

Banking & Financial Systems

Chapter 1: Banking Basics—Glossary

app. Computer software program loaded onto a smartphone, tablet, or other mobile device that allows the user to perform specific tasks.

automated clearinghouse (ACH). Electronic network for financial transactions that processes credit and debit transactions, processes checks, and transfers funds between banks.

automated teller machine (ATM). A computerized machine that provides a means of self-service banking; allows a customer to perform basic banking activities, such as withdrawing cash, viewing account balances, initiating cash advances, and making deposits.

bank. A type of financial institution.

banker's blanket bond. A type of insurance that covers a bank from losses due to robbery or theft.

charter. A legal document issued by a federal and a state government that details how a bank is to be operated and how it will be regulated.

commercial bank. A financial institution owned by investors that focuses on business customers, providing bank accounts along with specialized services such as foreign exchange, investment services, and capital loans; some also provide limited customer-oriented services, such as personal checking and savings accounts.

central bank. A financial institution that oversees a nation's monetary system by regulating banks, lending money when commercial banks are not able to, and controlling the money supply.

debit card. A card that enables customers to electronically access the funds in their accounts at an ATM or to pay for goods and services in stores or online.

depository institution. A type of financial institution at which customers deposit money in order to withdraw it later.

electronic funds transfer (EFT). Any exchange of money from one account to another through computer-based systems that is started by electronic means.

Federal Deposit Insurance Corporation (FDIC). An independent federal agency established in 1933 that provides deposit insurance up to \$250,000 for depositors in insured banks and thrifts in the case of bank failure.

financial institution. Any organization or business that provides services related to money.

financial intermediary. An institution that acts as a go-between in financial transactions.

Internet bank. A financial institution with no physical location or building that customers access from anywhere with an Internet connection; also known as an online bank.

interstate bank. A type of financial institution that usually specializes in retail banking and does not operate internationally.

investment bank. A financial institution that provides services for businesses, such as raising capital through the stock market.

money center bank. A very large, often international bank whose primary customers are businesses, other banks, and governments.

national bank. A financial institution with offices all over the country.

online banking. Allows customers to conduct financial transactions on a secure website operated by their bank; also known as home banking.

peer-to-peer payment (P2P). Allows for an immediate money transfer from one person to another.

regional bank. A type of financial institution that usually specializes in retail banking and does not operate internationally; also known as an *interstate bank*.

reserves. A percentage of the bank's funds that is kept to ensure that money will be available for customers and is not available for loans; also known as required reserves.

retail bank. A type of financial institution that provides services for customers, such as deposit accounts, mortgages, auto and personal loans, and credit cards.

unit bank. A bank with one location, usually in a small town or rural area, that serves local customers, tends to invest locally, and knows the challenges of the local community.