

Notes on Wholesale Banking & International Banking

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The wholesale banking comprises of the services such as Finance Wholesaling, Mergers and acquisitions, Underwriting, Market Making, Consultancy and Fund Management. The need for the wholesale banking arises because of the inadequacy of retail banking in meeting the industry requirements and a large number of financial transactions of a huge cost.

The Industrial or business entities can avail several advantages from the wholesale banking such as single point of contact for all the corporate dealings whether national or international, expert recommendations, specialized products customized as per the corporate requirements, etc.

Generally, the rate at which the funds are lent to the business entities is less as compared to the lending rates for an individual. This is mainly because of the huge amount and the number of transactions involved in the larger institutes.

Features of Wholesale Banking

Large Scale Operations: Wholesale banking majorly meets the enormous financial requirements of the large scale companies and the government.

Low Operational Cost: The cost of carrying out transactions and other banking operations is quite low due to a limited customer base and few numbers of transactions.

High Risk Involved: The risk level involved in wholesale banking is very high. T the failure of the borrower company can lead to the collapse of all the parties associated with it.

Control Over Financial Transaction Monitoring and Recovery: Due to limited customers, it becomes convenient for the banks to monitor the financial transactions and recover the loans and advances.

Huge Impact on Non-Performing Asset: If there is delay or default in the repayment of loans and advances provided under wholesale banking, the non-performing assets of the bank increases.

High Cost of Deposit: The interest rates paid by the banks on the deposits made by the substantial business entities is high.

Primary Functions

Some of the major services performed by wholesale banks are as follows:

Making Advances: The principal purpose of wholesale banks is to provide loans and advances of high value to the large scale business entities.

Accepting Deposits: These banks also receive deposits from the big companies and provides high interest on the deposited funds.

Credit Creation: The wholesale banks increase the flow of funds in the economy by initiating loans and deposits by the government and large scale companies.

Secondary Functions

The banks have some additional responsibilities which are mentioned below:

- **Underwriting:** The wholesale bank raises capital for the projects of large business organizations by issuing debt or equity shares to the investors on behalf of the respective companies.
- **Mergers and Acquisitions:** Through operations like currency conversion, these banks facilitate the merger of two or more companies across the globe and also the acquisition of one business unit by the other organization.
- **Trust and Consultancy Services:** The merchant banks provide various other services like investment advice and trust-building to the client companies.
- **Fund Management:** The merchant banks continuously function towards managing and handling of the funds deposited by the clients wisely.

MEANING OF INTERNATIONAL BANKING

International banking is just like any other banking service, but it takes place across different nations or internationally. To put in another way, international banking is an arrangement of financial service by a residential bank of one country to the residents of another country. Mostly multinational companies and individuals use this banking facility for transacting.

BENEFITS OF INTERNATIONAL BANKING

FLEXIBILITY

International banking facility provides flexibility to the multinational companies to deal in multiple currencies. The major currencies that multinational companies or individuals can deal with include euro, dollar, pounds, sterling, and rupee. The companies having headquarters in other countries can manage their bank accounts and avail financial services in other countries through international banking without any hassle.

ACCESSIBILITY

International banking provides accessibility and ease of doing business to the companies from different countries. An individual or MNC can use their money anywhere around the world. This gives them a freedom to transact and use their money to meet any requirement of funds in any part of the world.

INTERNATIONAL TRANSACTIONS

International banking allows the business to make international bill payments. The currency conversion facility allows the companies to pay and receive money easily. Also, the benefits like **overdraft**, loans, deposits, etc. are available every time for overseas transactions.

ACCOUNTS MAINTENANCE

A multinational company can maintain the records of global accounts in a fair manner with the help of international banking. All the transactions of the company are recorded in the books of the banks across the globe. By compiling the data and figures, the accounts of the company can be maintained.