9. Financial institutions

9.1. The banking sector

9.1.1. Retail and wholesale banking

<table>
<thead>
<tr>
<th>Retail banks</th>
<th>Wholesale banking</th>
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<tr>
<td>- Small deposit from the public repackaged and lent to businesses and households.</td>
<td>- Low-volume but each transaction is for high value.</td>
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<td>- Volume transformation: engaged in high-volume and low-value business</td>
<td>- Eg Northern Rock</td>
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<tr>
<td>- Provide payment services</td>
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<tr>
<td>- Clearing banks ➔</td>
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The distinction between retail and wholesale banks has become blurred over reconnect years as the large institutions have diversified their operations.

9.1.2. Investment banks

- **Investment banks** ➔ concentrate on dealing with other large Org.° corporations, institutional investors and Gvts. While they undertake some lending, their main focus is on generating fee & commission income by providing advice and facilitating deals.
  - US
  - Swiss
  - UK
  - German
- 5 main areas of activity:
  (1) **Raising external finance for companies**
    - Provide advice
    - Arrange finance for corporate clients
    - Sometimes, Provide loans
    - Often, assist the setting up of a bank syndicate to make a joint loans or make arrangement with other institutions.
  (2) **Broking & Dealing**
    - Act as agents for the buying and selling of securities on the financial markets, including shares and bonds.
    - Market-making arms
    - Trade on the market on their won accounts
    - Assist companies with export finance.
  (3) **Fund (asset) management**
    - Banks who offer services to rich individuals
  (4) **Assistance in corporate restructuring**
    - Advising mergers & acquirers and assisting on the merger process.
    - Corporate disposal programmes
  (5) **Assisting Risk management using derivatives**