

Unit 1

Financial System

Text

金融并不遥远，就在我们的身边。如果你大学毕业，梦想自己创业，那么首先你必须找到融资的途径。从一开始，你就要与金融打交道。金融是什么？金融体系的构成是怎样的？这是金融领域最基础的知识。本章内容将引领你步入金融的大门。

How Do Savers and Borrowers Meet?

The financial system¹ has two general roles—to mobilize surplus funds from people and organizations, and to allocate them among deficit people and organizations. An investor is an example of a surplus unit², whereas a borrower is an example of a deficit unit³. Mobilizing funds generate returns for surplus units, which generally enhance their wealth and economic well-being. They also allow deficit units to enhance their productive and purchasing capacities, and thus improve an economy's production and consumption potential.

Funds are mobilized either as debt or equity⁴. Debt funds are supplied as a loan and generally the repayments are scheduled, whereas equity funds⁵ acquire part ownership of a business and their returns depend on the future profitability of the business.

The financing process allows prospective users of funds to compete for them and creates the incentive for funds to be supplied. In essence, the financial system should ensure the supply of funds when their use has a net present value⁶. That is, the user of the funds expects to earn a return that exceeds the return paid to the supplier of the funds.

There are at least two fundamental problems that must be solved by the financial system. First, deficit units seek funds for terms that, on average, are longer than the periods for which funds are supplied by surplus units, posing the problem of a maturity mismatch⁷ between the supply and demand for funds. This means that financing processes have to be able to transform the maturity of funds—a process referred to as maturity transformation⁸. Second, financing processes have to develop means for coping with the risks faced by the suppliers of funds.

The financing process requires the comprehensive disclosure of relevant information to allow investors and other suppliers of funds to assess the risks and expected returns associated with the proposed use of funds.

The financial system is made up of various financial institutions that help coordinate savers and borrowers. Financial institutions can be grouped into two categories—financial markets⁹ and financial intermediaries¹⁰.

Financial markets are the institutions through which a person who wants to save can directly supply funds to a person who wants to borrow. The two most important financial markets in our economy are the bond¹¹ market and the stock¹² market. When Intel, the giant maker of computer chips, wants to borrow to finance construction of a new factory, it can borrow directly from the public. It does this by selling bonds. A bond is an IOU¹³. It identifies the time at which the loan will be repaid, called the date of maturity, the rate of interest that will be paid periodically until the loan matures. The buyer of a bond gives his or her money to Intel in exchange for this promise of interest and principal. The buyer can hold the bond until maturity or can sell the bond at an earlier date to someone else. Another way for Intel to raise funds to build a new semi-conductor factory is to sell stock in the company. Stock represents ownership in a firm and is, therefore, a claim to the profits that the firm makes. For example, if Intel sells a total of 1,000,000 shares of stock, then each share represents ownership of 1/1,000,000 of the business.

Financial intermediaries are financial institutions through which savers can indirectly provide funds to borrowers. The term *intermediary* reflects the role of these institutions standing between savers and borrowers. Two of the most important financial intermediaries are banks and mutual funds¹⁴.

Banks are the financial intermediaries with which people are most familiar. A

primary job of banks is to take in deposits from people who want to save and use these deposits to make loans to people who want to borrow. Banks pay depositors interest on their deposits and charge borrowers slightly higher interest on their loans. The difference between these rates of interest covers the banks' cost and returns some profit to the owner of the banks.

A mutual fund is an institution that sells shares to the public and uses the proceeds to buy a selection, or portfolio, of various types of stocks, bonds, or both stocks and bonds. The shareholder of the mutual fund accepts all the risks and returns associated with the portfolio. If the value of the portfolio rises, the shareholder benefits; if the value of the portfolio falls, the shareholder suffers the loss.

In addition to the bond market, the stock market, banks, and mutual funds, there are also pension funds¹⁵, credit unions¹⁶, insurance¹⁷ companies, and even local loan sharks¹⁸. These financial institutions all serve the same goal—directing the resources of savers into the hands of borrowers.

