Commercial Banking

Complete the text using these words:

accounts	**bank loan**	**cheque**	**customers'**
current account	**debt**	**depositors**	**deposits**
lend	**liabilities**	**liquidity**	**optimize**
overdraft	**salary**	**spread**	**standing orders**
return	**transfer**	**wages**	**withdraw**

Commercial banks are businesses that trade in money. They receive and hold (1) . . . . , pay money according to (2) . . . . instructions, (3) . . . . money, etc.

There are still many people in Britain who do not have bank (4) . . . . Traditionally, factory workers were paid (5) . . . . in cash on Fridays. Non-manual workers, however, usually receive a monthly (6) . . . . in the form of a cheque or a (7) . . . . paid directly into their bank account.

A (8) . . . . (US: checking account) usually pays little or no interest, but allows the holder to (9) . . . . his or her cash with no restrictions. Deposit accounts (in the US also called time or notice accounts) pay interest. They do not usually provide (10) . . . . (US: check) facilities, and notice is often required to withdraw money. (11) . . . . and direct debits are ways of paying regular bills at regular intervals.

Banks offer both loans and overdrafts. A (12) . . . . is a fixed sum of money, lent for a fixed period, on which interest is paid; banks usually require some form of security or guarantee before lending. An (13) . . . . is an arrangement by which a customer can overdraw an account, i.e. run up a debt to an agreed limit; interest on the (14) . . . . is calculated daily.

Banks make a profit from the (15) . . . . or differential between the interest rates they pay on deposits and those they charge on loans. They are also able to lend more money than they receive in deposits because (16) . . . . rarely withdraw all their money at the same time. In order to (17) . . . . the return on their assets (loans), bankers have to find a balance between yield and risk, and (18) . . . . and different maturities, and to match these with their (19) . . . . (deposits). The maturity of a loan is how long it will last; the yield of a loan is its annual (20) . . . . – how much money it pays – expressed as a percentage.

"Look – if you have five pocket calculators and I take two away, how many have you got left?"