

Welcome students.

In today's session.

We Will be dealing with is modern banking

operations and services.

DSE one model number13. So we will be discussing

wholesale banking and international banking.

Now I will try to make you understand the wholesale banking

meaning, features and functions.

And then we'll take up

international banking. You need to understand the concept of

international banking and its benefits or advantages.

At the end of my session, you should be able to understand

or get the knowledge about the concept of wholesale

banking and its role in the functioning of the bank.

You should also be able to understand the concept of

international banking and its benefit. Because presently is

a globalized world.

Now what do you mean by wholesale banking? Let us first

understand the concept of that.

As the name you can see wholesale in general terms, we

know that we are purchasing in

bulk. But that is the general

term. In terms of banking, wholesale banking comprises of

services that are offered by banks to a large customers or

organisations such as mortgage brokers, large corporate

clients, midsize companies, real estate developers and investors,

international trade, finance, business, institutional

customers etc. So from this you can make out that wholesale

banking is nothing but.

Selling the products or purchasing the products in

a large volume.

Now what are the features of wholesale banking ways on the

discussion that we have done in the earlier slide that wholesale

Banking involves? You know, huge volume of products being

purchased and sold the same way in banking also. Basically

they're selling the financial services to the customers. So

What are the features of it? So from definition itself of the

in the earlier discussion, we can make out what are its features.

First, one large scale operations because of the

wholesale banking, large scale operations are possible.

Which otherwise is not possible in retail banking due to which

there is an increase in the revenue of the banks also.

The second feature is operational costs. Since huge transaction is taking place in wholesale banking. The costs get automatically reduce and that is how the revenue of the banks gets increased. So the second feature of the wholesale banking is low operational costs.

High risk in war. Although there are advantages of wholesale banking, there is also high risk involved. Why there is a high risk involved? Because Transactions that are taking the place in wholesale banking is huge. One huge amount of loans are shell out to the big industrial organisations or corporate houses. So if there is a default on their part then definitely there will be a high risk involved in wholesale banking. So it depends on the creditworthiness of that other party who is taking the services in wholesale. The 4th feature is controlled or financial transaction monitoring and recovery.

Since the transactions that are taking place in the wholesale banking as less, it is possible for the banks to control people control on financial transaction monitoring and recovery.

The fifth one is huge impact on non performing assets, so if there is a failure on the part of the party where's taken the loan. OK, huge loan from the bank, then there is a possibility that non performing assets will go to increase, so there are chances in wholesale banking that there may be non performing assets may increase which is a present problem of many banks. You can take the example of Vijay Mallya who has defaulted on Kingfisher and varying. Many of the big banks public sector banks have been affected because of that. So that can be the best example of this bank. Wholesale banking working. There's an impact on non performing assets of the banks. Then high cost of deposits as you know deposits is basically a liability in banking. It is not an asset. Because the deposits in there to pay the interest on that. So in case if there is a default on the loan that is being given so from where they were going to pay the interest on deposits, so that will increase the high cost of deposits. What are the functions of wholesale banking will divide that into primary and secondary. Primary functions of the main functions are making advances. Definitely banking means

accepting the deposits and lending the loans. You cannot just take the deposits.

And it with you. So you have to make advances. The principle purpose of wholesale banks is to provide loans and advances of high value to a large scale business entity. Secondly, excepting the deposit, so these are primary functions because everyone has to do this. So Bank can also receive deposits from a big companies and provide high interest on deposited funds. So These are the primary functions, then credit creation. The wholesale banks increase the flow of funds.

In the economy by initiating loan and deposits of the government and large scale companies, thereby creating the credit for giving the loans to the big parties.

What are the secondary function in addition to primary functions? Now many of the banks are going for underwriting, that is underwriting of equity shares. Or other things so the bank raises capital for the projects of large business organization by using that. That means basically that the ventures or equity shares to the investor on behalf of their respective companies. So that is called underwriting. And for these services they are charging

some fees, so that becomes the revenue for them.

Mergers and acquisition. There Are many companies were going into mergers or amalgamationXanax which are there many are being acquired. Recently we've seen there are so many banks and have been small. Small banks have been acquired by the big banks. So through operation like currency conversion, this bank facilitates the merger of two or more companies across the globe, not nationally, but also internationally and also the acquisition of one business unit by the other in the organization.

Trust and consultancy service.In addition to this.

They are also providing consultancy services which require as merchant banking sothe merchant banks provide various other services like investment advice and trust building to the client companies. In addition to this they also provide fund management so they can also manage your funds so the merchant banks continuously function towards managing and handling of the funds deposited by the clients wisely.

Now let us come to international banking.

So international banking is nothing but the business is

taking place beyond the boundaries of the country. So mostly multinational companies and individuals use these facilities for transacting at the international level. What are the benefits you have flexibility? OK, anytime you can get this kind of things then access ability, you get an access. International Transactions because it is taking between two countries, an account maintenance. So these are the main benefits that you get in the international banking. For further readings you can refer to these sites investorsbook.com and can also refer to the book Bully LM an Macungie. Thank you very much.