

# 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,

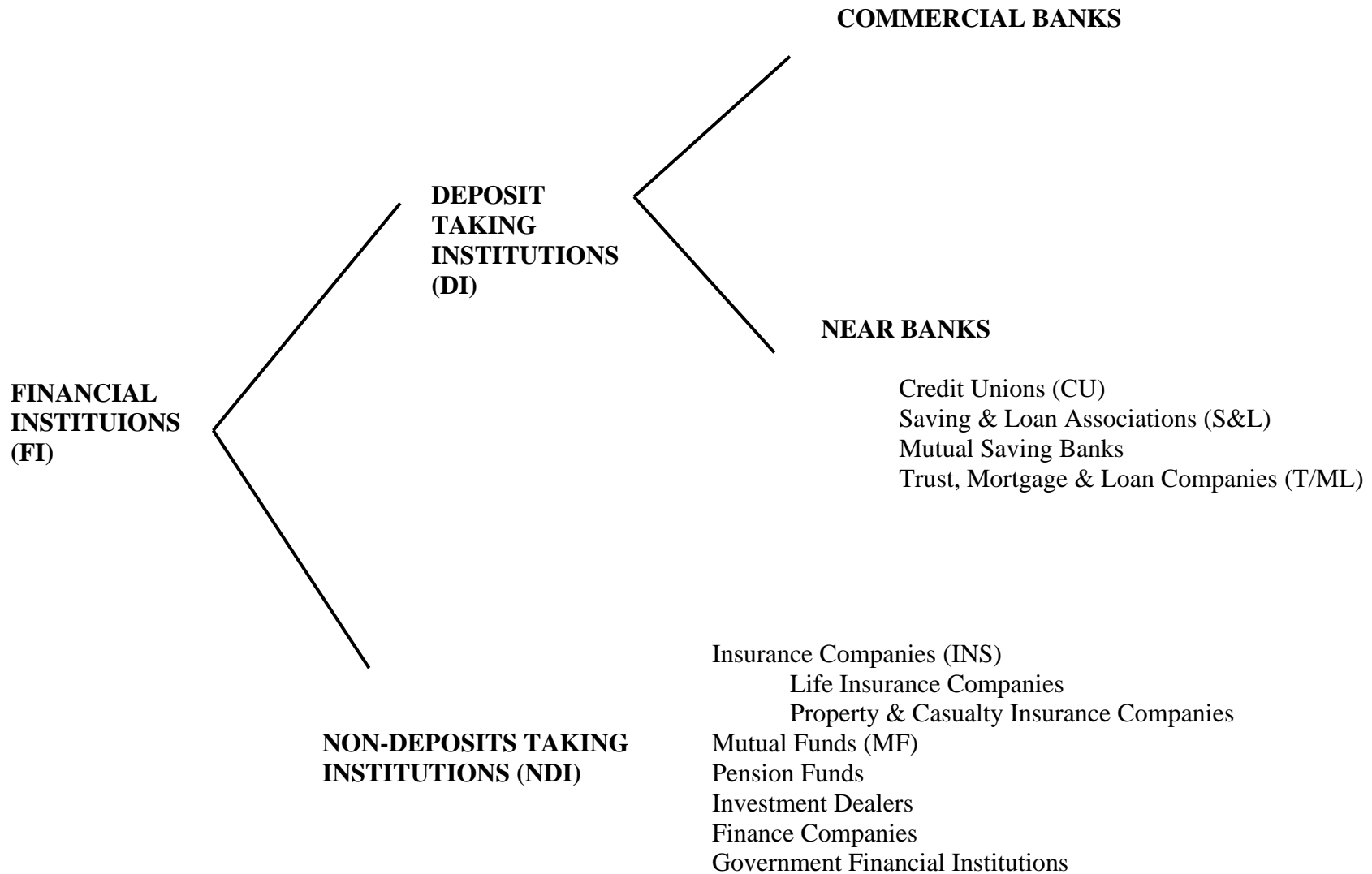
**Table 1: Risks faced by Financial Institutions**

