hundred and fifty-five million pounds, an increase of nearly fifteen per cent on the previous year, a rate of increase slightly above that of recent years. Interest received amounted to six hundred and fifteen million pounds, and interest paid to five hundred and sixteen million, leaving us with a net interest income of ninety-nine million pounds. This is eleven per cent up over the 1989 figure and represents sixty-four per cent of the total group income for 1990. The net interest income is quite satisfactory in itself, given the very difficult market conditions, but what is especially significant is the increase in non-interest income from forty-six to fifty-six million pounds, an increase of some twenty-two per cent. A very important part of the bank's policy lies in limiting dependence on net interest as a source of income and in developing its fee and commission earning activities, and 1990 income in this area accounted for a two per cent higher contribution to total income than was the case in 1989. This is an encouraging trend, as it reflects the bank's response to the changing economic environment in general and to the sensitivity of interest rates in particular.

Non-interest income then of fifty-six million pounds, making the total income for the year of one hundred and fifty-five million pounds, twenty million pounds higher than the previous year.

**PRESENTER:** Claire, there, giving details about the bank's income for 1990.