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INTERNATIONAL FINANCE AFFAIRS

国际金融实务

（英文版）

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内容提要

本书是针对外语系四年级学生或英文有相当基础的学生，帮助他们了解有关金融方面的知识，以适应社会不同行业的需求。因此，本书内容较广泛，包括七个章节：银行业务、投资业务、外汇交易、证券业务、信托业务、欧洲货币、知识产权。

银行业务介绍了国内外银行系统，以及银行的主要业务和发展情况。投资业务着重于外国在中国的直接投资，即三种外商投资企业的情况。外汇交易讲述了各种不同的外汇交易方式及其具体操作方法。证券业务介绍股票和债券的发行与交易，尤其是在中国市场的具体做法。信托业务包括国外国内的信托，信托投资，租赁及咨询业务。欧洲货币一章介绍了欧洲货币的来由及欧洲货币市场的具体业务与操作。最后一章，知识产权主要是专利，商标，版权，专有技术等在中国的应用情况。

本书不仅包括国外的金融实务，也包括国内的最近金融发展情况以及具体做法，读者可做比较。

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Introduction

Financial sector plays a crucial role in today's economy. The measurement of a country's economic strength largely depends on the extent of its finance development and complexity. Financial institutions differ from other firms by a relatively small share of real assets on their balance sheets. Therefore, the direct impact of financial institutions on the economy is not obvious, however, the indirect impact of financial markets and institutions on economic performance can not be neglected. The financial sector not only provides payment services, but more importantly enables firms and households to cope with economic uncertainties by hedging etc.

A large amount of liquid capital are in the hands of households. Through activities on financial market, funds are shifted from one place to another place and most oftenly, collected from sporadic households to big firms so that funds are used more efficiently to create larger profit rather than leave it idle and remain the same value or, sometimes devalued in times of inflation.

Without the financial instruments, each household would make autonomous savings and investment decisions with no regard for the opportunity cost of using those resources elsewhere in society. It might not be realistic for each household to make real investment for the reason that it has to accumulate sufficient savings in order to meet the requirements for investment although the investment might offer a high return. In this case, a household is likely to exchange some of its resources for a financial claim, which is a contractual agreement entitling the holder to a future payoff from some other economic entity. The financial claim is both a store of value and a way of redistributing income which might provide more attractive return. Therefore, households may specialize in saving and investing in financial claims and bigger corporations or financial institutions may specialize in real investment financed by issuance of direct financial liabilities.

As regards indirect finance, funds are converted to funds through financial intermediaries, which means that the financial intermediaries shall participate into all kinds of financial activities on behalf of themselves while giving a return to the capital providers. In another way called direct finance, those who have saved money and are willing to lend them out shall revert to financial markets and let those who must finance their spending borrow the excessive fund. Lenders usually are households. However, sometimes business firms, government and foreigners together with their government might find themselves with excessive funds. Major borrowers are the business firms and government. Households and foreigners might sometimes find themselves tied up with capital and would only be too happy to borrow funds as well. In direct finance, typically the borrowers borrow funds from the lenders by selling them the securities or the so-called financial claims on which borrower's income should be guaranteed. It is customary for business firms and/or government to issue bond or commercial paper to get financed.

When shifting from real investment to financial income, a saver must spend a considerable amount of resources in deciding how to allocate savings so as to hedge against an adverse choice. Therefore, a saver might have to i) collect and analyze information about firms; ii) negotiate a contract that limits the firm's opportunities for taking advantage of the saver and try to secure the most favorable terms for himself; iii) monitor the firm's performance and iv) enforce the contract.

The situation is clear that if each individual saver must think carefully over all these factors and if the financing needs of the firm are larger than the resource of an individual saver, the information and transactions costs may be so great that it will make direct financing unfeasible. This constitutes the reason of formation of financial intermediaries. They enhance the efficiency of the financial system in that financial intermediaries may purchase direct financial claims and issue their own liabilities. The possibility of significantly reducing such costs for savers and borrowers provide an opportunity for financial intermediation to thrive. These financial intermediaries include banks, savings banks, cooperatives, insurance companies, investment banks, mutual funds, finance companies and other institutions of this sort.

In addition to the function of financial intermediaries, secondary markets are developed for the free trade of financial claims. However, most transactions on the secondary market are carried out through brokers.

