

МИНИСТЕРСТВО ОБРАЗОВАНИЯ, НАУКИ И МОЛОДЕЖНОЙ ПОЛИТИКИ КРАСНОДАРСКОГО КРАЯ

ГОСУДАРСТВЕННОЕ БЮДЖЕТНОЕ ПРОФЕССИОНАЛЬНОЕ ОБРАЗОВАТЕЛЬНОЕ УЧРЕЖДЕНИЕ

КРАСНОДАРСКОГО КРАЯ

«НОВОРОССИЙСКИЙ КОЛЛЕДЖ РАДИОЭЛЕКТРОННОГО ПРИБОРОСТРОЕНИЯ»

2017



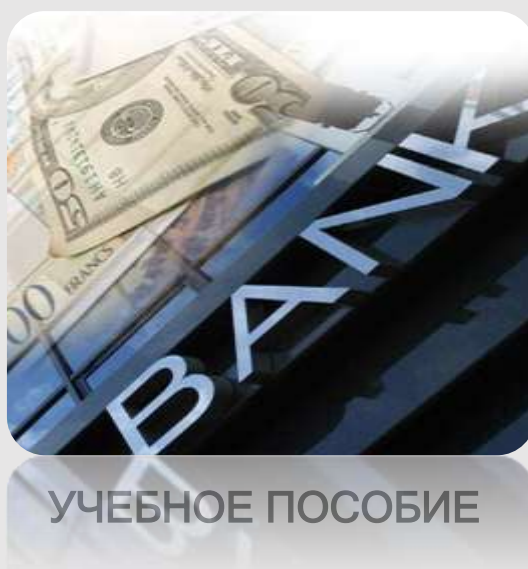
УЧЕБНОЕ ПОСОБИЕ

Сборник текстов и упражнений для обучающихся
специальности 38.02.07 Банковское дело



МИНИСТЕРСТВО ОБРАЗОВАНИЯ, НАУКИ И МОЛОДЕЖНОЙ ПОЛИТИКИ КРАСНОДАРСКОГО КРАЯ
ГОСУДАРСТВЕННОЕ БЮДЖЕТНОЕ ПРОФЕССИОНАЛЬНОЕ ОБРАЗОВАТЕЛЬНОЕ УЧРЕЖДЕНИЕ
КРАСНОДАРСКОГО КРАЯ

«НОВОРОССИЙСКИЙ КОЛЛЕДЖ РАДИОЭЛЕКТРОННОГО ПРИБОРОСТРОЕНИЯ»



Сборник текстов и упражнений для обучающихся
специальности 38.02.07 Банковское дело
по дисциплине «Иностранный язык»
(английский)

2017

СОГЛАСОВАНО

На заседании Совета по методическим
вопросам от 14 марта 2017 г.
протокол № 4

Председатель Совета по методическим
вопросам

Зу Е.В. Заслонова

УТВЕРЖДАЮ

Зам. директора по УР
Т.В. Трусова
14 03 2017 г.

Рассмотрено на заседании УМО
филологических дисциплин

от 6 02 2017 г.
протокол № 6

Председатель УМО А.А. Марарь М.А.Марарь

Организация – разработчик: государственное бюджетное профессиональное
образовательное учреждение Краснодарского края «Новороссийский колледж
радиоэлектронного приборостроения» (ГБПОУ КК НКРП)

Разработчик:

Преподаватель ГБПОУ КК НКРП

А.А. Марарь

М.А. Марарь

Рецензент:

Колосова Н.С.

Методист ГБПОУ КК НКРП

преподаватель высшей квалификационной категории

Загоронина Е.А.

преподаватель высшей квалификационной
категории, преподаватель английского
языка ГБПОУ КК НКРП

Рецензия

Настоящее учебное пособие «Сборник текстов и упражнений» предназначено для обучающихся 2-3 курсов специальности 38.02.07 Банковское дело.

Основа для учебного пособия была заимствована из учебного пособия под редакцией И.П. Агабекяна, «Английский для менеджеров» Часть 2 (Уроки 11, 12, 14), Часть 3 (Уроки 16, 17, 18), а также согласно тематике обязательного плана, материал был подобран со ссылкой на интернет-источники. Данный материал рассчитан для изучения обучающимися специальности на протяжении двух лет общим объемом 2 часа в неделю.

Все тексты данного учебного пособия профессионально направлены. Во избежание языковых трудностей и трудностей перевода предусмотрена поэтапная работа с текстами, ряд упражнений и заданий для их последовательного разбора по частям, а также выявления сути и краткого изложения на изучаемом языке. Учебное пособие включает в себя:

- Тексты – Banking Documents; Banking, Banks, Money and Banking, Money and its Functions; The History Of Money: From Barter To Banknotes; History of money; Monetary Policy in the UK; United States Dollar; Russian Ruble; Euro; Counterfeiting; Inflation; Collection; Documentary Letter of Credit; Commercial papers (Documents); Types of Commercial Papers; Drafts, Cheques, Promissory Notes; Certificates of Deposit; Specialized Forms of Commercial Paper; Certified Cheques, Cashier's Cheques; Bank Drafts, Money Orders; Travelers' Cheques; Banks; Business Documents; Transport Documents; The Invoice; The Recruitment.

- Новую лексику;
- Лексические упражнения;
- Грамматические упражнения;
- Практические упражнения.

Применение данного пособия на практике способствует решению следующих задач:

- развитие навыков чтения текста и его понимание;
- использование навыков чтения изучающего и поискового характера;
- развитие диалогической и монологической речи;
- развитие логического мышления обучаемых;
- закрепление грамматических навыков, полученных в процессе обучения.

Требования к результатам освоения материала учебного пособия конкретизированы и соответствуют требованиям к знаниям и умениям базовой подготовки по специальности.

Практические задачи обучения направлены на развитие составляющих коммуникативной компетентности студентов (речевой, языковой, социокультурной, компенсаторной и учебно-познавательной).

Предлагаемое учебным пособием содержание практических заданий носит профессионально ориентированный характер, обеспечивает приобретение обучающимися требуемых умений и навыков.

Рецензент:



Калюсова, методичка, преподаватель
(Ф.И.О. рецензента)

Министерство образования и науки Республики Армения
(должность, место работы)

Кабинет 6004 КК НКРП

02 февраля

2017 г.

Рецензия
на учебное пособие по иностранному языку (английский)
«Сборник текстов и упражнений»
преподавателя Марарь Марины Александровны
ГБПОУ КК НКРП

Учебное пособие «Сборник текстов и упражнений» преподавателя М.А. Марарь рассчитано для студентов 2-3 курса специальности 38.02.07 Банковское дело. Количество страниц – 81.

Автор акцентирует внимание на том, что учебное пособие направлено на развитие индивидуальной траектории образования каждого обучающегося. Пособие аккумулирует важные аспекты банковского дела и материалы по основным банковским операциям учебной дисциплины «иностранному языку (английский)».

Актуальность и педагогическая целесообразность данного учебного пособия заключается в развитии умений и навыков у обучающихся по дисциплине «иностранному языку». В системе образования данное учебное пособие связано с другими дисциплинами, изучаемыми в СПО: элементы высшей математики, финансовая математика, экономика организации, статистика, менеджмент, документационное обеспечение управления, правовое обеспечение профессиональной деятельности, финансы, денежное обращение и кредит, бухгалтерский учет, организация бухгалтерского учета в банках, анализ финансово-хозяйственной деятельности, основы экономической теории, введение расчетных операций.

Основная идея разработанного учебного пособия заключается в привитии обучающимся навыков профессии посредством иностранного языка, что позволит студентам в будущем ориентироваться в документах, схемах, таблицах не только на родном языке, но и на изучаемом языке, на который ориентируется большинство партнеров, сторон-участников договоров и контрактов. Грамматические и лексические упражнения, которые предоставляются автором в пособии, делают этот материал интересным и оптимальным для восприятия студентов.

Учебное пособие обладает практической значимостью: ряд заданий после рассматриваемой темы стимулирует интеллектуальную, поисковую и коммуникативную активность (накопление запаса слов, логически правильное построение перевода, т.д.)

Рецензируемое учебное пособие актуально для системы образования, интересно по содержанию, будет доступно и понятно как преподавателю, так и студентам, которые осваивают специальность в теории и на практике.

Таким образом, данное пособие учебной дисциплины «Иностранный язык (английский)» может быть рекомендовано для использования в образовательном учреждении ГБПОУ КК «Новороссийский колледж радиоэлектронного приборостроения».

Рецензент:



Е. А. Загорочная

(Ф.И.О. рецензента)

Зам. директора по учебно-метод

(должность, место работы)

кой работе, ГБПОУ КК НСПК

преподаватель иностранного

(квалификация по диплому)

9 февраля 2017г

ОГЛАВЛЕНИЕ

	Стр.
ВВЕДЕНИЕ	7
UNIT 1. BANKING. BANKS. MONEY AND ITS FUNCTIONS (2nd course)	8
PREAMBLE	-
THEORETIC MATERIAL	9, 14
PRACTICAL MATERIAL	13, 23
UNIT 2. MONETARY POLICY IN THE UK, USA, RF & OTHER COUNTRIES	29
THEORETIC MATERIAL	-
PRACTICAL MATERIAL	53
UNIT 3. COMMERCIAL PAPERS (DOCUMENTS): COLLECTION. DOCUMENTARY LETTER OF CREDIT. TYPES OF DRAFTS. CHEQUES. PROMISSORY NOTES. CERTIFICATES OF DEPOSIT. SPECIALIZED FORMS OF COMMERCIAL PAPER. CERTIFIED CHEQUES. CASHIER'S CHEQUES. BANK DRAFTS. MONEY ORDERS. TRAVELER'S CHEQUES. BUSINESS DOCUMENTS. CONTRACTS. (3rd course)	56
PRACTICAL MATERIAL	-
UNIT 4. HUMAN RESOURCES MANAGEMENT. RECRUITMENT. CURRICULUM VITAE (Resume). THE LETTER OF APPLICATION	75
PRACTICAL MATERIAL	-
СПИСОК ЛИТЕРАТУРЫ	80

ВВЕДЕНИЕ

Сегодня ценность специалистов в области управления определяется способностью общаться и вести деловые переговоры с представителями других стран, а также читать специальную литературу.

Данное учебное пособие «Сборник текстов и упражнений для обучающихся» предназначено для базового этапа подготовки иностранному языку и обеспечивает коммуникативную и профессиональную направленность в обучении языку в неязыковой образовательной организации.

Все компоненты учебного пособия построены на единых методических принципах, развивают все виды иноязычной речевой деятельности, позволяют организовать аудиторную и самостоятельную работу по овладению английским языком и формированию межкультурной компетенции будущих специалистов.

Цель учебного пособия - взаимосвязанное развитие у студентов коммуникативной компетенции, достаточной для осуществления устной и письменной деятельности в соответствии с программой.

Учебное пособие включает в себя преамбулу (Preamble) и четыре раздела (Units), содержащих теоретический материал (Wikipedia) и практические задания. Тематика текстов соответствует реально существующим направлениям подготовки специалистов профиля банковское дело на основе экономики, менеджмента и маркетинга, управления персоналом, теории организации и т. д.

Построение заданий к текстам определяется методическим назначением этих текстов: предтекстовые (теоретический материал) и послетекстовые задания (практический материал). Раздел может заканчиваться созданием своего собственного проекта по модели, объединяющей в систему наиболее важные понятия и положения его темы. Эти модели предназначены для обобщения материала по теме, а также служат дополнительной опорой для закрепления активного словаря.

При разработке системы заданий использованы элементы функционально-коммуникативного обучения иностранному языку, при котором явления языка (лексика и грамматика) рассматриваются не только как система языковых правил, но и как система коммуникативных функций. Такие функции типичны для текстов профиля банковское дело и находят свое отражение в типичных грамматических моделях и типичном наборе лексических единиц и словосочетаний. Объем и содержание лексического и грамматического материала определены программой по английскому языку для неязыковых образовательных организаций.

PREAMBLE

TEXT 1

WHAT IS BANKING

Banking is the **transactions carried on** by any person or firm **engaged in providing** financial services to consumers or businesses.

For these purposes there exist commercial banks, central banks, savings banks, trust companies, finance companies and merchant banks. Banking consists of **safeguarding** and transfer of funds, **lending or facilitating** loans, guaranteeing **creditworthiness** and exchange of money. In other words, banking is the **acceptance, transfer, and creation of deposits**. The depository institutions are central banks, commercial banks, savings and loan associations, building societies, and mutual savings banks.

Safeguarding and transfer of funds

Vaults and safes are the means for safeguarding of funds. Money is physically **stored** there. These physical deposits are in most cases **insured** against **theft**, and against the bank being bankrupt and unable to **repay** the funds. In some banks customers can use safety deposit boxes for **valuables**. To save money in banks is **profitable** because bank customers receive **interest** given on savings accounts, a **percentage return** on the bank's investments with the money. Transfer of funds can be handled through written instruments: contracts, cheques, or direct transfers performed electronically. Nowadays banks provide the customers with additional ways of **gaining access** to their funds and using them. These are credit cards and **account debit cards, electronic cash tills, computer on-line banking**, and other services.

Automated clearing houses perform similar services for business customers by handling regular **payments**, such as wages, for a company banking with the bank. Longer-term schemes for providing regular **income on savings** are often offered through trust funds or other investment schemes.

Lending and loans

Loans to bank customers **are drawn on** the funds deposited with the bank and **yield** interest which provides the profits for the banking industry and the interest on savings accounts. These loans may take the form of **mortgages** or other **policies**. Banks may guarantee credit for customers who wish to obtain loans from other institutions. They also provide for-exchange **facilities** for individual customers, as **handling** large international money transfers.

Vocabulary

safeguarding – охрана

transactions - сделки

to carry on - проводить

engaged - занятый

to provide - обеспечивать

mutual savings banks — взаимно-
сберегательные банки

lending – предоставление кредита

facilitating – облегчение

loans — займы

creditworthiness - кредитоспособность

acceptance — принятие

transfer — передача, перевод

creation — создание

deposits — депозиты, вклады

vaults — хранилища

to store — хранить

to insure — страховать

theft — кража

to repay — возместить

valuables — ценности

profitable — выгодный

interest - процент

percentage return — доход в виде процента

gaining access — получение доступа

account debit cards — карты дебета счета

electronic cash till — банкомат

computer on-line banking — компьютерные

онлайновые расчеты между банками

clearing houses – расчетные палаты

payments — платежи

income — доход

savings — сбережения

are drawn on — снимаются с

yield — доход

mortgage — ипотека

policies - полисы

facilities — средства

Task 1. Answer the following questions:

1. What is banking?
2. What kinds of banks there exist?
3. What are the depository institutions?
4. What are the vaults and safes for?
5. Why is it profitable to save money in banks?
6. How can the transfer of funds be done?
7. How can the customers gain access to their funds and use them?
8. What are loans to bank customers drawn on?
9. Do banks give the interest on savings accounts?



THEORETIC MATERIAL

TEXT 2

BANKS

Commercial bank



The commercial bank is a legal entity who for generation of profit as a main objective of the activities based on special permission (license) of Central Bank has an exclusive right to perform in total the following banking activities: attraction in deposits of a money of physical persons and legal entities, placement of the specified means on its own behalf and at own expense on the terms of recoverability, the paid nature, urgency, opening and maintaining bank accounts of physical persons and legal entities. Interest rates for the issued credits above deposit interest rates. The difference between these indicators is bank profit — a margin. The epithet "commercial" concerning bank is conditional because it means that a main goal of organization activity is profit earning. Treat banking services: crediting of legal entities and physical persons; currency transactions (only authorized banks); transactions with precious metals; entry into the stock market and Forex; maintaining settlement accounts of the managing economic actors; exchange spoiled cash (the fragmentary, burned, washed notes) signs on innocent; mortgage; car loans, etc.

Savings bank

A savings **bank** is a financial institution whose *primary* purpose is accepting savings deposits and paying interest on those deposits. They originated in Europe during the 18th century with the aim of providing access to savings products to all levels in the population. Often associated with social good these early banks were often designed to encourage low income people to save money and have access to banking services. They were set up by governments or by socially committed groups or organizations such as with credit unions. The structure and legislation took many different forms in different countries over the 20th century. The advent of internet banking at the end of the 20th. century saw a new phase in savings banks with the online savings bank that paid higher levels of interest in return for clients only having access over the web. Savings bank (loan-and-savings bank, savings bank or savings bank) — the credit institute specializing in attraction of cash savings and temporarily available funds of the population in the form of savings deposits on which interests are paid. At early stages of development these organizations were engaged in accumulation of savings of needy segments of the population. Gradually the circle of transactions of savings banks extended, and now they are universal commercial banks. Now savings banks perform a big range of banking activities, including deposit, credit, investment, currency and other operations. Banks work both with private investors, and with the companies, other credit institutes and the state. In some industrialized

countries savings banks take the leading positions in a credit system, and in developing countries they are generally oriented to stimulation of savings, development of housing construction and agricultural production, financing of social programs.

A savings bank is a financial institution whose primary purpose is accepting savings deposits and paying interest on those deposits.

They originated in Europe during the 18th century with the aim of providing access to savings products to all levels in the population. Often associated with social good these early banks were often designed to encourage low income people to save money and have access to banking services. They were set up by governments or by socially committed groups or organizations such as with credit unions. The structure and legislation took many different forms in different countries over the 20th century.

The advent of internet banking at the end of the 20th century saw a new phase in savings banks with the online savings bank that paid higher levels of interest in return for clients only having access over the web.

Functions Of Savings Banks

The essential economic and social functions of savings banks are three in number, as follows:

1. They assemble the capital of the community, conserve the idle wealth, and having aggregated it into sizable funds, loan it to business enterprisers.

2. They add to the peace and comfort and available consumption of society by providing a safe outlet for the funds of those who have the will and capacity to save but do not have the ability either to use the funds industrially themselves or to invest them with safety and profit.

3. They Promote Thrift More Than Any Other Financial Institution.

The prudent investment of interest and accumulated principal, which together constitute savings, lessens profligacy, provides against the adversities of old age and sickness, helps the thrifty to buy a home and to enjoy better living conditions, builds up independence and stability of character, and improves the social and political life of the community.

Credit union

A credit **union** is a member-owned financial cooperative, democratically controlled by its members, and operated for the purpose of promoting thrift, providing credit at competitive rates, and providing other financial services to its members. Worldwide, credit union systems vary significantly in terms of total system assets and average institution asset size, ranging from volunteer operations with a handful of members to institutions with assets worth several billion US dollars and hundreds of thousands of members.

Credit unions operate alongside other mutuals and cooperatives engaging in cooperative banking, such as building societies. "Natural-person credit unions" (also called "retail credit unions" or "consumer credit unions") serve individual people, as distinguished from "corporate credit unions," which serve other credit unions.

Credit union (or cooperative bank) - the non-profit financial organization specializing in financial mutual assistance by provision of loan-and-savings services to the members. Kind of consumer cooperatives. Are formed for mutual lending and a saving of a money of the members. In Russia credit unions are created in the form of credit consumer cooperatives. Credit unions in general are a kind of consumer cooperatives, but they can be also organized in purchasing cooperatives or cooperatives of shared service - so-called "corporate" credit unions, and also the numerous serving organizations for credit unions (CUSOs).

A credit union is a member-owned financial cooperative, democratically controlled by its members, and operated for the purpose of promoting thrift, providing credit at competitive rates, and providing other financial services to its members.

Worldwide, credit union systems vary significantly in terms of total system assets and average institution asset size, ranging from volunteer operations with a handful of members to institutions with assets worth several billion US dollars and hundreds of thousands of members. Credit unions operate alongside other mutuals and cooperatives engaging in cooperative banking, such as building societies.

"Natural-person credit unions" (also called "retail credit unions" or "consumer credit unions") serve individual people, as distinguished from "corporate credit unions," which serve other credit unions.

Universal banks

Universal bank - the bank performing everything or the majority of main types of banking activities. Universal banks are steadier, than specialized banks as they combine business and investing activities. They can use benefits of diversification of the transactions fully. It is more convenient to clients to deal with one bank, than with several specialized intermediaries.

Clients universal banks both small investors, and the large companies are. Banks of universal type carry out a large number of banking activities: maintaining deposit accounts, wire transfers of means, acceptance of savings, issue of the various credits, security purchase, transactions by proxy, storage of values in safes, etc. Thanks to a wide choice of the offered services and availability of a large number of clients they suffer from fluctuations of profitability of separate banking activities and an environment of segments of the financial market less. In the majority of developed countries large banks and banking groups are provided by universal banks. Universal banks gained the greatest distribution in Continental Europe. In Russia most banks the Sberbank of Russia, VTB, etc. are universal, for example.

A universal bank participates in many kinds of banking activities and is both a commercial bank and an investment bank as well as providing other financial services such as insurance. These are also called full-service financial firms, although there can also be full-service investment banks which provide wealth and asset management, trading, underwriting, researching as well as financial advisory. In other countries, the concept is less relevant as there is no regulatory distinction between investment banks and commercial banks. Thus, banks of a very large size tend to operate as universal banks, while smaller firms specialized as commercial banks or as investment banks. This is especially true of countries with a European Continental banking tradition. Notable examples of such universal banks include BNP Paribas, Credit Agricole and Societe Generale of France; HSBC, Standard Chartered and RBS and Barclays of the United Kingdom; Deutsche Bank of Germany; ING Bank of the Netherlands; Bank of America, Citigroup, JPMorgan Chase and Wells Fargo of the United States; RBC of Canada; and UBS and Credit Suisse of Switzerland. Examples of pure Investment Banks generally don't exist except in America like Goldman Sachs and Morgan Stanley. Universal banking and private banking often coexist, but can exist independently. The provision of many services by universal banks can lead to long-term relationships between universal banks and firms.

A universal bank participates in many kinds of banking activities and is both a commercial bank and an investment bank as well as providing other financial services such as insurance. These are also called full-service financial firms, although there can also be full-service investment banks which provide wealth and asset management, trading, underwriting, researching as well as financial advisory.

