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UNIT

One

Financial Markets and Institutions

Previewing

Read the following background information.

Finance is a field that deals with the study of investments. It includes the dynamics of assets and liabilities over time under conditions of different degrees of uncertainties and risks. A financial system is a system that allows the exchange of funds among lenders, investors and borrowers. A modern financial system may include banks, financial markets, financial instruments and financial services.

A financial market is a market in which people trade financial securities, commodities and value at low transaction costs and at prices that reflect supply and demand. Financial markets attract funds from investors and channel them to corporations. And the funds thus allow corporations to finance their operations and achieve growth.

A financial institution is an establishment that conducts financial transactions such as investments, loans and deposits. Major categories of financial institutions include commercial banks, investment banks, insurance companies, brokerage firms and investment companies.

Financial institutions and financial markets help firms raise money. They can do this by taking out a loan from a bank and repaying it with interest, issuing bonds to borrow money from investors that will be repaid at a fixed interest rate, or offering investors partial ownership in the company.

Warming up

Task 1 Discuss the following quotes.

1. Finance is not merely about making money. It's about achieving our deep goals and protecting the fruits of our labor. It's about stewardship and, therefore, about achieving the good society.

—Robert Shiller, American economist, writer

2. An investment in knowledge pays the best interest.

—Benjamin Franklin, one of the Founding Fathers of the US

3. Great things in business are never done by one person. They're done by a team of people.

—Steve Jobs, American entrepreneur, inventor

4. If a business does well, the stock eventually follows.

—Warren Buffett, American investor

5. No country, however rich, can afford the waste of its human resources.

—Franklin Roosevelt, American President

Task 2 Write down the full names of the following financial institutions and organizations both in English and Chinese.



1. _____



2. _____



3. _____



4. _____



5. _____



6. _____



7. _____



8. _____

Listening in

News reports

Listen to the news reports and choose the best answer to each of the following questions.

Word bank ▼

Bangladesh *n.* 孟加拉国
 greenfield *adj.* 未开发地区的
 megawatt *n.* 兆瓦特; 百万瓦特
 gigawatt *n.* 千兆瓦; 十亿瓦特
 acute *adj.* 严重的
 board of directors 董事会
 generation capacity 发电能力
 combined cycle power plant 联合循环发电厂

Word bank ▼

worrisome *adj.* 令人烦恼的
 escalate *v.* (使)变得更严重
 slap *v.* 强制实行
 intellectual property 知识产权
 bargaining table 谈判桌
 Association of Washington Business (AWB) 华盛顿商业协会

News report 1

- How much is the loan approved by the board of directors of AIIB?
 - Up to 16 million US dollars.
 - Up to 60 million US dollars.
 - Up to 16 million yuan.
 - Up to 60 million yuan.
- How many more gigawatt hours will the project generate every year?
 - Around 1,300.
 - Around 2,200.
 - Around 2,300.
 - Around 3,100.
- Which is NOT one of the benefits of developing a power plant in Bangladesh?
 - Increasing its power supply.
 - Supporting industries.
 - Reducing the number of residents who live without electricity.
 - Helping the farmers.

News report 2

- What did Donald Trump's administration threaten to do?
 - To slap 25% tariffs on Chinese products worth \$15 billion.
 - To slap 25% tariffs on Chinese products worth \$50 billion.
 - To slap 50% tariffs on Chinese products worth \$15 billion.
 - To slap 50% tariffs on Chinese products worth \$50 billion.
- How would China strike back after US President Donald Trump threatened to impose higher tariffs on Chinese imports?
 - By imposing tariffs of between 15% and 20% on some products from the US.
 - By imposing tariffs of between 10% and 25% on some products from the US.

- C. By imposing tariffs of between 15% and 25% on some products from the US.
 - D. By imposing tariffs of between 15% and 30% on some products from the US.
3. What is the best way to resolve conflicts according to Don Brunell?
- A. To bring people to the bargaining table.
 - B. To encourage people to do bargaining business.
 - C. To encourage people to threaten each other.
 - D. To give people better protections for intellectual properties.

News report 3

1. What did the governor of the People's Bank of China announce at the Boao Forum for Asia Annual Conference on April 11?
- A. China would further open up its stock market.
 - B. China would further open up its labor market.
 - C. China would further open up its commodity market.
 - D. China would further open up its financial market.
2. Which is NOT one of the latest measures mentioned in the news report?
- A. Erasing the capital cap on foreign-owned banks and wealth management firms.
 - B. Erasing equity restrictions on foreign life insurance.
 - C. Erasing equity restrictions on foreign securities and fund companies.
 - D. Erasing the capital cap on state-owned banks and companies.
3. What did the governor promise to do?
- A. To change the exchange rate of yuan.
 - B. To increase the interest rate.
 - C. To push forward RMB's internationalization.
 - D. To set a new capital cap in three months.