New words and expressions

allocate *v.* 分派, 分配

deficit *n.* 不足, 缺乏; 赤字

investor *n.* 投资者

return *n.* 投资回报, 收益

consumption *n.* 消费

prospective *adj.* 预期的

incentive *n.* 激励, 动机

pose *v.* (使…) 形成, 引起, 造成

maturity *n.* (票据) 到期

mismatch *n.* 错配, 失谐

coordinate *v.* 调节, 协调

intermediary *n.* 调解人, 中间人

bond *n.* 债券

stock *n.* 股票, 股份

computer chip 电脑芯片

periodically *adv.* 周期性地, 定时性地

mature *v.* 到期

principal *n.* 本金

ownership *n.* 所有权, 物主身份

claim *n.* 权利要求

take in 吸收

deposit *n.* 存款; 押金; 保证金

depositor *n.* 存款人

proceeds *n.* 收益

portfolio *n.* 投资组合

shareholder *n.* 股东

Notes

1. **financial system:** 金融体系, 指一个经济体中资金流动的基本框架, 它是资金流动的工具 (金融资产)、市场参与者 (中介机构) 和交易方式 (市场) 等各金融要素构成的综合体。
2. **surplus unit:** 盈余单位, 指有剩余资金的个人或组织。
3. **deficit unit:** 赤字单位, 指入不敷出、资金短缺的个人或组织。
4. **equity:** 股本, 指股东在公司中所占的权益, 多用于指股票。
5. **equity funds:** 股权投资资金, 指进行股权投资的资金。
6. **net present value:** 净现值, 是一项投资所产生的未来现金流的折现值与项目投资成本之间的差值。净现值法是一种比较科学、也比较简便的投资方案评价方法。该方法利用净现金效益量的总现值与净现金投资量算出净现值, 然后根据净现值的大小来评价投资方案。净现值为正值, 投资方案是可以接受的; 净现值为负值, 投资方案就是不可接受的。净现值越大, 投资方案越好。
7. **maturity mismatch:** 期限错配, 指资金的提供方和需求方在投资和融资时间要求上的不匹配。
8. **maturity transformation:** 到期转换, 指通过某些转换方式同时满足供需双方在投资和融资上的时间要求, 常指银行用短期融入资金发放中长期贷款。
9. **financial market:** 金融市场, 指货币的借贷、各种票据和有价证券的买卖等融资活动的场所, 是市场主体通过买卖金融资产 (如股票、债券等), 使资金从买方流向卖方的市场, 其存在为资金供给方和资金需求方提供了重要的融资渠道。金融市场可以是在固定场所进行的各种融资活动, 也可以没有固定场所, 由参加交易者利用电讯手段进行联系洽谈而完成融资交易。只要在一定区域进行票据和各种证券的买卖行为或过程都应视为金融市场的业务活动。
10. **financial intermediary:** 金融中介, 指从事金融活动以及为金融活动提供相关服务的各类金融机构。金融中介一般由银行金融中介和非银行金融中介构成, 具体包括商业银行、证券公司、保险公司以及信息咨询服务机构等中介机构。

11. **bond:** 债券，指政府、公司或机构借款的法律合约。债券发行人（即借款人）承诺向债券持有人在约定时间内按约定的利率支付利息，并在债券到期时按面额赎回债券。理论上，投资债券比投资股票安全，因为债券的回报通常都是事先即可确定的，有明确的期限，而且公司必须先支付债券持有人方可向股东分配获利。但如果公司倒闭，债券持有人与股东一样可能会损失惨重。
12. **stock:** 股票，指股份有限公司在筹集资本时向出资人发行的股份凭证。股票代表着其持有者（即股东）对股份公司的所有权。这种所有权是一种综合权利，如参加股东大会、投票表决、参与公司的重大决策、收取股息或分享红利等。每个股东所拥有的公司所有权份额的大小取决于其持有的股票数量占公司总股本的比重。股票一般可以通过买卖方式有偿转让。股东能通过股票转让收回其投资，但不能要求公司返还其出资。股东与公司之间的关系不是债权与债务关系。股东是公司的所有者，以其出资额为限对公司负有限责任，承担风险，分享收益。
13. **IOU:** (I owe you) 欠条，借据
14. **mutual fund:** 共同基金，由投资信托公司、证券公司等金融机构经营和管理的一类投资基金，又称互助基金。共同基金通常由投资信托公司、证券公司等金融机构发起设立，通过发行基金证券由投资者通过认购方式筹集资金，然后投资于证券市场上各种公司的股票、政府债券、公司债券。有些共同基金还投资于期权、期货以及货币市场上的各种短期金融工具。
15. **pension fund:** 养老基金，由雇主设立的基金，用以组织和推动由雇主和雇员共同出资的退休金的投资。养老基金是一种很普遍的基金，可以获取资产长期的稳定增长以满足雇员退休后的养老金发放。
16. **credit union:** 信用合作社，一个由社员拥有，并由社员所选举的人负责经营，目的为建立符合社员需要，社员可以加以利用的平民金融机构。人们可自由加入信用合作社成为社员。所有社员权利、义务都相同，并通过社员一人一票的选举制度，选出理监事，受全体社员授权共同治理信用合作社。
17. **insurance:** 保险，指为了应付特定的自然灾害或意外事件，通过订立合同提供补偿或给付的一种经济形式。它以概率论计算损失分摊金，集合多数经济单位