The concept is most relevant in the United Kingdom and the United States, where historically there was a distinction drawn between pure investment banks and commercial banks. In the US, this was a result of the Glass-Steagall Act of 1933. In both countries, however, the regulatory barrier to the combination of investment banks and commercial banks has largely been removed, and a number of universal banks have emerged in both jurisdictions. However, at least until the global financial crisis of 2008, there remained a number of large, pure investment banks.

In other countries, the concept is less relevant as there is no regulatory distinction between investment banks and commercial banks. Thus, banks of a very large size tend to operate as universal banks, while smaller firms specialised as commercial banks or as investment banks. This is especially true of countries with a European Continental banking tradition. Notable examples of such universal banks include BNP Paribas, Credit Agricole and Societe Generale of France; HSBC, Standard Chartered and RBS and Barclays of the United Kingdom; Deutsche Bank of Germany; ING Bank of the Netherlands; Bank of America, Citigroup, JPMorgan Chase and Wells Fargo of the United States; RBC of Canada; and UBS and Credit Suisse of Switzerland. Examples of pure Investment Banks generally don't exist except in America like Goldman Sachs and Morgan Stanley.

Universal banking and private banking often coexist, but can exist independently. The provision of many services by universal banks can lead to long-term relationships between universal banks and firms.

Building society

Cooperative - the consolidation of people and the organizations based on membership created for achievement of the common goals connected with satisfaction material or other needs of the participants who contributed a share (share) in the fund created for this purpose, recognizing participation in the risks and results of the organization and participating in its functioning as unitholders, managing it in the democratic way.

A building society is a financial institution owned by its members as a mutual organization. Building societies offer banking and related financial services, especially savings and mortgage lending. These institutions are found in the United Kingdom (UK) and several other countries. The term "building society" first arose in the 18th century in Great Britain from cooperative savings groups. In the UK today, building societies actively compete with banks for most consumer banking services, especially mortgage lending and savings accounts. Every building society in the UK is a member of the Building Societies Association. At the start of 2008, there were 59 building societies in the UK, with total assets exceeding £360 billion. The number of societies in the UK fell by four during 2008 due to a series of mergers brought about, to a large extent, by the consequences of the financial crisis of 2007-2010. With three further mergers in each of 2009 and 2010, and a demutualization and a merger in 2011, there are now 44 building societies.

On the type cooperatives can be production (with obligatory labor participation of members) and consumer where obligatory participation of members in economic activity of cooperative is required. The building cooperative is created for ownership and operation of structures or other real estate objects.

A building society is a financial institution owned by its members as a mutual organization. Building societies offer banking and related financial services, especially savings and mortgage lending. These institutions are found in the United Kingdom (UK) and several other countries.

The term "building society" first arose in the 18th century in Great Britain from cooperative savings groups. In the UK today, building societies actively compete with banks for most consumer banking services, especially mortgage lending and savings accounts.

Every building society in the UK is a member of the Building Societies Association. At the start of 2008, there were 59 building societies in the UK, with total assets exceeding £360 billion. The number of societies in the UK fell by four during 2008 due to a series of mergers brought about, to a large extent, by the consequences of the financial crisis of 2007-2010. With three further mergers in each of 2009 and 2010, and a demutualization and a merger in 2011, there are now 44 building societies.

Merchant bank

A merchant bank is a financial institution providing capital to companies in the form of share ownership instead of loans. A merchant bank also provides advisory on corporate matters to the firms in which they invest. In the United Kingdom, the historical term "merchant bank" refers to an investment bank.

Today, according to the U.S. Federal Deposit Insurance Corporation (FDIC), "the term merchant banking is generally understood to mean negotiated private equity investment by financial institutions in the unregistered securities of either privately or publicly held companies." Both commercial banks and investment banks may engage in merchant banking activities. Historically, merchant banks' original purpose was to facilitate and/or finance production and trade of commodities, hence the name "merchant". Few banks today restrict their activities to such a narrow scope.

Investment Banking

An investment bank is a financial institution that engages in the issuance of securities on behalf of its client. Investment banks are the banks, which facilitate both the investor, who is in search for good investment opportunity and the investee, who is searching for capital TO INVEST in viable projects. Unlike other types of banks, investment banks are not accepting deposits from customers; that is, investment banks do not provide regular banking services to the general public. The main Investment banking activities are issuance of securities, underwriting of securities, providing financial related consultancy services to companies, assisting companies in the acquisition and mergers, and similar services. Morgan, Bank of America, Merrill Lynch, Goldman Sachs, Morgan Stanley, and Credit Suisse are some of the world renown Investment banks.

PRACTICAL MATERIAL

TEXT 2 A

BANKS

Banks are organizations that carry out the business of banking, taking deposits and then using those deposits to make loans. In essence, a bank aims to make a profit by paying depositors a lower rate of interest than the rate the bank charges borrowers. In accounting terms, deposits are considered liabilities (because they have to be repaid), and loans are considered assets.

Banks in most countries are supervised by a central bank, such as the Bank of England in the United Kingdom, the Bundesbank in Germany, the Federal Reserve System in the United States and Central Bank in Russia.

There are many different types of bank, and the banking structure varies from one country to another. Banks can fall into the following categories:

Retail banks are often referred to as commercial banks. In addition to conventional banking services, such as the provision of chequing accounts, they deal in foreign exchange, issue credit cards, provide investment and tax advice, and sell financial products such as insurance. In the United Kingdom the biggest retail banks (by assets) are Barclays Bank, National Westminster Bank, Midland Bank, Abbey National Bank and Lloyds Bank.

Merchant or investment banks act as intermediaries between investors and private or public concerns seeking medium to long-term funds, often acting as underwriters for an issue of shares. Increasingly they have played a fundamental role in advising on mergers and acquisitions, and on management buy-outs. In the United Kingdom, some of the longest established and best-known merchant banks are still privately owned.

Building societies were set up in the United Kingdom to take deposits in order to provide long-term loans (mortgages) to homebuyers. They are owned by their members (those who have deposited money with or borrowed money from them).

Savings Banks were set up with the aim of attracting small savers. They resemble retail banks in the services they provide.

Credit unions are the equivalents of savings banks, and are run as a cooperative nonprofit-making organization. Credit unions are widespread in the United States. France's biggest bank, Credit Agricole, is essentially a federation of more than 3,000 credit unions.

Universal banks are those, such as Germany's Deutsche Bank, Dresdner Bank, and Commerzbank, which do everything that the above types of banks do.

Vocabulary

checking account - 1) специальный счет, с которого снимаются деньги по чекам клиента; 2) счет, позволяющий в любой момент вносить и снимать деньги (до востребования)
rate of interest - процент, процентная ставка, норма процента
liabilities — задолженность
assets — актив (баланса)
retail bank - банк, занимающийся обслуживанием мелкой клиентуры

underwriter — гарант размещения (займа, акций)
issue of shares — выпуск акций
intermediary — посредник
merger — слияние, объединение (коммерческое, промышленное)
acquisition — 1) получение; 2) приобретение (действие), сбор;
building society — жилищно-строительное общество
management buy-outs - выкуп права на управление

Task 2. Answer the questions:

What does banking business consist of?

What are the aims of banks?

What are the types of banks?

Describe the activities of different types of banks.

THEORETIC MATERIAL

TEXT 3 THE HISTORY OF MONEY: FROM BARTER TO BANKNOTES

By Andrew Beattie

Money, in and of itself, is nothing. It can be a shell, a metal coin, or a piece of paper with a historic image on it, but the value that people place on it has nothing to do with the physical value of the money. Money derives its value by being a medium of exchange, a unit of measurement and a storehouse for wealth. Money allows people to trade goods and services indirectly, understand the price of goods (prices written in dollar and cents correspond with an amount in your wallet) and gives us a way to save for larger purchases in the future.

Money is valuable merely because everyone knows everyone else will accept it as a form of payment - so let's take a look at where it has been, how it evolved and how it is used today.

Money, in some form, has been part of human history for at least the last 3,000 years. Before that time, it is assumed that a system of bartering was likely used.

Bartering is a direct trade of goods and services - I'll give you a stone axe if you help me kill a mammoth - but such arrangements take time. You have to find someone who thinks an axe is a fair trade for having to face the 12-foot tusks on a beast that doesn't take kindly to being hunted. If that didn't work, you would have to alter the deal until someone agreed to the terms. One of the great achievements

of money was increasing the speed at which business, whether mammoth slaying or monument building, could be done.

Slowly, a type of prehistoric currency involving easily traded goods like animal skins, salt and weapons developed over the centuries. These traded goods served as the medium of exchange even though the unit values were still negotiable. This system of barter and trade spread across the world, and it still survives today on some parts of the globe.

Sometime around 1,100 B.C., the Chinese moved from using actual tools and weapons as a medium of exchange to using miniature replicas of the same tools cast in bronze. Nobody wants to reach into their pocket and impale their hand on a sharp arrow so, over time, these tiny daggers, spades and hoes were abandoned for the less prickly shape of a circle, which became some of the first coins. Although China was the first country to use recognizable coins, the first minted coins were created not too far away in Lydia (now western Turkey).

In 600 B.C., Lydia's King Alyattes minted the first official currency. The coins were made from electrum, a mixture of silver and gold that occurs naturally, and stamped with pictures that acted as denominations. In the streets of Sardis, circa 600 B.C., a clay jar might cost you two owls and a snake. Lydia's currency helped the country increase both its internal and external trade, making it one of the richest empires in Asia Minor. It is interesting that when someone says, "as rich as Croesus", they are referring to the last Lydian king who minted the first gold coin. Unfortunately, minting the first coins and developing a strong trading economy couldn't protect Lydia from the swords of the Persian army.

Just when it looked like Lydia was taking the lead in currency developments, in 600 B.C., the Chinese moved from coins to paper money. By the time Marco Polo visited in 1,200 A.D., the emperor had a good handle on both money supply and various denominations. In the place of where the American bills say, "In God We Trust," the Chinese inscription warned, "All counterfeiters will be decapitated." Europeans were still using coins all the way up to 1,600, helped along by acquisitions of precious metals from colonies to keep minting more and more cash. Eventually, the banks started using bank notes for depositors and borrowers to carry around instead of coins. These notes could be taken to the bank at any time and exchanged for their face values in silver or gold coins. This paper money could be used to buy goods and operated much like currency today, but it was issued by banks and private institutions, not the government, which is now responsible for issuing currency in most countries.

The first paper currency issued by European governments was actually issued by colonial governments in North America. Because shipments between Europe and the colonies took so long, the colonists often ran out of cash as operations expanded. Instead of going back to a barter system, the colonial governments used IOUs that traded as a currency. The first instance was in Canada, then a French colony. In 1685, soldiers were issued playing cards denominated and signed by the governor to use as cash instead of coins from France.

The shift to paper money in Europe increased the amount of international trade that could occur. Banks and the ruling classes started buying currencies from other nations and created the first currency market. The stability of a particular monarchy or government affected the value of the country's currency and the ability for that country to trade on an increasingly international market. The competition between countries often led to currency wars, where competing countries would try to affect the value of the competitor's currency by driving it up and making the enemy's goods too expensive, by driving it down and reducing the enemy's buying power (and ability to pay for a war), or by eliminating the currency completely. Despite many advances, money still has a very real and permanent effect on how we do business today.

History of money

The **history of money** concerns the development of means of carrying out transactions involving a physical medium of exchange. Money is any clearly identifiable object of value that is generally accepted as payment for goods and services and repayment of debts within a market or which is legal tender within a country.



Many things have been used as medium of exchange in markets including, for example, livestock and sacks of cereal grain (from which the Shekel is derived) – things directly useful in themselves, but also sometimes merely attractive items such as cowry shells or beads were exchanged for more useful commodities. Precious metals from which early coins were made fall into this second category.

Numismatics is the scientific study of money and its history in all its varied forms.

Non-monetary exchange

Barter

In Politics Book 1:9 (c.350 B.C.) the Greek philosopher Aristotle contemplated on the nature of money. He considered that every object has two uses, the first being the original purpose for which the object was designed, and the second possibility is to conceive of the object as an item to sell or barter. The assignment of monetary value to an otherwise insignificant object such as a coin or promissory note arises as people and their trading associate evolve a psychological capacity to place trust in each other and in external authority within barter exchange.

With barter, an individual possessing any surplus of value, such as a measure of grain or a quantity of livestock could directly exchange that for something perceived to have similar or greater value or utility, such as a clay pot or a tool. The capacity to carry out barter transactions is limited in that it depends on a coincidence of wants. The seller of food grain has to find the buyer who wants to buy grain and who also could offer in return something the seller wants to buy. There is no agreed standard measure into which both seller and buyer could exchange commodities according to their relative value of all the various goods and services offered by other potential barter partners.

Criticisms

David Kinley considers the theory of Aristotle to be flawed because the philosopher probably lacked sufficient understanding of the ways and practices of primitive communities, and so may have formed his opinion from personal experience and conjecture.

In his book *Debt: The First 5000 Years*, anthropologist David Graeber argues against the suggestion that money was invented to replace barter. The problem with this version of history, he suggests, is the lack of any supporting evidence. His research indicates that "gift economies" were common, at least at the beginnings of the first agrarian societies, when humans used elaborate credit systems. Graeber proposes that money as a unit of account was invented the moment when the unquantifiable obligation "I owe you one" transformed into the quantifiable notion of "I owe you one unit of something". In this view, money emerged first as credit and only later acquired the functions of a medium of exchange and a store of value.

Gift economy

In a gift economy, valuable goods and services are regularly given without any explicit agreement for immediate or future rewards (i.e. there is no formal *quid pro quo*). Ideally, simultaneous or recurring giving serves to circulate and redistribute valuables within the community.

There are various social theories concerning gift economies. Some consider the gifts to be a form of reciprocal altruism. Another interpretation is that implicit "I owe you" debt and social status are awarded in return for the "gifts". Consider for example, the sharing of food in some hunter-gatherer societies, where food-sharing is a safeguard against the failure of any individual's daily

foraging. This custom may reflect altruism, it may be a form of informal insurance, or may bring with it social status or other benefits.

The emergence of money

Anatolian obsidian as a raw material for stone-age tools was distributed as early as 12,000 B.C., with organized trade occurring in the 9th millennium.(Cauvin Chataigner 1998) In Sardinia, one of the four main sites for sourcing the material deposits of obsidian within the Mediterranean, trade in this was replaced in the 3rd millennium by trade in copper and silver. As early as 9000 BC both grain and cattle were used as money or as *barter* (Davies) (the *first grain remains* found, considered to be evidence of pre-agricultural practice date to 17,000 BC). The importance of grain with respect to the value of money is inherent in language where the term for a small quantity of gold was "grain of gold".

In the earliest instances of trade with money, the things with the greatest utility and reliability in terms of re-use and re-trading of these things (their marketability), determined the nature of the object or thing chosen to exchange. So as in agricultural societies, things needed for efficient and comfortable employment of energies for the production of cereals and the like were the most easy to transfer to monetary significance for direct exchange. As more of the basic conditions of the human existence were met to the satisfaction of human needs, so the division of labour increased to create new activities for the use of time to solve more advanced concerns. As people's needs became more refined, so indirect exchange became more likely as the physical separation of skilled labourers (suppliers) from their prospective clients (demand) required the use of a medium common to all communities, to facilitate a wider market. Aristotle's opinion of the creation of money as a new thing in society is:

When the inhabitants of one country became more dependent on those of another, and they imported what they needed, and exported what they had too much of, money necessarily came into use.

The worship of Moneta is recorded by Livy with the temple built in the time of Rome 413 (123); a temple consecrated to the same god was built in the earlier part of the fourth century (perhaps the same temple). The temple contained the mint of Rome for a period of four centuries.

Early administration

The Code of Hammurabi, the best preserved ancient law code, was created ca. 1760 BC (middle chronology) in ancient Babylon. It was enacted by the sixth Babylonian king, Hammurabi. Earlier collections of laws include the code of Ur-Nammu, king of Ur (ca. 2050 BC), the Code of Eshnunna (ca. 1930 BC) and the code of Lipit-Ishtar of Isin (ca. 1870 BC). These law codes formalized the role of money in civil society. They set amounts of interest on debt... fines for 'wrongdoing'... and compensation in money for various infractions of formalized law. The Mesopotamian civilization developed a large scale economy based on commodity money. The Babylonians and their neighboring city states later developed the earliest system of economics as we think of it today, in terms of rules on debt, legal contracts and law codes relating to business practices and private property. Money was not only an emergence, it was a necessity.

Early usage

The earliest places of storage were thought to be money-boxes containments made similar to the construction of a bee-hive, as of the Mycenae tombs of 1550–1500 BC. An early type of money were cattle, which were used as such from between 9000 to 6000 BCE onwards (Davies 1996 & 1999) Both the animal and the manure produced were valuable; animals are recorded as being used as payment as in Roman law where fines were paid in oxen and sheep (Rollin 1836) and within the *Iliad* and *Odyssey*, attesting to a value c.850–800 BCE (Evans & Schmalensee 2005).

It has long been assumed that metals, where available, were favored for use as proto-money over such commodities as cattle, cowry shells, or salt, because metals are at once durable, portable, and easily divisible. The use of gold as proto-money has been traced back to the fourth millennium BC when the Egyptians used gold bars of a set weight as a medium of exchange, as had been done earlier in Mesopotamia with silver bars.

The first mention of the use of money within the Bible is within the book "Genesis"^l in reference to criteria of the circumcision of a bought slave. Later, the Cave of Machpelah is purchased (with *argentum*) by Abraham, during a period dated as being the beginning of the twentieth century B.C.E., some-time recent to 1900 B.C.E. (after 1985). The currency was also in use amongst the Philistine people of the same time-period. The shekel was an ancient unit used in Mesopotamia around 3000 BC to define both a specific weight of barley and equivalent amounts of materials such as silver, bronze and copper. The use of a single unit to define both mass and currency was a similar concept to the British pound, which was originally defined as a one pound mass of silver.

A description of how trade proceeded includes for sales the dividing (clipping) of an amount from a weight of something corresponding to the perceived value of the purchase. Of this the ancient Greek term was Κέρπος. From this one might understand the development of how coinage was imagined from the small metallic clippings (of silver) resulting from trade exchanges. The word used in Thucydides writings *History* for money is *chremata*, translated in some contexts as "goods" or "property", although with a wider ranging possible applicable usage, having a definite meaning "valuable things".

The first gold coins of the Grecian age were struck in Lydia at a time approximated to the year 700 B.C.E. The *talent* in use during the periods of Grecian history both before and during the time of the life of Homer, weighed between 8.42 and 8.75 grammes. (p. 3 – Seltman)

Commodity money

1742 drawing of shells of the money cowry, *Cypraea moneta*



Bartering has several problems, most notably that it requires a "coincidence of wants". For example, if a wheat farmer needs what a fruit farmer produces, a direct swap is impossible as seasonal fruit would spoil before the grain harvest. A solution is to trade fruit for wheat indirectly through a third, "intermediate", commodity: the fruit is exchanged for the intermediate commodity when the fruit ripens. If this *intermediate commodity* doesn't perish and is reliably in demand throughout the year (e.g. copper, gold, or wine) then it can be exchanged for wheat after the harvest. The function of the intermediate commodity as a store-of-value can be standardized into a widespread commodity money, reducing the coincidence of wants problem. By overcoming the limitations of simple barter, a commodity money makes the market in all other commodities more liquid.

Many cultures around the world eventually developed the use of commodity money. Ancient China, Africa, and India used cowry shells. Trade in Japan's feudal system was based on the *koku* – a unit of rice. The shekel was an ancient unit of weight and currency. The first usage of the term came from Mesopotamia circa 3000 BC and referred to a specific weight of barley, which related other values in a metric such as silver, bronze, copper etc. A barley/shekel was originally both a unit of currency and a unit of weight. Wherever trade is common, barter systems usually lead quite rapidly to several key goods being imbued with monetary properties. In the early British colony of New South Wales, rum emerged quite soon after settlement as the most monetary of goods. When a nation is without a currency it commonly adopts a foreign currency. In prisons where conventional money is prohibited, it is quite common for cigarettes to take on a monetary quality. Contrary to popular belief, precious metals have rarely been used outside of large societies. Gold, in particular, is sufficiently scarce that it has only been used as a currency for a few relatively brief periods in history.

Standardized coinage



Greek drachm of Aegina. Obverse: Land turtle / Reverse: ΑΙΓΙΝΑ and dolphin. The oldest turtle coin dates 700 BC



A 640 BC one-third stater coin from

Lydia, shown larger.

From approximately 1000 BC money in the shape of small knives and spades made of bronze were in use in the society of China, with cast bronze replicas of cowrie shells in use before this. The first manufactured coins seems to have taken place separately in India, China, and in cities around the Aegean sea between 700 and 500 BC. While these Aegean coins were stamped (heated and hammered with insignia), the Indian coins (from the Ganges river valley) were punched metal disks, and Chinese coins (first developed in the Great Plain) were cast bronze with holes in the center to be strung together. The different forms and metallurgical process implies a separate development. The first ruler in the Mediterranean known to have officially set standards of weight and money was Pheidon. Minting occurred in the latter parts of the 7th century amongst the cities of Grecian Asia Minor, spreading to Aegean parts of the Greek islands and the south of Italy by 500 BC. The first stamped money (having the mark of some authority in the form of a picture or words) can be seen in the Bibliothèque Nationale of Paris. It is an electrum stater of a turtle coin, coined at Aegina island. This coin dates about 700 BC.

Other coins made of Electrum (a naturally occurring alloy of silver and gold) were manufactured on a larger scale about 650 BC in Lydia (on the coast of what is now Turkey). Similar coinage was adopted and manufactured to their own standards in nearby cities of Ionia, including Mytilene and Phokaia (using coins of Electrum) and Aegina (using silver) during the 6th century BC. and soon became adopted in mainland Greece itself, and the Persian Empire (after it incorporated Lydia in 547 BC).

The use and export of silver coinage, along with soldiers paid in coins, contributed to the Athenian Empire's 5th century BC, dominance of the region. The silver used was mined in southern Attica at Laurium and Thorikos by a huge workforce of slave labour. A major silver vein discovery at Laurium in 483 BC led to the huge expansion of the Athenian military fleet.

