الجمهورية الجزائرية الديمقراطية الشعبية
REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE
وزارة التكوين والتعليم المهنيين
Ministère de la Formation et de l'Enseignement Professionnels

Centre National de l'Enseignement Professionnel à Distance (CNEPD)

المركز الوطني للتعليم المهني عن بعد (م.و.ت.م.ب)

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SERIE N°04

THE PLAN:

READING COMPREHENSION TEXTS

I- WHAT IS E-BANKING?

II- SPECIAL NATURE OF BANKS

III- THE ROLE OF BANKING INSTITUTIONS IN GLOBALIZATION

IV- NO TITLE

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TEXT ONE:

1- WHAT IS E-BANKING?

In its very basic form, e-banking can mean the provision of information about a bank and **its** services via a home page on the World Wide Web (WWW). More sophisticated e-banking services provide customer access to accounts, the ability to move their money between different accounts, and making payments or applying for loans via e-Channels. The term e-banking will be used in this book to describe the latter type of provision of services by an organization to its customers. Such customers may be either an individual or another business.

To understand the electronic distribution of goods and services, the work of Rayport and Sviokla (1994; 1995) is a good starting point. **They** highlight the differences between the physical market place and the virtual market place, which they describe as an information-defined arena. In the context of e-banking, electronic delivery of services means a customer conducting transactions using online electronic channels such as the Internet?

Many banks and other organizations are eager to use this channel to deliver **their** services because of its relatively lower delivery cost, higher sales and potential for offering greater convenience for customers. But this medium offers many more benefits, which will be discussed in the next section. A large number of organizations from within and outside the financial sector are currently offering e-banking which include delivering services using Wireless Application Protocol (WAP) phones and Interactive Television (ITV).

Many people see the development of e-Banking as a revolutionary development, but, broadly speaking, e-banking could be seen as another step in banking evolution. Just like ATMS, it

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gives consumers another medium for conducting their banking. The fears that this channel will completely replace existing channels may not be realistic, and experience so far shows that the future is a mixture of "clicks (e-banking) and mortar (branches)". Although start up costs for an internet banking channel can be high, it can quickly become profitable once a critical mass is achieved.

A passage from E-banking management: issues, solutions and strategies

Written by Mahmood Shah and Steve Clarke.

READING COMPREHENSION :

1- Answer the questions according to the reading passage:

- What does it mean the e-banking according to the passage?
- Do the e-banking services provide customers the process of their proceedings' money?
- Why are many banks and organizations impatient to use the e-channel?
- How do people see the development of the e-banking in their business' lives?

2- What do the underlined words refer to in the text?

3- Lexis:

a- Find in the text words or phrases that are closet in meaning to:

- Knowledge=
- Client=

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- Great=

b- Find in the text words or phrases that are opposites in meaning to:

- Less≠
- Patient≠
- Disability≠

GRAMMAR:

1- Fill in the planks with the following prepositions for, of, with, from, about, in :

a- Customers are always looking……the best quality and are also interested…….chemicals used in the products.

b- None complains……..the new product now.

c- They suffer……..lack of water.

2- Classify the following words in the appropriate column.

Account, electronic, customer, large, higher, outside, experience, show

Verbs	Nouns	Adjective	adverb

3- Phonetics : The final « ed »

Put the following words in the right pronunciation column:

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(Defined, sophisticated, used, discussed)

d	t	Id

THE KEYS:

READING COMPREHENSION :

1- The questions according to the reading passage:

- The e-banking means the provision of information about a bank and its services via a home page w.w.w.

- More sophisticated e-banking services provide customer access to accounts, the ability to move their money between different accounts, and making payments or applying for loans via e-Channels.

- Many banks and other organizations are eager to use this channel to deliver their services because of its relatively lower delivery cost.

- Many people see the development of e-Banking as a revolutionary development, but, broadly speaking, e-banking could be seen as another step in banking evolution.

2- What do the underlined words refer to in the text?

- Its= e-banking
- They = the two people.
- Their= banks

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3- Lexis:

a- Words or phrases that are closet in meaning to:

- Knowledge= Information
- Client=Customer
- Great=Large

b- Words or phrases that are opposites in meaning to:

- Less≠More
- Patient≠Eager
- Disability≠Ability

GRAMMAR:

1- following prepositions for, of, with, from, about, in :

a- Customers are always looking **for** the best quality and are also interested **in** chemicals used in the products.

b- None complains **about** the new product now.

c- They suffer **from** lack of water.

