

Financial Institutions

Economy-wide level, the assets of financial institutions are a major source for investment and make the majority of the money supply. Services provided by financial institutions are to almost every individual in the economy.

We will compare all the following points across all financial institutions,

1. History and creation
2. Size and structure
3. Major activities and source of income
4. Federal agencies regulating the financial institution
5. Acts pertaining to the functions of the financial institution

To start, let's ask a simple question. 'Why do we need financial institutions?' Imagine a world without financial institutions. In such a fictional world – often referred to as 'Robinson Crusoe Economy' – there exists a gap between borrowers and lenders (savers). To match both characters requires a huge cost. Such a matching cost is the cost of double coincidence of want. Again, even if such a cost is small – i.e., all individuals meet in one place called a market on one given day each week – there exist many risk factors that impinge on the loan contracts. It is very difficult for a lender to monitor the borrower actions and it is costly to undertake credit/risk analysis.

In brief, financial institutions,

1. Are risk absorber through diversification (for example by purchasing Mutual Funds)
2. Are asset transformer (from primary to secondary)
3. Provide financial intermediation between borrowers and lenders
4. Reduce transaction costs
5. Reduce information collection costs

Financial Intermediation

Financial intermediation is a financial institution that acquires funds from one group of investors and makes them available to another economic unit (i.e., the process of channeling funds from surplus units to deficit units).

The intermediation function could be classified into size, maturity, risk and information. There are many risks faced by financial institutions. The following table classifies risks by fields of study,

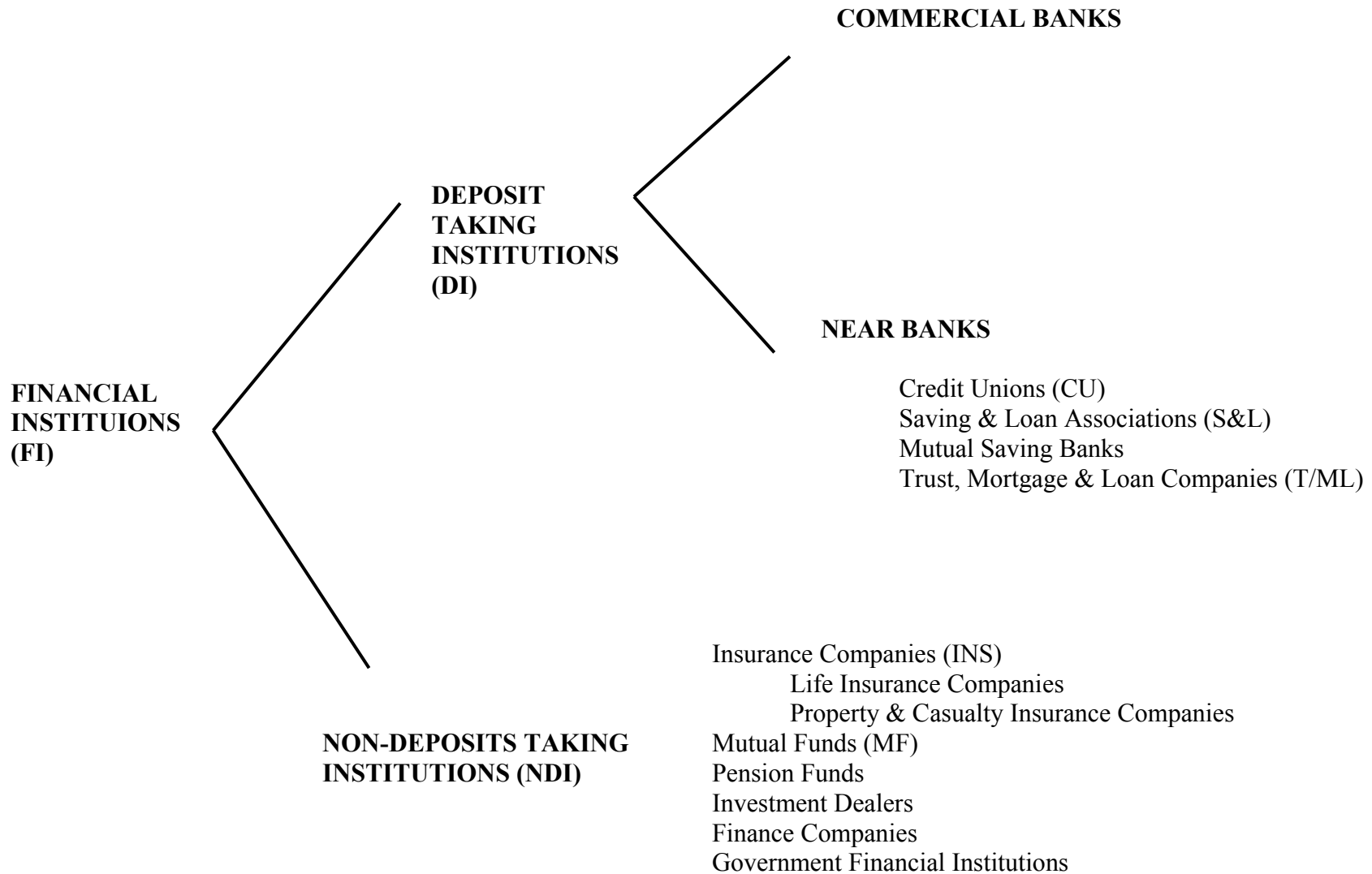
Table 1: Risks faced by Financial Institutions