共同筹集资金而建立集中的保险基金，按签订的保险契约中当事人的权利和义务，对于约定的特定灾害、事故所造成的经济损失和人身伤亡进行补偿或给付，从而保障社会经济生活的安定。

18. **loan shark:** 放高利贷者

Exercises

I Choose the best answer to the following questions.

1. According to the text, what are the roles of the financial system?
 - A. Generating returns for the investors and improving economy.
 - B. Mobilizing surplus funds from surplus units and allocating them among deficit units.
 - C. Making a large amount of money by granting loans and improving production.
 - D. Enhancing investors' wealth and economic well-being.
2. According to the text, which of the following is NOT true?
 - A. Debt funds will get the repayment when they are mature, but they cannot acquire part ownership of a business.
 - B. Equity funds will get returns if the business makes profits, but they will never get the repayment.
 - C. The financial system solves the problem of mismatch between the supply and demand for funds.
 - D. The financial system ensures investors that they would not risk losing their money.
3. The function of the financial system is to _____.
 - A. provide money for borrowers
 - B. issue a variety of securities (证券)
 - C. coordinate savers and borrowers
 - D. collect funds for government
4. What is the major difference between financial markets and financial intermediaries?
 - A. They operate at different places.
 - B. They connect borrowers to savers directly or indirectly.

- C. They consist of different participants.
 - D. They use different financial tools.
5. You risk losing your savings when _____.
- A. buying bonds
 - B. buying stocks
 - C. depositing them in a bank
 - D. all of the above

II Match the terms on the left with their explanations on the right.

- 1. equity A. various types of stocks, bonds, or both stocks and bonds
- 2. financial system B. ownership in a company
- 3. portfolio C. a certificate of indebtedness that specifies the obligations of the borrower to the holder
- 4. bond D. a claim to partial ownership in a firm
- 5. stock E. the group of institutions in the economy that help to match one person's saving with another person's investment

III Translate the following sentences into Chinese.

- 1. Another way for Intel to raise funds to build a new semi-conductor factory is to sell stock in the company. Stock represents ownership in a firm and is, therefore, a claim to the profits that the firm makes. For example, if Intel sells a total of 1,000,000 shares of stock, then each share represents ownership of 1/1,000,000 of the business.
- 2. A mutual fund is an institution that sells shares to the public and uses the proceeds to buy a selection, or portfolio, of various types of stocks, bonds, or both stocks and bonds. The shareholder of the mutual fund accepts all the risks and returns associated with the portfolio. If the value of the portfolio rises, the shareholder benefits; if the value of the portfolio falls, the shareholder suffers the loss.

IV Choose the most suitable sentences to fill in the blanks of the following paragraphs.

In the indirect financing process, known also as financial intermediation, funds are raised by deposit-taking institutions and then lent to borrowers. 1) _____.

To attract savings deposits, Authorized Deposit-Taking Institutions (ADIs) mainly provide a secure place for funds and a reasonable rate of interest. 2) _____.

Wholesale deposits mainly take the form of certificates of deposits, which are large-value deposits that have a fixed term and are paid a fixed rate of interest.

3) _____. Typically, the average term of deposits with ADIs is much shorter than the average term of their loans. Hence, ADIs have to cope with the maturity mismatch between their assets and liabilities. 4) _____.

The ADIs' income from indirect financing is earned from its interest rate spread (the difference between their lending and borrowing rates). 5) _____.