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2- Classification of the following words in the appropriate column:

Verbs	Nouns	Adjective	adverb
Account Expeience Show	Acount Customer Show,outside Experience	Electronic Large , higher Outside	Higher outside

3- Phonetics : The final « ed »

(Defined, sophisticated, used, discussed)

d	t	Id
Defined, Used .	Discussed	sophisticated

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II- SPECIAL NATURE OF BANKS:

TEXT TWO:

Banks are financial firms and depend on economies of size and gains arising from internalizing certain activities rather than relying on market transactions.

Banks provide packages of financial services which individuals find too costly to search out, produce and monitor by themselves.

Banks are also special as they not only accept and deploy large amounts of uncollateralized public funds in a fiduciary capacity, but also leverage such funds through credit creation.

Capital represents a very small fraction of total assets of banks especially when compared to non-financial institutions. A minimum percentage of capital of 8% of assets is equivalent to a leverage ratio (debt/equity ratio) of 92/8 = 11.5 which is unsustainable with non-financial institutions. Borrowers would consider it as impairing too much the repayment ability and causing an increase in the bankruptcy risk beyond acceptable levels. The high leverage of banking institutions does not interfere with their functioning because the discipline imposed by borrowers does not apply to depositors who are protected by deposit insurance.

Banks require easy and immediate access to financial markets for raising funds as long as the perceived risk by potential lenders remains acceptable. The risks are however made visible and explicit by bank ratings.

The special nature of banks, creation of liquidity, carries risks unique to management of banks. The basic function of bank management is risk management. One would be stretching the point, if this is equated with the conferment of special privilege which calls for the imposition of an obligation to provide banking services to all segments of population on equitable basis.

From Modern Commercial Banking written by H.R Machraju.

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READING COMPREHENSION :

1- Answer the following questions :

1- What is the special nature of banks?

2- Do they provide social services?

3- Does the basic function of bank represent a risk management?

2- Fill in the tables with the information from the text (give two only)

Nature of banks	What do they provide ?
1-.....	**1-**.....
2-.....	**2-**.....

TEXT EXPORATION :

1- Find in the text words that are synonyms to the following :

• Danger =.....	• People=.....
• Company =.....	• Little =.....

GRAMMAR :

1- Give the correct form of the verbs in brackets:

- Safety (to be/ always/ consider) at the design of a new economy of the firms.
- All incidents (to be/ manage) successfully.

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2- Reorder the following words to get correct sentences :

- Should / scale / safety consumer /larger/ studied /at/ a/ be.
- Goodness/ the /belief/ justice/ honesty/ in/, /and /Firm.

3- Phonetic :

Complete the box with **a**, **b**, **c**, **d**, **e**, or **f** according to the pronunciation of **was** and **were**:

Where were you yesterday?

a- I was visiting my sister.

b- Was she at home?

c- Yes, she was.

d- Were her children there?

e- Yes, they were.

Wear form	Short form

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THE KEYS:

READING COMPREHENSION :

1- Answer the following questions:

1- Banks are financial firms and depend on economies of size and gains arising from internalizing certain activities rather than relying on market transactions.

2- No, they provide Banks provide packages of financial services which individuals find too costly to search out, produce and monitor by themselves.

3- Yes, the basic function of bank management is risk management because if there is equated with the conferment of special privilege.

3- Fill in the tables with the information from the text :

Nature of banks	What do they provide ?
1- Banks are financial firms and depend on economies of size and gains arising from internalizing certain activities rather than relying on market transactions	**1-** Banks provide packages of financial services which individuals find too costly to search out, produce and monitor by themselves.
2- Banks are also special as they not only accept and deploy large amounts of uncollateralized public funds in a fiduciary capacity, but also leverage such funds through credit creation.	**2-** Capital represents a very small fraction of total assets of banks especially when compared to non-financial institutions

TEXT EXPORATION :

1- Find in the text words that are synonyms to the following :

• Danger =Risk	• People =Population
• Quantity =Amount	• Small=Little

GRAMMAR :

1- Give the correct form of the verbs in brackets :

- Safety **is** always **considered** at the design of a new economy of the firms.
- All incidents **are** successfully **managed.**

2- Reorder the following words to get correct sentences :

- Consumer safety should be studied at a larger scale.
- Firm belief in the honesty, goodness and justice.

3- Phonetic :

Complete the box with a, b, c, d, e, or f according to the pronunciation of **was** and **were**:

a- **Where** were you yesterday?

b- I **was** visiting my sister.

c- **Was** she at home?

d- Yes, she **was**.

e- **Were** her children there?

f- Yes, they **were**.

