THE MONETARY TRANSFERS IN BANKING PRACTICE (I) 
(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”\(^1\).

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

Means of payment
The banks offer services regarding payments by fund transfer, both electronic and by instruments of payment, on behalf and at the request of their clients. The bank has a commission for this service, a commission which brings income to the bank and differs according to the amount and the money transfer technique.

*Instruments of payment* such as:
- check;
- bill of exchange;
- banking bill of exchange;
- promissory note;
- money order;
- electronic systems of payment, have all become with time substitutes for the commission.

Banks have to identify new means of using them. These tools of payment characterized by rapidity and trust allowed the increase of the efficiency and speed of money transfer.

\(^1\) Dr. Ion Ionescu, Irina Sav, *Vor deveni creditele și dobânzile mai atractive?*, in “Tribuna Economică”, nr. 28/2006.
West-European banks can offer to their clients other instruments and means of payment as well, namely:

- banker’s draft;
- standing orders;
- direct charge of debit;
- endorsement – credit of the bank;
- automated cash tellers;
- electronic fund transfer on place of sale-EFTOPS;
- bank at home.

A. Services regarding cash transfers. In our country the payment done directly in cash is the most frequent method of fund transfer, especially when there is about natural persons. Operations with cash can generate important costs for a bank related to the issue, collection, deposit and security guarantee. At the international level, there are tendencies to replace the operations with cash by other instruments of payment.

B. Services regarding transfers which have as support the paper

Checks are instructions written by a bank of paying, from the account of the person who orders the payment, a certain sum of money, to a named person. From the point of view of the person who cashes in the check, it can be a check to bearer, a check which bears the clause “not at order” and a check which bears the clause “at order”. Considering the way of cashing in, the checks can be: simple check and crossed check, which cannot be paid in cash.

The main elements which must be contained by a check are: the date, the name of the bank, details regarding the subsidiary, the code number of sorting, the name of the paying person, the sum written in digits, the sum written in letters, the name of the account, the signature of the client, the number of the check, the code number of sorting but printed with magnetic ink, the number of the account.

The check still represents in developed countries the most frequent method of payment, used by the clients of the bank despite the fact that the electronic methods have lately2 become more popular.

The bill of exchange is an instrument of payment which expresses the obligation taken on by a debtor of paying on maturity a certain sum of money in the favor of a beneficiary. The bill of exchange can be discounted (sold) at a commercial bank. Its bearer obtains its counter value, less one interest, and the bank becomes the beneficiary of the bill of exchange.

The bill of exchange is a title of credit under private signature which makes the connection, during its creation, between three persons: the drawer, the drawee and the beneficiary. The title is created by the drawer, acting as creditor, who orders the debtor, also named drawee, to pay a certain amount, on a date settled in time, either to a beneficiary, or at the order of the latter. In order to be valid, the bill of exchange is to contain the compulsory observations, stipulated in Law no.58/ 19343 over the bill of exchange and promissory note, modified by Law no.83/ 19944.

“The bill of exchange, as an instrument of payment and title of credit, has had along the centuries a special role in developing and promoting European and world commerce. Thus, the International Convention from Geneva in 1930 insured within the European countries and international economic relations a set of common regulations of great use for the extension of the commercial relations. The express re-introduction of the laws of the bill of exchange by the Government Order no.11/ 4th of August 1993 and then by Law no. 83/ 1994 is just a Romanian re-confirmation of the international laws of the bill of exchange”5.

The bank bill of exchange is used for transactions which involve higher sums, as for example, the payment of a house or a car. It is used by the seller when he wants to avoid the risk of a check which cannot be honored6. When writing out a bank bill of exchange, the account of the buyer is immediately debited with the value described on the bank bill of exchange, plus the tax which binds it.

The promissory note – represents the instrument by means of which the issuer guarantees to pay a sum of money, on a certain date, in the favor of the beneficiary or of the

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1 “Monitorul Oficial”, Nr. 53, 1 mai, 1934 (Legea asupra cambiei și a biletului la ordin).
3 ”Monitorul Oficial”, Nr. 53, 1 mai, 1934 (Legea asupra cambiei și a biletului la ordin).
5 www.cpea.ro/cambia.php
6 Ibidem.
The regulations which apply to the check, bill of exchange and promissory note are all included in the same law, namely Law no.58/1934, modified by Law 83/1994.

