

TYBA (2021 2022 Syllabus)

IBF II Semester 6

Module I Introduction to International banking- Reasons for growth of international banking- Recent trends in international banking- Emergence of Crypto currency -Advantages and disadvantages of Crypto currencies- Bitcoins

- International banking takes place across different nations or internationally.
- Globalization and growing economies around the world have led to the development of international banking facilities
- World Bank is an international financial institution that is globally known. It was established at the 1944 Bretton Woods Conference, along with the International Monetary Fund (IMF).
- The World Bank provides loans and grants to low and middle-income countries for various projects.
 1. The International Bank for Reconstruction and Development (IBRD)
 2. The International Development Association (IDA)
 3. The International Finance Corporation (IFC)
 4. The Multilateral Investment Guarantee Agency (MIGA)
 5. The International Centre for Settlement of Investment Disputes (ICSID).
- IBRD and IDA are sometimes jointly referred to as the World Bank. IBRD has 189 member nations while IDA has 173 member nations.
- **International Banking facilitates** Flexibility, Accessibility, Facilitates International Transactions, Maintain the Global Account.
- Functions of International Banking includes
 1. Taking deposits and making loans in domestic currency to foreign governments, enterprises, and individuals.
 2. Taking deposits and lending in foreign currencies to domestic and foreign entities.
 3. Managing and acting as agents for syndicated loans, designing special financing requirements for international trade and projects.
 4. Foreign exchange transactions, dealing in gold and precious metals, international money transfers.
 5. Providing documentary letters of credit, standby letters of credit, multiple currency credit lines, bank acceptances, Euro note insurance facilities.
 6. Trading in currency futures and options, financial futures and options, interest rate and asset swaps, writing interest rate caps.
 7. Underwriting and placement of Eurobond issues, distribution of Euro commercial paper, assisting cross border mergers, acquisitions and sales, financial advisory, and investment services.
- Forms of International Banking
 1. A **correspondent bank** is a bank located elsewhere that provides a service on behalf of another bank, besides its normal business.
 2. A **representative office** is a small service facility staffed by the parent bank personnel that is designed to assist the foreign clients of the parent bank in dealings

with the bank correspondents and to provide the clients with a level of services greater than that provided through merely a correspondent relationship.

3. **Foreign branches**, which may provide full services, may be established when the volume of business is sufficiently large and when the law of the land permits it.
 4. A **subsidiary bank** is a locally incorporated bank that is either wholly or largely owned by a foreign parent and an affiliate bank is one that is only partially owned but not controlled by its foreign parent.
 5. An offshore banking centre is a country whose banking system is organized to permit country attractive for establishing an offshore banking operation are virtually total freedom from host country government banking regulations, like, low reserve requirements and no deposit insurance, low taxes, a favourable time zone that facilitates international banking transactions, and to a minor extent, strict banking secrecy laws. Offshore banks operate as branches or subsidiaries of the parent bank.
- Factors influencing emergence of international Banking includes:
 1. the unspent oil receipts of the low absorber oil - exporting countries, which were mainly deposited with US and European banks, and
 2. the increasing financial needs of non-oil Less Developed Countries, which were mainly covered by loans from those banks.
 - **Pizza** was the first known bitcoin purchase which gave it value.
 - Cryptocurrency math makes crypto currency secure.
 - 21 million bitcoins were ever created.
 - A computer connected to a blockchain network is termed a node.
 - P2P stands for Peer to Peer
 - A distributed ledger on a peer-to-peer network is known as block chain.
 - Transactions are verified by network nodes through cryptography and recorded in a public distributed ledger called a block chain.
 - The future of blockchain applications include crypto currency transactions, transactions between governments, companies and consumers, voting, healthcare and many other applications.
 - All blocks contain a link to the previous block except the first block.
 - Crypto currency can be bought from Bitcoin ATM, An Exchange and Peer – to – Peer Transactions.
 - Cryptocurrencies are stored in hardware and software wallets.
 - **Satoshi Nakamoto** started Bit coin through a research-style white paper entitled Bitcoin.
 - Nakamoto implemented the bitcoin software as open-source code and released it in January 2009.
 - In 2008 Bit coin was introduced to the world.
 - Bitcoins are created as a reward for a process known as mining.
 - To claim the reward, a special transaction called a coinbase is included with the processed payments.
 - SHA-256 hash function used in Ledger.

- 10 minutes is the block time of the ledger
- Bitcoin has following features
 1. There is no central server; the bitcoin network is peer-to-peer, there is no central authority.
 2. There is no central storage; the bitcoin ledger is distributed
 3. The ledger is public; anybody can store it on their computer