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Wear form	Strong form
A	
B	
C	
	D
E	
	F

III-THE ROLE OF BANKING INSTITUTIONS IN GLOBALIZATION:

TEXT THREE

This question is crucial, especially as regards the actual financial context. Banks are closely linked to the production and exchange. The activities of banks in the real economy are listed below:

- Clear and settle payments to facilitate trade and commerce;
- Aggregate and disaggregate wealth and flows of funds so that both large-scale and small-scale projects can be financed;
- Transfer economic resources over time, space and industries;
- Accumulate, process, and disseminate information for decision-making purposes;
- Provide ways for managing uncertainty and controlling risk;
- Provide ways for dealing with incentive and asymmetric-information problems that arise in financial contracting.

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Considered as the principal responsible actor of the current situation, they react by becoming extremely cautious as regards the level of risk, they accept to bear. Hence, lending and refinancing activities are becoming more and more complicated, both for individual agents and enterprises. However, their intermediary role to provide liquidity to the real sphere is essential to recreate the necessary forces to stimulate growth.

From Financial and the Banking Sector edited by Elisabeth Paulet.

READDING COMPREHENSION:

1-Say if the following statements are true or false:

a- Banks must clear and settle payment in order to make the trade easier.
b- Banks aggregate wealth and flows to make only small-scale projects financed.
c- Banks deal mainly with information in order to make decision.
d- Providing liquidity is the bank's principal role.

2-Answer the following questions according to the text:

a-What are the different banks' task ?

b-Explain this expression: (transfer economic resources over time , space and industries.

C-Are banks considered as responsible actors of the nowadays situation?

d-For whom the lending and the refinancing activities are becoming difficult?

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3-Match each word with its synonym or opposite:

Problems	Refuse
Accept	Goal
Purpose	Distribute
Disseminate	Regardless
Regards	Troubles

4-Pick up from the text:

a- Two passive sentences.

b- Two verbs.

c- Two nouns.

d- Two adjectives.

5-Fill in the gaps with one word from the following:

Mergers and acquisitions, securities, corporate finance.

An **investment bank** is a financial institution that raises capital, trades……..and……..manages corporate…… . Another term for investment banking is …… .

6-Classify the following words according to their final (S):

Banks, raises, securities, trades, problems, finances.

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THE KEYS:

1- True or false statements:

a- Banks must clear and settle payment in order to make the trade easier. **True**

b- Banks aggregate wealth and flows to make only small-scale projects financed. **False**

c- Banks deal mainly with information in order to make decision. **True**

d- Providing liquidity is the bank's principal role. **True**

2-Answer the following questions according to the text:

a- The different banks' task is:

- Make commerce easy by clearing and settling payments.
- Facilitate the financing of large-scale and small-scale projects.
- Spread information to make decisions.
- Bring solutions to deal with uncertainties and control risks.

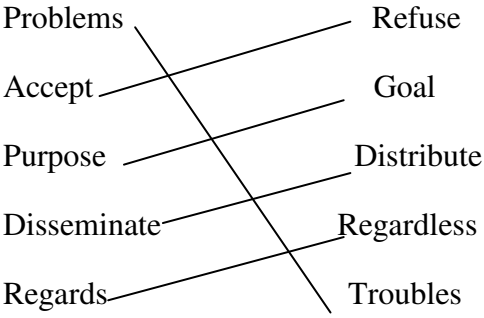
b- This expression :(transfer economic resources over time, space and industries) means that the banks can deal with money and trade through time (respect of the dates) and space (from a country to another) and industries which are many as many are its fields.

c- Yes, they are.

d- The lending and the refinancing activities are becoming difficult for individuals and enterprises.

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3-Match each word with its synonym or opposite:



4-Pick up from the text:

a-Two passive sentences:

1. Banks are linked to the production…….
2. The activities of banks are listed below.

b-Two verbs:

Are linked – clear – settle – transfer – aggregate – disaggregate – accumulate – disseminate – provide – react – accept.

c-Two nouns:

Wealth – flows – funds – industries – growth – liquidity – uncertainty.

d-Two adjectives:

Economic – considered – real – necessary – intermediary.