The money order is an unconditioned provision given by its issuer to a banking company of making available a certain sum of money to a beneficiary. In order to be valid, the money order is to contain the compulsory mentions included in the Regulation of the National Bank of Romania no.8/19th of August 1994.

C. Other instruments and means of payment

Banker’s draft/certified check. Banker’s draft is a document which accompanies the check in which the beneficiary does no longer want to have the certainty that, at presenting it, it will be surely honored. In Great Britain, for example, this instrument is used for the payment of very high values, especially by private persons. In our country, the certified check represents a similar instrument.

The standing order is a power of attorney, given by a client to its bank, of regularly paying a certain amount from his account to a specified beneficiary on certain dates, on a limited period (insurance rate, installments).

The direct charge of debit resembles the money order, but it is not the bank of the person who pays which has the initiative of the payment, it is the beneficiary who follows the debt on maturity and informs the bank about the amount which has to be paid. The direct charge of debit is indicated for the payments with regular character whose amount cannot be known beforehand (electricity, gas, phone bills).

The endorsement – credit of the bank is a written instruction given by the payer to his bank in order to debit the account with a certain amount of money in the favor of a partner. On its turn, the bank of the payer remits the instruction to the bank of the beneficiary asking that that account be credited with the written sum. This instruction of payment is similar to the money order also used since 1995 in Romania.

Cards for payment - as an electronic currency

The accomplishments in the field of the technology of information determined the diversity of the banking services and mutations in money circulation. Thus, the electronic currency appeared. The card of payment is an instrument by means of which we can pay a product or a service, being based on a system organized on contractual basis between the holder, issuer and trader/provider. It is an instrument of payment without cash.

The most used technological types are:
- magnetic cards of payment;
- cards of payment with a microprocessor (smart card). They hold more information than normal payment cards as they have a microchip incorporated which stores the Personal Code Number (PIN) and information about the identity of its holder and the validity of the card;
- Crypt card – which is based on a computerized electronic system which has incorporated a processor and a clock. It has a high speed of processing (16 Mb/sec).
- Laser card – made of a special material, with optic memory, and the identification is done using the fingerprints;
- Digital credit;
- Banking cards with photography.

From the point of view of circulation we can distinguish:
- International cards – issued in hard currencies; for example VISA INTERNATIONAL has 22,000 banks all over the world;
- National cards – expressed in the national currency of the country where the issuing bank is located. In Romania for example, the cards PRIMA in lei issued by BRD.

From the point of view of the issuer, the cards of payment can be grouped into:
- cards issued by banks. The solution of the banking cards was imposed in order to decrease the operation expenses of the banks, to improve profitability and the crediting conditions which they offer. Thus, it is facilitated the withdrawal of cash when the banking agencies are closed.
- cards issued by traders (private cards) – their main target is the fidelity of the clients. The issuers offer additional services – discounts, insurance services, free parking, etc.
- cards issued by other institutions or organizations – institutions of credit, companies of transport and telecommunications, insurance companies, clubs, providers of professional services etc.

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7 Ibidem.
8 "Monitorul Oficial", Nr. 119 bis, 14 iunie 1995
In all developed countries, the companies issue cards structured on classes of clients, according to their incomes and/or facilities offered.

Types of cards of payment according to the specific functions that they fulfill:

a) Credit card – indicates the fact that a line of credit was open for the holder on a certain period and thus he can make payments or withdraw cash until he reaches a previously settled amount. They are introduced during mid-60s in order to increase the acceptability of checks and to promote the operations from the current account. They consist of a plastic card which bears the emblem of the bank and/or of the commercial company, the name (in relief) of its holder, a code of 16 digits which represents the account of the client (also in relief), the date until which the credit card is valid and a sign (seal) which individualizes the financing company (bank).

These credit cards allow the payment of some services and products, directly (without cash), but also other operations which can be made by means of the so called system ATM (automated teller machine).

b) The debit card allows its holder to acquire goods or services by direct debiting of his personal account within the limit of his money availability.

c) Multi-functional card – in order to satisfy the needs of the clients, more and more banks are issuing multifunctional cards.

