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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 22 Money markets

A- The money markets

The money markets consist of a network of corporations, financial institutions, investors, and governments, which need to borrow or invest short-term capital (up to 12 months). For example, a business or government that only needs cash for a few weeks can use the money market. So can a bank that wants to invest money that depositors could withdraw at any time. Through the money markets, borrowers can find short-term liquidity by turning assets into cash. They can also deal with irregular cash flows — in comings and out- goings of money — more cheaply than borrowing from a commercial bank. Similarly, investors can make short-term deposits with investment companies at competitive interest rates: higher ones than they would get from a bank. Borrowers and lenders in the money markets use banks and investment companies whose business is trading financial instruments such as stocks, bands, short-term loans, and debts, rather than lending money.

B- Common money market instruments

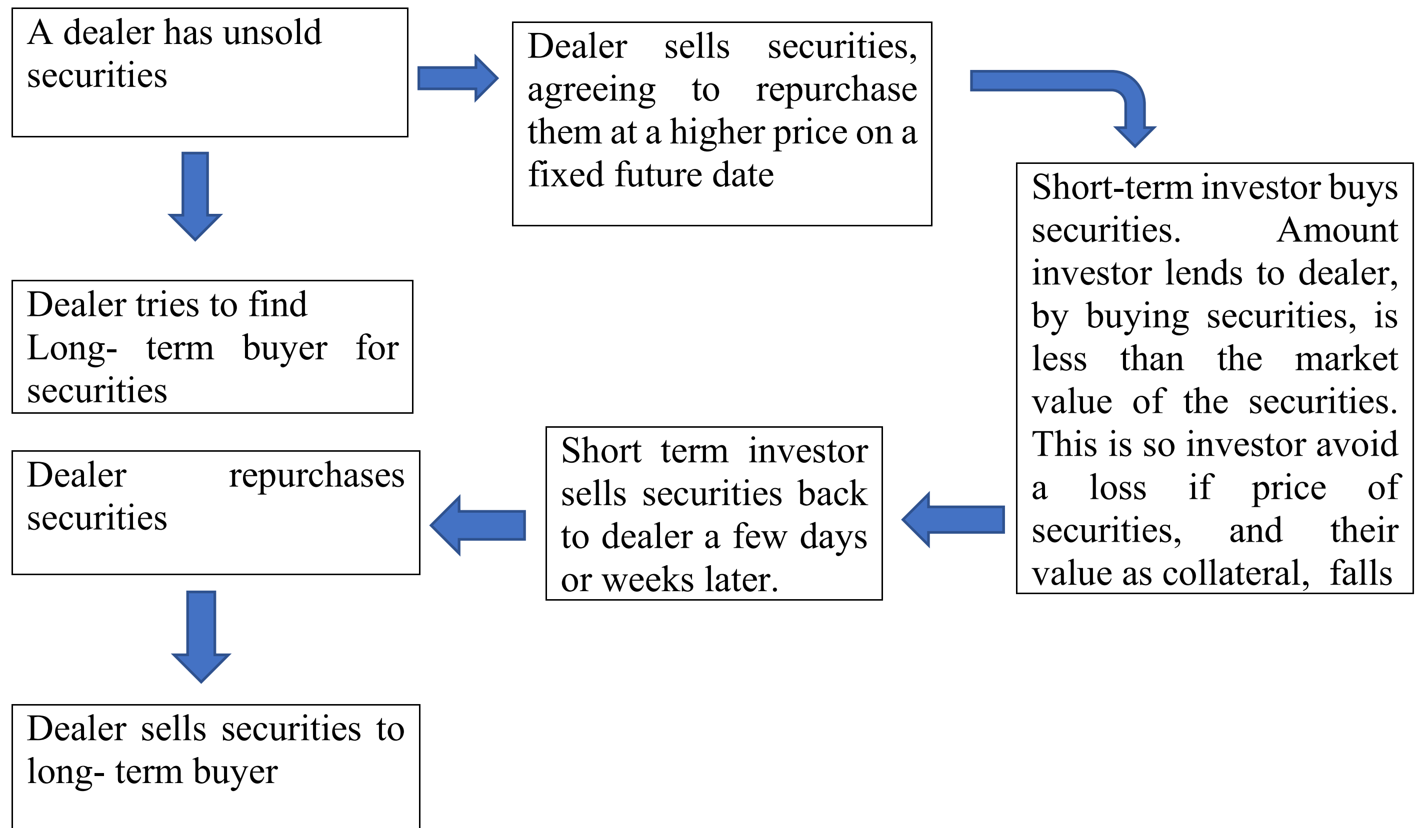
1- **Treasury bills** (or T-bills) are bonds issued by governments. The most common maturity - the length of time before a bond becomes repayable- is three months, although they can have a maturity of up ro one year, T-bills in a country's own currency are generally the safest possible investment. They are usually sold at a discount from their nominal value — the value written on them — rather than paying interest. For example, a T-bill can be sold at 99% of the value written on it, and redeemed or paid back at 100% at maturity, three months later.

2- **Commercial paper** is a short-term loan issued by major companies, also sold at a discount. It is unsecured, which means it is not guaranteed by the company's assets.

3- **Certificates of deposit** (or CDs) are short- or medium-term, interest-paying debt instruments — written promises to repay a debt. They are issued by banks to large depositors who can then trade them in the short-term money markets. They are known as time deposits, because the holder agrees to lend the money — by buying the certificate - for a specified amount of time.

Note: Nominal value is also called par value or face value.

4- **Repos** Another very common form of financial contract is a repurchase agreement (or repo). A repo is a combination of two transactions, as shown below. The dealer hopes to find a long-term buyer for the securities before repurchasing them.



C- Exercise

Are the following statements true or false? Find reasons for your answers in A and B opposite.

1 Organizations use the money markets as an alternative to borrowing from banks.

2 Money markets are a source of long-term finance

a All money market instruments pay interest.

4 Certificates of deposit are issued by major manufacturing companies.

5 Commercial paper is guaranteed by the government.

6 Some money market instruments can have more than one owner before they mature.