



SECTION - 6

FINANCIAL SERVICES

This Section includes

- **Financial Services**
- **Banking Services**
- **Asset Management**
- **Hedge fund management**
- **Custody Services**
- **Insurance**
- **Intermediation or advisory services**
- **Conglomerates**

6.1 FINANCIAL SERVICES

6.1.1 The term Financial services refers to services provided by the finance sector. The finance sector encompasses a broad range of organizations that deal with the sourcing, availability and management of money. Among these organizations are commercial banks, investment banks, asset management companies, credit card companies, insurance companies, consumer finance companies, stock brokerages, mutual and investment funds.

6.2 BANKING SERVICES

6.2.1 The primary operations of banks include the following:

- a. Keeping money of depositors safe while also allowing withdrawals when needed.
- b. Provide personal loans, commercial loans, and mortgage loans (typically loans to purchase a home, property or business) Popularly known as retail banking.
- c. Issuance of credit cards and processing of credit card transactions and billing.
- d. Issuance of debit cards for use as a substitute for cheques.
- e. Allow financial transactions at branches or through Automatic Teller Machines (ATMs). ATMs can be through their own network or by arrangements with other banks.
- f. Provide wire transfers of funds and electronic fund transfers between banks.
- g. Facilitation of standing orders and direct debits, so that payments for bills can be made automatically.



- h. Provide overdraft agreements for the temporary advancement of the Bank's own money to meet monthly spending commitments of a customer in their current account.
- i. Provide a Banker's cheque guaranteed by the Bank itself and prepaid by the customer.
- j. Notary service for financial and other documents.
- k. Provide safe deposit lockers for safe keeping of valuables.
- l. provide insurance services and products.
- m. Provide trade credits, guarantees, bills collection, etc. for business and commerce.

6.2.2 Capital market banks underwrite debt and equity, assist company deals, through their advisory services, and restructure debt into structured finance products.

6.3 ASSET MANAGEMENT

6.3.1 Asset management is the term usually given to describe companies which run collective investment funds.

6.4 HEDGE FUND MANAGEMENT

6.4.1 Hedge funds often employ the services of "prime brokerage" divisions at major investment banks to execute their trades.

6.5 CUSTODY SERVICES

6.5.1 Custody services and securities processing is a kind of 'back-office' administration for financial services.

6.6 INSURANCE

6.6.1 Insurance brokerage: Insurance brokers shop for insurance (generally corporate property and casualty insurance) on behalf of customers.

6.6.2 Insurance underwriting: Personal lines insurance underwriters generally underwrite insurance for individuals, a service still offered primarily through agents and insurance brokers. Underwriters may also offer similar commercial lines of coverage for businesses. Activities include insurance and annuities, life insurance, retirement insurance, health insurance and property and casualty insurance.

6.6.3 Reinsurance is insurance sold to insurers themselves, to protect them from catastrophic losses.

6.7 INTERMEDIATION OR ADVISORY SERVICES

6.7.1 Stock brokers (private client services) and discount brokers: Stock brokers assist investors in buying or selling shares. Primarily internet-based companies are often referred to as discount brokerages, although many now have branch offices to assist clients. These brokerages primarily target individual investors.



6.8 CONGLOMERATES

- 6.8.1A financial services conglomerate is a financial services firm that is active in more than one sector of the financial services market e.g. life insurance, general insurance, health insurance, asset management, retail banking, wholesale banking, investment banking, etc.
- 6.8.2 A key rationale for the existence of such businesses is the existence of diversification benefits that are present when different types of businesses are aggregated. As a consequence, economic capital for a conglomerate is usually substantially less than economic capital is for the sum of its parts.