

# Finance (Basic)

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# Other Financial Institutions

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Financial institutions ... Institutions have to operate within established regulatory guidelines. FIs provide financial services for clients (intermediaries...).

# Types of OFIs

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- Deposit-accepting institutions
- Non-bank financial companies
- Pension funds
- Investment funds
- Hedge funds
- Insurance companies
- Brokers, Underwriters

# Deposit-accepting Institutions

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... accept and manage deposits and make loans (including banks, building societies, credit unions, trust companies, mortgage loan companies)

**Banking license!**

# Non-bank Financial Companies

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NBFCs belong to FI are offering to clients banking services with the exception of taking deposits → lower regulation.

# Categories of NBFCs

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- ❑ Development finance institutions
- ❑ Leasing companies
- ❑ Investment companies
- ❑ House finance companies
- ❑ Venture capital companies
- ❑ Discount and guarantee houses
- ❑ Corporate development companies

# Pension Funds

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... provide public specific protection (income payments on retirement). Pension plan - employers, unions, individuals. Some tax benefits, Investment of long-term securities with lower risk.

# Collective Investment

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... is a way of investing money alongside other investors in order to benefit from the advantages of investing as a part of group of investors.

## Advantages of CI:

- Professional management
- Economies of scale
- Diversification



# Mutual Funds

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... are financial intermediaries that pool the financial resources of many small investors by selling shares and using the proceeds to buy securities.

Open-end Fund

Closed-end Fund

# Hedge Funds

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... special type of mutual fund with estimated assets of more than 500 billion dollars. Not for small investors, minimum investment 100,000.00 and more (USD). The number of investors is limited as well (e.g. no more than 100)

# Insurance Companies

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What is an insurance?

A protection in the case if an unexpected event occurs (risk will be realized).

What is a risk? → Deviation of  $E(x)$

# Categories of Insurance

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- ❑ Life insurance – protection illness, accident, death.
- ❑ Property and casualty insurance (Non-life insurance) – cover loses as a result of fire, accidents, natural disasters.

# Brokerage Firms

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... FI that facilitates the buying and selling of financial assets between a buyer and a seller. Serve to clients, which trade public stocks or securities.

# Underwriters

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... a firm that assumes financial risks on behalf of another. Typically for IPO. If there are not enough investors the underwriter(s) should hold some securities themselves.

# Globalization of FI

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Fis expand internationally. Three main reasons: Expansion of multinational corporations encouraged expansion of commercial banks to serve these foreign subsidiaries, There is less restriction in regulation abroad, To create a „global image“.

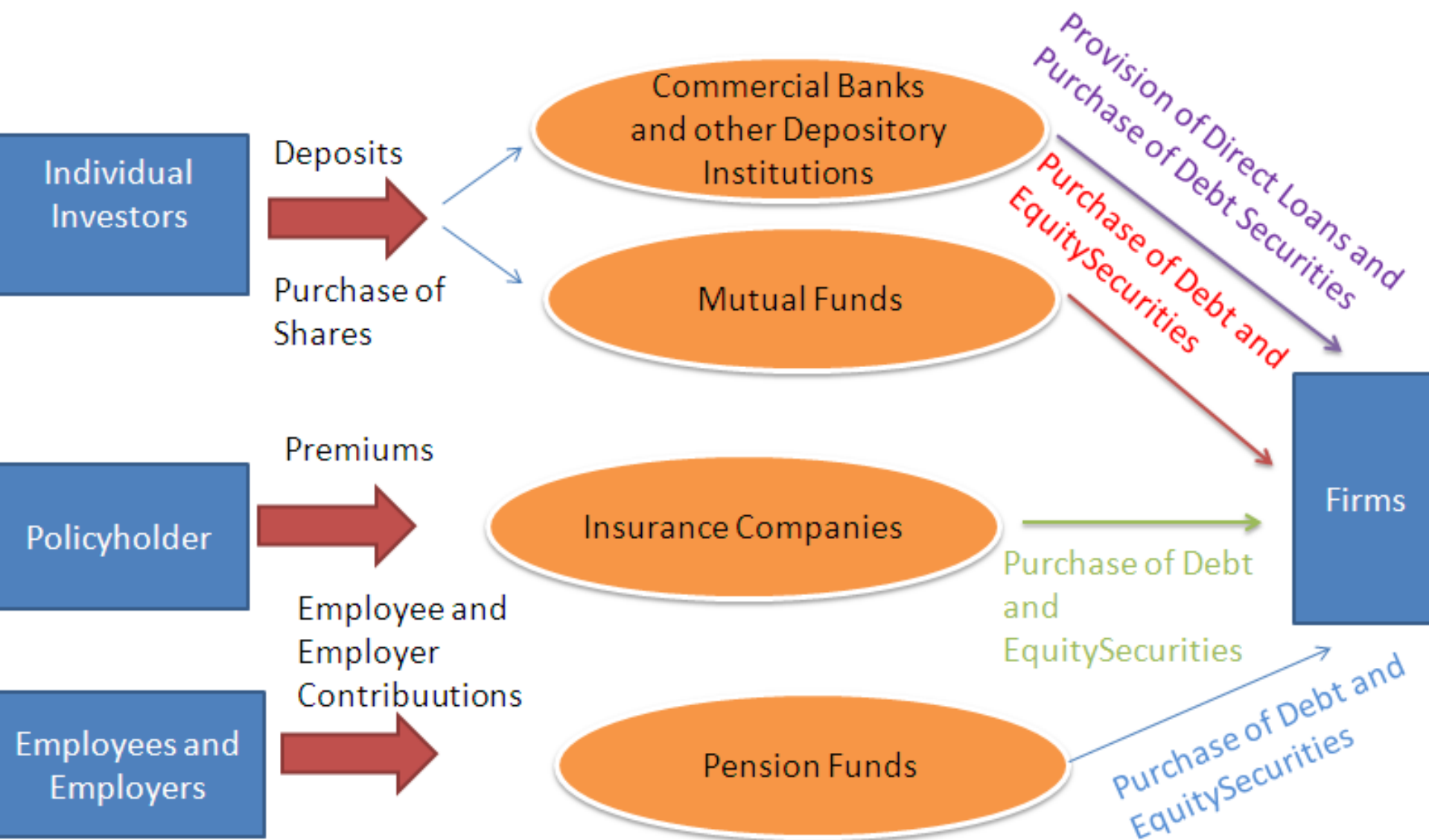
# Consolidation of FI

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Recent years we can observe the trend to consolidate FI. A finance conglomerate may own every type of financial institution. Typically banks offer non-banking services as well (insurance, securities).



# How Financial Institutions Provide Financing for Firms



Thank you for your attention

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