It was the discovery of the touchstone which led the way for metal-based commodity money and coinage. Any soft metal can be tested for purity on a touchstone, allowing one to quickly calculate the total content of a particular metal in a lump. Gold is a soft metal, which is also hard to come by, dense, and storable. As a result, monetary gold spread very quickly from Asia Minor, where it first gained wide usage, to the entire world.

Using such a system still required several steps and mathematical calculation. The touchstone allows one to estimate the amount of gold in an alloy, which is then multiplied by the weight to find the amount of gold alone in a lump. To make this process easier, the concept of standard coinage was introduced. Coins were pre-weighed and pre-alloyed, so as long as the manufacturer was aware of the origin of the coin, no use of the touchstone was required. Coins were typically minted by governments in a carefully protected process, and then stamped with an emblem that guaranteed the weight and value of the metal. It was, however, extremely common for governments to assert that the value of such money lay in its emblem and thus to subsequently reduce the value of the currency by lowering the content of valuable metal.

Gold and silver were used as the most common form of money throughout history. In many languages, such as Spanish, French, and Italian, the word for silver is still directly related to the word for money. Although gold and silver were commonly used to mint coins, other metals were used. For instance, Ancient Sparta minted coins from iron to discourage its citizens from engaging in foreign trade. In the early seventeenth century Sweden lacked more precious metal and so produced "plate

money", which were large slabs of copper approximately 50 cm or more in length and width, appropriately stamped with indications of their value.

Gold coinage began to be minted again in Europe in the thirteenth century. Frederick the II is credited with having re-introduced the metal to currency during the time of the Crusades. During the fourteenth century Europe had *en masse* converted from use of silver in currency to minting of gold. Vienna transferred from minting silver to instead gold during 1328.

Metal based coins had the advantage of carrying their value within the coins themselves – on the other hand, they induced manipulations: the clipping of coins in the attempt to get and recycle the precious metal. A greater problem was the simultaneous co-existence of gold, silver and copper coins in Europe. English and Spanish traders valued gold coins more than silver coins, as many of their neighbors did, with the effect that the English gold-based guinea coin began to rise against the English silver based crown in the 1670s and 1680s. Consequently, silver was ultimately pulled out of England for dubious amounts of gold coming into the country at a rate no other European nation would share. The effect was worsened with Asian traders not sharing the European appreciation of gold altogether — gold left Asia and silver left Europe in quantities European observers like Isaac Newton, Master of the Royal Mint observed with unease.

Stability came into the system with national Banks guaranteeing to change money into gold at a promised rate; it did, however, not come easily. The Bank of England risked a national financial catastrophe in the 1730s when customers demanded their money be changed into gold in a moment of crisis. Eventually London's merchants saved the bank and the nation with financial guarantees.

Another step in the evolution of money was the change from a coin being a unit of weight to being a unit of value. A distinction could be made between its commodity value and its *specie* value. The difference is these values is seigniorage.

Trade bills of exchange

Bills of exchange became prevalent with the expansion of European trade toward the end of the Middle Ages. A flourishing Italian wholesale trade in cloth, woolen clothing, wine, tin and other commodities was heavily dependent on credit for its rapid expansion. Goods were supplied to a buyer against a bill of exchange, which constituted the buyer's promise to make payment at some specified future date. Provided that the buyer was reputable or the bill was endorsed by a credible guarantor, the seller could then present the bill to a merchant banker and redeem it in money at a discounted value before it actually became due. The main purpose of these bills nevertheless was, that traveling with cash was particularly dangerous at the time. A deposit could be made with a banker in one town, in turn a bill of exchange was handed out, that could be redeemed in another town.

These bills could also be used as a form of payment by the seller to make additional purchases from his own suppliers. Thus, the bills – an early form of credit – became both a medium of exchange and a medium for storage of value. Like the loans made by the Egyptian grain banks, this trade credit became a significant source for the creation of new money. In England, bills of exchange became an important form of credit and money during last quarter of the 18th century and the first quarter of the 19th century before banknotes, checks and cash credit lines were widely available.

Tallies

The acceptance of symbolic forms of money opened up vast new realms for human creativity. A symbol could be used to represent something of value that was available in physical storage somewhere else in space, such as grain in the warehouse. It could also be used to represent something of value that would be available later in time, such as a promissory note or bill of exchange, a document ordering someone to pay a certain sum of money to another on a specific date or when certain conditions have been fulfilled.

In the 12th century, the English monarchy introduced an early version of the bill of exchange in the form of a notched piece of wood known as a tally stick. Tallies originally came into use at a time when paper was rare and costly, but their use persisted until the early 19th Century, even after paper

forms of money had become prevalent. The notches were used to denote various amounts of taxes payable to the crown. Initially tallies were simply used as a form of receipt to the tax payer at the time of rendering his dues. As the revenue department became more efficient, they began issuing tallies to denote a promise of the tax assessee to make future tax payments at specified times during the year. Each tally consisted of a matching pair – one stick was given to the assessee at the time of assessment representing the amount of taxes to be paid later and the other held by the Treasury representing the amount of taxes to be collected at a future date.

The Treasury discovered that these tallies could also be used to create money. When the crown had exhausted its current resources, it could use the tally receipts representing future tax payments due to the crown as a form of payment to its own creditors, who in turn could either collect the tax revenue directly from those assessed or use the same tally to pay their own taxes to the government. The tallies could also be sold to other parties in exchange for gold or silver coin at a discount reflecting the length of time remaining until the taxes were due for payment. Thus, the tallies became an accepted medium of exchange for some types of transactions and an accepted medium for store of value. Like the giro banks before it, the Treasury soon realized that it could also issue tallies that were not backed by any specific assessment of taxes. By doing so, the Treasury created new money that was backed by public trust and confidence in the monarchy rather than by specific revenue receipts.

Goldsmith banker

Goldsmiths in England had been craftsmen, bullion merchants, money changers and money lenders since the 16th century. But they were not the first to act as financial intermediaries; in the early 17th century, the scriveners were the first to keep deposits for the express purpose of relending them. Merchants and traders had amassed huge hoards of gold and entrusted their wealth to the Royal Mint for storage. In 1640 King Charles I seized the private gold stored in the mint as a forced loan (which was to be paid back over time). Thereafter merchants preferred to store their gold with the goldsmiths of London, who possessed private vaults, and charged a fee for that service. In exchange for each deposit of precious metal, the goldsmiths issued receipts certifying the quantity and purity of the metal they held as a bailee (*i.e.* in trust). These receipts could not be assigned (only the original depositor could collect the stored goods). Gradually the goldsmiths took over the function of the scriveners of relending on behalf of a depositor and also developed modern banking practices; promissory notes were issued for money deposited which by custom and/or law was a loan to the goldsmith, *i.e.* the depositor expressly allowed the goldsmith to use the money for any purpose including advances to his customers. The goldsmith charged no fee, or even paid interest on these deposits. Since the promissory notes were payable on demand, and the advances (loans) to the goldsmith's customers were repayable over a longer time period, this was an early form of fractional reserve banking. The promissory notes developed into an assignable instrument, which could circulate as a safe and convenient form of money backed by the goldsmith's promise to pay. Hence goldsmiths could advance loans in the form of gold money, or in the form of promissory notes, or in the form of checking accounts. Gold deposits were relatively stable, often remaining with the goldsmith for years on end, so there was little risk of default so long as public trust in the goldsmith's integrity and financial soundness was maintained. Thus, the goldsmiths of London became the forerunners of British banking and prominent creators of new money based on credit.

Demand deposits

The primary business of the early merchant banks was promotion of trade. The new class of commercial banks made accepting deposits and issuing loans their principal activity. They lend the money they received on deposit. They created additional money in the form of new bank notes. The money they created was partially backed by gold, silver or other assets and partially backed only by public trust in the institutions that created it.

Demand deposits are funds that are deposited in bank accounts and are available for withdrawal at the discretion of the depositor. The withdrawal of funds from the account does not require contacting or making any type of prior arrangements with the bank or credit union. As long as the account balance

is sufficient to cover the amount of the withdrawal, and the withdrawal takes place in accordance with procedures set in place by the financial institution, the funds may be withdrawn on demand

Banknotes

Paper money was introduced in Song Dynasty China during the 11th century. The development of the banknote began in the seventh century, with local issues of paper currency. Its roots were in merchant receipts of deposit during the Tang Dynasty (618–907), as merchants and wholesalers desired to avoid the heavy bulk of copper coinage in large commercial transactions. The issue of credit notes is often for a limited duration, and at some discount to the promised amount later. The jiaozi nevertheless did not replace coins during the Song Dynasty; paper money was used alongside the coins. The central government soon observed the economic advantages of printing paper money, issuing a monopoly right of several of the deposit shops to the issuance of these certificates of deposit. By the early 12th century, the amount of banknotes issued in a single year amounted to an annual rate of 26 million strings of cash coins.

In the 13th century, paper money became known in Europe through the accounts of travelers, such as Marco Polo and William of Rubruck. Marco Polo's account of paper money during the Yuan Dynasty is the subject of a chapter of his book, *The Travels of Marco Polo*, titled "How the Great Kaan Causeth the Bark of Trees, Made into Something Like Paper, to Pass for Money All Over his Country." In medieval Italy and Flanders, because of the insecurity and impracticality of transporting large sums of money over long distances, money traders started using promissory notes. In the beginning these were personally registered, but they soon became a written order to pay the amount to whoever had it in their possession. These notes can be seen as a predecessor to regular banknotes. The first European banknotes were issued by Stockholms Banco, a predecessor of the Bank of Sweden, in 1661. These replaced the copper-plates being used instead as a means of payment, although in 1664 the bank ran out of coins to redeem notes and ceased operating in the same year.

Inspired by the success of the London goldsmiths, some of which became the forerunners of great English banks, banks began issuing paper notes quite properly termed 'banknotes' which circulated in the same way that government issued currency circulates today. In England this practice continued up to 1694. Scottish banks continued issuing notes until 1850. In USA, this practice continued through the 19th Century, where at one time there were more than 5000 different types of bank notes issued by various commercial banks in America. Only the notes issued by the largest, most creditworthy banks were widely accepted. The script of smaller, lesser known institutions circulated locally. Farther from home it was only accepted at a discounted rate, if it was accepted at all. The proliferation of types of money went hand in hand with a multiplication in the number of financial institutions.

These banknotes were a form of representative money which could be converted into gold or silver by application at the bank. Since banks issued notes far in excess of the gold and silver they kept on deposit, sudden loss of public confidence in a bank could precipitate mass redemption of banknotes and result in *bankruptcy*.

The use of bank notes issued by private commercial banks as legal tender has gradually been replaced by the issuance of bank notes authorized and controlled by national governments. The Bank of England was granted sole rights to issue banknotes in England after 1694. In the USA, the Federal Reserve Bank was granted similar rights after its establishment in 1913. Until recently, these government-authorized currencies were forms of representative money, since they were partially backed by gold or silver and were theoretically convertible into gold or silver.



Money has four functions: a medium of exchange or means of payment, a store of value, a unit of account and a standard of deferred payment. When used as a medium of exchange, money is considered to be distinguished from other assets.

Money as the medium of exchange is believed to be used in one half of almost all exchange. Workers exchange labor for money, people buy or sell goods in exchange for money as well.

People do not accept money to consume it directly but because it can subsequently be used to buy things they wish to consume. To see the advantages of a medium of exchange, imagine a barter economy, that is, an economy having no medium of exchange. Goods are traded directly or swapped for other goods. The seller and the buyer *each* must want something the other has to offer. Trading is very expensive. People spend a lot of time and effort finding others with whom they can make swaps. Nowadays, there exist actually no purely barter economies, but economies nearer to or farther from the barter type. The closer is the economy to the barter type, the more wasteful it is.



Serving as a medium of exchange is believed to have for centuries been an essential function of money. The unit of account is the unit in which prices are quoted and accounts are kept. In the USA, for instance, prices are quoted in US dollars, in Japan, in yen. It is usually convenient to use the same unit to measure the medium of exchange as well as to quote prices and keep accounts in. However, there may be exceptions. During the rapid German inflation of 1922-23 when prices in marks were changing very quickly, German shopkeepers found it more convenient to use US dollars as the unit of account. Prices were quoted in dollars though payment was made in marks. The same goes for Russia and other post-communist economies who used the US dollar as a unit of account, keeping their national currencies as means of actual payment. The higher is the inflation rate, the greater is the probability of introducing a temporary unit of account alongside the existing units for measuring medium of exchange.

Money is a store of value, for it can be used to make purchases in future. For money to be accepted in exchange, it has to be a store of value. Unless suitable for buying goods with tomorrow, money will not be accepted as payments for the goods supplied today. But money is neither the only nor necessarily the best store of value. Houses, stamp collections, and interest-bearing bank accounts all serve as stores of value.

Finally, money serves as a standard of deferred payment or a unit of account over time. When money is borrowed, the amount to be repaid next year is measured in units of national currency, pounds of sterling for the United Kingdom, for example. Although convenient, this is not an essential function of money. UK citizens can get bank loans specifying in dollars the amount that must be repaid next year.

Thus, the key feature of money is its use as a medium of exchange. For money to be used successfully as a means of exchange, it must be a store of value as well. And it is usually, though not always, convenient to make money the unit of account and standard of deferred payment.

PRACTICAL MATERIAL

TEXT 4 A

MONEY AND BANKING

Money and its Functions

The main feature of money is its acceptance as **the means of payment or medium of exchange**. Nevertheless, money has other functions. It is **a standard of value, a unit of account, a store of value and a standard of deferred payment**.

The Medium of Exchange

Money, the medium of exchange, is used in one-half of almost all exchange. Workers work for money. People buy and sell goods in exchange for money. We accept money not to consume it

directly but because it can **subsequently** be used to buy things we do wish to consume. Money is the medium through which people exchange goods and services.

In barter economy there is no medium of exchange. Goods are traded directly or **swapped for** other goods. In a barter economy, the seller and the buyer each must want something the other has to offer. Each person is simultaneously a seller and a buyer. There is a **double coincidence of wants**.

Trading is very expensive in a barter economy. People must spend a lot of time and effort finding others with whom they can make mutually satisfactory swaps. Since time and effort are scarce resources, a barter economy is wasteful.

Money is generally accepted in payment for goods, services, and debts and makes the trading process simpler and more efficient.

Other Functions of Money

Money can also serve as a **standard of value**. Society considers it convenient to use a **monetary unit** to determine relative costs of different goods and services. In this function money appears as **the unit of account**, is the unit in which prices are quoted and accounts are kept.

To be accepted in exchange, money has to be a **store of value**. Money is a store of value because it can be used to make purchases in the future.

Houses, stamp collections, and **interest-bearing bank accounts** all serve as stores of value. Since money **pays no interest** and its real purchasing power is **eroded** by inflation, there are almost certainly better ways to store value.

Finally, money serves as **a standard of deferred payment** or a unit of account over time. When you borrow, the amount to be repaid next year is measured in money value.

Different Kinds of Money

Golden coins are the examples of **commodity money**, because their gold content is a commodity.

A **token money** is a means of payment whose value or purchasing power as money greatly exceeds its cost of production or value in uses other than as money.

A \$10 note is worth far more as money than as a 3x6 **inch** piece of high-quality paper. Similarly, the monetary value of most coins exceeds the amount you would get by **melting** them **down** and selling off the metals they contain. By collectively agreeing to use token money, society economizes on the scarce resources required to produce money as a medium of exchange. Since the manufacturing **costs** are **tiny**, why doesn't everyone make \$10 notes? The essential condition for the survival of token money is the restriction of the right to supply it. Private production is illegal.

Society enforces the use of token money by making it **legal tender**. The law says it must be accepted as a means of payment. In modern economies, token money is **supplemented by IOU money**. An IOU money is a medium of exchange based on the debt of a private firm or individual.

A **bank deposit** is IOU money because it is a debt of the bank. When you have a bank deposit the bank owes you money. You can write a cheque to yourself or a third party and the bank is obliged to pay whenever the cheque is presented. Bank deposits are a medium of exchange because they are generally accepted as payment.

Vocabulary

the means of payment — средство платежа

medium of exchange — средство обращения

a standard of value — мера стоимости

a unit of account — единица учета

a store of value — средство сбережения
(сохранения стоимости)

a standard of deferred payment — средство
погашения долга (отсроченный платеж)

subsequently - впоследствии

a barter economy — бартерная экономика

to swap (*also* swap; *syn.* to exchange, to
barter) — обменивать, менять

to hand over in exchange – передать, вручить в обмен
a double coincidence of wants — двойное совпадение потребностей
a monetary unit — денежная единица
to remind of — напоминать
to be worthless — обесцениваться
an interest-bearing bank account — счет в банке с выплатой процентов
to pay interest – приносить процентный доход
to erode — зд. фактически уменьшать
hard currency — твердая (конвертируемая) валюта

soft currency — неконвертируемая валюта
invariably – неизменно, постоянно
commodity money — деньги-товар
token money — символические деньги (дензнаки)
inch — (2,4 см) дюйм
to melt down — расплавить
tiny costs — мизерные затраты
legal tender — законное платежное средство
to supplement — дополнять
IOU money — деньги, долговое обязательство;
IOU – сокр. от I owe you – я должен (форма долговой расписки)
bank deposit — вклад в банке

Task 3.1 Give Russian equivalents to the following:

1. exchange labour services for money;
2. you must hand over in exchange a good or service;
3. a double coincidence of wants;
4. spend a lot of time and effort;
5. make mutually satisfactory swaps;
6. a barter economy is wasteful;
7. commodity generally accepted in payment for goods;
8. prices are quoted and accounts are kept;
9. its purchasing power is eroded by inflation;

10. it's usually but not invariably convenient;
11. cut back on other uses;
12. exceeds its cost of production;
13. by collectively agreeing;
14. the survival of token money;
15. society enforces the use of token money;
16. token money is supplemented by IOU money;
17. interest-bearing bank accounts.

Task 3.2 Replace the parts *in italics* by synonyms:

sometimes payment can be *put off till later*;
the *vital* feature of money;
its purchasing power is *worn away*;
the money is *without value*;

it is not *always* convenient;
time and effort are *rare* resources;
private production of money is *against the law*.

Task 3.3 Find the opposites to the following words and expressions:

take away; reject; planned event; in a minor way; increase; is less than; separately; very large; be under no compulsion to; public

Task 3.4 Fill in the gaps with the words and expressions from the text:

1. The crucial feature of money is its acceptance as ... or ...
2. People buy and sell goods ... for money.
3. In a barter economy goods are traded directly or ... other goods.
4. People must spend a lot of ... finding others with whom they can make mutually

5. Society considers it convenient to use ... to determine ... of different goods and services.
6. The unit of account is the unit in which prices are ... and ... are kept.
7. Money is a store of value because it can be used
8. When you borrow, the amount to be repaid next year is measured in

9. To use a commodity money, society must either ... other uses of that commodity or devote ... to producing ... of the commodity.
10. A token money is a means of payment whose ... as money greatly ... its cost of production or value in uses other
11. By ..., society economizes on the scarce resources required to produce money as
12. The essential condition for the survival of token money is ... to supply it.

13. Society enforces the use of token money by making it
14. In modern economies, token money ... by
15. An IOU money is a medium of exchange based on
16. ... is IOU money because it is a debt of the bank.

Task 3.5 Find English equivalents for the following:

- | | |
|---|---|
| 1) средство платежа; | 11) обесцененный; |
| 2) средство обращения; мера стоимости; | 12) платить проценты; |
| 3) средство сбережения (средство сохранения стоимости); | 13) покупательная способность; |
| 4) единица учета; | 14) промышленное использование; |
| 5) средство погашения долга; | 15) потребительское использование; |
| 6) в обмен на; | 16) деньги-товар; |
| 7) может быть впоследствии использовано; | 17) денежные знаки (символические деньги) |
| 8) обмениваться товарами и услугами; | 18) денежная стоимость; |
| 9) бартерная экономика; | 19) ограничение права; |
| 10) измеряться; | 20) вклад в банке; |
| | 21) банковская ссуда; |
| | 22) законное платежное средство; |
| | 23) долговое обязательство. |

Task 3.6 Answer the questions:

- | | |
|---------------------------------------|---|
| 1. Why do people accept money? | 4. What's a barter economy? Why is trading expensive in a barter economy? |
| 2. What are the functions of money? | 5. What does IOU stand for? |
| 3. What are different kinds of money? | |

Task 3.7 Translate into English:

Существует несколько функций денег. Во-первых, деньги являются средством платежа, или обращения; деньги можно использовать при покупке и продаже товаров. Деньги выступают также мерой стоимости. Общество считает удобным использовать денежную единицу в качестве масштаба для соизмерения относительных стоимостей различных благ и ресурсов. Деньги служат средством сбережения. Поскольку деньги являются наиболее ликвидным товаром, то есть таким, который можно без проблем продать (обменять), то они являются очень удобной формой хранения богатства. Это, однако, не единственная форма хранения богатства. Во время упадка в экономике, при высокой инфляции и обесценении денег, население, скорее всего, будет хранить богатство в виде недвижимости или других дорогостоящих товаров — предметах искусства, драгоценностях. Деньги, которые, являются долговыми обязательствами государства, коммерческих банков и сберегательных учреждений, имеют стоимость благодаря товарам и услугам, которые приобретаются за них на рынке.



Selling and buying foreign currency for local currency is usually carried out in our country at *bureaux de change*, which are also referred to as exchange bureaux, exchange offices, or sometimes simply exchange. In foreign countries the trade in money with customers is usually carried out at bureau de change, at the bank counters or travel agents' offices. The exchange rates for various currencies are determined by market forces and they change every day. The exchange rates for currencies sold and bought in bureau de change, over the bank counters or of travel agents', are only valid regionally. For amounts in excess of a certain sum sometimes special exchange rate is set.

Here is one of many dialogues that is taking place in a bureau de change in New York:

Customer: Could you change dollars into English pounds sterling?

Cashier: Certainly, sir. I'll just check the exchange rates. How much would you like to change?

Customer: One thousand dollars. And what is the rate of exchange today? *Cashier:* One dollar to seventy five pence.

