THE MONETARY TRANSFERS IN BANKING PRACTICE (II)
(OTHER SERVICES OFFERED BY BANKS AS MEANS AND INSTRUMENTS OF PAYMENT)

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Abstract
The banking products and services reveal their great diversity. Some of the services are not yet launched on the financial and banking Romanian market, but others are already present in the offer of the banks, not presenting though an increased interest for clients.

The financial/ banking activity represents the most sensitive component of every economy. In contrast with other services which boost the economy, “in the banking domain, the product is distinctly particularized, the firm meeting its client with banking products and services, on one hand, but also with a delivery system described by the activities developed at the place of contact”.

The reasons why these services are not offered by the Romanian commercial banks are: critical infrastructure, the lack of funds necessary to set up some performing systems of computers, critical introduction of cards etc.

On the other hand, the very mentality of the society represents an obstacle, the difficulty in accepting new things and facts, namely banking products and services – a proof would be here the queues in front of the pay desks; in fact these people are holders of current or economy accounts and the operations which they have are simple ones related to returns, payments, interests, etc.

Key words: banks, money, payment, credit, instruments of payment, check, bill of exchange

Other services offered by banks as means and instruments of payment

A. Exchange services are offered by banks to most of the travelers who need small amounts in the currency of the country where they arrive in order to cover some immediate expenses (before getting to a bank).

Moreover, in some cities of destination you cannot exchange money immediately because they have to be ordered from the specialty department of the central bank or its subsidiary. Also, when they come back, the travelers may want to change back the obtained currency which they do not need in their country. There is an international customary law to change only banknotes at the exchange offices and not coins. For such services, the bank has a commission

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1 Dr. Ion Ionescu, Irina Sav, Vor deveni creditele și dobânzile mai atractive?, in “Tribuna Economică”, nr. 28/2006.

2 www.referatele.com./referate/economice/online2/CLIENTII-UINEI-BANCI-SI-SERVICIILE-OFERITE-DE.
which is settled on the value of the currency transaction.

**Traveler’s checks** are a popular means of transferring funds abroad and present a higher degree of security than cash. This security is given by the fact that on receiving the checks their holder must sign them personally in the upper part on the left, and when they are transformed into cash or used to buy goods and/or services, their holder must sign them and place the date below.

If the signatures on the check do not look identical, then the clerk who receives the check can refuse the payment.

It is recommended that the series and number of checks should be kept separately from checks in case they are stolen or lost, and their holder should announce the issuing bank at a phone number free from taxes, so that he could obtain from the bank in 24 hours a redemption of the loss suffered.

Traveler’s checks appear under the form of banknotes of different values, of 10, 20, 50, 100 and 150. If the check is not used during the journey, it can be paid by the issuing bank, the money being passed directly into the account of the client, without involving any currency risk.

**Euro checks and euro check cards** allow a traveler to cash in their value or to buy goods/services when the white and blue symbol of European Union appears. These types of checks are drawn in values of 100 pounds (Great Britain). On their drawing, the client is also given a list with the maximum amounts that can be obtained from such a check in other currencies.

Euro checks are processed by an equivalent euro check in pounds and the commission is charged from the account of the client two weeks after the check was drawn.

**Accounts in different currencies** are useful to business which is frequently done, in the currency of the country where the account is opened, as it reduces the currency risk. They can be opened on the benefit of the banks or of some clients who are frequently traveling, in the currency of the country where the account is opened or when the client anticipates a long journey or employment in that country.

Thus, we can obtain current accounts with check books or even saving accounts which bear interest, in the currency of the country, also by the department of external relations of that bank, loans, overdrafts or mortgages expressed in the required currency. In the case of loans, even if the rate of interest is low, in the currency of the country, it would be lower than that of the country of origin, the efficiency of the loans also must have in view the currency risk during the time the loan is given and refunded.

**B. Currency travel services** offered by banks develop as business become more and more international, and the fever of tourism between countries touches more and more categories of population all over the globe. If we add up here the number of foreign students who study in other countries, of artists who have concerts on other continents, of clerks from international organizations and forums and the real circulation of the workforce which crossed the barriers of limited territorial organisms, such as European Union, then we can see the real dimensions of this phenomenon and of the economic efficiency created by the development of traveling facilities, including banking ones.

**Travel insurance policies** are offered by banks for all types of holidays and journeys. They can cover, at a reasonable cost, medical expenses, delays and their consequences, in a journey, lost property (goods) and others.