- cash card – is a usable card exclusively for automated teller machines which can be programmed;
- check guaranty card – insures the guaranty of a check which has been issued and signed, up to a sum specified by the issuing bank.

d) The charging card differs from credit cards by:

- they always charge an annual fee in order to be a member, while for many credit cards there are no such taxes;
- the balance of each month must be integrally paid, which is not the case of credit cards for which it is paid a minimum moderate monthly sum (about 50 dollars or their equivalent in currency multiplied by 1-2% from the maximum ceiling you have the right to reach at credit);
- the applicant who requires the issue of such a card must have a minimum of 40,000 – 50,000 dollars annually.

Services regarding banking transfers having as support the electronic currency

a) Cash Dispenser Bancomat – is an electro-magnetic deposit which allows a card user to access cash withdrawal under the form of banknotes and metallic coins. It is important to keep the secret about the personal identification number.

b) ATM (automated teller machine) - is an electro-magnetic deposit which allows the authorized user to withdraw cash, to ask for information regarding the situation of his personal account, to transfer funds, to form dispositions and accept deposits. These street automated teller machines appear on the exterior wall of the bank, in supermarkets or airports or at the crossing of some important boulevards, on commercial roads/streets and university campuses. In order to have access to the bank services, the card is inserted into the machine, after which the PIN code is introduced. The services offered by these automated teller machines include:

- cash withdrawal, including in other currencies than that used to open the account, according to the country where the automated machines are located;
- account balance,
- asking for a check form;
- information about other services offered by the bank;
- payment of credits and some bills;
- bank deposits;
- listing some of the latest transactions of the account.

Money withdrawal or deposit can be done by various types of accounts – current, of economies, of deposit.

Usually, withdrawals from such an automated machine can be of 3 – 4,000 dollars per day or their equivalent in other hard currencies.

The advantage of such automated machines led to the significant reduction of both the expenses of processing the bank operations and the expenses with the personnel. We shouldn’t forget their benefic role over the behavior of the clients who do not have to wait in queue, at the desk, but they can immediately operate themselves – totally keeping the secret of the operations – or anyway, after some other person finishes the operation.

c) Terminals at points of sale (EFTPOS) – imply the transfer of funds from the account of a client directly into the account of the seller, simultaneously with the selling operation. The debiting will be registered into the statement of account of the card holder, 2-5 days later after the transaction is performed.

d) Telephone banking – is in fact an expression of evolution, of bank organization and technology, implicitly of the relation between clients and bank. It signifies making bank transactions on the phone, a means which became possible as modern computer systems developed. The services offered to clients who no longer have to come to the bank are:
- information about the balance;
- requests of check books,
- transfers between accounts;
- payment of bills.

e) Videotext system – is a video system with telephonic transmission.

**Services regarding international transfers of funds**

Banks from different countries establish among them relations of bank correspondent, having mutually opened accounts in order to insure the security of international transfers of funds.

**Mutual debiting of accounts in various currencies** is just a part of services that banks offer each other. Regardless of the nature of the transaction or person who ordered the transfer, it can be done by:

a) Letter transfer – consists in the physical transmission of the document, by a means of transport, from one bank to the other. The document is also called international money order.

b) Telegraphic transfer – boosted with the new technical accomplishments in the field: transmission by cable, telex, and fax. This type of transfer is known as TT. It is faster than mail transfer but also more expensive.

c) Transfer by SWIFT system – represents a computerized technique of message transmission. The Society for Financial Inter-banking World Telecommunications has its headquarters in Bruxelles and it was made by the association of 239 banks from 15 countries, in 1973. it has become operational since 1977. If in the first year 3,3 million messages were sent by the network SWIFT annually, in 1991 365,1 million messages were registered, and in 1995 the number of messages exceeded 3 millions per day. Nowadays, SWIFT serves over 5000 financial/banking institutions, from 140 countries. The first banks from Romania which joined the system were BANCOREX, BRD, Bank of Agriculture and BCR. At the beginning of the year 1996, 22 banks from our country were connected to SWIFT network;

a) operations of international payment and banking compensations regarding the cards of payment and traveler checks.

International System Eurocard – is associated with the American system Master Card International. The issued cards are accepted in 170 countries.

b) Eurocheque International system
c) The Association for International Services (VISA) – It is the greatest network of international payments and compensations. It has 27,000 banking institutions as associated members.

**Bibliography**


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