Customer: And what rate can you offer for two thousand dollars? *Cashier:* One dollar to ninety pence.

Customer: Oh, the difference is not very big. Change one thousand, please. Here is the money.

Cashier: Thank you. May I have your passport for a moment please? We are always to write down the number of the customer's passport if we change one thousand dollars or more.

Customer: Here it is. No problem.

Cashier: Here is your passport. How would you like the money, sir? *Customer:* Oh, give it to me in hundred pound notes, please.

Cashier: Good. One hundred, two hundred... seventy pounds, seventy five pounds.

Customer: Thank you. Good bye.

Cashier: Good bye, sir.

Vocabulary

counter ['kauntə] – прилавок, стойка

over the counter – через стойку

at the counter – за стойкой

bureau (франц.) ['bju'roʊ] – бюро (*pl* bureaux) силу

- (мн. число этого существительного образуется законность

по правилам грамматики франц. яз.)

bureau de change – бюро (пункт) обмена

to refer to smth. as ... – называть что-либо

(каким-либо словом)

to determine [dɪ'tɜ:mɪn] - определять

market - рынок

market forces – силы, действующие на рынке

valid ['vælɪd] – действительный, имеющий

validity – действительность, срок действия,

excess [ɪk'ses] — превышение

in excess of 20 kgs – Сверх 20 кг

Luggage in excess of 20 kgs is usually

charged extra. – за провоз багажа сверх

20 кг обычно взимается дополнительная

плата

Exercises:

6.1. Find the answers in the text:

1. Where is money sold and bought in our country?
2. What about practice in foreign countries?
3. Who determines rates of exchange?

4. How often do exchange rates change?
5. Are the exchange rates the same on one and the same day everywhere?
6. In what cases are different exchange rates for the same currency set on one and the same day?

6.2 Complete the sentences with the following words:

Excess, exchange, rates, bureau de change, customers, market forces, currency, valid

1. In foreign countries the trade in money with ... is usually carried out at
2. ... for various currencies are determined by... and they change every day.
3. Selling and buying foreign ... for local... is usually carried out at....
4. The exchange rates are ... regionally.
5. For amounts in ... of a certain sum sometimes special... are set.

6.3 Translate into English:

- | | |
|---|--|
| 1. Какой у вас курс фунта по отношению к доллару? | 4. Вы можете обменять доллары на евро? |
| 2. Мне нужно обменять 50 фунтов. | 5. А какой у вас курс? |
| 3. Вам нужен паспорт? | |

6.4 What do you think about money? Can people do without it? Share your ideas in the projects “The essence of Money with my eyes” or “I’ll keep my money always in the bank as I think...”, “I don’t believe banks because...”

UNIT 2. MONETARY POLICY IN THE UK, USA, RF & OTHER COUNTRIES

THEORETIC MATERIAL

TEXT 5 MONETARY POLICY IN THE UNITED KINGDOM

As a central bank, one of the Bank of England's key responsibilities is the conduct of monetary policy. The Bank acts as adviser to the government in this respect, and carries out agreed decisions in the markets.

Monetary policy is concerned with the value, supply and cost of money in the economy. The principal objective is to *maintain the value of money* - or to put it another way, to restrain increases in the prices of goods and services. If monetary conditions are too loose – for example, if interest rates are not high enough - then we may experience excessive borrowing and spending and a weaker exchange rate against other currencies, leading to upward pressure on costs and prices. A tight monetary policy, on the other hand, involving high, real interest rates (that is, high in relation to the rate at which prices are rising) will act to slow the growth of demand and prices, but may also slow output and investment, possibly leading to increased unemployment. Proper control over monetary conditions is necessary if we are to achieve sustainable economic growth.

Since 1980, the underlying policy has been to ensure that monetary and fiscal policy complement one another in a coherent framework for the defeat of inflation.

1 variant:

4 task, 1.: If interest rates are not high enough - then we may experience excessive borrowing and spending and a weaker exchange rate against other currencies.

2.: The Bank acts as adviser and carries out agreed decisions in the markets.

2 variant:

4 task, 1.: If monetary conditions are too loose – so the interest rates are not high enough.

2.: We may experience a weaker exchange rate against other currencies, leading to upward pressure on costs and prices.

Banknotes of the pound sterling

Sterling banknotes are the banknotes in circulation in the British Islands (encompassing the United Kingdom and the British Crown dependencies), denominated in pounds sterling (symbol: £; ISO 4217 currency code GBP). One pound is equivalent to 100 pence.

The pound is the official currency of the United Kingdom and the Crown dependencies of Britain. Three British Overseas Territories also have currencies called pounds which are at par with the pound sterling.

In most countries of the world the issue of banknotes is handled exclusively by a single central bank or government, but in the United Kingdom seven retail banks have the right to print their own banknotes in addition to the Bank of England; sterling banknote issue is thus not automatically tied in with one national identity or the activity of the state. The arrangements in the UK are unusual, but comparable systems are used in Hong Kong and Macao, where three and two banks respectively issue their own banknotes in addition to their respective governments.

The Bank of England does act as a central bank in that it has a monopoly on issuing banknotes in England and Wales, and regulates the issues of banks in Scotland and Northern Ireland. Pounds issued by Crown Dependencies and other areas are regulated only by local governments and not the Bank of England.



Everyday use and acceptance

The wide variety of sterling notes in circulation means that acceptance of different pound sterling banknotes varies. Their acceptance may depend on the experience and understanding of individual retailers, and it is important to understand the idea of "legal tender", which is often misunderstood (see section below). Misunderstanding that all bills are legitimate and of equal value, and can be accepted by merchants anywhere, has become a tourism headache in some parts of the UK. In summary, the various banknotes are used as follows:

English banknotes (Bank of England)

The majority of sterling notes are printed by the Bank of England. These are legal tender in England and Wales, and are always accepted by traders throughout the UK. Bank of England notes are generally accepted in the Overseas Territories which are at parity with sterling. In Gibraltar, there are examples of pairs of automatic cash dispensers placed together, one stocked with English notes, the other with local ones.

Scottish banknotes

These are the recognised currency in Scotland, but are not legal tender. They are always accepted by traders in Scotland, and are usually accepted in other parts of the United Kingdom. However, some outside Scotland are unfamiliar with the notes and they are sometimes refused. Institutions such as clearing banks, building societies and the Post Office will readily accept Scottish bank notes. Branches of the Scottish note-issuing banks situated in England dispense Bank of England notes and may not dispense their own notes from those branches. Modern Scottish banknotes are denominated in pounds sterling, and are exactly the same value as Bank of England notes; they should not be confused with the former Pound Scots, a separate currency which was abolished in 1707.

Northern Irish banknotes

Banknotes issued by Northern Irish banks have the same legal status as Scottish banknotes in that they are promissory notes issued in pounds sterling and may be used for cash transactions anywhere in the United Kingdom. However, they are rarely seen outside Northern Ireland. In England and Wales, although they may be accepted by any shop, they are often not accepted without some explanation. As with Scottish notes, clearing banks and building societies will accept them. Northern Irish sterling banknotes should not be confused with the Irish pound (or Punt), the former currency of the Republic of Ireland, which was replaced by the Euro in 2002.

British Overseas Territories

There are fourteen British Overseas Territories many of which issue their own currencies which are distinct under ISO 4217; Gibraltar, Saint Helena and the Falkland Islands have their own pounds

which are at par with Sterling. These notes cannot be used in the UK or outside the territories of origin. Falkland Island Pounds are also commonly used in the South Georgia and the South Sandwich Islands and the British Antarctic Territory. St Helena pounds can also be used on Ascension Island.

Bank of England notes

A Series E (revised) £10 Bank of England note

Current issue

As of May 2014 the Bank of England banknotes in circulation are from two distinct series, with the two smaller denominations coming from the revised Series E (5 pound first issued in 2002, 10 pound first issued in 2000). The two larger denominations are from Series F (20 pound first issued in 2007, 50 pound first issued in 2011).

The notes currently in circulation are as follows:

- **5** pound note depicting Elizabeth Fry, showing her reading to prisoners in Newgate Prison



- **10** pound note depicting Charles Darwin, a hummingbird and HMS *Beagle*
- **20** pound note depicting Adam Smith, with an illustration of 'The division of labour in pin manufacturing'
- **50** pound note depicting Matthew Boulton and James Watt, with steam engine and Boulton's Soho factory.

Polymer notes

In September 2013 the Bank of England opened a period of public consultation about the introduction of polymer or plastic banknotes, which would be introduced into circulation from 2016 if the proposals were supported. In December 2013, the Bank confirmed the introduction of plastic or polymer notes would commence in 2016. It has been confirmed that the first Polymer note to be put into circulation will be the £5. A £10 note will go into circulation about a year later.

A spokesman for LINK, the company that operates cash machines in the United Kingdom, said machines would need to be altered to fit the smaller £5 banknotes.

High-value notes

Higher-value notes are used within the banks – particularly the £1 million and £100 million notes used to maintain parity with Scottish and Northern Irish notes. Banknotes issued by Scottish and Northern Irish banks have to be backed pound for pound by Bank of England notes (other than a small amount representing the currency in circulation in 1845), and special million pound notes are used for this purpose. These resemble simple IOUs and bear no aesthetic design features.

Wales

There are no Welsh banknotes in circulation; Bank of England notes are used throughout Wales. The last Welsh banknotes were withdrawn in 1908 upon the closure of the last Welsh bank, the North and South Wales Bank. An attempt was made in 1969 by a Welsh banker to revive Welsh banknotes, but the venture was short-lived and the notes did not enter general circulation, surviving today only as a collectors' curiosity.

Scotland and Northern Ireland

While provincial banks in England and Wales lost the right to issue paper currency altogether, the practice of private banknote issue has continued in Scotland and Northern Ireland. The right of

Scottish banks to issue notes is popularly attributed to the author Sir Walter Scott, who in 1826 waged a campaign to retain Scottish banknotes under the pseudonym *Malachi Malagrowther*. Scott feared that

the limitation on private banknotes proposed with the Bankers (Scotland) Act 1826 would have adverse economic consequences if enacted in Scotland because gold and silver were scarce and Scottish commerce relied on small notes as the principal medium of circulating money. His action eventually halted the abolition of private banknotes in Scotland. Scottish and Northern Irish banknotes are unusual, firstly because they are issued by retail banks, not central banks, and secondly, as they are technically not tender anywhere in the UK – not even in Scotland or Northern Ireland – they are in fact promissory notes.

Seven retail banks have the authority of HM Treasury to issue sterling banknotes as currency. Despite this, the notes can be refused at the discretion of recipients in England and Wales, and are often not accepted by banks and exchange bureaux outside of the United Kingdom. This is particularly true in the case of the Royal Bank of Scotland £1 note, which is the only £1 note to remain in circulation within the UK. In 2000, the European Central Bank indicated that, should the United Kingdom join the Euro, Scottish banks (and, by extension, Northern Irish banks) would have to cease banknote issue. During the Financial crisis of 2007–2008, the future of private banknotes in the United Kingdom was uncertain.

After the financial crisis of 2007–08, a number of banks were rescued from collapse by the United Kingdom government. The Banking Act 2009 was passed to improve protection for holders of

banknotes issued by the authorized banks, so that the notes would have the same level of guaranteed value to that of Bank of England notes. Critics of the 2009 Act expressed concerns that it would restrict the issue of banknotes by commercial banks in Scotland and Northern Ireland by removing many of the provisions of the earlier Acts quoted above. Under the original proposals, banks would have been forced to lodge sterling funds with the Bank of England to cover private note issue for a full week, rather than over a weekend, thereby losing four days' interest and making banknote production financially unviable. Following negotiations among the UK Treasury, the Bank of England and the Scottish banks, it was agreed that the funds would earn interest, allowing them to continue to issue their own notes.

During the public debate leading up to the 2014 Scottish independence referendum, the question of Scotland's future currency was discussed. While the SNP have advocated a currency union between an independent Scotland and the remnant of the United Kingdom, HM Treasury issued a statement in April 2013 stating that the present relationship with the Bank of England could be changed after independence, with the result that Scottish banks may lose the ability to issue banknotes backed by Bank of England funds.

Scotland

The issuing of retail-bank banknotes in Scotland is subject to the Bank Charter Act 1844, Banknotes (Scotland) Act 1845, the Currency and Bank Notes Act 1928, and the Coinage Act 1971. Pursuant to some of these statutes, the Commissioners for Revenue and Customs publishes an account of "the Amount of Notes authorized by Law to be issued by the several Banks of Issue in Scotland, and the Average Amount of Notes in Circulation, and of Bank of England Notes and Coin held" in the London Gazette. See for example Gazette Issue 58254 published 21 February 2007 at page 2544.

Bank of Scotland notes

*A £50 Bank of Scotland Tercentenary series note.
A Bank of Scotland £20 note of the new 2007 issue*



The most recent issue of Bank of Scotland notes is the *Bridges of Scotland* series which was introduced on 17 September 2007. Notes of this series depict famous Scottish bridges on the reverse side. As of late 2007,

the *Tercentenary Series*, introduced at the time of the Bank of Scotland's 300th anniversary in 1995, remains in circulation, but will be withdrawn as their physical condition deteriorates and will be replaced by the new Bridges series. All Bank of Scotland notes bear a portrait of Sir Walter Scott on the front in commemoration of his 1826 *Malachi Malagrowther* campaign for Scottish banks to retain the right to issue their own notes.

Following the announcement that HBOS (Bank of Scotland's parent company) would be taken over by Lloyds TSB in September 2008, it was confirmed that the new banking company would continue to print bank notes under the Bank of Scotland name. According to the Bank Notes (Scotland) Act 1845, the bank could have lost its note-issuing rights, but by retaining headquarters within Scotland, banknote issue will continue.

Royal Bank of Scotland notes

A £100 Royal Bank of Scotland note



The current series of Royal Bank of Scotland notes was originally issued in 1987. On the front of each note is a picture of Lord Ilay (1682–1761), the first governor of the bank, based on a portrait painted in 1744 by the Edinburgh artist Allan Ramsay. The front of the notes also feature an engraving of the bank's former headquarters in St. Andrew Square, Edinburgh. The background graphic on both sides of the notes is a radial star design which is based on the ornate ceiling of the banking hall in the old headquarters building.

On the back of the notes are images of Scottish castles, with a different castle for each denomination: Occasionally the Royal Bank of Scotland issues commemorative banknotes. Examples include the £1 note issued to mark the 150th Anniversary of the birth of Alexander Graham Bell in 1997, the £20 note for the 100th birthday of Queen Elizabeth The Queen Mother in 2000, the £5 note honouring veteran golfer Jack Nicklaus in his last competitive Open Championship at St Andrews in 2005. and the £10 note issued in commemoration of HM Queen Elizabeth II's Diamond Jubilee in 2012. These notes are much sought-after by collectors and they rarely remain long in circulation.

Northern

Ireland

In Northern Ireland, four retail banks exercise their right to issue pound sterling notes: Bank of Ireland, First Trust Bank, Danske Bank (formerly Northern Bank) and Ulster Bank. Northern Bank and Ulster Bank are the only two banks that have issued special commemorative notes so far. A Bank of Ireland £5 note



Bank of Ireland notes

Like other Northern Irish banks, Bank of Ireland retains its note-issuing rights from before the partition of Ireland; while Bank of Ireland is headquartered in Dublin, it issues sterling notes within the United Kingdom. In spite of its name, Bank of Ireland is not, and never has been, a central bank; it is a retail bank. Its sterling notes should not be confused with banknotes of the former Irish pound which were in use in the Republic of Ireland before the adoption of the euro in 1999. Banknotes issued by Bank of Ireland are of a uniform design, with denominations of £5, £10 £20, £50 and £100 each differentiated by colour. The notes all feature an illustration of a seated woman, Hibernia, and the heraldic shields of the Counties of Northern Ireland. Until April 2008, all Bank of Ireland notes featured an illustration of Queen's University of Belfast on the reverse side. A new series of £5, £10 and £20 notes issued in April 2008 depicts the Old Bushmills Distillery and these new notes will gradually replace the previous series as older notes are withdrawn from circulation.

(sign: \$; code: **USD**; also abbreviated **US\$** and referred to as the **U.S. dollar**, **American dollar** or **US Dollar**) is the official currency of the United States and its overseas territories. It is a Federal Reserve Note and consists of 100 smaller cent units.



The U.S. dollar is fiat money. It is the currency most used in international transactions and is the world's most dominant reserve currency. Several countries use it as their official currency, and in many others it is the *de facto* currency. Besides the United States, it is also used as the sole currency in two British Overseas Territories: the British Virgin Islands and the Turks and Caicos islands. Unlike the Spanish milled dollar the U.S. dollar is based upon a decimal system of values. In addition to the dollar the coinage act officially established monetary units of *mill* or one-thousandth of a dollar (symbol m), *cent* or one-hundredth of a dollar (symbol ¢), *dime* or one-tenth of a dollar, and *eagle* or ten dollars, with prescribed weights and composition of gold, silver, or copper for each. It was proposed in the mid-1800s that one hundred dollars be known as *a union*, but no union coins were ever struck and only patterns for the \$50 half union exist. However, only cents are in everyday use as divisions of the dollar; "dime" is used solely as the name of the coin with the value of 10¢, while "eagle" and "mill" are largely unknown to the general public, though mills are sometimes used in matters of tax levies, and gasoline prices are usually in the form of \$X.XX9 per gallon, e.g., \$3.599, sometimes written as \$3.59⁹/₁₀. When currently issued in circulating form, denominations equal to or less than a dollar are emitted as U.S. coins while denominations equal to or greater than a dollar are emitted as Federal Reserve notes (with the exception of gold, silver and platinum coins valued up to \$100 as legal tender, but worth far more as bullion)

Etymology



German *Taler*, a word that eventually found its way into Danish and Swedish as *daler*, Dutch as *daler* or *daalder*, Ethiopian as *ታላብ* (talari), Hungarian as *tallér*, Italian as *tallero*, and English as *dollar*. Alternatively, *thaler* is said to come from the German coin *Guldengroschen* ("great guilder", being of silver but equal in value to a gold guilder), minted from the silver from Joachimsthal.

The coins minted at Joachimsthal soon lent their name to other coins of similar size and weight from other places. One such example, was a Dutch coin depicting a lion, hence its Dutch name leeuwendaler (English *lion daler*).

The leeuwendaler was authorized to contain 427.16 grains of .750 fine silver and passed locally for between 36 and 42 stuivers. It was lighter than the large-denomination coins then in circulation, thus it was more advantageous for a Dutch merchant to pay a foreign debt in leeuwendalers and it became the coin of choice for foreign trade.

The leeuwendaler was popular in the Dutch East Indies and in the Dutch New Netherland Colony (New York), and circulated throughout the Thirteen Colonies during the 17th and early 18th centuries. It was also popular throughout Eastern Europe, where it led to the current Romanian and Moldovan currency being called leu (literally "lion").

Among the English-speaking community, the coin came to be popularly known as lion dollar – and is the origin of the name *dollar*. The modern American-English pronunciation of *dollar* is still remarkably close to the 17th-century Dutch pronunciation of *daler*. By analogy with this lion dollar, Spanish pesos – with the same weight and shape as the lion dollar – came to be known as *Spanish dollars*. By the mid-18th century, the lion dollar had been replaced by the Spanish dollar, the famous "piece of eight", which was distributed widely in the Spanish colonies in the New World and in the Philippines. Eventually, dollar became the name of the first official American currency.

Nicknames

The colloquialism "**buck**" (much like the British word "**quid**" for the pound sterling) is often used to refer to dollars of various nations, including the U.S. dollar. This term, dating to the 18th century, may have originated with the colonial leather trade. It may also have originated from a poker term. "**Greenback**" is another nickname originally applied specifically to the 19th century Demand Note dollars created by Abraham Lincoln to finance the costs of the Civil War for the North. The original note was printed in black and green on the back side. It is still used to refer to the U.S. dollar (but not to the dollars of other countries). Other well-known names of the dollar as a whole in denominations include "**greenmail**", "**green**" and "**dead presidents**" (the last because deceased presidents are pictured on most bills).

A "**grand**", sometimes shortened to simply "**G**", is a common term for the amount of \$1,000. The suffix "**K**" or "**k**" (from "kilo-") is also commonly used to denote this amount (such as "\$10k" to mean \$10,000). However, the \$1,000 bill is no longer in general use. A "**large**" or "**stack**", it is usually a reference to a multiple of \$1,000 (such as "**fifty large**" meaning \$50,000). The \$100 bill is nicknamed "**Benjamin**", "**Ben**", or "**Franklin**" (after Benjamin Franklin), "**C-note**" (C being the Roman numeral for 100), "**Century note**" or "**bill**" (e.g. "**two bills**" being \$200). The \$20 bill is referred to as "**double sawbuck**", "**Jackson**" (after Andrew Jackson), or "double eagle". The \$10 bill—as "**sawbuck**", "**ten-spot**" or "**Hamilton**" (after Alexander Hamilton). The \$5 bill as "**fin**", "**fiver**" or "**five-spot**". The \$2 bill is sometimes called "**deuce**", "**Tom**", or "**Jefferson**" (after Thomas Jefferson). The \$1 bill as a "**single**" or "**buck**". The dollar has also been referred to as a "**bone**" and "**bones**" in plural (e.g. "**twenty bones**" is equal to \$20). The newer designs are sometimes referred to as "**Big face**" bills or "Monopoly money".

In French-speaking areas of Louisiana, the dollar is referred to as "**piastre**" or "**piasse**" (pronounced "pee-as") and the French holdover "**sou**" (pronounced "soo") is used to refer to the cent.

In El Salvador, the dollar replaced the Salvadoran colón under the presidency of Francisco Flores Pérez.

In Panama, the equivalent of buck is "**palo**" (literally "stick"). Also, the Panamanian balboa is directly tied to the U.S. dollar, and US dollars are frequently used in place of the minted Panamanian currency.

In Ecuador, the dollar is referred to as "**plata**" (literally "silver").

In Peru, a nickname for the U.S. dollar is "**coco**", which is a pet name for *Jorge* ("**George**" in Spanish), a reference to the portrait of George Washington on the \$1 note.