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](http://www.bos.frb.org)  
[www.ny.frb.org](http://www.ny.frb.org)  
[www.phil.frb.org](http://www.phil.frb.org)  
[www.clev.frb.org](http://www.clev.frb.org)  
[www.rich.frb.org](http://www.rich.frb.org)  
[www.frbatlanta.org](http://www.frbatlanta.org)  
[www.frbchi.org](http://www.frbchi.org)  
[www.stls.frb.org](http://www.stls.frb.org)  
[www.minneapolisfed.org](http://www.minneapolisfed.org)  
[www.kc.frb.org](http://www.kc.frb.org)  
[www.dallasfed.org](http://www.dallasfed.org)  
[www.frbsf.org](http://www.frbsf.org)

Federal Reserve Bank of Boston  
Federal Reserve Bank of New York  
Federal Reserve Bank of Philadelphia  
Federal Reserve Bank of Cleveland  
Federal Reserve Bank of Richmond  
Federal Reserve Bank of Atlanta  
Federal Reserve Bank of Chicago  
Federal Reserve Bank of St. Louis  
Federal Reserve Bank of Minneapolis  
Federal Reserve Bank of Kansas City  
Federal Reserve Bank of Dallas  
Federal Reserve Bank of San Francisco

[www.bma.gov.bh](http://www.bma.gov.bh)  
[www.bcrp.gob.pe](http://www.bcrp.gob.pe)  
[www.bcr.gob.sv](http://www.bcr.gob.sv)  
[www.bcv.org.ve](http://www.bcv.org.ve)  
[www.bce.fin.ec](http://www.bce.fin.ec)  
[www.bcp.gov.py](http://www.bcp.gov.py)  
[www.bcn.gob.ni](http://www.bcn.gob.ni)  
[www.bcra.gov.ar](http://www.bcra.gov.ar)  
[www.bcentral.cl](http://www.bcentral.cl)  
[www.bcb.gov.bo](http://www.bcb.gov.bo)  
[www.bccr.fi.cr](http://www.bccr.fi.cr)  
[www.bch.hn/](http://www.bch.hn/)  
[www.bcb.gov.br](http://www.bcb.gov.br)  
[www.bancentral.gov.do](http://www.bancentral.gov.do)  
[www.banguat.gob.gt](http://www.banguat.gob.gt)  
[www.banrep.gov.co](http://www.banrep.gov.co)  
[www.banxico.org.mx](http://www.banxico.org.mx)  
[www.bportugal.pt](http://www.bportugal.pt)  
[www.ebonet.net/bna/bna.htm](http://www.ebonet.net/bna/bna.htm)  
[www.bis.org](http://www.bis.org)  
[www1.bnm.gov.my](http://www1.bnm.gov.my)  
[www.bank-of-china.com/english/boc.html](http://www.bank-of-china.com/english/boc.html)  
[www.bankofengland.co.uk](http://www.bankofengland.co.uk)  
[www.ee/epbe](http://www.ee/epbe)  
[www.bof.fi](http://www.bof.fi)  
[www.bankofgreece.gr/en/](http://www.bankofgreece.gr/en/)  
[www.bankisrael.gov.il](http://www.bankisrael.gov.il)  
[www.bancaditalia.it](http://www.bancaditalia.it)  
[www.boj.org.jm](http://www.boj.org.jm)  
[www.boj.or.jp/en/index.htm](http://www.boj.or.jp/en/index.htm)  
[www.bok.or.kr](http://www.bok.or.kr)

Bahrain Monetary Agency  
Banco Central de Reserva del Peru  
Banco Central de Reserva de El Salvador  
Banco Central de Venezuela  
Banco Central del Ecuador  
Banco Central del Paraguay  
Banco Central de Nicaragua  
Banco Central de la República Argentina  
Banco Central de Chile  
Banco Central de Bolivia  
Banco Central de Costa Rica  
Banco Central de Honduras  
Banco Central do Brasil  
Banco Central de la República Dominicana  
Banco de Guatemala  
Banco de la República de Colombia  
Banco de México  
Banco de Portugal  
Banco Nacional de Angola  
Bank for International Settlements (BIS)  
Bank Negara Malaysia  
Bank of China (PRC)  
Bank of England  
Bank of Estonia  
Bank of Finland  
Bank of Greece  
Bank of Israel  
Bank of Italy (Banca d'Italia)  
Bank of Jamaica  
Bank of Japan  
Bank of Korea (South)

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

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