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5-Fill in the gaps with one word from the following:

An **investment bank** is a financial institution that raises capital, trades **securities** and manages corporate **mergers and acquisitions.** Another term for investment banking is **corporate finance**

6-Classify the following words according to their final (S):

(S)	(Z)	(IZ)
Banks	Trades – securities – problems	Raises - finances

IV- TEXT FOUR:

The 'internationalization' of banking, which started in the early 1970s,paved the way for the 'globalization' of finance and became more and more evident during the 1990s as international capital flows increased in magnitude. The internationalization and globalization processes have been facilitated by the ongoing communications and information technology (C&IT) revolution and capital flows have increasingly responded to economic and political news. This has created the potential for increased global financial and consequent economic, instability, of which the 1997/98 Asian financial crisis might only be a precursor. By allowing countries, whether they are developed, developing, in transition or emerging market economies, to draw on a global capital pool to finance investment, rather than rely entirely on domestically generated savings, a globalized financial system provides great opportunities as well as the aforementioned threat of instability.

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The ultimate objective of the monetary authorities must thus be to create a new 'global financial architecture', which ensures that capital flows freely to those who will make the best use of it to enhance the well-being of mankind. To achieve this, risks and benefits (pecuniary and social) and disbenefits (for example, poverty and environmental degradation) must be accurately priced and measured and a regulatory and supervisory system must be put in place to assure price stability without distorting the price mechanism. Much work needs to be done to achieve such a utopia, but good progress is being made on risk, environmental and poverty impact measurement and on the regulatory and supervisory front. Good governance at the international, state and corporate levels is of course essential for the successful conclusion of this global project.

Handbook of International Banking
Edited by Andrew W. Mullineux

READDING COMPREHENSION:

1-Choose a suitable title to the text:

a- The history of banking.

b- Banks in 1970.

c- The history of internationalization of banking.

2-Answer the following questions according to the text:

a- When did the internationalization of banking start?

b-What does (c and it) mean?

c-What is the final objective of the monetary authorities?

d-What provides great opportunities?

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e-What facilitates the process of internationalization of banks?

3-Find the synonyms of the following words in the text:

Answered =…….
Augmented=……

Made it easy=……..
Permitting=…….....

4-Find the opposites of the following words in the text:

Decreasingly≠……
Small≠……

Stability≠…….
Old≠……

5-Fill in the table:

Verbs	Nouns	Adjectives	Adverbs
To increase	…… ……	…… ……	…… ……
…… ……	Communication	…… ……	…… ……..
…… ……	…… ……	…… ……..	Freely
…… ……	…… ……..	Degraded	…… ……

6-Put the verbs in the right form:

a-E-banking (to be) a new form which(to emerge)with the development of the new technology of communication .

b- The bank must (to make) trade easy.

c- E-banking was (to introduce) in the early 1980 but it (to fail) and most of the initiatives were (to discontinue).

d-The electronic way will (to be) an easier way to deal with someone's bank.

7-Fill in the blanks with a suitable word from the list below:

Risks - deposits - income - insurance.

Banks abroad India which lost their monopoly of acceptance of …….. and provision of payment services to non bank financial institutions assumed new …… by undertaking securities related services, asset management and ……. to maximize their ……... .

<u>THE KEYS</u>:

1-The suitable title to the text:

The history of internationalization of banking

2-Answer the following questions according to the text:

a- The internationalization of banking started in 1970.

b- (c and it) means communications and information technology .

c-The final objective of the monetary authorities is to create a new 'global financial architecture'.

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d-The globalized financial system provides great opportunities.

e-The ongoing communication and (IT) facilitates the process of internationalization of banks.

3- The synonyms of the following words in the text:

Answered= Responded. Augmented= Increased.

Made it easy= Facilitated permitting= Allowing.

4- The opposites of the following words in the text:

Decreasingly≠ Increasingly. Small≠ Great.

Stability≠ Instability. Old≠ New.

5-Fill in the table:

Verbs	Nouns	Adjectives	Adverbs
To increase	Increase	Increased/increasing	Increasingly
To communicate	Communication	communicative	Communicative way
To free	Freedom	Free /freed	Freely
To degrade	Degradation	Degraded	Degraded way

6-Put the verbs in the right form:

a- E-banking **is** a new form which **emerged** with the development of the new technology of communication .

b- The bank must **make** trade easy.

C- E-banking **was introduced** in the early 1980 but it failed and most of the initiatives were **discontinued**.

d- The electronic way will be an easier way to deal with someone's bank.

7-Fill in the blanks with a suitable word from the list below:

Risks - deposits - income - insurance.

Banks abroad India which lost their monopoly of acceptance of **deposits** and provision of payment services to non bank financial institutions assumed new **risks** by undertaking securities related services, asset management and **insurance** to maximize their **income.**

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