Puerto Ricans, both living in Puerto Rico and in the United States, may refer to the dollar as "**peso**".

In some places in Mexico, prices in U.S. dollars are referred to as "**en americano**" ("in American") or "**en oro**" ("in gold"), with the word "peso" used in Mexico primarily to refer to the Mexican peso.

Cubans call the U.S. dollar "**fula**", loosely translated from Cuban jargon meaning bad. Possession of American money was penalized before the mid-1990s, hence the nickname.

Dollar sign

Silver real of 1768

The symbol \$, usually written before the numerical amount, is used for the U.S. dollar (as well as for many other currencies). The sign was the result of a late 18th-century evolution of the scribal abbreviation "p^s" for the peso. The *p* and the *s* eventually came to be written over each other giving rise to \$.

Another popular explanation is that it comes from the Pillars of Hercules on the Spanish Coat of arms on the Spanish dollars that were minted in the New World mints in Mexico City, Mexico; Potosí, Bolivia; and Lima, Peru. These Pillars of Hercules on the silver Spanish dollar coins take the form of two vertical bars (||) and a swinging cloth band in the shape of an "S".



Yet another explanation suggests that the dollar sign was formed from the capital letters U and S written or printed one on top of the other. This theory, popularized by novelist Ayn Rand in *Atlas Shrugged*, does not consider the fact that the symbol was already in use before the formation of the United States.

Silver and gold standards

From 1792, when the Mint Act was passed, the dollar was defined as 371.25 grains (24.056 g) of silver. Many historians erroneously assume gold was standardized at a fixed rate in parity with silver; however, there is no evidence of Congress making this law. This has to do with Alexander Hamilton's suggestion to Congress of a fixed 15:1 ratio of silver to gold, respectively. The gold coins that were minted however, were not given any denomination whatsoever and traded for a market value relative to the Congressional standard of the silver dollar. 1834 saw a shift in the gold standard to 23.2 grains (1.50 g), followed by a slight adjustment to 23.22 grains (1.505 g) in 1837 (16:1 ratio).

In 1862, paper money was issued without the backing of precious metals, due to the Civil War. Silver and gold coins continued to be issued and in 1878 the link between paper money and coins was reinstated. This disconnection from gold and silver backing also occurred during the War of 1812. The use of paper money not backed by precious metals had also occurred under the Articles of Confederation from 1777 to 1788. With no solid backing and being easily counterfeited, the continentals quickly lost their value, giving rise to the phrase "not worth a continental". This was a primary reason for the "No state shall... make any thing but gold and silver coin a tender in payment of debts" clause in article 1, section 10 of the United States Constitution. The Gold Standard Act of 1900 abandoned the bimetallic standard and defined the dollar as 23.22 grains (1.505 g) of gold, equivalent to setting the price of 1 troy ounce of gold at \$20.67. Silver coins continued to be issued for circulation until 1964, when all silver was removed from dimes and quarters, and the half dollar was reduced to 40% silver. Silver half dollars were last issued for circulation in 1970. Gold coins were confiscated by Executive Order 6102 issued in 1933 by Franklin Roosevelt. The gold standard was changed to 13.71 grains (0.888 g), equivalent to setting the price of 1 troy ounce of gold at \$35. This standard persisted until 1968. Between 1968 and 1975, a variety of pegs to gold were put in place, eventually culminating in a sudden end, on August 15, 1971 to the convertibility of dollars to gold later dubbed the Nixon Shock. The last peg was \$42.22 per ounce before the U.S. dollar was let to freely float on currency markets. According to the Bureau of Engraving and Printing, the largest note it ever printed was the \$100,000 Gold Certificate, Series 1934. These notes were printed from December 18, 1934 through January 9, 1935 and were issued by the Treasurer of the United States to Federal Reserve Banks only against an equal amount of gold bullion held by the Treasury. These notes were used for transactions between Federal Reserve Banks and were not circulated among the general public.

TEXT 7

RUSSIAN ROUBLE

5,000 rubles (1997) Coins



The ruble or rouble (Russian: рубль, *rubl'*, plural рубли, *rubli*; see note on English spelling) (code: RUB) is the currency of Russia and the two partially recognized republics of Abkhazia and South Ossetia. Formerly, the ruble was also the currency of the Russian Empire and the Soviet Union before their dissolution. Belarus and Transnistria use currencies with the same name. The ruble is subdivided into 100 *kopeks* (sometimes written as *kopecks* or *copecks*; Russian: копейка, *kopeyka*; plural: копейки, *kopeyki*). The ISO 4217 code is *RUB* or 643; the former code, *RUR* or 810, refers to the Russian ruble before the 1998 redenomination (1 RUB = 1000 RUR).



Etymology

According to the most popular version, the word "rouble" is derived from the Russian verb *рубить* (*rubit'*), meaning "to chop".

Names of different denominations

In the 18th, 19th and 20th centuries, several coins had individual names:

• $\frac{1}{4}$ <i>kopek</i> – <i>polushka</i>
• $\frac{1}{2}$ <i>kopek</i> – <i>denga</i> or <i>dénezhka</i>
• <i>2 kopek</i> – <i>semishnik</i> (mostly disappeared by 20th century), <i>dvúshka</i> (20th century) or <i>grosh</i>
• <i>3 kopek</i> – <i>altyn</i> (not in use anymore by the 1960s)
• <i>5 kopek</i> – <i>pyaták</i>
• <i>10 kopek</i> – <i>grívennik</i>
• <i>15 kopek</i> – <i>pyatíaltýnny</i> (5 <i>altyn</i> ; the usage lived longer than <i>altyn</i>)
• <i>20 kopek</i> – <i>dvugrívenny</i> (2 <i>grívenniks</i>)
• <i>25 kopek</i> – <i>polupoltínnik</i> (half <i>poltínnik</i>) or <i>chetverták</i> (from the Russian for $\frac{1}{4}$)
• <i>50 kopek</i> – <i>poltína</i> or <i>poltínnik</i>

The amount of 10 roubles (in either bill or coin) is sometimes informally referred to as a *chervonets*. Historically, it was the name for the first Russian three-rouble gold coin issued for general circulation in 1701. The current meaning comes from the Soviet golden chervonets (советский золотой червонец), issued in 1923. It was equivalent to the pre-revolution 10 gold roubles. All these names are no longer in use, however. The practice of using the old kopek coin names for amounts in roubles is not very common today. In modern Russian slang only these names are used:

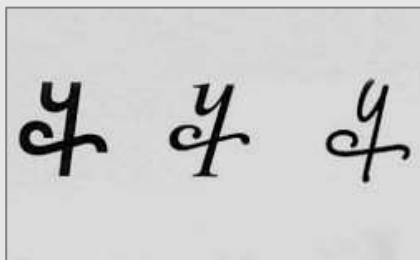
• <i>1 rouble</i> – <i>tselkóvy</i> (целкóвый), meaning "entire" or "whole" (цéлый)
• <i>5 roubles</i> – <i>pyatyórka</i> (пятыórка), <i>pyaták</i> (пята́к), <i>pyatachyók</i> (пятачо́к)
• <i>10 roubles</i> – <i>chírik</i> (чúрик), <i>chervónets</i> (червóнец) or <i>desyátka</i> (деся́тка)
• <i>50 roubles</i> – <i>poltínnik</i> (полтíнник) with some variants like <i>poltishók</i> (полтишо́к), <i>pyótr</i> (Пётр) from picture of monument to the Peter I shown on a bill
• <i>100 roubles</i> – <i>stólnik</i> (сто́льник), <i>sótka</i> (сотка)
• <i>500 roubles</i> – <i>pyatikhátka</i> (пятиха́тка), originally <i>pyatikátka</i> (пятика́тка)
• <i>1,000 roubles</i> – <i>kosár</i> (коса́рь), <i>shtúka</i> (шту́ка) or a hybrid <i>shtukár</i> (штукарь), <i>tónna</i> (то́нна) (mostly in St. Petersburg)
• <i>1,000,000 roubles</i> – <i>limón</i> (лимóн), <i>lyam</i> (лям)
• <i>1,000,000,000 roubles</i> <i>lyard</i> (лярд).

The sixth term derived from "пять кать" (five Catherines). *Katya* (Катя, Catherina), having been a slang name for the 100 rouble note in tsarist Russia, was used as the note had a picture of Catherine II on it.

The biggest denomination note, as of September 2009, is 5000 roubles, so all the higher amount nicknames refer to amount and not the coin or banknote.

Some of these definitions (*chirik, poltos, pyatikatka, and kosar*) come from Russian jail slang (Fenya) and are considered vulgar in daily speech.

Currency symbol



A currency symbol was used for the ruble between the 16th century and the 18th century. The symbol consisted of the Russian letters "P" (rotated by 90° counter-clockwise) and "Y" (written on top of it). The symbol was placed over the amount number it belonged to. This symbol, however, fell into disuse during the 19th century and onward.

The eventual winning Ruble sign design



No official symbol was used during the final years of the Empire, nor was one introduced in the Soviet Union. The characters R and *руб.* were used and remain in use today, though they are not official. In July 2007, the Central Bank of Russia announced that it would decide on a symbol for the ruble and would test 13 symbols. This included the symbol PP (the initials of *Российский Рубль* "Russian ruble"), which has received preliminary approval from the Central Bank. However, one more symbol, a P with a horizontal stroke below the top similar to the Philippine peso sign, was proposed unofficially. Proponents of the new sign claim that it is simple, recognizable and similar to other currency signs. This symbol is also similar to the Armenian letter p. On 11 December 2013, the official symbol for the ruble became **₽**, a Cyrillic letter *er* with a single added horizontal stroke, though the abbreviation *руб.* is in wide use. In Unicode version 7.0 it was assigned the encoding U+20BD **₽** RUBLE SIGN (HTML:₽).

On 4 February 2014, the Unicode Technical Committee during its 138th meeting in San Jose accepted U+20BD **₽** RUBLE SIGN symbol for the Unicode version 7.0, the symbol was then included into Unicode 7.0 released on 16 June 2014. In August 2014, Microsoft issued updates for all of its mainstream versions of Microsoft Windows that enabled support for the new ruble sign, but the updates were later found to have bugs that result in system crashes.

First ruble (antiquity–31 December 1921)



← *Five hundred rubles featuring Peter the Great and a personification of Mother Russia, 1912*

1898 Russian Empire one ruble bill, obverse →

The ruble has been the Russian unit of currency for about 500 years. From



1710, the ruble was divided into 100 kopeks. The amount of precious metal in a ruble varied over time. In a 1704 currency reform, Peter the Great standardized the ruble to 28 grams of silver. While ruble coins were silver, there were higher denominations minted of gold and platinum. By the end of the 18th century, the ruble was set to 4 zolotnik 21 dolya (almost exactly equal to 18 grams) of pure silver or 27 dolya (almost exactly equal to 1.2 grams) of pure gold, with a ratio of 15:1 for the values of the two metals. In 1828, platinum coins were introduced with 1 ruble equal to 77⅓ dolya (3.451 grams). On 17 December 1885, a new standard was adopted which did not change the silver ruble but reduced the gold content to 1.161 grams, pegging the gold ruble to the French franc at a rate of 1 ruble = 4 francs. This

rate was revised in 1897 to 1 ruble = $2\frac{2}{3}$ francs (0.774 grams gold). The ruble was worth about .50 USD in 1914. With the outbreak of World War I, the gold standard peg was dropped and the ruble fell in value, suffering from hyperinflation in the early 1920s. With the founding of the Soviet Union in 1922, the Russian ruble was replaced by the Soviet ruble. The pre-revolutionary Chervonetz was temporarily brought back into circulation from 1922-1925.

Coins

At the beginning of the 19th century, copper coins were issued for $\frac{1}{4}$, $\frac{1}{2}$, 1, 2 and 5 kopeks, with silver 5, 10, 25 and 50 kopeks and 1 ruble and gold 5 although production of the 10 ruble coin ceased in 1806. Silver 20 kopeks were introduced in 1820, followed by copper 10 kopeks minted between 1830 and 1839, and copper 3 kopeks introduced in 1840. Between 1828 and 1845, platinum 3, 6 and 12 rubles were issued. In 1860, silver 15 kopeks were introduced, due to the use of this denomination (equal to 1 złoty) in Poland, whilst, in 1869, gold 3 rubles were introduced.^[26] In 1886, a new gold coinage was introduced consisting of 5 and 10 ruble coins. This was followed by another in 1897. In addition to smaller 5 and 10 ruble coins, $7\frac{1}{2}$ and 15 ruble coins were issued for a single year, as these were equal in size to the previous 5 and 10 ruble coins. The gold coinage was suspended in 1911, with the other denominations produced until the First World War.



Constantine ruble The Constantine ruble (Russian: *константиновский рубль*, pronounced "konstantinovsky rubl'") is a rare silver coin of the Russian Empire bearing the profile of Constantine, the brother of emperors Alexander I and Nicholas I. Its manufacture was being prepared at the Saint Petersburg Mint during the brief Interregnum of 1825, but it was never minted in numbers, and never circulated in public. The fact of its existence became known in 1857 in foreign publications.

Imperial issues

25 Assignation rubles of 1769, 1898 Russian Empire one ruble bill, reverse



In 1768, during the reign of Catherine the Great, the Assignation Bank was instituted to issue the government paper money. It opened in St. Petersburg and in Moscow in 1769.

In 1769, Assignation rubles were introduced for 25, 50, 75 and 100 rubles, with 5 and 10 rubles added in 1787 and 200 ruble in 1819. The value of the Assignation rubles fell relative to the coins until, in 1839, the relationship was fixed at 1 coin ruble = $3\frac{1}{2}$ assignat rubles.

In 1840, the State Commercial Bank issued 3, 5, 10, 25, 50 and 100 rubles notes, followed by 50 ruble credit notes of the Custody Treasury and State Loan Bank.

In 1843, the Assignation Bank ceased operations, and *state credit notes* (Russian: *государственные кредитные билеты*) were introduced in denominations of 1, 3, 5, 10, 25, 50 and 100 rubles. These circulated, in various types, until the revolution, with 500 rubles notes added in 1898 and 250 and 1000 rubles notes added in 1917. In 1915, two kinds of small change notes were issued. One, issued by the Treasury, consisted of regular style (if small) notes for 1, 2, 3, 5 and 50 kopeks. The other consisted of the designs of stamps printed onto card with text and the imperial eagle printed on the reverse. These were in denominations of 1, 2, 3, 10, 15 and 20 kopeks.

Provisional Government issues In 1917, the Provisional Government issued treasury notes for 20 and 40 rubles. These notes are known as "Kerenski" or "Kerenskyrubles". The provisional government also had 25 and 1000 rubles state credit notes printed in the U.S.A. but most were not issued.

Post-Soviet ruble (1993–1998)

Following the breakup of the Soviet Union in 1991, the ruble remained the currency of the Russian Federation. A new set of banknotes was issued in the name of Bank of Russia in 1993. During the period of hyperinflation of the early 1990s, the ruble was significantly devalued.

Coins

After the fall of the Soviet Union, the Russian Federation introduced new coins in 1992 in denominations of 1, 5, 10, 20, 50 and 100 rubles. The coins depict the double headed eagle above the legend "Банк России." The 1 and 5 rubles were minted in brass-clad steel, the 10 and 20 rubles in cupro-nickel and the 50 and 100 rubles were bimetallic (aluminium-bronze and cupro-nickel-zinc). In 1993, aluminium-bronze 50 rubles and cupro-nickel-zinc 100 rubles were issued, and the material of 10 and 20 rubles was changed to nickel-plated steel. In 1995 the material of 50 rubles was changed to brass-plated steel, but the coins were minted with the old date 1993. As high inflation persisted, the lowest denominations disappeared from circulation and the other denominations became rarely used. During this period the commemorative one-ruble coin is regularly issued. It's practically identical in size and weight to a 5 Swiss franc coin (worth approx. €3 / US\$4). For this reason, there have been several instances of (now worthless) rouble coins being used on a large scale to defraud automated vending machines in Switzerland.

Banknotes In 1961, new State Treasury notes were introduced for 1, 3 and 5 rubles, along with new State Bank notes for 10, 25, 50 and 100 rubles. In 1991, the State Bank took over production of 1, 3 and 5 rouble notes and also introduced 200, 500 and 1,000 rouble notes, although the 25 rouble note was no longer issued. In 1992, a final issue of notes was made bearing the name of the U.S.S.R. before the Russian Federation introduced notes for 5,000 and 10,000 rubles. These were followed by 50,000 rouble notes in 1993, 100,000 rubles in 1995 and finally 500,000 rubles in 1997 (dated 1995). Since the breakup of the Soviet Union in 1991, Russian rouble banknotes and coins have been notable for their lack of portraits, which traditionally were included under both the Tsarist and Communist regimes. With the issue of the 500 rouble note depicting a statue of Peter I and then the 1000 rouble note depicting a statue of Yaroslav, the lack of recognizable faces on the currency has been partially alleviated.

Coins



1 and 5 kopeck coins are rarely used (especially the 1 kopek coin) due to their low value and in some cases may not be accepted by stores

or individuals. In some cases, the 10 kopeck coin is disregarded (refused by individuals but is accepted by vendors and is mandatory for offer in exchange). All these coins began being issued in 1998, despite the fact that some of them bear the year 1997. Kopeck denominations all depict St. George and the Dragon, and all rouble denominations (with the exception of bimetallic commemorative pieces) depict the double headed eagle. Mint marks are denoted by "Л" or "М" on kopecks and the logos of either the Leningrad or Moscow mints on rubles. Since 2000, many bimetallic 10 rouble circulating commemorative coins have been issued. These coins have a unique holographic security feature inside the "0" of the denomination 10.

In 2008, it was proposed by the Bank of Russia to withdraw 1 and 5 kopeck coins from circulation and to round all the prices to 10 kopecks, although the proposal hasn't been realized yet (though characteristic "x.99" prices are treated as rounded in exchange).

The material of 1, 2 and 5 rouble coins was switched from copper-nickel-zinc and copper nickel clad to nickel plated steel in the second quarter of 2009. 10 and 50 kopeks were also changed from aluminum-bronze to brass steel clad.

In October 2009, a new 10 rouble coin made of brass plated steel was issued, featuring optical security features. The 10 rouble banknote would have been withdrawn in 2012, but a shortage of 10-ruble coins prompted the Central Bank to delay this and put new ones in circulation. Bimetallic commemorative 10 rouble coins will continue to be issued.

A series of circulating Olympic commemorative 25 ruble coins will start in 2011. The new coins will be made of cupronickel. A number of commemorative smaller denominations of these coins exist in circulation as well, depicting national historic events and anniversaries.

The Bank of Russia issues other commemorative non-circulating coins ranging from 1–50,000 rubles. See for listing.

Banknotes

On 1 January 1998 a new series of notes dated 1997 was released. Modifications to the series were made in 2001, 2004, 2010 and 2014.

Commemorative banknotes

In 2013 a special banknote in honor of the Olympic Games in Sochi was issued.

A 100 ruble banknote issued in 2013, printed in commemoration of the 2014 Winter Olympic Games in Sochi

Printing

All Russian ruble banknotes are currently printed at the state-owned factory Goznak in Moscow, which was organized on 6 June 1919 and has continued to operate ever since. Coins are minted in Moscow and at the Saint Petersburg Mint, which has been operating since 1724.



Controversy

On 8 July 2014 State Duma deputy and Vice-Chairman of the Duma Regional Political Committee Roman Khudyakov declared that the image of Apollo driving Quadriga on the portico of the Bolshoi Theatre in Moscow on the 100 rouble banknote constitutes pornography that should only be available to persons over the age of 18. Since it is impractical to limit the access of minors to banknotes, he requested in his letter to the Governor of the Bank of Russia Elvira Nabiullina to urgently change the design of the banknote. Roman Khudyakov, a member of parliament for the LDPR party stated, "You can clearly see that Apollo is naked, you can see his genitalia. I submitted a parliamentary request and forwarded it directly to the head of the central bank asking for the banknote to be brought into line with the law protecting children and to remove this Apollo."

Currency

Buying Gold to guard against sanctions

Russian central bank buys up domestic gold output as sanctions bite to protect the Ruble against collapse, Russia has looked towards alternatives to protect it's economy.

The Russian central bank has been the most active official sector gold buyer over the last decade. Its holdings have nearly tripled since the end of 2004 to 1,149.8 tonnes, making it the world's sixth largest gold holder among central banks.

"Central banks do not accumulate gold for no reason; you hold gold as part of your reserves to guard against these worst case scenarios," Natixis analyst Nic Brown said.

"It would make sense that in a situation in which the Russians found their dollar reserves were no longer useful, for whatever reason, they would want to use alternatives, and the country has accumulated a large amount of gold in recent years."

Exchange rates

In January 2014, President Putin said there should be a sound balance on the ruble exchange rate, that regarding the national currency exchange rate, the Central Bank only regulated it when it went beyond the upper and lower limits of the floating exchange rate and that the freer the Russian national

currency is, the better it is, adding that this would make the economy react more effectively and timely to processes taking place in it.

See the next Table of the Russian Currency.





These images are to scale at 0.7 pixels per millimeter.










Each new banknote series has enhanced security features, but no major design changes.

Banknotes printed after 1997 bear the fine print "модификация 2001г." (or later date) meaning

"modification of year 2001" on the left watermark area.

1997 Series

Image		Value	Dimensions	Description			Date of			
Obverse	Reverse			Obverse	Reverse	Watermark	printing*	issue	withdrawal	lapse
		5 rubles	137 × 61 mm	The Millennium of Russia monument on background of Saint Sophia Cathedral in Veliky Novgorod	Fortress wall of the Novgorod Kremlin	"5", Saint Sophia Cathedral in Novgorod	1997	1 January 1998	Current, but no longer issued and very rarely seen in circulation.	
		10 rubles	150 × 65 mm	Kommunalny Bridge across the Yenisei River in Krasnoyarsk and Paraskева Pyatnitsa Chapel	Krasnoyarsk hydroelectric plant	"10", Paraskева Pyatnitsa Chapel	1997 2001 2004		Current, but no longer issued since January 2010. Still in use, but less common than the 10 ruble coin.	

