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ENGLISH FOR THE FINANCIAL SECTOR

Course for first year master students in Finance and Accounting

The academic year 2023/2024

INTRODUCTION

English for the financial sector is reading, speaking, and writing courses for undergraduate students in finance and accounting who need to understand and express the key concepts of finance and accounting and even other related areas of business and economics.

These courses aim to:

- * present you with the language and concepts found in books, newspapers, magazine articles, and websites on finance and accounting.
- * develop your comprehension of finance and accounting texts.
- * provide you with opportunities to express finance and accounting concepts by reformulating them in your own words while summarizing and discussing ideas.

UNIT 19 Investment banking

A- Raising capital

Ruth Healy works in an investment bank in New York. Unlike commercial banks, investment banks like ours don't lend money. Instead we act as intermediaries between companies and investors. We help companies and governments raise capital by issuing securities such as stocks and bonds — that is, we offer them for sale. We often underwrite securities issues: in other words, we guarantee to buy the securities ourselves if we can't find other purchasers.

As well as initial public offerings (IPOs), when companies offer stock for sale for the first time, there are other occasions when they raise funds. For example, they might want to expand their operations. or to acquire another company, or to reduce their amount of debt, or to finance a specific project. They don't only raise capital from the public: they can sell stocks or shares to institutional investors like insurance companies, investment funds — companies that invest the money of lots of small investors, and pension funds — companies that invest money that will later be paid to retired workers.

We also have a stockbroking and dealing department. This executes orders — buys and sells stocks for clients = which is broking, and trades with our own money, which is dealing. The stockbroking department also offers advice to investors.”

BrE: flotation; AmE: initial public offering (IPO)
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B- Mergers and acquisitions

Investment banks often represent firms in mergers and acquisitions, and divestitures. A divestiture is when a company sells a subsidiary - another company that it owns. Most of the fee - the money the company pays us for the service - will depend on us completing the deal successfully. This gives the bank a good reason to make sure that the transaction succeeds.

C- Consulting and research

Large corporations have their own finance and corporate development departments. But they often use an investment bank like ours because, like a consulting firm, we can offer independent advice, and we have a lot of experience in financial transactions. We also have a large network of contacts, and relationships with investors and companies that could be interested in a merger or acquisition.

If we've worked on a transaction with a company, we know a lot about its business. This means we can give advice about strategic planning - deciding what do to in the future - or financial restructuring — changing the way the business is financed. Large investment banks also have extensive research departments

with analysts and forecasters who specialize in the valuation of different markets, industries, companies, securities and currencies. Analysts try to work out how much things are worth now, and forecasters study the prospects for the future.

D- Exercise

Match the words in the box with the definitions below. Look at A, B and apposite to help you.

Financial restructuring – Consulting firms – Forecasters - Institutional Investors – Strategic planning – Pension Fund – Subsidiary - Valuation

- 1 - a company of experts providing professional advice to businesses for a fee
- 2- a financial institution that invests money to provide retirement income for employees
- 3- deciding what a company is going to do in the future
- 4 - people who try to predict what will happen in the future
- 5 - a company that is partly or wholly owned by another one
- 6 - a financial institution that purchases securities
- 7 - making changes to how a company is financed
- 8- establishing how much something is worth