- A. Savings accounts impose almost no transaction costs for depositors and this partly justifies their modest interest rates
- B. ADIs provide depositors with liquidity and borrowers with loans for specified terms
- C. This spread compensates the ADIs for the risks they accept
- D. The funds raised are generally in the form of deposits
- E. Maturity transformation exposes ADIs to liquidity risks

V Discuss the following topics in your group, and report your answers to the class.

1. Imagine that you will set up your own business, how will you get funds for the start? Why?
2. Suppose you saved \$100,000 and you wanted to make more money from it, how would you deal with the money? Why?
3. Do you have any experience with banks or mutual funds? Name some banks and funds at home and abroad.

VI Research report

According to the text, there are two fundamental problems in coordinating the demand for and supply of funds. How does the financial system solve the problems? Do a research and write a report.

欧洲货币市场是二战后形成的新型国际金融市场。欧元区的金融体系是怎样构成的？进入金融领域，不可避免地要和各种数据打交道。阅读下文，试试看你能否看懂欧洲中央银行的金融报表。

Financial Structure of the Euro Area Economy

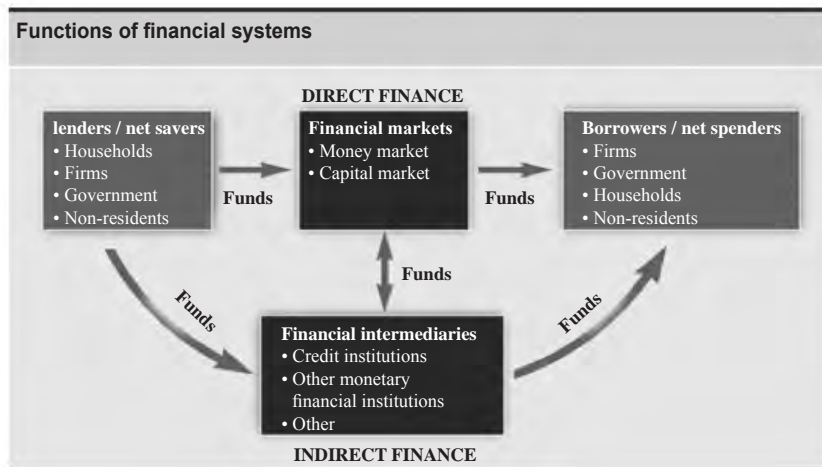
Compared with the economies of its individual member countries, the euro area is a large and much more closed economy. With a 15.7% share of world GDP in 2008 it is the world's largest economy after that of the United States.

As in other highly developed economies, the service sector has the largest share of total output, followed by the industrial sector, while the share held by agriculture, fishing and forestry is relatively small. In terms of population, the euro area economy is in fact the world's largest, with more than 300 million people.

The financial system channels funds from those who are net savers (i.e. who spend less than their income) to those who are net spenders (who spend more than their income).

The two main routes to channel funds from savers to borrowers are:

- direct or market-based finance via financial markets, and
- indirect or bank-based finance via financial intermediaries.



Financial markets

Financial markets can be divided into

- money,
- debt, and
- equity markets¹.

Money market

The money market consists of the unsecured and secured “cash” segments and derivatives segments. The money market in a broader sense also includes the market for short-term debt securities.

Debt market

The amount outstanding of euro-denominated short-term debt securities issued by euro area residents totalled 15.5% of GDP at the end of 2008. The private sector remained a more important issuer than the public sector.

Amounts outstanding of euro-denominated short-term debt securities issued by euro area residents						
Source: ECB ²						
end of year; EUR billions (% of GDP)	2000	2002	2005	2006	2007	2008
Total	581 (8.6)	699 (9.6)	810 (10.1)	855 (10.1)	1102 (12.4)	1418 (15.5)
MFI	243 (3.6)	281 (3.9)	359 (4.5)	421 (5.0)	610 (6.9)	686 (7.5)
Non-monetary financial corporations	6 (0.1)	16 (0.2)	18 (0.2)	27 (0.3)	36 (0.4)	60 (0.7)
Non-financial corporations	87 (1.3)	77 (1.1)	78 (1.0)	78 (0.9)	97 (1.1)	112 (1.2)
Public sector	245 (3.6)	325 (4.5)	354 (4.4)	329 (3.9)	359 (4.0)	561 (6.1)

In contrast, long-term debt securities accounted for more than 100% of GDP at the end of 2008. In this market, the public sector is the most important issuer, followed by the MFI sector and the other issuers of the private sector.