		50 ruble s		A Rostral Column sculpture on background of Petropavlosk Fortress in Saint Petersburg	Old Saint Petersburg Stock Exchange and Rostral Columns	"50", Peter and Paul Cathedral			Current
		100 ruble s		Quadriga on the portico of the Bolshoi Theatre in Moscow	The Bolshoi Theatre	"100", The Bolshoi Theatre	1997 2001 2004 2014		
		500 ruble s		Monument to Peter the Great, Sedovsailing ship and sea terminal in Arkhangelsk	Solovetsky Monastery	"500", Monument to Peter the Great	1997 2001 2004 2010		
		1,000 ruble s	157 × 69 mm	Monument to Yaroslav I the Wise and the Lady of Kazan Chapel in Yaroslavl	John the Baptist Church in Yaroslavl	"1000", Monument to Yaroslav I the Wise	1997 2004 2010	1 January 2001	
		5,000 ruble s		Monument to Nikolay Muravyov-Amursky in Khabarovsk	Khabarovsk Bridge over the Amur	"5000", Head of the monument to Muravyov-Amursky	1997 2010	31 July 2006	

- What do you know about the history of the European common currency?
- How does the IMF help maintain exchange rates of its member countries' currencies?
- What systems of determining exchange rates can you name? Which of them is preferred now? Why?



TEXT 8

THE EUROPEAN COMMON CURRENCY

1. Before 1999 the **Common Market** (Общий рынок) **member states** had the **common currency** called **ECU (European Common Unit)**. In 1999 the Common Market introduced (вводит) a new currency — **Euro** — used **temporarily** only in **bank operations**. Euro was more **expensive** than US dollar in January 1999. Since 2002 Euro is known to have been used not only in the banks.

2. **The International Monetary Fund (IMF)** is expected to **expand** international **trade**, stabilize **exchange rates**, and help countries having temporary balance of payments difficulties **maintain** their exchange rates. The IMF **supplies** the **member country** with **the amount of foreign currency** it wishes to **purchase** in **exchange** for the equivalent amount of its own currency. The member country must **repay** the amount buying back its own currency with a currency **accepted** by the Fund, usually **within** three to five years.

3. Up to the 1970s the IMF used a **fixed exchange rate system** which is a means for synchronizing and coordinating the exchange rates of member countries. The exchange rate of a currency is fixed against other countries' currencies, for instance, *one US dollar = 260 Japanese yen*. When fixed, the exchange rate is expected to be maintained over long periods, though countries may also choose to **devalue** or **revalue** their currencies.

In the early 1970s, however, a **weakening** of the US dollar made a large number of currencies **"float"** (плавать) to provide a greater degree of **exchange rate flexibility** (гибкость). With a **floating exchange rate system**, the value of each country's currency **in terms of** other currencies was determined by **supply** of and **demand** for it depending on **the strength** or **weakness of balance** of payments position in the economy in question.

Most currencies have continued to float although there have been **exceptions**. Fixed exchange rates are known to have been **imposed** on a **limited basis**, as in the **European Community**.

Nowadays, fixed exchange rates are believed to be preferred to floating ones, since they are said to provide more **convenient** and less **risky conditions** for **foreign trade**.

The euro is the single currency shared by (currently) 18 of the European Union's Member States, which together make up the euro area. The introduction of the euro in 1999 was a major step in European integration. It has also been one of its major successes: more than 333 million EU citizens now use it as their currency and enjoy its benefits, which will spread even more widely as other EU countries adopt the euro.

When the euro was launched on 1 January 1999, it became the new official currency of 11 Member States, replacing the old national currencies – such as the Deutschmark and the French franc – in two stages. First the euro was introduced as an accounting currency for cashless payments and accounting purposes, while the old currencies continued to be used for cash payments. Since 1 January 2002 the euro has been circulating in physical form, as banknotes and coins. The euro is not the currency of all EU Member States. Two countries (Denmark and the United Kingdom) have 'opt-out' clauses in the Treaty exempting them from participation, while the remainder (several of the more recently acceded EU members plus Sweden) have yet to meet the conditions for adopting the single currency.

Which countries have adopted the euro - and when?

1999	Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland
2001	Greece
2002	Introduction of euro banknotes and coins
2007	Slovenia
2008	Cyprus, Malta
2009	Slovakia
2011	Estonia
2014	Latvia

The euro and Economic and Monetary Union

All EU Member States form part of Economic and Monetary Union (EMU), which can be described as an advanced stage of economic integration based on a single market. It involves close co-ordination of economic and fiscal policies and, for those countries fulfilling certain conditions, a single monetary policy and a single currency – the euro. The process of economic and monetary integration in the EU parallels the history of the Union itself. When the EU was founded in 1957, the Member States concentrated on building a 'common market'. However, over time it became clear that closer economic and monetary co-operation was desirable for the internal market to develop and flourish further. But the goal of achieving the EMU including a single currency was not enshrined until the 1992 Maastricht Treaty (Treaty on European Union), which set out the ground rules for its introduction. These state what the objectives of EMU are, who is responsible for what, and what conditions Member States must meet in order to adopt the euro. These conditions are known as the 'convergence criteria' (or 'Maastricht criteria') and include low and stable inflation, exchange rate stability and sound public finances.

Who manages it?

With the launch of the euro monetary policy became the responsibility of the independent European Central Bank (ECB), which was created for that purpose, and the national central banks of the Member States having adopted the euro. Together they compose the Eurosystem. Fiscal policy (public revenue and expenditure) remains in the hands of individual national authorities – although they undertake to adhere to commonly agreed rules on public finances known as the Stability and Growth Pact. Member States also retain overall responsibility for their structural policies (i.e. labour markets, pension and capital markets), but agree to co-ordinate them in order to achieve the common economic goals.

Who uses it?

The euro is the currency of the 333 million people who live in the 18 euro area countries. It is also used, either formally as legal tender or for practical purposes, by other countries such as close neighbours and former colonies. It is therefore not surprising that the euro has rapidly become the second most important international currency after the dollar.

Why do we need it?

Apart from making travelling easier within the EU, a single currency makes **economic** and **political** sense. The framework under which the euro is managed underpins

its stability, contributes to low inflation and encourages sound public finances. A single currency is also a logical complement to the single market and contributes to making it more efficient. Using a common currency increases price transparency, eliminates currency exchange costs, facilitates international trade and gives the EU a more powerful voice in the world. The size and strength of the euro area also better protect it from external economic shocks, such as unexpected oil price rises or turbulence in the currency markets. Last but not least, the euro gives the EU's citizens a tangible symbol of their European identity.

Against the background of the current debt crisis important measures to improve the economic governance in the EU and the euro area in particular have been taken. EU Member States have strengthened the Stability and Growth Pact, introduced a new mechanism to prevent or correct macroeconomic imbalances and are increasingly coordinating structural policies. These are crucial steps to strengthen the "E" - the economic leg - of the EMU and to ensure the success of the euro in the long run.





Australia



10 Dollar



10 Dollar



Erazil



1 Real



1 Real



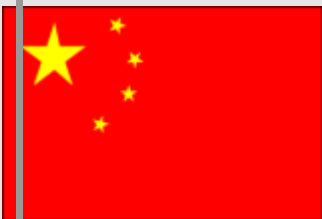
Canada



5 Dollar



5 Dollar



China



1 Yuan



Yuan



England



5 Pound



Pound





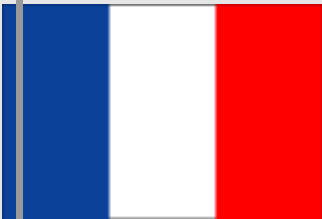
Europe



20 Euro



20 Euro



France



20 Franc



20 Franc



India



50 Rupee



50 Rupee



Iraq



25 Dinar



10000 Dinar



Italy



1000 Lire



2000 Lire





Japan



1000 Yen



1000 Yen



Korea, North



100 Won



100 Won



Korea, South



5000 Won (new)



50000 Won (new)



Mexico



20 Peso



20 Peso



Netherlands



10 Gulden



10 Gulden



Panama



20 Dollar



20 Dollar



Russia



10 Ruble



10 Ruble



Scotland



1 Pound



1 Pound



Soviet Union



10 Ruble



10 Ruble



Thailand



10 Baht



10 Baht





Turkey



100000 Lirasi



100000 Lirasi



United Arab Emirates



10 Dirham



10 Dirham



United States



20 Dollar



20 Dollar



Counterfeiting of money is one of the oldest crimes in history. In the United States, for example, it was a serious problem in the past, when each bank issued its own currency. Therefore they adopted a national currency in 1863. But it did not solve the counterfeiting problem. The national currency, or the dollar, was soon counterfeited so widely, that it became necessary for the US Government to take special measures. In 1865 the United States Secret Service was established to suppress counterfeiting. It curtailed counterfeiting to a certain extent but this crime still exists. The US dollars: is now the most counterfeited currency in the world. Modern photographic and printing devices, colour copiers, laser scanners have made the production of counterfeit money relatively easy. A lot of special security features are usually used in making banknotes of every country.

In making American dollars, for example, the following security features are used:

- ***Red and blue fibres, embedded in the paper***
- ***The intaglio printing of some features and many others.***

Besides, not long ago, a few more new security features were added to US dollars. These features are as follows:

- ***Invisible thread embedded in the paper***
- ***Microprinting***
- ***And others***

These new features appeared first in banknotes of certain denominations only. Other denominations will be gradually made with the same security features.

PRACTICAL MATERIAL

Inflation is a steady rise in the average price and wage level. The rise in wages being high enough to raise costs of production, prices grow further resulting in a higher rate of inflation and, finally, in an inflationary spiral. Periods when inflation rates are very large are referred to as¹ hyperinflation.

The causes of inflation are rather complicated, and there is a number of theories explaining them. Monetarists, such as Milton Friedman, say that inflation is caused by too rapid increase in money supply and the corresponding excess demand for goods. Therefore, monetarists consider due government control of money supply to be able to restrict inflation rates. They also believe the high rate of unemployment to be likely to restrain claims for higher wages. People having jobs accept the wages they are being paid, the inflationary spiral being kept under control. This situation also accounts for rather slow increase in aggregate demand. On the other hand, Keynesians, that is, economists following the theory of John M. Keynes, suppose inflation to be due to processes occurring in money circulation. They say that low inflation and unemployment rates can be ensured by adopting a tight incomes policy.

Incomes policies, though, monetarists argue, may temporarily speed up the transition to a lower inflation rate but they are unlikely to succeed in the long run².

The costs of inflation depend on whether it was anticipated and on the extent to which the economy's institutions allow complete inflation adjustment. The longer inflation continues, the more the economy learns to live with it. Indexation is a means to reduce the costs of some inflation

effects. Indexed wages or loans mean that the amount to be paid or repaid will rise with the price level. Indexation has already been introduced in countries that had to live with inflation rates of 30 or 40 percent for years. And the more countries adjust their economies to cope with inflation, the closer they come to hyperinflation. Indexation means that high rates of inflation are much more likely to continue and even to increase.

Notes for the Text

are referred to as — называются
in the long run — в долгосрочный период, т.е. достаточно длительный для того, чтобы фирма могла изменить все факторы производства

Запомните!

Vocabulary

steady ['stedɪ] — устойчивый, постоянный, равномерный

inflationary spiral [in'fleɪʃənəri 'spaiərəl] — инфляционная спираль (темп инфляции постоянно и быстро повышается)

inflation [in'fleɪʃən] **rate** — темп инфляции

hyperinflation ['haɪpə(r)in'fleɪʃən] — гиперинфляция (ежемесячные показатели роста цен на 50% за несколько месяцев подряд и с социальными потрясениями)

cause [kɔ:z] — причина, основание

rather [rɑ:ðə] — довольно, несколько

explain [ɪks'pleɪn], (smth to smb) — объяснять, разъяснять

account [ə'kaʊnt], (for smth) **1.** объяснять; **2.** нести ответственность; **3.** составлять, доходить до

accept [ək'sept] - принимать

occur [ə'kɜ:] — случаться, происходить

ensure [ɪn'ʃʊə] — обеспечивать, гарантировать

whether — ли (союз)

means - средство, средства

by means of - при помощи, посредством
to mean (meant [ment]) — значить, иметь значение, означать

any - какой-нибудь; сколько-нибудь, никакой, нисколько, всякий, любой

incomes policy — политика доходов (т.е. контроль над инфляцией путем сдерживания прироста зарплаты)

argue ['ɑ:gju:] — приводить доводы, утверждать, доказывать, спорить

argument ['ɑ:gjumənt] — довод, доказательство, аргумент

speed [spi:d], (**sped** [sped], **speeded** ['spi:did])(up) — ускорять, увеличивать

anticipate [æn'tɪcɪpeɪt] — ожидать, предвидеть

extent [ɪks'tent], **to some extent** - степень, мера; до некоторой степени

adjustment [ə'dʒʌstmənt] — регулирование, согласование

adjust [ə'dʒʌst], (smth to smth) — приспособлять; регулировать, устанавливать

indexation [ɪndɛk'seɪʃən] - индексация

cope [kəʊp] (with smth) — справиться с чем-либо

EXERCISES

№ 1. Translate the next sentences into Russian paying attention to the words for the text **Inflation**.

1. With slow price and wage adjustment, an increase in money supply results in a temporary output rise, but eventually it only causes higher prices.
2. Although inflation may not have been anticipated at first, people learn to adjust to it.
3. It is frequently argued that reducing the average level of inflation means reducing risks of making decisions and plans.

4. Governments and political parties usually have to decide whether they like the redistribution of income caused by inflation.
5. Governments think that tight monetary policies aimed at coping with inflation are desirable. Though these policies may mean higher unemployment and lower output.
6. Industrial economies have to make severe adjustments to cope with the rising energy scarcity.
7. Indexation means that the wages agreement will remain correct for any anticipated inflation that occurred over the life of the contract.
8. The extent of demand, budget constraints and other factors have been found to account for the particular level of government protection for a certain commodity over time.

№ 2. Answer the questions to the Text Inflation.

1. What situation is described as an inflationary spiral? By what means can it be kept under control?
2. Which two schools of thought are mentioned in the text? What is the difference between them?
3. What do monetarists think to be effective in restraining inflation rates?
4. Why is aggregate demand low?
5. Do Keynesians consider incomes policies to be a good means of coping with inflation in the long run?
6. What do the costs of inflation depend on?
7. By what means can the costs of inflation be reduced?
8. Does indexation help to cope with inflation?

№3 Make your own project to counteract the inflation by model in the text.



3 course **UNIT 3. COMMERCIAL PAPERS (DOCUMENTS): COLLECTION. DOCUMENTARY LETTER OF CREDIT. TYPES OF DRAFTS. CHEQUES. PROMISSORY NOTES. CERTIFICATES OF DEPOSIT. SPECIALIZED FORMS OF COMMERCIAL PAPER. CERTIFIED CHEQUES. CASHIER'S CHEQUES. BANK DRAFTS. MONEY ORDERS. TRAVELER'S CHEQUES. BUSINESS DOCUMENTS. CONTRACTS.**

PRACTICAL MATERIAL

TEXT 11

COLLECTION

When banks handle documents in order to obtain acceptance and/or payment, following the instructions given to them, this is called «collection». The exporter (or drawer) presents to his bank (called remitting bank) an application form with the documents attached. This bank makes out a collection order and passes it over to its correspondent bank in the country of the importer (or drawer). The correspondent bank or some other bank (called collecting) may present the documents to the importer or pass them over to another collecting bank (called presenting). This presenting bank presents the documents to the importer (or drawer). Collecting banks do not take responsibility for acceptance or payment.

There exist two types of collections. Collections may be documentary or clean. The documentary collection is the collection of commercial documents or the collection of financial documents together with commercial documents. The collection of only financial documents is called clean. Commercial documents are: invoices, bills of lading, waybills and certificates. Financial documents are: bills of exchange, promissory notes, cheques and payment receipts.

Vocabulary

collection — инкассо
handle — обрабатывать
acceptance — акцепт
attach — прилагать
application form — бланк заявления
present — представлять
make out — составлять
collection order — инкассовое поручение
pass over to — передавать кому-либо что-л
exporter — экспортер
importer — импортер
call — называть, требовать уплаты
deliver — передавать, доставлять
against — против
to draw on smb — выставлять на кого-либо тратту (чек, вексель)
drawer — получатель, трассант

drawee — плательщик, трассат
concerned — занятый (чем-либо), имеющий отношение к чему-либо
accept — акцептировать; соглашаться, признавать
responsibility — ответственность
carry out — выполнять, проводить
kind — род, вид, сорт
documentary — документарный
accompany — сопровождать
bill of lading — коносамент
waybill — накладная
certificate — удостоверение, сертификат
bill of exchange — переводной вексель, сертификат
promissory note — простой вексель
cheque — чек
receipt — расписка, квитанция

Task 12.1 Answer the questions:

1. What is a collection order?
2. Who makes it out?
3. What is the name of the bank that delivers the documents to the importer?
4. Who is responsible for payment/acceptance?

Task 12.2 Find English equivalents for the following:

- | | |
|--|--|
| 1) согласно полученным инструкциям; | 7) банк-корреспондент ... передает |
| 2) для того чтобы получить акцепт; | документы импортеру против акцепта; |
| 3) бланк-заявление; | 8) схема инкассового поручения; |
| 4) последний составляет инкассовое поручение; | 9) банки, имеющие дело с инкассо; |
| 5) как правило; | 10) банки не принимают ответственность за платеж или акцепт; |
| 6) последний ... передает его своему корреспонденту; | 11) большинство коммерческих банков. |

Task 12.3 Translate the sentences paying attention to the expressions in bold:

1. Please send us the balance of the documents so that we can **obtain payments on this collection**.
2. Further to our letter of March 3, we inform you that the above mentioned collection is still with us and we should appreciate the receipt of your instructions in respect of our further **handling the item**.
3. We confirm our letter of April 12, asking you to allow us to **deliver documents** to the drawees without payment.
4. In accordance with your letter of December 18 we have today **passed over** the shipping documents to the drawees against their acceptance of the six drafts (тратты) enclosed herewith.
5. On presentation of **the captioned collection**, payment was **refused** because the documents were not **complete**.
6. We write to inform you that we have not received payment **in respect of** your above **collection**.
7. Please **present the drafts** to your clients for acceptance and return these drafts to us.
8. We should appreciate your advising your **offices concerned** of the following information ...

Task 12.4 Translate the sentences:

1. Сообщаем, что продавец не предоставил всех документов к началу отгрузки.
2. По поручению нашего клиента просим предъявить вышеуказанные документы на сумму ...
3. В ответ на вашу телеграмму от 5 декабря сообщаем, что мы уже просили вашего разрешения выдать документы фирме без оплаты.

TEXT 12

DOCUMENTARY LETTER OF CREDIT



When a buyer in one country wants to pay a seller abroad he asks his bank (called «issuing») to «issue» or to «open» a letter of credit. It means that the buyer's bank issues a **documentary letter of credit**. It is an agreement with banks, made by a buyer, provided certain conditions are fulfilled.

The issuing bank asks its correspondent bank -usually in the seller's country — to advise and confirm the credit. The advising bank informs the seller that the credit has been opened. As soon as the seller receives the credit, he checks it and if he can meet its requirements, the seller ships the

goods. At the same time the seller sends the documents which prove shipment of the goods to

the bank where the credit is available. The bank checks the documents against the credit. If the documents comply with the requirements of the credit, then the nominated bank will make payment. The bank which made payment to the seller sends the documents to the issuing bank for reimbursement. The issuing bank after checking the documents reimburses the bank that has paid. The documents are then released to the buyer against payment.

There are many types of documentary credits. A revocable credit can be amended or cancelled at any time without prior warning or notification to the seller. An irrevocable credit can be amended or cancelled only with the agreement of all parties thereto. As there are often two banks involved, the issuing bank and the advising bank, the buyer can ask for an irrevocable credit to be confirmed by the advising bank. If the advising bank agrees, the credit becomes a confirmed credit.

Vocabulary

documentary - документарный

Letter of Credit=L/C=credit - аккредитив

operation— операция, сделка

agreement— соглашение, согласие

buyer— покупатель

seller— продавец

provided—если, при условии

condition— условие

fulfil— выполнять, соблюдать

correspondent bank— банк-корреспондент

check— проверять

meet requirements - отвечать, удовлетворять требованиям

ship - отгружать, отправлять, грузить

shipment - отгрузка, отправка, погрузка

prove - доказывать, свидетельствовать

comply (with) - удовлетворять, исполнять

reimburse - возвращать, возмещать

reimbursement - компенсация, возмещение

applicant - заявитель, приказодатель

nominated - исполняющий

release - передавать

party - сторона

revocable credit - отзывной кредит

irrevocable credit - безотзывной кредит

warning - предупреждение

notification - уведомление

thereto - на это

Task 13.1 Answer the questions:

1. What is the documentary letter of credit?
2. What are all parties to a documentary credit operation called?
3. Does the seller receive payment before the arrival of the goods at destination?
4. Which party benefits (извлекает выгоду) more by a letter of credit?

Task 13.2 Find in the text English equivalents for the following:

- 1) «выставить» или открыть аккредитив;
- 2) банк-эмитент; авизирующий банк;
- 3) если он может удовлетворить его требования;
- 4) документы, которые свидетельствуют об отправке товаров;
- 5) ... где находится аккредитив;
- 6) если документы удовлетворяют требованиям аккредитива;
- 7) рамбурс, возмещение;
- 8) документы затем выдаются покупателю против платежа.

Task 13.3 Translate the sentences paying attention to the expressions in bold:

1. I will go, **providing** my expenses are paid.

2. In view of the foregoing we hereby guarantee that the Buyers will effect above payments, **provided** the Sellers fulfill the engagements (обязательства) under the Contract.

3. The issuing bank, acting at the request of the applicant of the credit is to make payment against stipulated (оговоренных) documents, **provided** you confirm that the terms and conditions of the credit are complied with.