The main competitors at this type of service are tourism agents who offer this insurance at low price or even free, covering their expenses from the full price of the travel packet (offer).

**Payments regarding the way governmental expenses are carried out.** Banks can make payments on behalf of the Government, especially those regarding the financing of some investment projects by the State.

**Cashing in taxes and fines** People who have to pay taxes and fines can use the banking system for the sums due to different institutions or even to the State.

**Registering of deposits** At banks there can be set up sums in deposit with the role of guarantee, which are kept during the solving of some judiciary disputes or other causes.

**Boxes for keeping valuables** The clients of a bank can use the safety spaces for clients to keep some valuables. The service is called – boxes for keeping valuables, the banks collecting a tax in return. Relying on this service, clients can leave there for keeping valuable articles, closed boxes, wills or other important documents. The bank issues a receipt for the goods left to be kept taking thus the responsibility for them.

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Safes. This type of service, just as the boxes for valuables, implies the use of some specially arranged spaces which belong to the bank. A safe is made available for the client. The access to the safe is under a double control, the bank keeping one key and the client the other. The client deposits the goods himself in his safe, the access to the safe being permanent, during the working hours of the bank, when the client can deposit or withdraw any kind of documents or objects.

Deposits for one night. This facility is offered to those clients who want to deposit funds when the bank is closed. Those who resort most often to this kind of service are the managers and cashiers of the stores who want to deposit at the bank for safety their daily cashing-ins. In general there are two ways of administrating the deposit. The bank can open the deposit in the absence of the client, after verifying the sums brought and then credit the account of the client. The other way implies the client collects the money destined to overnight deposit and then he can pay it in regularly or at certain periods of time. For such operations, banks have specially arranged spaces and collect a commission.

Unit Trust. It is a banking service which refers to investment operations that allow an investor, client of the bank, to invest in a portfolio of shares, decreasing the risk margin of the investment. The term “Unit Trust” signifies the position of the bank as a trustworthy entity in administrating the investments of clients. To such services resort clients who have limited funds of investments or clients who do not know the way the stock exchange works. The commission taken by the bank is settled according to the sum invested.

Purchasing and selling shares. At the requests of the clients, the banks can offer services of selling and purchase securities – shares, bonds. When a client wants to make such business, he will request the bank, first of all, the market value of the securities he wants to buy or, according to the situation, to sell. The bank obtains this information from a broker who will communicate him the last registered value on market. Taking into account the information received, the client is the one who decides. The transaction is executed by the bank, according to the client’s order, and its execution must be confirmed in writing. For this service the bank receives a commission from the broker and not from the client.

C. The service of business consulting. This type of service is offered by banks, first of all, for small business. The bank acts as a financial analyst and advises its client how to improve his financial situation such as the budget of incomes and expenses, the costs, debtors and cash-flow. For this service the bank receives a tariff.

D. Consulting services regarding money administration and treasury.

E. Consulting services regarding the prevision of the exchange rate.

F. Services of financial and banking education.

G. Keeping deposits. The bank guarantees, as an accessory operation, the keeping of credit titles, of valuables and other real estate objects.

In the case of the deposit group we can distinguish open deposits, closed deposits, and in the case of the open ones we can distinguish between deposits in simple keeping and deposits in keeping and administration.

In the case of deposits in simple keeping, the bank takes on the obligation of keeping and refunding the same titles and valuables which have been remitted. In the case of deposits in keeping and administration, the bank, besides the guaranty of keeping the remitted titles, must also guarantee their administration. Closed deposits have as object: letters, suitcases, money boxes etc. closed or sealed by the depositor, bearing his signature. The bank receives in deposit with the obligation of keeping them and giving them back at the request of the depositor.

H. Services for residents – for people living or working abroad for a few years – they include the following traveling facilities:

- external banking accounts;
- consultancy regarding loans and mortgages over real estate properties;
- live insurance, pensions and personal property (goods) insurance;
- administrating investments;
- services of executor of will.

I. Operations with foreign exchange/bills, foreign currency and precious metals. We call foreign exchange all net assets in the account, by foreign banks, as effects and trade effects and checks written in foreign currency. The operations with foreign exchange can take place at sight or on term. As a result of combining the two operations (at sight and on term) we have the operation swap which consists of a selling of

\[ ^4 \text{Ibidem.} \]
foreign bills accompanied by a buying at sight or the other way around.

J. Services of data processing

K. Factoring

L. Services of banking mail

M. Services of brokerage\(^5\) regarding shares can take three forms:
- the service of transacting certified shares;
- the service of transaction;
- the service of consultancy.

