

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.