Risks studied in Economics	Risks studied (measured and managed) in Finance
Interest rates (term structure of interest) Exchange rates	Liquidity Hedging Credit Off-balance sheet Country and Sovereign Actuarial Operating and systematic

Financial institutions provide the following services,

1. Money transmission part of monetary policy (Banks)
2. Credit allocation (Banks, Trusts, Credit Unions, Finance Companies)
3. Intergenerational transfers (Pension Funds, Life Insurance Companies)
4. Payment services, check-clearing and wire-transfer services (Banks, Trusts, Credit Unions)
5. Intermediation (ALL)

In summary, we will study the financial institutions to understand their role and behavior in helping policymakers assess the linkages between monetary policy and growth in money and credit.



1 Web Addresses

www.bos.frb.org	Federal Reserve Bank of Boston
www.ny.frb.org	Federal Reserve Bank of New York
www.phil.frb.org	Federal Reserve Bank of Philadelphia
www.clev.frb.org	Federal Reserve Bank of Cleveland
www.rich.frb.org	Federal Reserve Bank of Richmond
www.frbatlanta.org	Federal Reserve Bank of Atlanta
www.frbchi.org	Federal Reserve Bank of Chicago
www.stls.frb.org	Federal Reserve Bank of St. Louis
www.minneapolisfed.org	Federal Reserve Bank of Minneapolis
www.kc.frb.org	Federal Reserve Bank of Kansas City
www.dallasfed.org	Federal Reserve Bank of Dallas
www.frbssf.org	Federal Reserve Bank of San Francisco
www.bma.gov.bh	Bahrain Monetary Agency
www.bcrp.gob.pe	Banco Central de Reserva del Peru
www.bcr.gob.sv	Banco Central de Reserva de El Salvador
www.bcv.org.ve	Banco Central de Venezuela
www.bce.fin.ec	Banco Central del Ecuador
www.bcp.gov.py	Banco Central del Paraguay
www.bcn.gob.ni	Banco Central de Nicaragua
www.bcra.gov.ar	Banco Central de la República Argentina
www.bcentral.cl	Banco Central de Chile
www.bcb.gov.bo	Banco Central de Bolivia
www.bccr.fi.cr	Banco Central de Costa Rica
www.bch.hn/	Banco Central de Honduras
www.bcb.gov.br	Banco Central do Brasil
www.bancentral.gov.do	Banco Central de la República Dominicana
www.banguat.gob.gt	Banco de Guatemala
www.banrep.gov.co	Banco de la República de Colombia
www.banxico.org.mx	Banco de México
www.bportugal.pt	Banco de Portugal
www.ebonet.net/bna/bna.htm	Banco Nacional de Angola
www.bis.org	Bank for International Settlements (BIS)
www1.bnm.gov.my	Bank Negara Malaysia
www.bank-of-china.com/english/boc.html	Bank of China (PRC)
www.bankofengland.co.uk	Bank of England
www.ee/epbe	Bank of Estonia
www.bof.fi	Bank of Finland
www.bankofgreece.gr/en/	Bank of Greece
www.bankisrael.gov.il	Bank of Israel
www.bancaditalia.it	Bank of Italy (Banca d'Italia)
www.boj.org.jm	Bank of Jamaica
www.boj.or.jp/en/index.htm	Bank of Japan
www.bok.or.kr	Bank of Korea (South)

