

## University of Tlemcen

### Banks

A bank is a financial institution that accepts deposits from the public and creates credit. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial system and influence on national economies, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords.

#### Some Types of banks

**Commercial banks:** the term used for a normal bank to distinguish it from an investment bank. After the Great Depression, the U.S. Congress required that banks only engage in banking activities, whereas investment banks were limited to capital market activities. Since the two no longer have to be under separate ownership, some use the term "commercial bank" to refer to a bank or a division of a bank that mostly deals with deposits and loans from corporations or large businesses.

**Private banks:** banks that manage the assets of high-net-worth individuals. Historically a minimum of USD 1 million was required to open an account, however, over the last years many private banks have lowered their entry hurdles to USD 350,000 for private investors.

**Central banks** are normally government-owned and charged with quasi-regulatory responsibilities, such as supervising commercial banks, or controlling the cash interest rate.

They generally provide liquidity to the banking system and act as the lender of last resort in event of a crisis.

**Islamic banks** adhere to the concepts of Islamic law. This form of banking revolves around several well-established principles based on Islamic canons. All banking activities must avoid interest, a concept that is forbidden in Islam. Instead, the bank earns profit (markup) and fees on the financing facilities that it extends to customers.

### **Part one : Questions**

#### **1- Answer this following questions from the text?**

- 1.1- What is the definition of a bank?
- 1.2- Does lending activities be performed only directly?
- 1.3- Are central banks privately owned?
- 1.4- What is the role of central banks?
- 1.5- What are the principles that characterize Islamic banks?

#### **2- Answer this questions?**

- 2.1- Do you know other types of banks?
- 2.2- Does commercial banks work with the same concepts of Islamic banks? What's the difference between them?
- 2.3 Do you support the mechanisms by which Islamic banks operate?
- 2.4- In which bank would you like to deposit your money?

### **Part two: Learning more**

#### **1- Give me the definitions of this following words (Use google in order to help you, 2 lines max )**

An asset- Liquid assets - Deposit- Basel Accords- Great Depression- Banking system.

**2- Translate the text into Arabic.**

**3- Find the opposites to this following words (from the text):**

Borrowing ≠

Assets ≠

Permissible ≠

**Part three: Time to practice**

**A. Complete this sentences by using this words:**

**Branch- online banking –bank transfer- check- checkbook- ATM- banking fees- spending money- manager- account- credit card.**

1- I have only ten dollars in my bank.....

2- Many stores will accept cash or .....

3- A person who works at a bank and controls, it is called a bank.....

4- I like that bank but it does not have a ..... in the small town where I live.

5- Another way to say internet banking is .....

6- Banks provide a service to their customers where they move your money electronically to another person's bank account, this is called.....

7- The name of the machine where you can take out money from your bank account, is called a .....

8- Saving money is better than .....

9- Money people pay to the bank for using its services.....

10- Banks give customers a.....which allows them to write .....to pay for goods and services.

**B. Through previous lessons, we learned about the stock market, what is the difference between the financial market and the bank?**

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**GOOD LUCK**