In this book, we would have an examination of most financial activities, covering banking, investment, foreign exchange dealings, securities, trust, Eurocurrency and intellectual properties. It is our sincere hope that after this examination you could obtain a comprehensive idea of the finance realm. However, there is no fixed principal for the actual practice of financial activities since financial activities are immensely diversified. Nevertheless, all financial activities should be conducted in accordance with objective rules and regulations and should be supervised carefully by the relevant authorities.

CONTENTS

Chapter 1 Banking

Banks play the most important role in financial activities and are the most significant and influential financial intermediary. The first section examined in financing shall, therefore, be banking.

1.1 World Banking System

Bank structures and organizational forms are diversified in various countries and banks would be classified into different forms along various dimensions.

There are banks operated by government, banks operated by government together with private institutions, and the ones operated wholly by private sectors.

According to the capital contribution of a bank, banks can be classified into two categories: banks limited by shares and banks with sole investment.

Some banks are able to operate nationwidely whilst others shall only operate within a limited regional scope. consequently banks are classified into nationwide banks and localized banks.

In some countries there are some specialized banks that would engage in banking business activities of specific categories, such as special foreign exchange banks and agricultural banks and so on. However, some other banks are capable of handling banking business covering all facets. Accordingly, banks could also be classified into comprehensive banks and specialized banks.

According to different functions played in banking grouping, banks would be classified into central bank, commercial bank, investment bank, savings bank and all types of specialized credit institutions. Shortly speaking, banking system in western countries is principally in a way of central bank as the core of the banking system with co-existence of a variety of banks in which commercial banks are the main body. This will be the starting point from which we begin our examination of banking.

1.1.1 Central Bank

Almost all countries have their own central banks (except Singapore and Luxembourg etc.). Central bank is the heart of a country's banking group. It functions as the highest institution to supervise the nationwide finance, execute national financial policy and control nationwide credit.

During the economic development, it is recognized that there must be a bank authority that can supervise and support all banks. In the infancy of banking system, many commercial banks could issue bank notes. However, it was gradually proved that the method was facing an inevitable exposure. In the event of an economic crisis or a failed operation, the bank notes could not be cashed or honoured, which would consequently effect the credit and circulation of bank notes and the customers' confidence in such banks. Therefore, it was easily acknowledged that ordinary or unremarkable banks should not be authorized of bank note issuance and this duty has been steadily focused on the central bank. Central bank has been worldwidely admitted as the bank of issuance and the only nationwide note issuance institution.

Another factor that has resulted in the establishment of central bank is that only a central bank can play the role of a highest, unbiased authority which handles overall settlement as well due to the daily expansion of banking business and increasingly complex international payment and settlement, Where a bank is on the edge of insolvency, the last resort to save and support this bank is to seek for a central bank to undertake or back up such a heavy burden from the reserves originally collected from other commercial banks. For instance, the biggest news in 1995 that shocked the world's financial market was the sudden downfall of Barings, Britain's oldest merchant bank. Before this disaster, Barlings in 1890 lost millions of pounds in Argentine loans and it was rescued famously by a consortium led by the Bank of England, which is Britain's central bank. This has been one of the most typical example showing the role of the central bank.

Central bank is the bank's bank. Generally speaking, a central bank does not deal with companies or individuals directly, but only corresponds with commercial banks and other financial institutions. However, this shall not be inclusive of the circumstance when a central bank plays a dual role of both a central bank and a commercial bank at the initial stage of a country's banking system evolution. Almost all countries stipulate that commercial banks shall keep a non-interest reserve with central banks. Such reserve would be used as a last resort in the event that a commercial bank needs to satisfy its liquidity and its corresponding bank coincidentally is caught in the same problem, the central bank would provide a loan facility to this commercial bank and help it pass through the current problem.

Central bank can also be called the bank of government and represents the government's interest. Central bank functions as the treasury, receives various sorts of funds and tax, appropriates military allocation and social public benefit funds such as education funds, as well as issues government bond on behalf of the ministry of finance.

Taking into account the role and functions of a central bank, financing from central bank shall be strictly controlled because if the central bank provides facility wherever there is a need for funds, inflation would arise and would influence the stability of currency value.