Amounts outstanding of euro-denominated long-term debt securities issued by euro area residents						
Source: ECB						
end of year; EUR billions (% of GDP)	2000	2002	2005	2006	2007	2008
Total	5,917 (88.0)	6,752 (93.0)	8,371 (103.9)	8,993 (106.3)	9,655 (108.6)	10,469 (114.5)
MFI	2,179 (32.4)	2,393 (33.0)	2,979 (37.0)	3,238 (38.3)	3,482 (39.2)	3,688 (40.3)
Non-monetary financial corporations	264 (3.9)	473 (6.5)	843 (10.5)	1,035 (12.2)	1,319 (14.8)	1,723 (18.9)
Non-financial corporations	283 (4.2)	371 (5.1)	432 (5.4)	451 (5.3)	472 (5.3)	486 (5.3)
Public sector	3,191 (47.5)	3,515 (48.4)	4,117 (51.1)	4,269 (50.4)	4,383 (49.3)	4,571 (50.0)

Equity market

Turning to the equity market, a commonly used indicator of its importance is the market capitalization of stocks traded in terms of GDP. This indicator, albeit affected by movements in stock prices, shows that the equity market is less important than the debt securities market in the euro area.

Stock market capitalization in the euro area, the United States and Japan						
Source: World Federation of Exchanges ³						
end of year; % of GDP	2000	2002	2005	2006	2007	2008
Euro area	86	50	62	80	84	38
United States	155	106	140	148	144	82
Japan	68	53	100	106	99	63

Financial intermediaries

There are two categories:

- monetary financial institutions (MFIs), and
- other financial intermediaries (OFIs).

MFIs

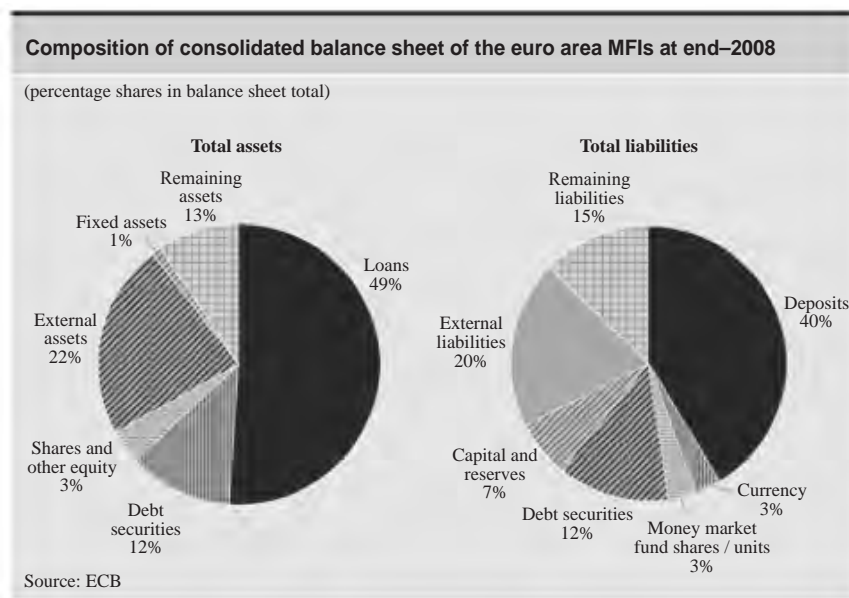
MFIs include the Eurosystem (ECB and the NCBs⁴ of those countries that have adopted the euro), credit institutions (the most important financial intermediaries in the euro area) and non-credit institutions (mainly money market funds) whose business is to receive deposits from entities other than MFIs and to grant credit and / or invest in securities.

Number of euro area monetary financial institutions							
Source: ECB							
end of year	2000	2002	2004	2006	2007	2008	
Credit institutions	7,521	6,906	6,406	6,130	6,127	6,570	
Money market funds	1,599	1,620	1,670	1,470	1,502	1,721	
Central banks and other institutions	21	18	19	16	17	19	
All MFIs	9,193	8,544	8,095	7,616	7,646	8,310	

Consolidated balance sheet⁵ of MFI sector

MFIs regularly report data on their assets and liabilities to the ECB and the NCBs. These data are used to compute the consolidated balance sheet of the MFI sector.