www.bank.lv/index1.html	Bank of Latvia (Latvijas Banka)
www.lbank.lt	Bank of Lithuania (Lietuvos Bankas)
bom.intnet.mu	Bank of Mauritius
mglbank.com.mn/english/	Bank of Mongolia
www.bancomoc.mz	Bank of Mozambique (Banco de
Moçambique	
www.datec.com.pg/bpng/bpng.nsf	Bank of Papua New Guinea
www.cbr.ru/eng/	Bank of Russia
www.bsi.si	Bank of Slovenia
www.bde.es	Bank of Spain
www.bot.or.th	Bank of Thailand
www.boz.zm	Bank of Zambia
www.bi.go.id	Bank Sentral Republik Indonesia
www.bot-tz.org	Bank of Tanzania
www.bcl.lu	Banque Centrale de Luxembourg
www.banque-france.fr	Banque de France
www.bsx.com/cgi-win/bermuda-inc.exe/monetary	Bermuda Monetary Authority
www.bnb.bg	Bulgarian National Bank
www.dnb.nl	Central Bank of the Netherlands
(Nederlandsche Bank)	
www.riksbank.se	Central Bank of Sweden (Sveriges
Riksbank)	
www.lanka.net/centralbank	Central Bank of Sri Lanka
www.omniway.sm/ics/ics-eng.html	Central Bank of San Marino (Istituto di
Credito Sammarinese)	
www.centralbank.an/	Central Bank of the Netherlands Antilles
(Bank van de Nederlandse Antillen)	
www.centralbank.sz/	Central Bank of Swaziland
www.tcmb.gov.tr/	Central Bank of the Republic of Turkey
(Türkiye Cumhuriyet Merkez Bankasi)	
www.bceao.int/internet/bcweb.nsf/pages/us	Central Bank of West African States
www.centralbank.gov.ye/	Central Bank of Yemen
www.bct.gov.tn/english/index.html	Central Bank of Tunisia(Banque Centrale de
Tunisie)	
www.norges-bank.no/	Central Bank of Norway (Norges Bank)
www.central-bank.org.tt/	Central Bank of Trinidad and Tobago
www.bsp.gov.ph/	Central Bank of the Philippines
www.cbbh.gov.ba/	Central Bank of Bosnia and Herzegovina
(Centralna Banka Bosne i Hercegovine)	
www.cbc.gov.tw/	Central Bank of China, R.O.C. (Taiwan)
www.centralbank.gov.cy/	Central Bank of Cyprus
www.lesoff.co.za/centralbank/	Central Bank of Lesotho
www.oenb.at/	Central Bank of Austria (Österreichische
Nationalbank)	
www.cba.am/	Central Bank of Armenia
www.cbe.org.eg/	Central Bank of Egypt

www.centralbank.org.bb	Central Bank of Barbados
www.bdl.gov.lb/	Central Bank of Lebanon (Banque du Liban)
www.sedlabanki.is/interpro/sedlabanki/sedlabanki.nsf/pages/english-front	Central Bank of Iceland
www.cbk.gov.kw/	Central Bank of Kuwait
www.centralbank.go.ke/	Central Bank of Kenya
www.centralbank.ie/	Central Bank of Ireland
www.cbj.gov.jo/	Central Bank of Jordan
www.cbaruba.org/	Centrale Bank van Aruba
www.hnb.hr/	Croatian National Bank (Hrvatska Narodna Banka)
www.cnb.cz/	Czech National Bank (Ceska Národní Banka)
www.nationalbanken.dk/uk	Denmark National Bank (Danmarks Nationalbank)
www.bundesbank.de/	Deutsche Bundesbank
www.eccb-centralbank.org/	Eastern Caribbean Central Bank
www.ecb.int/	European Central Bank
www.info.gov.hk/hkma/	Hong Kong Monetary Authority
amcm.macao.gov.mo/	Monetary and Foreign Exchange Authority of Macau
www.mas.gov.sg/	Monetary Authority of Singapore
www.nbrm.gov.mk	National Bank of the Republic of Macedonia
www.nbs.sk/	National Bank of Slovakia (Národná Banka Slovenska)
www.bank.gov.ua/ENGL/DEFAULT.htm	National Bank of Ukraine
www.mnb.hu/	National Bank of Hungary (Magyar Nemzeti Bank)
www.nbb.be/	National Bank of Belgium
www.nationalbank.kz/eng/	National Bank of Kazakhstan
www.nbp.pl/	National Bank of Poland (Narodowy Bank Polski)
www.qcb.gov.qa/pages/default.htm	Qatar Central Bank
www.rbz.co.zw/	Reserve Bank of Zimbabwe
www.rbm.malawi.net/	Reserve Bank of Malawi
www.rbnz.govt.nz	Reserve Bank of New Zealand
www.rba.gov.au	Reserve Bank of Australia
www.rbi.org.in/	Reserve Bank of India
www.sama-ksa.org/	Saudi Arabian Monetary Agency
www.resbank.co.za/	South African Reserve Bank