

## **Banking & Financial Systems**

### **Chapter 15: Evolution of Banking—Glossary**

**bank holding company.** A company that owns a number of banks and allows them to set up branch locations.

**bank holiday.** Four days in 1933 in which all banks were closed to allow time for creating a plan to reopen them.

**bank of deposit.** The first type of depository institution.

**Bank of North America.** The first commercial fractional-reserve bank in the US, which was founded in 1781 to finance the Revolutionary War.

**bill of exchange.** A negotiable instrument that contains an unconditional order to pay a specific amount of money to the payee on a future date; often used in international trade.

**commodity money.** Something of perceived value used as payment for something else of perceived value.

**continental.** A type of note intended to be exchanged later for coins.

**deregulation.** Occurs when some or all regulations are abolished or overridden and governmental control is lessened.

**Dodd-Frank Wall Street Reform and Consumer Protection Act.** Increased regulation of the banking and financial services industry, established actions to prevent another financial crisis, and created the Consumer Financial Protection Bureau; more transparency is now required of banks and other financial firms; passed in 2010.

**Emergency Banking Act of 1933.** Established the FDIC, introduced banking reforms, separated investment banking from commercial banking, and established an interest rate ceiling.

**Emergency Economic Stabilization Act.** Helped the economy recover from the Great Recession by saving financial institutions and creating the Troubled Asset Relief Program; passed in 2008.

**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.

**Federal Reserve Act.** Established the Federal Reserve System; passed in 1913.

**fiat money.** Money that has value because the government says it has value.

**fractional-reserve banking.** The practice of keeping only a portion, or fraction, of deposits in the bank.

**goldsmith.** An artisan who makes items out of gold and other precious metals.

**land bank.** A financial institution that issued notes, which represented credit secured by the value of land.

**money changer.** Exchanged one country's currency for that of another for a fee.

**National Banking Acts of 1863 and 1864.** Modified the National Currency Act, allowed the federal government to charter private banks, and created a uniform national currency.

**Office of the Comptroller of the Currency (OCC).** Established by the National Currency Act to create a uniform national currency and a system of national banks; was the first federal agency charged with bank supervision.

**open market operations (OMOs).** Allow the Federal Reserve to buy or sell US treasury securities, which affects the money supply.

**savings and loan crisis (S & L crisis).** The failure of many savings and loan associations in the late 1980s.

**sovereign debt.** A financial obligation incurred by a country.

**subprime lending.** The offering of loans to high-risk borrowers that do not meet standard lending criteria.

**Troubled Asset Relief Program (TARP).** Often called the bank bailout bill; allowed the federal government to purchase assets and equity from financial institutions in order to strengthen them and prevent more failures; passed in 2008.

**wampum.** A string of white beads made from shells by Native Americans and used for trade.