The chart below shows the composition of the consolidated balance sheet of the euro area MFI sector at the end of 2008. Deposits are the most important liability item, while loans represent the largest share of total MFI assets.

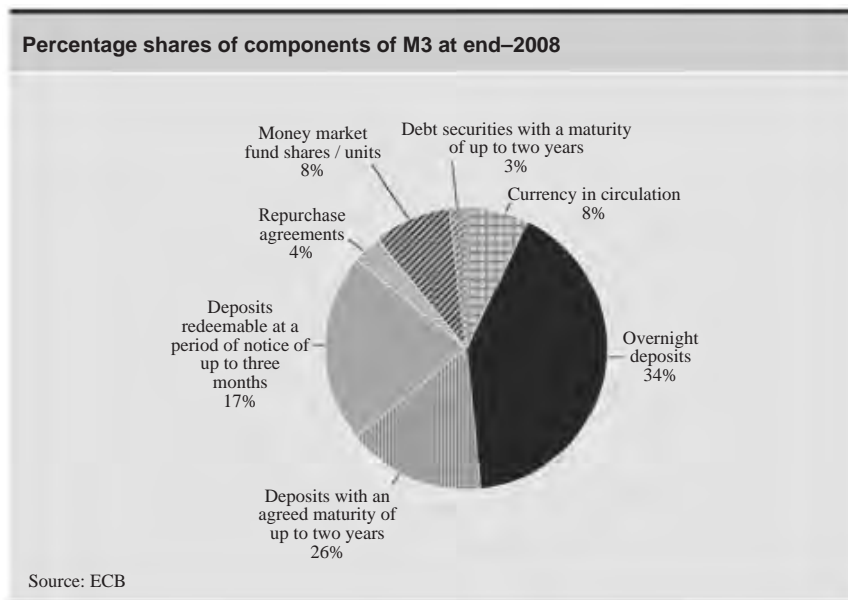


The consolidated MFI balance sheet is very useful. It represents the basis for the computation of some of the key monetary and credit variables regularly monitored at the ECB. In particular, this balance sheet is used to calculate the euro area monetary aggregates.

Schematic consolidated balance sheet of the MFI sector for the euro area	
Assets	Liabilities
1. Loans	1. Currency in circulation ⁶
2. Securities other than shares	2. Deposits of central government
3. Shares and other equities	3. Deposits of other general government and other euro area residents
4. External assets ⁷	4. Money market fund shares / units
5. Fixed assets ⁸	5. Debt securities issued
6. Remaining assets	6. Capital and reserves
	7. External liabilities
	8. Remaining liabilities

Trends in monetary aggregates are important sources of information about future inflation and economic activity.

The chart below shows the composition of the monetary aggregate M3⁹ at the end of 2008.



As the definition of monetary aggregates adopted by the ECB only includes liabilities of MFIs located in the euro area vis-à-vis euro area residents, the monetary aggregate M3 comprises:

- i. short-term deposits with euro area MFIs,
- ii. shares / units issued by money market funds located in the euro area, and
- iii. debt securities issued with a maturity of up to and including two years by MFIs located in the euro area.

Holdings of these instruments by non-residents are not included in M3. Currency in circulation is entirely included in the monetary aggregates, irrespective of whether it is held by euro area residents or non-residents, given the difficulty of deriving accurate and timely measures of the amounts of banknotes and coins held by non-residents.

OFls

OFls form a broad category comprising insurance corporations, pension funds, financial auxiliaries, mutual funds, securities and derivatives dealers and financial corporations engaged in lending.

New words and expressions

channel *v.* 引导

derivative *n.* 金融衍生工具 (产品)