Central bank can be classified into three categories:

Firstly, state-owned central bank. This indicates that the state sets up its central bank independently and the registered capital together with the title of the central bank shall belong to the state. Central banks of most countries in the world are state-owned and are also known as nationalized central banks. After World War II, many governments contributed directly to establishing their own central banks, including: France, Great Britain, Federal Germany, Netherlands, Norway, Spain, India, Canada, Australia, Egypt, Sweden, Denmark, Indonesia, Russia, Hungary, Rumania, Yugoslavia etc, about 50 countries or more. Nationalization is becoming an inclination of central banks.

Secondly, semi-national central bank. Part of shares of central bank are held by public sector, with the rest portion to be held by private sector. The private sector typically should be those big and renowned organizations that have strong force in finance and therefore can help the government to better establish a central bank. Take for example Bank of Japan: the government subscribes 55% and private sector has the rest 45% subscription. Notwithstanding the fact of being shareholders of the central bank, the private sector does not enjoy right of shareholders in the same way as shareholders of corporations do. The only right of private shareholders of a central bank is that they may get share interest. However, this shall not exceed 5% of their respective contribution and/or shares annually. Central banks of Belgium, Mexico, Austria, Turkey etc. fall in this category as well.

Thirdly, central bank contributed by private sector, such as Italy and United States. Central bank of Italy, which is converted from a shareholding company organization, has an overall capital of 300,000 shares, each share bears a face value of 1,000 Italian lira. This is subscribed by financial institutions of savings banks and national banks etc. Federal Reserve Bank, the central bank of United States, has all its capital subscribed by member banks who participate into Federal Reserve Bank.

It is noteworthy that central bank is the implementor of national financial policy and is supervised and controlled by the government. Although in some countries, private organizations or financial institutions may participate into the contribution to central bank, private shareholders of central bank have no right of decision-making and operation but merely the right of acquiry for a share interest.

Structure of central bank

(1) Unit Central Banking System

This bears the meaning that one country establishes one central bank that plays a sole role as the central financial management institution. Aside from currency issuance, central bank supervises the activities of all financial institutions and actually only corresponds with financial institutions but not with corporations and individuals. Most countries adopt this system such as Great Britain. France, Japan, Italy and Swiss and so on.

(2) Dualist Central Banking System

This means that a country establishes a consolidated central bank as well as central banks in localities. with each central bank executing financial management respectively within the locality scope. Countries adopting such banking system usually have the corresponding federal political system, such as United States. Federal Germany, etc.

(3) Comprehensive Central Banking System

State bank plays the role of both central bank and specialized bank under this system which means that the central bank is not only the currency issuance organ, but also the capital supplier of short-term credit. It covers an extensive business scope and undertakes capital settlement, credit and loan business and savings business throughout the country. Russia and some other east European countries adopted this system in the midst of 60's. China used to adopt this system from early 50's to early 60's.

(4) Mixed Central Banking System

Under this system, a country establishes both the central bank and specialized banks. Central bank undertakes part of specialized banking business whilst other parts of banking business shall be handled by specialized banks. By far Russia and other east European countries adopt this system.

1.1.2 Commercial Bank

Generally speaking, the financial system of a country is constituted by the central bank, commercial banks, specialized banks and other financial institutions. In the banking grouping, commercial bank has the widest business network and the branches of commercial banks usually stretch out at every corner of a country's territory. It plays a role of the stem of a country's financial system and reflects a country's entire banking activity.

Commercial banks are profit-gains oriented credit institutions that basicly undertake deposit and loan business. In the banking system, commercial banks play the most decisive role because they aim at the social public and they would gather sporadic funds as well as collective funds. Therefore, commercial banks are the biggest source of fund supply and the most convenient access for corporations and individuals.

Commercial banks originally undertake corporate deposit, short-term mortgage loan and discount business. However, the tendency of banking is comprehensiveness. Commercial banks in western countries nowadays not only undertake security investment and gold transactions, but also undertake medium- or long-term loan, lease, trust, insurance, consultancy, information service and computer service among lots of others.

Commercial bank structure is typically classified into Branch banking system and Unit banking system which are the two existing systems arising from the different economic environment of different society.

Branch banking system means that some banks set up branches