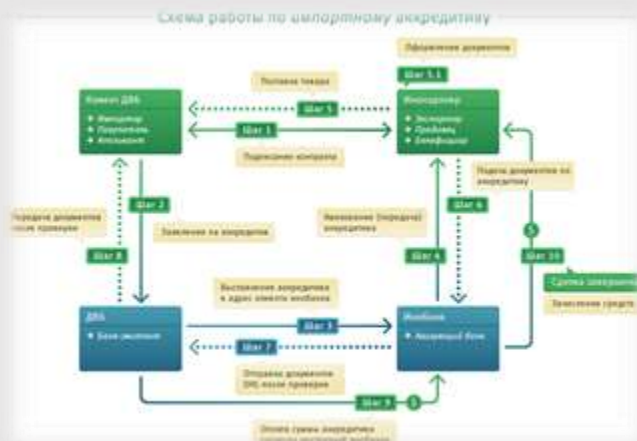
4. At the request of the above bank we confirm that your reimbursement claims (рамбурсные требования) will be duly honored by us, **provided** you confirm that all the terms and conditions of the said credit have been complied with and that the documents have been dispatched by airmail to Westbank, Hamburg.

Task 13.4 Translate into English:

1. открыть аккредитив;
2. авизовать;
3. подтвердить аккредитив;
4. удовлетворять требованиям аккредитива;
5. проверить документы;
6. возмещать платеж;
7. отгрузить товар;
8. выдать документы против платежа.

Task 13.5 Find in the text English equivalents for the following:

1. отзывной аккредитив может быть изменен или аннулирован;
2. без предварительного предупреждения;
3. извещение;
4. с согласия;
5. подтвержденный безотзывной аккредитив.



What is commercial paper?

Commercial paper is an unconditional written order or promise to pay money. The most common form of commercial paper is the personal cheque (*Am. check*). It was developed hundreds of years ago to serve as a safe substitute for money.

Instead of carrying their gold and silver with them, merchants left their money at the bankers. Then, when merchants wanted to pay a seller for goods they were buying, they wrote an order addressed to their bank. The order directed the bank to deliver a specified amount to the person or the place of the seller's choice. The bank compared the merchant's signature (and perhaps a seal) on the order with the signature left at the bank. The bank would comply with such written orders because, once the merchant had made a deposit, the bank was legally indebted to the depositor for that amount. Consequently, if the merchant demanded return of the deposit, the bank had to give it back.

The same is still true today. Banks still are debtors of their depositors. Also, cheques are still known as demand instruments because they allow depositors to get their money out of banks or have it paid in accordance with the depositor's order.

Vocabulary

commercial paper — 1) векселя, документы краткосрочного коммерческого кредита; 2) оборотные кредитно-денежные документы
unconditional — не ограниченный условиями, безоговорочный, безусловный
order - 1) приказ; 2) распоряжение
promise — 1) обещание; 2) обязательство
substitute — замена, заменитель
to deliver — представлять
amount — сумма

to comply (with) - 1) исполнять; 2) подчиняться
deposit — депозит, вклад в банке
depositor — вкладчик, депозитор, депонент
debtor — должник, дебитор
demand — требование
instrument - 1) документ; 2) средство
in accordance with – в соответствии с (чем-л.)

What are the types of commercial papers?

Today commercial papers can be grouped into two broad categories. The first is composed of unconditional *orders* to pay money. In this category are the *draft* and the *cheque*. A cheque is a special kind of draft. The second category is composed of unconditional *promises* to pay money. In this category are the *promissory note* and the *certificate of deposit* (COD).

The word *unconditional* means that the legal effectiveness of the order or promise is not dependent upon any other event.

IOU is not a commercial paper.

Here are the four main types of commercial paper:

1. Drafts

A **draft** is an unconditional written order by which one party directs a second party to pay to the order of a third party or to the bearer a certain sum of money on demand or at a definite time. A draft is also known as a **bill of exchange**. The usual purpose of a draft is to collect money owed. A draft initially involves three parties—the drawer and the payee. The drawer (*Garry A. Minton*) is the person who executes or draws the draft and orders that payment be made. The drawee (*Margaret H. Sandford*) is the person directed to pay the draft. The payee (*Morrison G. Chase*) is the party to whom this commercial paper is made payable.

(*Sanford* most probably owes *Minton* \$510 as a result of a previous transaction. Therefore *Sanford* is likely to honor the draft by paying *Chase* and in that way to pay her debt to *Minton*).

Drafts are sometimes described in terms of the time of payment. If the draft is payable at sight or on demand—that is, when it is presented to the drawee by the one holding the draft - it is a **sight draft**. The drawee is expected to pay when the draft is presented.

If a draft is payable at a specified time, or if it is payable at the end of a specified period after sight or after the date of the draft, it is a **time draft**, as is illustrated in the example.

When a time draft is payable a number of days or months after sight, it must be presented to the drawee for acceptance in order to start the running of the specified time. **Acceptance** is the drawee's promise to pay the draft when due. When the draft states it is payable a number of days or months «after date,» the time starts running immediately from the date of the draft.

Vocabulary

draft — 1) платежное поручение; 2) тратта (= переводной вексель; термин, употребляемый в определенных контекстах, связанных с долговыми требованиями, например);

promissory note — простой вексель, долговое обязательство

Certificate Of Deposit — депозитный сертификат

IOU (I owe you) – долговая расписка

bearer - 1) податель, предъявитель; 2) держатель, владелец

on demand - 1) по запросу; 2) по требованию

bill of exchange – переводной вексель, переводная тратта

charge to account — поставить на счет

pay to order – платить по приказу (надпись на чеке или векселе)

\$ 5 000 Nashville, Tennessee, *January 20, 2002*

Thirty days after date -----

Pay to Order of Morrison & Chase

Five hundred and ten dollars

Value received; Charge to Account of

To Margaret H. Sandford

No 15

Knoxville, Tennessee

Garry A. Minton

to owe - 1) быть должным, быть в долгу перед кем-л.; 2) задолжать (деньги)

party - 1) сторона; 2) участвующее лицо, участник

drawer — трассант (лицо, выставившее тратту)

drawee – трассат (лицо, на которого выставлена тратта)

payee – 1) получатель (денег); 2) предъявитель чека/векселя

to execute a document — составлять документ

to honour the draft – 1) оплатить (чек, тратту); 2) акцептировать

payable at sight — с оплатой по предъявлении

sight draft — вексель на предъявителя

time draft — срочная тратта

acceptance — 1) акцептирование, приемка (счета или векселя) к оплате; 2) акцепт

(принятие плательщиком обязательства
оплатить вексель или счет)

2. Cheques

A cheque is a special type of draft by which a bank depositor orders the bank to pay money, usually to a third party. Cheques are usually written on special forms provided by bank for a fee. The forms provided by the bank usually are magnetically encoded to make cheque processing easier for the banking system. However, cheques may be written on blank sheets of paper, forms provided by the depositor, or other materials and still be legally effective. The drawee, though, must always be a bank for the instrument to qualify as a cheque. Here is an example of a cheque:

PB Progressive Bank & Trust Co. No. 165
Providence, Rhode Island 57-7325/2115

Pay to the order of John B. Wright \$ 1 05.75
One hundred five and seventy-five cents
dollars

Robert. M. Mahlon

Here, Progressive Bank & Trust Co. is the drawee, John B. Wright is the payee, and Robert. M. Mahlon is the drawer of this cheque.

The bank, according to the contracts with its depositors, agrees to honor (pay when due) each cheque as long as sufficient funds remain in the depositor's account. As a debtor of the

depositor, the bank must honor the cheques in return for the right to use the depositor's funds until the depositor demands their return. Of course, the bank must retain a sizable percentage of all funds deposited so that it can pay cheques when they are presented. The remainder of the deposited funds is loaned at interest to pay for the bank's operations and to earn for the bank's owners. A person, who deliberately issues a cheque with the knowledge that the funds in the account will be insufficient to pay the cheque when it is presented at the drawee bank, is guilty of a crime. The bank will dishonor (refuse to pay when due) the instrument and the payee or current owner of the cheque will not get any money for it from that source. In addition, if a cheque is issued to pay a debt, the payoff is not effective until the cheque is presented to the drawee bank and honored. When a cheque has been lost or stolen, the drawer should direct the bank not to pay it. Such an instruction is called a stop payment order. Banks usually charge a small fee to stop payment on a cheque. If, by mistake, the drawee bank disregards the stop payment order and pays the cheque, the bank must re-credit the account. The bank - - not the depositor - must bear any loss. Oral stop payment orders are good only for two weeks unless they are confirmed in writing. Written stop payment orders are good for six months and lapse at the end of that time unless renewed. Care must be taken when writing or accepting cheques. When you write a cheque, be sure not to leave room for someone to insert figures and words to change the amount of the instrument. Never sign a blank cheque.

Vocabulary

form — бланк
to provide - 1) обеспечивать что-л. (for); 2)
предоставлять, давать, снабжать (with)
fee — плата, сбор
to encode - кодировать
processing - обработка

blank – пустой, чистый
account — счет
to retain — удерживать
sizeable – значительный, существенный
remainder — остаток

to loan at interest — ссужать под проценты
 earn a profit — зарабатывать, получать доход/прибыль
 deliberately — сознательно
 issue a cheque — выставлять чек
 guilty — виновен
 crime — преступление
 to dishonor — 1) отказывать в акцепте (векселя); 2) отказывать в платеже (по векселю)

payoff — выплата
 effective — действительный, эффективный
 to disregard — 1) не обращать внимание; 2) не принимать во внимание, игнорировать
 to lapse — 1) истекать (о сроке); 2) терять силу
 room — пространство, место

3. Promissory Notes

A promissory note is an unconditional written promise by one person to pay to the order of another person or to the bearer a certain sum of money on demand or at a definite time. Promissory notes initially involve only two parties — the maker and the payee. The maker (Catherine L. Talbot) is the one who executes or makes a promissory note (or a certificate of deposit) and promises to pay. The payee is Monica A. Soto. If two or more parties join in executing the note, they are comakers and are equally liable for payment.

Personal property may be pledged to secure performance — that is, to ensure payment — of a note. When this fact, together with a description of the property, is stated on the face of the note, the paper is a collateral note. The property pledged in collateral notes is usually in the form of documents of title, such as bonds, a warehouse receipt, or a life insurance policy. A collateral note typically provides for the sale of the security by the payee if the note is not paid when due. If real property is the security for the payment, the note is a mortgage note. If the payment is not made when due, however, the payee can force a sale of the real property and use the proceeds for payment.

4. Certificates of Deposit (CD)

A certificate of deposit is a written acknowledgment by a bank of receipt of money, with an unconditional promise to repay it. The stated amount is payable with interest at a definite future time, normally ranging from several months to several years. A certificate of deposit is often called a CD.

Here, Owen R. Kennedy is the payee.

\$ 3.000 Las Vegas, Nevada February 20, 2002 Four
years after date / promise to pay to the order of
Monica A. Soto
 Three thousand _____ dollars
 Payable at City "Bank, Las Vegas, Nevada
 with interest at 9% a year
 No. 6 Due February 20, 2006 Catherine
L. Talbot

THE BANK OF LEWIS AND CLARK 30431
 St. Louis, Missouri March 15, 2002
Owen R. Kennedy has deposited in this bank
Ten thousand and 00\$ _____ Dollars \$10.000.00
 and this sum will be repaid to said depositor or order one year from
 date with interest at seven (7) percent per year
 By: M.B. Brown, cashier
 THE BANK OF LEWIS AND CLARK
 CERTIFICATE OF DEPOSIT

Banks do not pay out CD's or other long-term deposits before maturity. Usually the penalty is a sharp reduction in the amount of interest payable on the funds. This inhibits depositors from withdrawing funds prematurely and leaves the banks free to lend the funds to others on a long-term basis. As a consequence, interest rates on CD's are usually significantly higher than savings or chequeing accounts, where the depositor is far more likely to withdraw from an account.

Vocabulary

interest — проценты (на капитал)
 due — сок платежа
 comakers — совместные векселедатели
 execute the note — оформлять (документ)
 equally — равно, в равной степени; одинаково
 liable — 1) ответственный; 2) обязанный
 collateral note — обеспеченный вексель
 mortgage note — ипотечное обязательство; письменное обязательство возвращения долга (под залог собственности, что является доказательством займа и оговаривает условия его возврата)
 to pledge — отдавать в залог, закладывать
 to force — заставлять, принуждать
 documents of title — титульные документы

bond — облигация
 warehouse receipt — квитанция на товар, принятый на хранение
 life insurance policy — полис страхования жизни
 security — обеспечение, гарантия
 receipt of money — получение денег
 long-term - долгосрочный
 before maturity — до наступления срока
 penalty — наказание
 to inhibit — сдерживать
 to withdraw from an account — снять со счета
 to withdraw — 1) аннулировать; снимать; 2) отзываться, отменять; 3) изымать

TEXT 14 WHAT ARE SOME OF THE SPECIALIZED FORMS OF COMMERCIAL PAPER IN USE?

Although the four types of commercial paper described in the previous section are the most frequently used, certain variations of the forms are available for specialized needs. These include:

1. Certified Cheques

A person to whom a personal cheque is offered as payment may fear the bank will not honor the cheque because of insufficient funds in the drawer's account. However, accepting a cheque is much safer if the bank has already agreed to pay the cheque, because only the unlikely event of the bank's failure will prevent the payee or current owner of the cheque from receiving the money due. A personal cheque that has been accepted by a bank in advance of payment is known as a certified cheque. At the time of certification, the bank draws sufficient funds from the depositor's account and sets them aside in a special account to pay the cheque when it is presented. In addition, the bank marks the front of the cheque with «*accepted*» or «*certified*,» the date, and the bank's signature.

2. Cashier's Cheques

A cheque that a bank draws on itself and which issued by an authorized bank officer is a cashier's cheque. Such cheques are used by banks to pay their own obligations. They also may be purchased from a bank by persons who wish to send *remittances*

1203/456

MIDDLE STATE BANK

I mil * Hock, Arkansas December / 5 20 02 Pay
 to the order of Barrows Paper Company \$ 375.50 The sum
 of \$375 and 50 cts dollars _____

CASHIER'S CHECK
 ASSISTANT MANAGER

MARTHA C. TODD

(payments) but who either have no personal chequing account or do not wish to use their personal cheques.

3. Bank Drafts

A draft drawn by a bank on funds that it has on deposit with another bank is a **bank draft**. Thus, such a document is a draft drawn by one bank on a second bank. Banks use these drafts in their own transactions. Sometimes a person or a business firm wishes to make an initial purchase for a big sum. The seller refuses to accept cheques of customers whose credit is not established. Therefore such customers may use bank drafts purchased from a bank.

4. Money Orders

Money orders are often used by persons who do not have chequing accounts. A money order is a draft issued by a post office, bank, express company, or telegraph company for use in making payment or transferring funds upon the credit of the issuer. Money orders serve the same purpose as cheques. For example, a money order is purchased from one post office, which orders payment by another post office in the hometown of the payee designated by the purchaser.

5. Traveller's Cheques

Hotels and retailers around the world understandably prefer to take cheques from persons they know and can trust only. At the same time, travellers do not want to carry cash on journeys. To meet the needs of both the traveller and the merchant, traveller's cheques have been devised. A traveller's cheque is a cheque drawn by a reliable financial institution (such as Bank of America or American Express Company) on itself or its agent. Traveller's cheques may be purchased from banks and other institutions. At the time they are purchased, each cheque is signed by the buyer. Either in the U.S.A. or in a foreign land, when cashing one of the cheques the traveller writes in the name of the payee and again signs her or his name as originally written on the cheque. This is done in the presence of the payee who can compare the signatures. The payee, who knows and trusts the drawee bank or issuing company, is usually willing to take the traveller's cheque. Thereafter, the payee may deposit and collect the traveller's cheque in the same manner as other cheques. Although traveller's cheques are still used, the greatly expanded use of credit cards throughout the world has reduced the need for them.

Task 15.1 Translate the following into Russian:

Preventing Legal Difficulties with Commercial Papers

1. Prepare commercial paper accurately and handle it with care, appreciating its value. Be sure not to leave blank space where a wrongdoer might insert figures and words that change the amount of the instrument;
2. Make certain that the other party's credit is good before you accept a cheque or lend money in exchange for a note. Be ensured that the cheque or note will be honored when due. If practicable, ask for security, such as collateral or a mortgage, for repayment of notes;
3. Consider using a certified cheque, cashier's cheque, bank draft, money order, traveller's cheque, or credit card if a creditor is hesitant about accepting your personnel cheque;
4. Use your right to stop payment of cheques to prevent your bank from honoring a lost or stolen cheque. Or use the process if a payee breaches the underlying contract which led you to write the cheque; and
5. Remember that an oral stop payment order is good for only 14 days unless confirmed in writing. A written stop payment order is good for six months and can be renewed.

Task 15.2. Give Russian equivalents for the following words and word combinations:

bank draft	judgment note
certificate of deposit	money order
certified cheque	mortgage note
collateral note	sight draft
comakers	stop payment order
dishonor	time draft
draft	traveler's cheque

Task 15.3. Find the equivalents for the following:

1. Cheque drawn by a financial institution on itself and then sold to a person who signs it at the time of issue and again at the time of use.
 2. Party directed by the drawer to pay a draft.
 3. One who executes a promissory note or a certificate of deposit.
 4. Unconditional written promise by one party to pay a certain sum of money to the order of another person or to the bearer on demand or at a definite future time.
 5. One who executes a draft.
 6. Special form of draft by which a depositor orders his or her bank to pay money to a third party.
 7. Party to whom a promissory note or other commercial paper is payable.
 8. An unconditional written order or promise to pay money.
 9. Drawee's promise to pay a draft when due.
 10. To pay an instrument when due.
-

- A. acceptance
- B. cashier's cheque
- C. cheque
- D. commercial paper
- E. drawee
- F. drawer
- G.. maker
- H. payee
- I. promissory note
- J. to honor

Task 15.4 Translate into Russian:

Reviewing Important Points

1. Commercial paper was developed hundreds of years ago to serve as a safer, more convenient substitute for precious metals or currency.
2. There are four important types of commercial paper: (a) drafts, (b) cheques (a special types of draft), (c) promissory notes, and (d) certificates of deposit.
3. In general, drafts are unconditional orders to another party to pay a certain sum of money on demand or at a definite future time. Cheques are unconditional orders to a bank to pay a certain sum of money on demand. Initially three parties are involved in drafts and cheques: the drawer, who gives the order to pay; the drawee, who gets the order; and the payee, to whom payment is to be made.
4. A cheque differs from other types of drafts in that: a. the drawee of a cheque is always a bank, b. a cheque is drawn against funds the drawer has on deposit in the bank, and c. a cheque is always payable on demand.
5. Promissory notes and certificates of deposit are unconditional promises to pay a certain sum of money on demand or at a definite future time. Initially two parties are involved; the maker, who promises to pay; and the payee, to whom payment is promised.
6. Various forms of cheques and drafts have been devised for special purposes. These forms include (a) certified cheques, (b) cashier's cheques, (c) bank drafts, (d) money orders, and (e) traveler's cheques.

Task 15.5 Read the following and answer the questions:

1. Joseph McReynolds gave the following signed instrument to Helen Harrison after borrowing \$5,000 from her: «This will acknowledge my legal duty to pay Helen Harrison \$5,000.»

It was dated and signed by McReynolds. Is this instrument a commercial paper?

ALASKA SAVINGS BANK	No.816
Fairbanks, Alaska	<u>November 15 2002</u> Pay to
the order of <u>John G. Barbour</u>	<u>\$ 300.00</u> <u>Three hundred</u>
<u>and 00¢</u> Dollars	
	<u>Louise L. Catron</u>

2. Mr Grier executed the following commercial paper.

Identify the paper as to type and identify the parties.

Portland, Maine June 1,20—

On September 1, 20—, I promise to pay to the order of J. Cameron Curtis one thousand dollars (\$1,000).

Anna C.Grier

3. Nelson executed the following commercial paper.

A. Identify the paper as to type and parties.

B. Under what circumstances would Campbell be legally obligated to pay the amount as ordered?

Chattanooga, Tennessee

January 15,2002

Thirty days after date, pay to the order of Corita G. Clifford the sum of fifteen hundred dollars (\$1500) with interest at the rate of seven (7) percent per year.

To: J.C.B. Campbell *Arthur G. Nelson*

15 Mountain View Road, Arthur G. Nelson

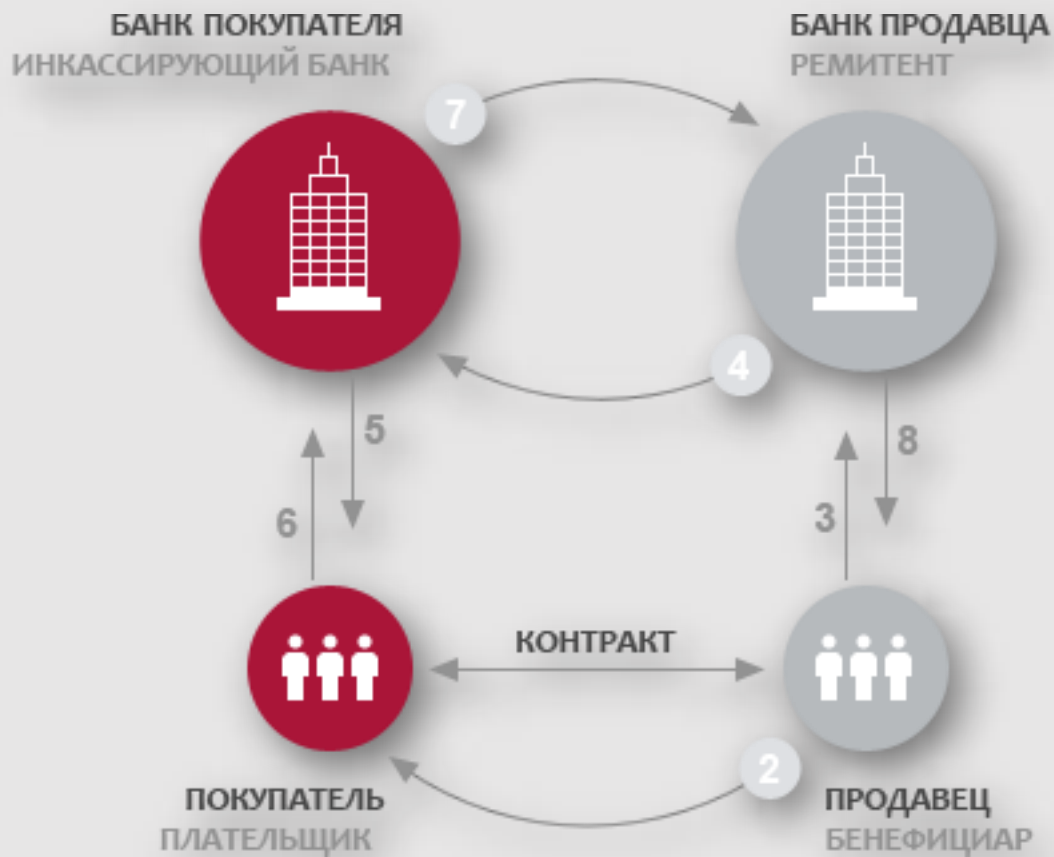
Asheville, North Carolina

4. Catron executed the following paper.

a) Identify the paper as to type and parties,

What could happen if Catron had started the words “Three hundred” farther to the right, near the middle
5. Sutherland wanted to order some jewelry which she saw advertised in a national magazine. The advertisement said, “Send no cash or personal cheques. No COD orders accepted». How should Sutherland pay?

b) of the cheque?