outstanding *adj.* 未偿付的

denominat *v.* 给…定价值

security *n.* 有价证券

issuer *n.* 发行者

capitalization *n.* 资本化

albeit *conj.* 虽然

credit *n.* 信贷

entity *n.* 实体

liability *n.* 债务, 负债

variable *n.* [数] 变数, 可变物, 变量

schematic *adj.* 概要的, 简略的

circulation *n.* 流通, 发行量

vis-à-vis *prep.* 相对于

auxiliary *n.* 附属组织, 附属机构

Notes

- equity market:** 股票市场, 即股票发行与交易的市场。根据市场的功能划分, 股票市场可分为发行市场和流通市场。发行市场是通过发行股票进行筹资活动的市场, 一方面为资本的需求者提供筹集资金的渠道, 另一方面为资本的供应者提供投资场所。发行市场是实现资本职能转化的场所, 通过发行股票, 把社会闲散资金转化为生产资本。由于发行活动是股市一切活动的源头和起始点, 故发行市场又称为“一级市场”或“初级市场”。流通市场是已发行股票进行转让的市场, 又称为“二级市场”或“次级市场”。流通市场一方面为股票持有者提供随时变现的机会, 另一方面又为新的投资者提供投资机会。与发行市场的一次性行为不同, 在流通市场上股票可以不断地进行交易。
- ECB:** 欧洲中央银行 (European Central Bank), 根据 1992 年《马斯特里赫特条约》的规定于 1998 年 7 月 1 日正式成立, 其前身是设在法兰克福的欧洲货币局。欧洲中央银行的职能是维护货币的稳定, 管理主导利率、货币的储备和发行, 以及制定欧洲货币政策。

3. **World Federation of Exchanges:** 世界证券交易所联合会 (WFE), 是一个非赢利的民间国际组织, 成立于 1961 年, 永久会址设在巴黎。其前身是 1957 年欧共体 8 个成员国成立的欧洲证券交易所协会。WFE 对会员的市场规模、法制化建设等诸方面都有严格的要求, 因此取得 WFE 会员资格被各国证券自律监管机构及市场参与者视为其证券市场达到国际认可标准的标志。
4. **NCB:** 国家中央银行 (National Central Bank), 一国银行体系中居于领导地位、负责制定和执行国家货币信用政策、代表国家实施金融管理和监督、控制与调节货币流通和信用活动的金融中心机构。国家中央银行的特殊职能是: 独占货币发行权; 制定和执行国家的金融政策, 代理国库、代国家发行公债券, 并对国家提供贷款; 集中商业银行的存款准备金, 并向它们提供信贷, 通过有效手段调节货币供应量; 管理国家外汇和黄金。一般来说, 国家中央银行不对企业和个人办理银行业务, 只对国家和金融机构办理业务。所以, 国家中央银行是发行银行、银行的银行、国家银行。
5. **balance sheet:** 资产负债表, 是公司最主要的综合财务报表之一。它是一张平衡表。根据会计学上复式簿记的记账方法, 公司的资产和负债在账面上必须平衡, 所以资产负债表就是资产和负债的平衡表。资产作为会计上的借方, 列在表的左边, 负债作为会计上的贷方, 列在表的右边, 两边的总金额必须相等。
6. **currency in circulation:** 流通中的货币
7. **external assets:** 国外资产。在各国资产具有完全流动性的情况下, 一国居民所持有的金融资产不仅包括本国货币和本国证券, 还有外国货币和外国证券。后者称为国外资产。
8. **fixed assets:** 固定资产, 属于产品生产过程中用来改变或者影响劳动对象的劳动资料, 是固定资本的实物形态。固定资产在生产过程中可以长期发挥作用, 长期保持原有的实物形态, 但其价值则随着企业生产经营活动而逐渐地转移到产品成本中去, 并构成产品价值的一个组成部分。根据重要性原则, 一个企业把劳动资料按照使用年限和原始价值划分为固定资产和低值易耗品。对于原始价值较大、使用年限较长的劳动资料, 按照固定资产来进行核算; 而对于原始价值较小、使用年限较短的劳动资料, 按照低值易耗品来进行核算。在中国的会计制度中, 固定资产通常是指使用期限超过一年的房屋、建筑物、机器、机械、运输工具以及其他与生产经营有关的设备、器具和工具等。

9. **M3:** M3 货币供应量，是衡量货币供应的主要指标，包括钞票、硬币、活期存款和 4 年期的定期存款，即 $M3 = M2 + \text{其他金融机构的定期存款和储蓄存款}$ 。欧洲中央银行用货币供应量的增长幅度来衡量通胀的压力。通过考察不同层次的货币对经济的影响，从而选定与经济变动关系最密切的货币资产作为中央银行控制的重点，有利于中央银行调控货币供应，并及时观察货币政策的执行效果。

Exercise

Read through the text and answer the following questions.

1. What does the financial structure of euro area comprise?
2. What is the difference between money, debt and equity markets?
3. What do MFIs and OFIs consist of?
4. What did the change in the number of euro area monetary financial institutions indicate?