



# CUSTOMER DEPOSITS

COURSE: INNOVATION DEVELOPMENT IN  
COMMERCIAL BANKS

PRESENTED BY FARKHOD ODILOV





# GOALS

## LESSON 4.1

# DEPOSIT ACCOUNTS

**DEFINE** THE TERM *TRANSACTION ACCOUNTS* AND **IDENTIFY** MAJOR TYPES OF CHECKING ACCOUNTS

**DEFINE** THE TERM *TIME DEPOSITS*, AND **IDENTIFY** MAJOR TYPES OF SAVINGS ACCOUNTS



# MAKING YOUR DEPOSIT

DEPOSIT ACCOUNTS FALL INTO TWO MAIN CATEGORIES

- TRANSACTION ACCOUNTS
- TIME DEPOSITS

# TRANSACTION ACCOUNTS

- A **TRANSACTION ACCOUNT** IS AN ACCOUNT THAT ALLOWS TRANSACTIONS TO OCCUR AT ANY TIME AND IN ANY NUMBER.
- THESE ACCOUNTS ARE **DEMAND DEPOSITS**, AS THEY ARE PAYABLE ON DEMAND WHENEVER THE DEPOSITOR CHOOSES.
- THE MOST COMMON FORM OF A TRANSACTION ACCOUNT IS A *CHECKING ACCOUNT*.

# CHECKING ACCOUNTS

- BASIC CHECKING ACCOUNTS
- INTEREST-BEARING CHECKING ACCOUNTS

# TIME DEPOSITS

**TIME DEPOSITS** ARE DEPOSITS THAT ARE HELD FOR OR MATURE AT A SPECIFIED TIME.

# SAVINGS ACCOUNTS

- PASSBOOK SAVINGS ACCOUNTS
- STATEMENT SAVINGS ACCOUNTS

# MONEY MARKET DEPOSIT ACCOUNTS

- **MONEY MARKET DEPOSIT ACCOUNTS** (MMDAS) OFFER A HIGHER RATE OF INTEREST THAN SAVINGS ACCOUNTS, BUT USUALLY REQUIRE A LARGER INITIAL DEPOSIT.
- RESTRICTIONS
  - MINIMUM BALANCE REQUIREMENT
  - LIMITED NUMBER OF TRANSACTIONS PER MONTH

# CERTIFICATES OF DEPOSITS

- A **CERTIFICATE OF DEPOSIT** (CD) IS A CERTIFICATE OFFERED BY A BANK
- THAT GUARANTEES PAYMENT OF A SPECIFIED INTEREST RATE UNTIL A
- DESIGNATED DATE I
- N THE FUTURE—THE *MATURITY DATE*.
- GENERALLY, THE LARGER THE AMOUNT OF THE CD AND THE LONGER TH
- E TERM, THE GREATER THE INTEREST RATE.
- DEPOSITORS PAY AN INTEREST PENALTY IF THE MONEY IS WITHDRAWN EARLY.

# CREDIT UNION TRANSACTION ACCOUNTS

- SHARE-DRAFT ACCOUNT
- SHARE ACCOUNT
- SHARE CERTIFICATE



LESSON 4.2

**GOALS** INTEREST-BEARING  
ACCOUNTS

**EXPLAIN** HOW INTEREST IS CALCULATED

**DISCUSS** WHY COMPOUND INTEREST IS SUCH  
A POWERFUL SAVINGS TOOL

# IN YOUR INTEREST

- **INTEREST** IS THE PRICE PAID FOR THE USE OF MONEY.
  - THE BANK IS USING YOUR MONEY WHEN YOU DEPOSIT FUNDS. IN SOME CASES THE BANK PAYS YOU FOR THE USE OF YOUR MONEY. THE BANK PAYS YOU INTEREST.
  - IF YOU BORROW MONEY FROM A BANK OR OTHER FINANCIAL INSTITUTION, YOU PAY TO USE THAT MONEY. YOU PAY INTEREST TO THE BANK.
- INTEREST IS ALMOST ALWAYS EXPRESSED AS A RATE OR PERCENTAGE OF THE TOTAL AMOUNT OF MONEY IN USE, AND IT IS CALCULATED OVER TIME.

# CALCULATING INTEREST

$$P \times R \times T = I$$

PRINCIPAL  $\times$  RATE  $\times$  TIME =  
INTEREST

# INTEREST IN THE REAL WORLD

- BANKS CALCULATE THE INTEREST THEY PAY ON SOME FIXED INTERVAL.
- EXAMPLES OF INTERVALS INCLUDE
  - ANNUALLY—ONCE A YEAR
  - SEMI-ANNUALLY—EVERY SIX MONTHS
  - QUARTERLY—EVERY THREE MONTHS
- ADDING INTEREST TO THE PRINCIPAL AND PAYING INTEREST ON THE NEW TOTAL IS CALLED PAYING **COMPOUND INTEREST**.

