# THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

| 1. | What relationship exists between international trade and global banking activities?   |
|----|---|
| 2. | What is the purpose of a regional development bank?   |
| 3. | Early banking activities in ancient civilizations included a. online banking b. coins made from precious metals c. checking accounts that earned interest d. credit cards   |
| 4. | True or False?The World Bank and the International Monetary Fund both provide loans to countries to stimulate economic development.   |
| 5. | The organization most likely to meet the local needs of a country when improving its economic situation would be the a. World Bank b. International Monetary Fund c. Organization for Economic Cooperation and Development d. Regional Development Bank |
| 6. | True or False?A regional development bank has the main purpose of helping a country stabilize the value of its currency.  |
| 7. | Maintaining an orderly system of currency exchange rates is a primary function of the a. International Monetary Fund b. Federal Reserve System c. World Bank d. Organization for Economic Cooperation and Development                                   |
|    |   |

### **TEAMWORK**

Discuss in pairs or small groups and then write your conclusions below.

8. Many countries continue to face difficult economic situations. In your team, develop a list of actions that could be taken to encourage improved business development and expanded economic growth in various geographic regions.

"What are current rates for a commercial line of credit?" "How can we best collect funds from our overseas customers?" These are some of the questions that commercial and international banking experts at Wells Fargo attempt to answer each day.

Started in 1852, today Wells Fargo is the fifth largest bank in the U.S., with about 3,000 branch offices and another 1,000 home mortgage stores. When the company opened for business in San Francisco and Sacramento, California, buying and selling gold was a major focus. Between 1852 and 1918, Wells Fargo used a variety of transportation modes to move gold. These included the Pony Express, stagecoaches, steamships, railroads, and motor vehicles.

Today, the banking services of Wells Fargo are aimed at business customers that have revenues of \$10 million or more. The main focus of commercial banking is credit. Wells Fargo provides loans to companies for a variety of purposes. This core product of lending is used to cross-sell other services, such as managing depository needs, coordinating stock transfers, and creating letters of credit for international payments. Working with corporate clients requires developing strong relationships. Wells Fargo employees serve their customers by servicing new loans, assisting with fund transfers, documenting legal requirements, and suggesting risk management strategies. These activities require staff teams to support several large corporate clients in a geographic region.

The company also offers global financial services. The Wells Fargo International Personal Banking (IPB) program for international customers provides online access to many banking services. IPB may be used by a foreign national moving to the U.S. or a U.S. citizen going abroad. Wells Fargo HSBC Trade Bank is a joint venture between Wells Fargo Bank and HSBC, the largest bank in the world, based in London. This agreement allows Wells Fargo customers access to 8,000 HSBC offices in 80 countries. Other international services offered by Wells Fargo include:

- Foreign exchange services for buying and selling more than 90 currencies
- Online trade services allowing access to various services for importers and exporters, including letters of credit
- International treasury management providing cash management payments and collections around the world
- Consumer remittance accounts used by customers to electronically send money to Mexico, Hong Kong, Taiwan, and many other international locations

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1. How do the commercial and global banking services at Wells Fargo serve its business clients?

2. What types of commercial banking services offered by Wells Fargo could be of value to businesses in your community?

| 3. | How might Wells Fargo adapt its commercial banking services to serve the needs of family-run businesses in poor countries?   |
|----|--|
| 4. | Create some promotional messages that Wells Fargo might use to promote its commercial and international banking services.  |
| 5. | What are possible benefits and drawbacks of the HSBC joint venture?  |
| 6. | <ul><li>Wells Fargo hopes to expand its commercial banking among major companies based in other countries.</li><li>a. What services would be appropriate for customers in this new target market?</li><li>b. What actions might be taken by the company to offer commercial banking services in other countries?</li></ul> |

**FILL IN THE BLANK** (note: some terms will not be used)

automatic teller machine (ATM) Federal Reserve System safe-deposit box commercial lending Int'l Monetary Fund (IMF) trust World Bank debit card lock box development bank open market operations discount rate reserve requirement 1. A(n) \_\_\_\_\_\_ is an electronic banking service machine, more commonly called a cash machine. 2. \_\_\_\_\_ is the rate the Fed charges on loans to member banks. 3. A(n) \_\_\_\_\_ is a secured postal box used to receive customer payments. \_\_\_\_\_\_, otherwise known as the International Bank for Reconstruction and Development, was created in 1944 to provide loans for rebuilding after WWII. 5. A(n) \_\_\_\_\_ allows the user to obtain or use money from a checking account. 6. The process of buying and selling government securities by the Fed is called 7. The \_\_\_\_\_\_ is the percentage of funds that a bank is required to hold. 8. \_\_\_\_\_ refers to loans to businesses for various company needs. A(n) \_\_\_\_ can be rented by customers to store valuable objects and documents in well-guarded bank vaults. 9. A(n)

## THINK CRITICALLY

10. The

11. Monetary policy refers to Federal Reserve actions to influence the money supply and economic conditions. Fiscal policy is spending and taxing by the government, which can also affect economic conditions. Describe how changes in spending and taxes can affect economic activities.

The \_\_\_\_\_ is an agency that helps promote economic cooperation by maintaining an orderly system of international trade and exchange rates.

12. The Community Reinvestment Act requires that financial institutions provide loans and other funds to assist low-income people with home purchases and for starting businesses. What are the benefits of this federal legislation?

13. As more financial institutions offer a wider variety of services, does competition between them increase or decrease? Explain your answer.
14. Increased use of technology for banking creates convenience for customers. What are some concerns associated with electronic banking activities?
15. Should restrictions be placed on foreign banks doing business in the United States? Explain your answer.
16. Environmentally-friendly sustainable development is a goal of many governments and organizations. How might this goal be achieved?



#### **EXCEL PROBLEMS**

Use Excel to solve the problems below and <u>email</u> the spreadsheet as an attachment. MAKE SURE TO USE FORMULAS IN YOUR WORK! (don't just type the answers)

17. During a recent six-month period, a customer's balances were April, \$148; May, \$201.97; June, \$101.61; July, \$418.53; August, \$248.29; and September, \$154.36. Monthly service charges for a checking account are based on the bank's rate schedule, as shown in the table.

| Minimum Balance | Charge    |
|-----------------|-----------|
| 0-\$199         | \$5       |
| \$200-\$399     | \$3       |
| \$400 and over  | no charge |

- a. How much was the service charge for each month?
- b. What was the total service charge for the six-month period?
- 18. On June 1, Brad Keller had a checking account balance of \$140. He has his paychecks automatically deposited. His earnings for June were \$1,080. During the month, he wrote checks for \$87, \$146, \$29, and \$292. He had \$120 automatically transferred from his checking account to his savings account. In addition, he used his ATM card to withdraw \$60 in cash. The bank charges 75 cents for each EFT transfer or withdrawal. Find Brad's bank balance after these transactions.
- 19. A company needs to borrow \$72,000 for 60 days to finance its inventory for the fall selling season. If the annual interest rate of this loan is 5.5 percent, what would be the cost of borrowing these funds? Assume a 360-day financial year.