Word bank ▼

sub-forum *n.* 分论坛
equity *n.* 股权
eliminate *v.* 消除
futures *n.* 期货
monetary policy 货币政策
capital cap 资本上限
Boao Forum for Asia (BFA)
博鳌亚洲论坛

Word bank ▼

depository *adj.* 存储的
 policy bank 政策性银行
 state-owned commercial
 bank 国有商业银行
 joint-equity commercial
 bank 股份制商业银行
 postal savings bank 邮政储
 蓄银行
 trust and investment
 company 信托投资公司

Dialogs

Listen to the dialogs. Fill in the blanks of the first three dialogs with the words you've heard and do the tasks following the fourth dialog.

Dialog 1

W: Hi, Johnson! Something puzzled me a lot. Can you help me out?

M: OK, please!

W: Can you tell me some financial institutions in the Chinese financial system?

M: Sure. There are PBOC, depository banks, policy banks, non-bank financial institutions and so on.

W: Ah, PBOC? How do you define it?

M: The People's Bank of China is the (1) _____ of the People's Republic of China with the power to control (2) _____ and regulate financial institutions in China's mainland.

W: Then, what about depository banks?

M: I think that, broadly, they include (3) _____ banks, joint-equity commercial banks, city commercial banks, rural banks and postal savings banks.

W: What do non-bank financial institutions largely consist of?

M: Insurance companies, (4) _____ companies, securities companies, financial leasing companies, (5) _____ companies and securities investment funds.

W: OK. Are there any stock exchanges in China?

M: Yes. There are Shanghai Stock Exchange and Shenzhen Stock Exchange.

W: Oh, I got it. Thanks!

M: It's my pleasure.

Dialog 2

W: Good morning, Peter! These days, the AIIB is a buzzword. What does the AIIB actually mean?

M: Good morning, Jane! I suppose that AIIB is short for the Asian Infrastructure Investment Bank. It is a(n) (1) _____ development bank.

W: Do you know when it was founded?

M: Yes. Headquartered in Beijing, it commenced operations in (2) _____.

W: Why was this bank set up?

M: I think its mission is to improve social and economic outcomes in Asia and beyond.

W: I see your point. How does it (3) _____ its mission?

M: Basically, by investing in (4) _____ infrastructure and other productive sectors.

W: Can you tell me its operation (5) _____?

M: Well, my point is that the core principles are openness, transparency, independence and accountability. And the mode of operation is “(6) _____, Clean and Green”.

Word bank ▼

buzzword *n.* 流行词

multilateral *adj.* 多边的

commence *v.* 开始; 着手

sustainable *adj.* 可持续的

transparency *n.* 透明度

accountability *n.* 责任



Word bank ▼intermediary *n.* 中介机构contractual *adj.* 契约的; 合
同的underwriter *n.* 保险商

brush up on 温习

brokerage firm 经纪公司;
经纪商get the hang of 得知……的
窍门**Dialog 3****W:** Hi, Tom. Long time no see! (1) _____?**M:** It couldn't be better. How about you, Lucy?**W:** Oh, I'm fine. Are you busy these days?**M:** Yeah, you know, I am busy with my finance study.**W:** Oh, good. I am also (2) _____ that subject. I have some questions. Could you do me a favor?**M:** No problem. Go ahead, please.**W:** OK! I wonder if you know what financial institutions are.**M:** Well, they are corporations which provide services as
(3) _____ of financial markets.**W:** How many types of financial institutions?**M:** Broadly speaking, I suppose there are three major types.**W:** Great. What exactly are they?**M:** Depository institutions, contractual institutions and
(4) _____.**W:** What are (5) _____?**M:** They are deposit-taking institutions that accept and manage
deposits and (6) _____, including commercial banks,
credit unions, trust companies and mortgage loan companies.**W:** OK. What do (7) _____ refer to?**M:** They are insurance companies and pension funds.**W:** What about the investment institutions?**M:** They refer to investment banks, (8) _____ and brokerage
firms.**W:** Wow, you do have a powerful memory. How can you make it?**M:** Once you get the hang of it, it's a piece of cake!**W:** Thanks a million.**M:** Not at all.

Dialog 4

Task 1 Listen to Dialog 4 and answer the following questions.

1. What are financial markets?

2. Please name some types of financial markets in terms of trade objects.

3. Please tell the difference between money markets and capital markets.

4. What do primary markets mean?

5. Who will participate in the secondary market transactions?

Task 2 Listen to Dialog 4 again and decide whether the following statements are true (T) or false (F).

- () 1. Financial markets often refer to the markets that are used to raise finance.
- () 2. London Stock Exchange and NASDAQ are large financial markets.
- () 3. According to the duration of the instrument of exchange, financial markets can be divided into note markets, securities markets, derivatives markets and so on.
- () 4. The transactions in secondary markets exist between issuers and investors.
- () 5. Money markets provide long-term debt financing and investment, while capital markets are for short-term finance.