Contract is an agreement between the parties involved that creates a binding obligation. In general, contracts may be either oral or written. Certain classes of contracts must be written and signed. These are contracts involving the sale and transfer of real estate, and contracts to guarantee or answer for the miscarriage, debt, or default of another person. A contract forms the basis of a transaction between the Buyers and the Sellers.



Essential clauses of contract

Some of the items are necessary in any contract: legal title of the contracting parties, subject of the contract, quality, price, delivery and payment terms. As a rule a contract contains a number of clauses, such as:

Subject of the Contract.

Quality and Price of goods.

Terms of Payment.

Delivery.

Packing and Marking.

Transport.

Insurance and other conditions.

Subject of contract

This section names the product for sale or purchase. It also indicates the unit of measure generally employed in foreign trade for specific commodities. Contracts for bulk cargo contain a stipulation «about» or «plus or minus... per cent, denoting the permitted quantity tolerance.

Quality and Price of goods. The quality of machines and equipment is to be in conformity with the technical specification of the contract. The quality of raw materials and food terminated, as a rule, by standards, by sample or by description. The price stated in a contract may be firm, fixed or sliding.

Firm price. Firm prices are not subject to change in the course of the fulfillment of the contract.

Fixed price. It is the price governing in the market on the day of delivery or for a given period.

Sliding prices. These prices are quoted for machinery and equipment which require a long period of delivery.

Vocabulary

essential clauses — существенные условия контракта

strike a deal — заключить сделку

legal title — юридическое наименование

contracting parties — договаривающиеся стороны

unit of measure — единица измерения

commodity (goods) — товар

tolerance — допустимое отклонение

stipulation — условие

bulk cargo — насыпной/наливной товар

in conformity with — в соответствии

by sample — по образцу

quote a price — назначать цену

subject to — подлежащий

firm prices — твердые цены

fixed prices — фиксированные цены

sliding prices — скользящие цены

Task 16.1 Answer the questions:

1. Why are standard contracts widely used?

2. What are the essential items of a contract?
3. What information is contained in different sections of a contract?
4. How is quality determined in the contract?
5. What sort of prices may be indicated in a contract?

TEXT 16**TRANSPORT AND DELIVERY TERMS**

Multimodal (Door to Door) transport is wide-spread in shipping now. It involves a transfer of goods from one mode of transport to another.

Traditionally, the ship's rail was considered the critical point of responsibility, that is when all risks of loss or damage are transferred from one party to the other. Now it is no longer the ship's rail but the port terminal which may be such a point. In sea port areas the goods are put into containers, on pallets or aboard the ship.

The main carrier often prefers to assume through responsibility for the cargo he carries. In a through movement of the goods a combined transport document is issued instead of a traditional Bill of Lading. Like a traditional Bill of Lading it is a receipt for the consignment. But instead of ports of shipment and discharge it shows the place of delivery and receipt.

Incoterms

The new system of multimodal shipment in international trade is reflected in the International Commercial Terms (Incoterms 1980).

Ex Works-

means that the seller's only responsibility is to make the goods available at his premises (*i.e.* works or factory). In particular, he is not responsible for loading the goods in the vehicle provided by the buyer, unless otherwise agreed. The buyer bears the full cost and risk involved in bringing the goods from there to the desired destination. This term thus represents the minimum obligation for the seller.

Free Carrier ... (named point)

This term has been designed to meet the requirements of modern transport, particularly such «multi-modal» transport as container or «roll on-roll off*» traffic by trailers and ferries. It is based on the same main principle as FOB except that the seller fulfils his obligations when he delivers the goods into the custody of the carrier at the named point.

For/Fot

FOR and FOT mean «Free on Rail» and «Free on Truck». These terms are synonymous since the word «Truck» relates to the railway wagons. They should only be used when the goods are to be carried by railway.

Fob Airport

FOB Airport is based on the same main principle as the ordinary FOB term. The seller fulfils his obligations by delivering the goods to the air carrier at the airport of departure. The risk of loss of or damage to the goods is transferred from the seller to the buyer when the goods have been so delivered.

FAS means «Free Alongside Ship». Under this term the seller's obligations are fulfilled when the goods have been placed alongside the ship on the quay or in lighters. This means that the buyer has to bear all! costs and risks of loss of or damage to the goods from that moment.

FOB

FOB means «Free on Board». The goods are placed! on board the ship by the seller at a port of shipment named in the Sales contract. The risk of loss of or damage to the goods is transfer-led from the seller to the buyer when the goods pass the ship's rail.

C&F

C&F means «Cost and Freight». The .seller must pay the costs and freight necessary to bring the goods to the named destination, but the risk of loss of or damage to the goods is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment.

CIF

GIF means «Cost, Insurance and Freight*». This terms is basically the same as C & F but with the addition that the seller has to procure marine insurance against the risk of loss of or damage to the goods during the carriage. The seller contracts with the insurer and pays the insurance premium.

Freight Carriage Paid To

Like C&F «Freight or Carriage paid to...»* means, that the seller pays the freight for the carriage of the goods to the named destination. However, the risk of loss of or damage to the goods, is transferred from the seller to the buyer when the goods have been delivered into the custody of the first carrier and not at the ship's rail. It can be used for all modes of transport including multimodal operations and container or roll on-roll off traffic by trailers and ferries. When the Seller has to furnish a bill of lading, waybill or carrier's receipt, he duly fulfills this obligation by presenting such a document issued by the person with whom he has contracted for carriage to the named destination.

Freight Carriage and Insurance Paid To...

This term is the same as « Freight or Carriage Paid to...»* but with the addition that the seller has to procure transport insurance against the risk of loss of or damage to the goods during the carriage. The seller contracts with the insurer and pays the insurance premium.

EX Ship

«EX Ship» means that the seller shall make the goods available to the buyer on board the ship at the destination named in the sales contract.

EX Quay

«EX Quay» means that the seller makes the goods available to the buyer on the quay (wharf) at the destination named in the sales contract.

Delivered at Frontier

«Delivered at Frontier» means that the seller's obligations are fulfilled when the goods have arrived at the frontier — but before «the customs border» of the country named in the sales contract.

Delivered Duty Paid

While the term «Ex Works» signifies the seller's minimum obligation, the term «Delivered Duty Paid*»; when followed by words naming the buyer's premises, denotes the other extreme — the seller's maximum obligation. The term «Delivered Duty Paid» may be used irrespective of the mode of transport.

Примечание:

Incoterms — «Международные правила толкования коммерческих терминов». Разработаны Международной Торговой Палатой, который содержит 14 базисных условий поставки

EXW — EX works — франко-завод, с завода

FRC — Free carrier... named point — свободно у перевозчика (в поименованном пункте)

FOR/FOT — Free on Rail/Truck — франко-вагон, свободно в вагоне или на платформе

FOA — FOB Airport — свободно в аэропорту

FAS – Free alongside ship – свободно вдоль борта судна

FOB — Free on Board — свободно на борту судна

CFR — C and F — Cost and Freight — КАФ-стоимость, фрахт

CIF — Cost, Insurance, Freight — СИФ-стоимость, страхование, фрахт

Freight/Carriage paid to — фрахт/провозная плата оплачены до...

Freight/Carriage and Insurance paid to — фрахт/провозная плата и страхование оплачены до...

Ex Ship — с судна

Ex Quay — с пристани

DAF — Delivered at Frontier — поставлено на границе

DDP — Delivered Duty Paid — поставлено с оплатой пошлины

Vocabulary

multimodal — мультимодальный

mode of transport — вид транспорта

ship's rail — рейлинг судна

critical point of responsibility — критическая точка ответственности

risk of loss or damage — риск утраты или повреждения товара

terminal — грузовые склады в портах, имеющие сортировочные устройства

pallet — поддон

through — сквозной

assume responsibility — взять на себя ответственность

port of shipment — порт отгрузки

port of discharge — порт разгрузки

receipt — получение, расписка в получении

vehicle — транспортное средство

fulfil obligations — выполнять обязательства

meet the requirements — удовлетворять требованиям

RO/RO Roll on/Roll off — метод транспортировки грузов с горизонтальной погрузкой и выгрузкой

ferry — паром

custody — хранение

wagon — товарный вагон

carrier — перевозчик

carry — везти, перевозить

carriage — перевозка, транспортировка

by rail — по ж/д дороге

quay (wharf) — причал

lighter — лихтер

on board a ship — на борту судна

marine insurance — морское страхование

insured — страхователь; застрахованный

in surety — страховщик

insurance premium — страховая премия, страховой взнос

Task 17.1 Answer the questions:

1. What does the term «multimodal transport» mean?

2. What is regarded as the critical point now?

3. What document is issued in combined transport?
4. What mode of transport do you use for carriage of goods?

5. Where are critical points of responsibility under Incoterms?

TEXT 17
INSURANCE OF GOODS

The export trade is subject to many risks. Ships may sink or collide; consignments may be lost or damaged. So, the goods are usually insured now for the full value. The idea of insurance is to obtain indemnity in case of damage or loss. Insurance is against risk.

While the goods are in a warehouse, the insurance covers the risk of fire, burglary, etc.

As soon as the goods are in transit they are insured against pilferage, damage by water, breakage or leakage. Other risks may also be covered.

The insured is better protected if his goods are insured against all risks. The goods may be also covered against general and particular average.

In the insurance business the word average means loss. Particular average refers to risks affecting only one shipper's consignment.

General average refers to a loss incurred by one consignor but shared by all the other consignors who use the same vessel on the same voyage.

Vocabulary

consignment — груз, партия товара

leakage — утечка

insurance indemnity — страховое возмещение

general average — общая авария

warehouse — склад (товарный)

particular average — частная авария

burglary — кража со взломом

incur losses — терпеть убытки

pilferage — мелкая кража, хищение из отдельных мест груза

consignor — грузоотправитель

Task 19.1 Answer the following questions:

1. What are the risks to which the export trade is subject?
2. What does the word «average» mean in the insurance business?
3. What are the names of the biggest insurance companies in Russia?

TEXT 18
THE INVOICE

In the context of international trade, the invoice provides information about goods exchanged between the exporter and the importer. It is prepared by the exporter and includes a description of the goods, their price and the quantity supplied. It can act as proof of purchase, informing the buyer that the goods have been sent.

The invoice also informs the customer that the service requested can be available after payment. The example of such invoice is given below.

Task 20.1 Read and translate the pattern of the next invoice:

NETWORK SOLUTIONS' A VeriSign® Company
 PO BOX 1656 • Herndon • VA • 20172-1656

Web Address Registration.

Send Payments To:
Network Solutions, Inc.
PO Box 17305
Baltimore, MD 21297-0525

SUBJECT: Web Address Registration.

To The Account Of:

Peter Kovalenko
RUSTRADE
av. Teatralny 40/13
Rostov, 344019
Russian Federation

Invoice Date: 21-Aug-01

Tax ID: 52-1146119

Invoice Number:

25198745

Web Address: RUSTRADE.COM

Due Date:

18-AUG-2000 Period Covered: 28/04/2017-28/04/2019 Amount Due: \$70.00 US Dollars

To Pay By Credit Card or Confirm payment:

Thank you for registering the Web address shown above. Timely receipt of payment will ensure registration services for the period noted above. By this payment, Registrant agrees to the terms and conditions of the current Service Agreement. This payment is non-refundable. We accept all major credit cards 24 hours per day, seven days a week. Go to www.networksolutions.com. Make check payable to Network Solutions, Inc. in US Dollars, drawn on US bank and return the check and payment stub in the enclosed remittance envelope. To pay using the funds in your debit account send e-mail to the Web address, invoice number, and 16-digit Account Number....

Vocabulary

amount due — сумма

платежа

due date — срок

оплаты

timely receipt of payment – своевременное
получение оплаты

funds in your debit card – ср-ва на вашем
дебетовом счете

non-refundable - невозвратный

Task 20.2 Answer the next questions:

1. What service does the firm offer?
2. What will be the WEB-name of the customer?
3. What is the charge?
4. What are the terms of payment?
5. What are the terms of payment if the customer isn't the resident of US?

UNIT 4. HUMAN RESOURCES MANAGEMENT. RECRUITMENT. CURRICULUM VITAE (Resume). THE LETTER OF APPLICATION

PRACTICAL MATERIAL

TEXT 19 HUMAN RESOURCES MANAGEMENT. RECRUITMENT (Приём на работу)

When a company needs to recruit, or employ new people, it may decide to advertise the job or **position** in the «NEED HELP» section of a newspaper. People who are interested can then **apply** for the job by sending in a **letter of application or covering letter** (US cover letter) and a curriculum vitae or CV (in US — resume) containing details of their education and experience. A company may also ask candidates to complete a **standard application form**. The company's Human Resources department will then select the most suitable applications and prepare a **short list of candidates or applicants**, who are invited to attend an **Interview**. Another way for a company to **hire** is by using the service of a **recruitment agency** (in US — **search firm**) which provides a list of suitable candidates.

A growing number of companies are no longer satisfied with traditional job interviews. Instead, they are requiring applicants for many white-collar jobs to submit to a series of written tests, roleplaying exercises, simulated decision-making exercises. Others put candidates through a long series of interviews by psychologists or trained interviewers.

The tests are not about mathematics or grammar, nor about any of the basic technical skills for which many production, sales and clerical workers have long been tested. Rather, employers want to evaluate candidates on the following qualities:

- Is the candidate creative and entrepreneurial?
- Can the candidate lead and coach?
- Is the candidate flexible and capable of learning?
- Does the candidate have enough skills and knowledge?
- How will the candidate function under pressure?
- Will the potential recruit fit the corporate culture?



These tests, which can take from an hour to two days, are all part of a broader trend. Companies are getting much more careful about hiring. Ten years ago, candidates could win a top job with the right look and the right answers to questions such as «Why do you want this job? ». Now, many candidates are having to face questions and exercises intended to learn how they get things done.

They may face questions such as «Who is the best manager you ever worked for and why?» or «What is your best friend like?». The answers, psychologists say, reveal much about a candidate's management style and about himself or herself. The reason for the interrogations is clear: many hired candidates work out badly. The cost of bringing the wrong person on board is sometimes huge. Searching and training can cost from \$5000 for a lower-level manager to \$250,000 for a top executive. With the pace of change accelerating in markets and technology, companies want to know how an executive will perform, not just how he or she has performed. Years ago, employers looked for experience — has the candidate done this before? Most companies have not changed this practice until now.

Research has shown that most decision makers make their hiring decision in the first five minutes of an interview and spend the rest of the time rationalizing their choice.

Even companies that have not started extensive testing have toughened their hiring practices. They make the comprehensive testing aimed to measure skills in communications, analysis and organization, management style and personality traits.

Vocabulary

position — зд. работа

apply for... — подавать заявление на...

letter of application = covering letter — заявление о приеме

curriculum vitae = resume — experience — автобиография

experience - опыт

application form — заявление о приеме на работу

short list of candidates or applicants — краткий список кандидатов

interview — собеседование

to hire — нанимать

recruitment agency = search firm — агентство по трудоустройству

a series — ряд

to simulate — моделировать

Practical application: Designing a curriculum vitae or resume

A resume, sometimes called a Curriculum Vitae or CV, is a summary of your career history, the skills and experience you have gained during the course of it.

A good resume should:

- 1. attract attention**
- 2. create a positive impression**
- 3. present your skills and qualities clearly and concisely**

The purpose of the resume is to tell the employer why you should be hired. Consider it as your personal marketing instrument. A good resume will help you to open the door to a job interview.

There are two kinds of resume: employment and academic. The employment resume is typically shorter. Academic interview generally includes several additional sections such as:

- 1. Conferences, seminars attended.**
- 2. Papers given.**
- 3. Publications.**
- 4. Professional affiliations.**

The academic resume is used when applying to research bodies, international or educational organizations, etc.

The resume, as a standard summary of information, may be photocopied and sent off to many employers, changing sections of the content according to the different needs of the organizations contacted.

Resume writing tips

As you write your resume, keep in mind the following:



1. Use concise language.
2. Minimize or omit everything which is irrelevant.
3. Select and order the major categories so that the most relevant information is placed near the top of your resume where it will receive the majority of the reader's attention.
4. Your resume must be free of typographical and grammatical errors.
5. Have your resume critiqued by an experienced person.
6. Print your resume on white paper.

An example of Curriculum Vitae

Ann Jackson decides to apply for the job at Futura GmbH. Study her CV carefully to see how she has presented the information about herself.

1 Personal Details

Ann Jackson
52 Hanover Street
Edinburgh EH2 5LM
Scotland
Phone — 01957487004
E-mail: annjackson@mid.net

2 Education

1981-1988 Broadfield School, Brighton.
A level in German (A), English (B), History (B) and Geography (C).
1988-1991 University of London.
BA (Honours) in Journalism and Media Studies (Class II).
1991-1998 London Chamber of Commerce and Industry. Diploma in Public Relations.

3 Professional Experience

1998 present Public Relations Officer, Scottish Nature Trust.
Responsible for researching and writing articles on all aspects of the Trust's activities and ensuring their distribution to the press.
Editor of the Trust's monthly journal. In charge of relations with European environmental agencies.

1999-2000 Press Officer, Highlands Tourist Board.
Preparation of promotional materials and brochures.
Co-ordination of media coverage.

Summers of The News Herald newspaper.
1990 and Two three-month training periods as
2000 assistant to the Sports Editor.
Arranging and conducting interviews.
Preparation of articles covering local community sports events.

4 Skills

Office 2000 and Windows, Excel,
Internet, PowerPoint.

Languages Fluent German and proficient in French.
Additional Driving license.

5 **Activities**

Skiing and swimming. Ski Instructor (grade II).

6 **References**

Herbert Lindsay	Diane Swans
Professor of Journalism	Sports Editor
London University	The News Herald

Task 21.1 Answer the questions:

1. What is a resume?
2. What should be mentioned in a good resume?
3. What are the rules of resume-writing?

Task 21.2 Write a resume for positions of: 1) salesperson; 2) sales manager; 3) accountant; 4) security guard at:

1. A branch of a transnational corporation in your city with foreign top managers (Coca Cola, Procter & Gamble, Ford.)
2. A small computer shop.
A big store which sells parts for national car brands — VAZ, GAZ, etc.

Task 21.3 Write your own CV.

The letter of application

The letter of application can be as important as the CV in that it often provides the first direct contact between a candidate and an employer. If this letter is not well written and presented, it will make a poor impression. The letter of application normally contains four parts in which you should:

- confirm that you wish to apply and say where you learned about the job
- say why you are interested in the position and your interests are the same as those of the company
- show that you can contribute to the job by highlighting your most relevant skills and experience
- indicate your willingness to attend an interview (and possibly say when you would be free to attend)

Below you will find Ann Jackson's letter of application:

52 Hanover Street
Edinburgh EH2 5LM
UK

Emily Stark
Futura GmbH
Blumenstrasse 120
8000 Munich 22
Dear Ms Stark:

8th January 2000

I'm writing to apply for the position which was advertised last month in The Daily News. Although I am presently employed by a non-profit organization, it has always been my intention to work in commercial environment. I would particularly welcome chance to work for your company as I

have long admired both the quality of the products that it provides and its position as a defender of environmental causes. As you notice on my enclosed CV, the job you are offering suits both my personal and professional interests.

My work experience has familiarized me with many of the challenges involved in public relations today. I am sure that this, together with my understanding of the needs and expectations of sport and nature enthusiasts, would be extremely relevant to the position. Moreover, as my mother is German, I am fluent in this language and would definitely enjoy working in a German-speaking environment.

I would be pleased to discuss my curriculum vitae with more detail at an interview. In the meantime, please do not hesitate to contact me if you require further information. I look forward to hearing from you.

Yours sincerely,

Ann Jackson

Ann Jackson

Task 21.4 Write your own letter of application



СПИСОК ИСПОЛЬЗУЕМОЙ ЛИТЕРАТУРЫ

1. Агабекян И.П.«Английский для менеджеров». – Ростов/Дон.: Феникс, 2016.

В основу данного учебного пособия легли тексты из учебного пособия И.П. Агабекяна «Английский язык для менеджеров», а также информация из докладов и сообщений обучающихся, изучающих банковское дело, экономику и менеджмент.



Список заимствованных текстов:

1. Banking Documents; Banking, Banks. Money and Banking.
2. Money and its Functions; The History Of Money: From Barter To Banknotes; History of money;
3. Monetary Policy in the UK; United States Dollar; Russian Ruble; Euro;
4. Counterfeiting;
5. Inflation;
6. Collection;
7. Documentary Letter of Credit;
8. Commercial papers (Documents); Types of Commercial Papers; Drafts. Cheques. Promissory Notes; Certificates of Deposit; Specialized Forms of Commercial Paper; Certified Cheques. Cashier's Cheques; Bank Drafts. Money Orders; Travelers' Cheques;
9. Transport Documents;
10. The Invoice;
11. The Recruitment.

