## **CONTENTS**

List	or rigures	IA
List	of tables	х
Prefa	ace	xii
Ackı	nowledgements	xiii
1	General Description of the UK Financial System	1
	Institutional Structure Deposit-taking Institutions Reporting banks Other deposit-taking institutions Other institutions and markets Non-bank financial intermediaries UK financial markets References and further reading	1 2 2 7 8 8 8 9
2	Analysis of the Evolution of UK Markets and Financial Intermediaries	15
	Introduction Role of Financial Intermediation Evolutionary Forces During the 1980s Market environment and demand factors Supply factors References and further reading	15 15 17 17 23 30
3	Claims, Financial Intermediation and the Development of Financial Systems	31
	Introduction Financial Claims and Financial Intermediation Financial claims Financial intermediation The Development of the Financial System References and Further reading	31 31 33 36 40

vi Contents

4 The Classification of Financial Institutions	41
Introduction	71
Ways of classifying financial institutions	41
what is a bank?	41
Different types of UK financial institutions	46
References and further reading	47 47
5 The Concept of Money and how Banks Create Deposits	
Introduction Deposits	48
The concept of money	48
What is money?	48
What function does manage cons	48
What are the necessary attributes of money?	49
How can we measure money?	50
Why do people/economic visit and	51
The credit multiplier on the credit multiplier	55
The credit multiplier or how banks create deposits  The credit multiplier and leaks create deposits	56
system system	!
How useful and how relevant is the concept of the credit multiplier?	59
are multiplier?	61
6 Major Services Provided by UK Deposit Banks	01
Introduction	62
UK navment alas	(2
UK payment clearing systems	62 62
The UK payments clearing system since December	02
Non-cash methods of manual	63
Cheque (Mymente	65
GIFO Dayments	65
Standing orders	66
Direct dehits	66
Plastic cards	66
Electronic funds transfer	66
Deposit and lending facilia:	68
Deposits	70
Lending facilities	70
Dianching and deliver	72
	75
References and further reading	77
7 Characteristics of Vive	78
7 Characteristics of UK Deposit Banks	50
Illifoduction	<b>79</b>
The deposit or retail banks' balance sheet structure Clearing banks' balance sheet structure	79
Clearing banks' balance sheet structure Branching and staffing	79
Branching and staffing	81
-	83

viii Contents

10	Money Markets and International Banking	136
	Introduction	126
	London sterling money markets	136
	Characteristics of money market activities	136 136
	The London Money markets	136
	The discount market	136
	The parallel sterling money markets	137
	reasury bill market	139
	Local authority market	139
	Sterling acceptance market	141
	Sterling interbank market	141
	Other markets	142
	The Eurocurrency markets	143
	Historical development	143
	Nature of the eurocurrency markets	145
	" Hote oil tile (levelonment of the )	146
	Regulation of the eurocurrency markets International banking	147
	and the state of t	148
	Foreign exchange markets Why is the market so large?	150
	International financial centres	152
	The international debt problem	153
	References and further reading	154
		155
11	European Financial Services and 1992	156
	Introduction	150
	EC Legislation and 1992	156
	Financial services in the EC – the impact of completing the	156
	internal market	
	Banking products and an in-	158
	References and further reading	161
12		166
14	Banking in the European Community and the Role of Large Banks up to 1992	
		167
	Introduction	107
	Banking in the European Community EC banking markets	167
	EC banking markets: an overview The role of large basts	167
	The role of large banks	167
	THE SITUCTURE and make	171
	largest banks in the EC	
	Ownership of the top banks in the EC  Conclusion	171
	References and c	172
	References and further reading	176
Gloss	177	
Index		1.50
		178
		188

Contents	vii
Costs, income and profitability characteristics	85
A note on market shares	89
Current issues facing UK banks	90
References and further reading	92
8 The Central Bank and Bank Regulation	93
Introduction	93
Functions of a central bank	93
The Bank of England	95
Constitution of the Bank	96
Functions and organisational structure of the Bank of	
England	96
Banking supervision, operations and corporate services	96
Finance and industry	97
Policy and markets	97
Banking role of the Bank of England	98
National debt management	98
Production and distribution of bank notes	99
Lender-of-last-resort	99
Foreign exchange transactions  Monetary policy	100
Banking regulation in the United Kingdom	100
Why regulate banks?	102
Scope of bank supervision	102
Tools of supervision	103
Domestic bank supervision	104
UK bank regulation – the international dimension	105
The Basle proposals and EC legislation	111 112
References and further reading	112
Recent Trends and Developments in Banking	120
Introduction	120
Forces generating change	120
Competition	120
Regulation	122
Financial innovation	124
Technology	127
Current trends and strategic issues facing banks	131
Internationalisation	131
Universalisation	132
Securitisation	132
Globalisation	132
Conglomeration	133
Concentration	134
References and further reading	135