The first type of service is requested by those who want to sell or buy occasionally and prefer to keep their own certificates of shares. In this case the client phones the nearest subsidiary and asks about the price quota of some shares. If the client wants to transact, the transaction is immediately confirmed. A paper which contains this type of contract is received a few days later and it confirms the transaction and regulates the sums which must be paid or cashed in the account of the client.

The actual service of transacting is used by those who frequently buy and sell and prefer to take their own decisions regarding investments but want to decrease the bureaucratic activity which involves the development and maintenance of portfolio of shares. In this sense, the client is drawn a membership card, allotted a number of portfolio and opened a special account which can be used as a transacting account for all the operations with shares.

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The certificates of shares are kept by the bank, but the transactions can be analyzed at the subsidiary of the client or directly at the dealing chamber of the firm, on phone. The documents which are hold by the investor are the notes of contract for sales and purchases and of the situation with a regular character regarding the dealing account (transactions), together with a semester assessment of the portfolio.

The consultancy service is offered to investors who want to make a portfolio of shares as well as to those who want to buy or sell certain net assets.

N. Investment administration is offered by the subsidiary financial services to some greater banks. It is offered to well-off clients who want to invest directly on the share market and want to have their portfolios administrated on their behalf and on their account. The minimum amount a client must have at his disposal for such a business is in Great Britain, for example, of 50,000 pounds. In this case, the bank undertakes the daily surveillance of the client’s investments. It is established on mutual agreement with the client, an individual politics of investment, after which the latter decides which type of service he needs.

There are two types of services which refer to the attitude of the client towards the politics suggested by the bank:
- discretionary;
- non discretionary.

O. Personal experience plans (PEPs) are meant to allow clients to invest in shares and obtain fiscal grants. These can be of various types:
- administrated – when managers select their shares in order to invest in them and administrate their portfolio;
- auto-selected – when investors choose investments either from a list or without any restrictions;
- of investment trusts or financial funds;
- of corporations – when there are established by companies to place investments in their own shares, and investors are allowed to supplementary invest in such PEPs.

P. Pension arrangements fall under the incidents of two types of schemes:
- state schemes,
- private schemes.

Concerning the first type of scheme, there is a basic state pension to which it can be added a supplementary pension scheme. Extra contributions to National Insurances are paid by the one which belongs to the supplementary system of pensions (SELPs), and this is protected against inflation.

At their level, private pension schemes also have two types of schemes:
- occupational schemes;
- personal pension plans.

It is settled a certain percent of contribution from incomes, until the age of 50, a percent which increases by the age of the contributors, reaching its maximum level at the age of 61 – 74.

Q. Life insurance and intermediation regarding the insurance system represent other services offered by banks. Insurances differ, first of all, if they refer to human life or to events which can affect real estate properties or chattels. While the first type of insurance refers to an event which is definitely going to take place but it is not known when it is going to happen – the death of

\(^5\) Gheorghe Pîrvu, Macroeconomie… p. 66.
the individual – the second type of insurance refers to events which are likely to happen and have a certain degree of probability.

Banks formulate life insurances both in quality by issuers of their own insurance policies and for agents which intermediate the selling of such policies.

The main participants at a life insurance contract are:
- insured life, meaning the person whose life is insured;
- the beneficiary – the person who benefits from the premiums paid by the insurance policy.

R. Business insurances refer to:
- buildings – insured against fire and other risks by the insured person;
- goods – insured against theft, damage and other risks by the insured person;
- loss of profits – payments are made to cover them, in the case when the business no longer brings financial results due to the interruption caused by natural events such as fire or floods;
- credit insurance – against debtors or bad payers;
- “key persons” – life insurance covers an important person the entire business (activity) of a company depends on;
- insurance against debts – life insurance to pay debts which come to maturity at the death of the person the entire business depends on;
- permanent health or personal accident – covers the situation in which, for example, a “key” person is no longer capable of working or creating due to sickness.

S. Custody and executor services are insured either by the bank or by an agency of the bank.

If a person dies, without writing a will, the properties of the deceased are distributed according to the hereditary laws. In most cases, their provisions do not completely match with what the clients would have wanted to do – a will by which he could name a professional and experienced executor to do it on his behalf, making thus sure that his wishes would be fulfilled. In such a case, the bank takes a tax for the administration of property, a tax which is calculated as a percent from the value of the goods left as inheritance. It is not payable as long as the client is alive but it is deduced from the value of the property after the client dies.