Word bank ▼

derivative *n.* 衍生产品

note market 票据市场

primary market 一级市场

secondary market 二级市场

London Stock Exchange 伦敦证券交易所

NASDAQ 纳斯达克 (美国三大证券交易所之一)

Word bank ▼

devaluation *n.* 货币贬值

Bretton Woods 布雷顿森林

New Hampshire 新罕布什尔
(美国州名)

Passage

Task 1 Listen to the passage and choose the best answer to each of the following questions.

1. When was the IMF conceived, and when did it come into being?
 - A. In July 1944; in December 1945.
 - B. In June 1944; in November 1945.
 - C. In July 1945; in November 1944.
 - D. In June 1944; in December 1945.
2. Where is the IMF headquartered?
 - A. In New York.
 - B. In Washington D.C.
 - C. In Chicago.
 - D. In New Hampshire.
3. How many members are there in the IMF?
 - A. 188.
 - B. 148.
 - C. 189.
 - D. 198.
4. Which is NOT one of the IMF's objectives?
 - A. To promote international monetary cooperation.
 - B. To facilitate the expansion and balanced growth of international trade.
 - C. To make resources available to members experiencing financial difficulties.
 - D. To ensure the consistency of the international monetary system.
5. What is the IMF's fundamental mission?
 - A. To keep track of the global economy and the economies of its members.
 - B. To provide financial assistance to countries and regions with balance of payments difficulties.
 - C. To give practical help to its members.
 - D. To ensure the stability of the international monetary system.



Task 2 Listen to the passage again and fill in the blanks with the words you have just heard.

The IMF, International Monetary Fund, was (1) _____ at a UN conference in Bretton Woods, New Hampshire, the United States, in July 1944, and came into being in (2) _____. The 44 countries at that conference sought to build a(n) (3) _____ for economic cooperation to avoid a repetition of the competitive devaluations.

The IMF (4) _____ the international monetary system and monitors the economic and financial policies of its 189 members. The IMF (5) _____ possible risks to stability and advises on needed policy adjustments. Headquartered in Washington D.C., it is a global organization, whose primary purpose is to (6) _____ the stability of the international monetary system.

The major objectives of the IMF include promoting international monetary cooperation and (7) _____, facilitating the expansion and balanced growth of international trade, (8) _____ in the establishment of a multilateral system of payment and making resources available to members experiencing balance of payments difficulties.

The IMF's fundamental mission is to ensure the stability of the international monetary system. It does so in three ways: (9) _____ the global economy and the economies of its members; (10) _____ countries and regions with balance of payments difficulties; and giving practical help to its members.

Speaking out

Dictating and interpreting

Listen to a short paragraph about the banks in China three times. Take notes while you are listening. Then try to interpret it with the help of your notes.

Discussing and presenting

Task 1 Discuss the following questions in groups. The phrases below will be helpful.

1. Why do many college graduates want to get a job in banks?
2. What top challenges are banks and financial institutions facing nowadays?
3. How does the traditional banking industry integrate with today's constantly changing technologies?

job prospect financially rewarding career
 work environment social status consumer expectation
 increasing competition regulatory pressure
 development of smart technology added value
 digital credit card

Task 2 Do some research about the online banking in China and list its advantages and disadvantages. Then present your ideas in class.

Advantages	Disadvantages
handling banking business	fraudulent charges
managing money	attacks on online banking
...	...

More expressions and sentences

bid-and-asked quotation 买方报价和卖方报价	ex-right (xrt) 除权
offering/asked price 卖方要价	floor order ticket 场内委托单
blue-chip stock 蓝筹股	on-/off-floor order 场内/场外委托
closing transaction 平仓交易	opening only order 开盘委托指令
ex-distribution (xdis) 无分配额	paper profit or loss 账面盈亏
ex-dividend (xd) 除息	price range 价格幅度

1. Banks offer a full range of checking and savings account services, and make all kinds of loans.
银行提供办理支票和储蓄的服务，还有各种类型的贷款服务。
2. Some people call Savings and Loan Association, or the Building and Loan Association, savings banks, but they are technically not banks. They specialize in long-term savings accounts and usually lend money for mortgages.
有人将储蓄和贷款协会或建房信用协会称为储蓄银行。但是，从法律上讲，这些协会并不是银行，而是专门办理长期储蓄存款的户头，通常把钱借出去作为抵押。
3. Mutual savings banks are special savings associations, which are owned by the depositors instead of the stockholders. Usually, they specialize in mortgages, too.
互助储蓄银行是一种特殊的储蓄协会，归储户所有，不归股东所有。一般来讲，该类型的银行也专门从事抵押业务。
4. The international monetary system actually refers to a series of agreements among the major governments and their central banks which aim to bring order and stability to the international exchange markets.
国际货币制度实际上是指国家主要政府机构与中央银行为维护国际外汇市场秩序和稳定而达成的一系列协议。
5. A clean float means that the parity rate of various currencies would go up or go down to restore the balance of payments.
不受限制的汇率浮动是指各种货币的比价能以涨价或跌价来恢复国际收支的平衡。