# THE POWER OF COMPOUNDING

$$F = P(1 + R)^N$$

- $F$  STANDS FOR FUTURE VALUE
- $P$  IS PRINCIPAL
- $R$  IS RATE
- $N$  IS THE NUMBER OF INTERVALS

# COMPARING SIMPLE AND COMPOUND INTEREST

## Simple Interest 5%

## Compound Interest 5%

Time	Interest	Principal	Interest	Principal
SIX MONTHS	\$25.00	\$1,000.00	\$25.00	\$1,025.00
1 YEAR	\$25.00	\$1,000.00	\$25.63	\$1,050.63
1½ YEARS	\$25.00	\$1,000.00	\$26.27	\$1,076.90
2 YEARS	\$25.00	\$1,000.00	\$26.92	\$1,103.82
2½ YEARS	\$25.00	\$1,000.00	\$27.60	\$1,131.42
3 YEARS	<u>\$25.00</u>	\$1,000.00	<u>\$28.29</u>	\$1,159.71
TOTAL	\$150.00		\$159.71	

# APR AND APY

- **APR** STANDS FOR ANNUAL PERCENTAGE RATE.
- **APY** STANDS FOR ANNUAL PERCENTAGE YIELD.



# GOALS

## LESSON 4.3

**EXPLAIN** THE COMPLEXITY OF FORCES THAT INFLUENCE  
**THE FLOW OF DEPOSITS**

**IDENTIFY** LIMITATIONS OF THE FEDERAL RESERVE'S  
INFLUENCE ON THE FLOW OF DEPOSITS

# A COMPLEX PATTERN

INDIVIDUAL BANKING TRANSACTIONS MAY NOT BE VERY COMPLICATED,  
BUT THERE ARE A LOT OF TRANSACTIONS GOING ON AT ANY ONE  
TIME.

# THE ECONOMIC ENGINE

- THE ENGINE THAT DRIVES THE FLOW OF DEPOSITS IS THE ECONOMY ITSELF.
- BASIC ECONOMIC PRINCIPLES OF SUPPLY AND DEMAND FOR GOODS AND SERVICES PUSH MONEY THROUGH BANKS.
- THE ECONOMY AT LARGE PLAYS A FAR GREATER ROLE IN DETERMINING HOW MONEY IS MOVING THAN DOES THE GOVERNMENT.

# DEPOSITS AND THE FED

- RESERVE REQUIREMENTS DO NOT CHANGE THAT OFTEN AND ARE NOT AS MUCH A FACTOR IN BANK LENDING AS GENERAL ECONOMIC CONDITIONS.
- RESERVE REQUIREMENTS ONLY APPLY TO THE M1 MONEY SUPPLY.
- THE FED DOES NOT CONTROL OTHER FORMS OF COMMERCE.

# ADJUSTING THE MONEY SUPPLY

## THE FEDERAL RESERVE CAN

- PUT MORE MONEY INTO THE ECONOMY BY BUYING U.S. GOVERNMENT SECURITIES ON THE OPEN MARKET
- EFFECTIVELY TAKE MONEY OUT OF THE ECONOMY BY SELLING THE TREASURY SECURITIES IT HOLDS
- ADJUST THE DISCOUNT RATE

# THE BANKING BUSINESS

- GOVERNMENTAL MEASURES INFLUENCE BUT DO NOT ENTIRELY CONTROL THE FLOW OF DEPOSITS.
- DEPOSIT FLOW IS DETERMINED BY THE NEEDS OF ALL BUSINESSES, BANK AND NON-BANK, MOVING MONEY AROUND IN THE BANKING SYSTEM.



# GOALS

## LESSON 4.4

# DEPOSIT REGULATIONS

**DESCRIBE** SEVERAL DEPOSIT ACCOUNT DOCUMENTS

**IDENTIFY** BASIC ACCOUNT RULES AND WHAT THEY  
COVER

# DEPOSIT ACCOUNT DOCUMENTS

- BANKS ARE REQUIRED BY STATE AND FEDERAL GOVERNMENTS TO PROVIDE DOCUMENTATION REGARDING RIGHTS AND RESPONSIBILITIES.
- DEPOSIT ACCOUNT DOCUMENTS ARE SOMETIMES COLLECTIVELY CALLED *GOVERNING DOCUMENTS*.

# TYPICAL DEPOSIT ACCOUNT DOCUMENTS

- **ACCOUNT RULES** EXPLAIN CHARACTERISTICS OF EACH TYPE OF ACCOUNT.

# TYPICAL DEPOSIT ACCOUNT DOCUMENTS

- **DEPOSIT RATE SCHEDULES** LIST INTEREST RATES IN EFFECT AT THE TIME FOR VARIOUS TYPES OF ACCOUNTS.

# TYPICAL DEPOSIT ACCOUNT DOCUMENTS

- **FEE SCHEDULES** SHOW ALL CHARGES THAT APPLY TO EACH SPECIFIC TYPE OF DEPOSIT ACCOUNT.

# TYPICAL DEPOSIT ACCOUNT DOCUMENTS

- **CHECK HOLD POLICIES** EXPLAIN WHEN DEPOSITED FUNDS WILL BE AVAILABLE FOR USE BY THE CONSUMER.

*continued*

**DISCLOSURE STATEMENTS** PROVIDE FULL INFORMATION ABOUT BANK POLICIES, SUCH AS ELECTRONIC FUNDS TRANSFER POLICIES, LENDING POLICIES, INTEREST CREDITING, AND COMPLIANCE WITH BANKING REGULATIONS.

**TYPICAL DEPOSIT ACCOUNT DOCUMENTS**

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