In a few words, the executor is that person who administrates the goods of the deceased and who was explicitly appointed to occupy this position in the will of the deceased person.

In contrast with the executor, the administrator is named by a court of law to administrate the properties of the deceased when:
- there is no will;
- the will does not appoint an executor;
- the named executor is not capable or does not want to act on this position.

Both executors and administrators are generically named as personal representatives. The bank or a representative of the bank can be appointed as administrator in one of the situations presented.

The services of executor/administrator mainly consist of:
- arranging the funerals;
- arranging that the possessions of the deceased should be assessed in the view of taxing and distributing;
- collecting / rendering valuable the goods;
- paying taxes;
- paying debts and expenses;
- registering the goods in accountancy for beneficiaries.

The advantages of appointing a bank (banker) as executor/administrator of a will are:
- accessibility;
- the secret of operations;
- impartiality;
- security;
- continuity;
- experience.

The same agency or bank department which deals with the administration of the property can also deal with custody services. The custodian is appointed to take care of the assets/ goods (properties) which are left in custody in order to insure benefits for the beneficiaries of this tutelage.

Besides these services of personal custody, the bank can act also as a custodian of some trusts – funds of corporations, such as:
- financial funds;
- administration trusts of pension funds;
- administration trusts of bonds;
- administration trusts of some schemes of sharing profits.

Many banks have specialized departments which offer fiscal services. Generally these can be of two types:

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6 Ion Gr. Ionescu, Grațiea Brânză, Economia transporturilor, Editura Ex Ponto, Constanța, 2007, p. 239 și urm.
comprehensive personal fiscal services which imply among others:
- collecting all details regarding taxable incomes, regardless of their nature: taxes, commissions, earnings, interests, dividends and allowances;
- declaring incomes and presenting them at the fiscal department,
- mail exchange with the latter; agreements regarding fiscal statements.
- the consultancy service which in contrast with the first which is paid on the basis of an annual tax (charge), is charged on the basis of some horary tariffs.

Out of this multitude of banking products and services, a bank establishes its own offer according to the targeted segments of selected clients, to the human, material and financial possibilities that lay at its disposal, to the particularities of its external environment and to its own objectives of development.

In Romania, just a part of commented and analyzed services are available (Annex III/1). Banks are institutions with a pronounced infrastructural character although their purpose is to make profit. However, in order to be able to offer different and complex services it is necessary to invest in the beginning large amounts in constructions – headquarters, car parks, banking treasury – to have access to extremely flexible and very reliable systems of communications, to install systems, to install computer systems of very good performances, to recruit and train personnel, to educate consumers, to advertise etc.

Theoretically, the factors which determine a continual development of the banking product are the following:
1. **The life cycle of the product.** The bank should have products at different stages of their life cycle, because if most of their services enter the phase of decline, the profits would reduce and thus there would be no incomes generated for the financing of researching new products.
2. **Shareholders.** If the bank does not introduce new products and profits decrease, the shareholders may no longer invest in the bank.
3. **Losing the market quota.** When the bank loses its market quota and the profit is affected, there should be introduced new services in order to win back the market quota.

4. **Market demands and opportunities.** There can appear new possibilities for the market and thus, the bank may want to develop new services to satisfy these new needs and demands of the potential clients, to offer them enough satisfactions to change their habits. Practically, these factors will determine in Romania the development of the financial/ banking activity, organically, as all ingredients necessary to the demand and their offer could be found in the system.

Some conclusions: Banking products and services reveal their great diversity. Some services are not yet offered on the Romanian financial/ banking market, but others exist in the offer of the banks but do not present an increased interest to the clients.

The reasons for which these services are not offered to the Romanian commercial banks are: poor infrastructure, lack of funds necessary to install some high performance computers, poor introduction of cards etc.

On the other hand, an obstacle is also represented by the mentality of the society, the difficulty with which people accept new facts and things, respectively banking products and services – a proof would be the queues from the desks; in fact, these are holders of a current or savings account and the operations performed are simple ones related to cashing-ins, payments, interests etc.

For example, banks spend larger and larger sums to evidence the advantages of using cards, but very few people resort to this service. They turned to a solution, namely that of making contracts between banks and companies, universities, by which it is agreed that the payment of the salaries due to employees be made by card. Thus, the employees have to use the card in order to cash their salaries. Once they become familiar with the cards they will also understand the advantages of using them and will probably have recourse to other services offered by card.

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