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**ENGLISH FOR SPECIFIC PURPOSES:
EXPAND AND TEST YOUR
KNOWLEDGE.
PART 2.**

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Навчальний посібник є збірником англійських новітніх текстів у галузі англійської мови для професійного вжитку. Запропоновано алгоритм роботи над текстом із серією вправ для розвитку лінгвістичної, професійно-орієнтованої, перекладацької та лінгвокультурної компетентностей студентів, які можна використовувати як в аудиторній, так і в позааудиторній роботі. Завдання спрямовані на розвиток і поглиблення англійської мови різногалузевого вжитку факультетів іноземних мов закладів вищої освіти. Посібник розрахований на здобувачів освіти усіх рівнів, а також для широкого загалу бажаючих вдосконалювати англійську мову для різногалузевого спрямування та лінгвокультурознавства.

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PREFACE

This book presents a systematic program of study intended primarily for students majoring in English philology and translation.

It is composed of 15 units and 10 diagnostic tests. Each unit comprises three basic reading strategies: Before You Read, Reading and After You Read. The tasks are unified and interspersed throughout the unit according to the strategy they belong to. For example, the before you read strategy is followed by concept mapping, brainstorming, skimming the text, vocabulary previews, pre-questions, definition, characteristics and experience activities. We have taken great care to ensure that learners will be able to advance through the content with great ease due to a number of speech-stimulating, discussion and writing assignments. At the end of each unit there is a quiz with particular emphasis on comprehension, language and translation skills. This workbook has been designed to be effectively used both in the classroom and for self-study.

DIAGNOSTIC TEST # 1

The statements below describe price movement. Match the statements with the underlined words and phrases below.

- a. went up a little
 - b. went up a lot
 - c. went down a little
 - d. went down a lot
 - e. stayed about the same
1. Gold shares tumbled in early trading today.
 2. Shares in Volkswagen eased after their earnings announcement.
 3. The Dow Jones Industrials were slightly stronger after the long weekend.
 4. The FTSE suffered a setback after inflation figures were released.
 5. In Tokyo today, the Nikkei shot up after auto sales numbers were aired.
 6. Toyota shares rocketed to a new high.

Recall the basic terms relating to the topic.

Written assignment:

Write a brief essay on «Stock Market and Pricing» (length: 200 words).

DIAGNOSTIC TEST # 2

Complete each sentence below with one of the following words:
debts, loan, deposit, loan, fees, cash, currencies, income, capital, fund, installments, pension

1. A person's money invested in their company is known as their _____.
2. A written plan for estimated income and expenses is called a _____.
3. Formally returning part of a payment is called a _____.
4. Regular part payments of loans or debts are called _____.

5. Doctors, lawyers and professionals are paid _____.
6. Money to be used for pension payments is kept in a pension _____.
7. The money needed or used to start a company is called _____.
8. Money placed in banks and savings institutions is known as a _____.
9. Money paid to retired people by the government or companies is called a _____.
10. The money earned by and paid to office and professional workers is called a _____.
11. The money earned and paid to workers for manual labor is called _____.
12. All the money received by a person or company is known as _____.
13. Borrowed money that has to be paid back is a _____.
14. Money borrowed from a bank is a _____.
15. The UK pound, European euro, Mexican peso, and US dollar are all _____.
16. Money in notes and coins is known as _____.

Recall the basic terms relating to the topic.

Written assignment:

Write a brief essay on «Money: Functions» (length: 200 words).

DIAGNOSTIC TEST # 3

Marketing pairs with many other words to describe the field that is much more than just advertising and sales.

1. A _____ for a product is the people or organizations who buy it or may buy it, or an area where it is sold.
2. A _____ is one where things are bought and sold freely and are not under government control.
3. In a market economy, prices are decided by _____, the factors that influence the demand for things, their availability and their price.
4. _____ means the same as market.

5. A _____ is one that has been set and decided by the market, not in some other, for example, by the government.
6. The gathering of information about markets, products and consumer; on what people want need and buy; and why they buy one product versus another is called _____.
7. Companies that are quick to respond to the needs of a market are often called market-led, market-oriented or _____.
8. The art and science of determining consumer preferences, prices and how to best design, build and sell products is called _____.

Recall the basic terms relating to the topic.

Written assignment:

Write a brief essay on «Marketing» (length: 200 words).

DIAGNOSTIC TEST # 4

To which sentences do these words refer? Enter the correct answer.

market growth

market segment

market share

market leader

1. A _____ or market sector is part of a larger market. Trucks, for example, are seen as a segment or sector of the overall market for vehicles.
2. The proportion of sales that a company or product has in a particular market is called its _____.
3. The _____ is the company or product with the biggest share of the market.
4. _____ is the rate at which the overall market for a product is growing (or not).

Recall the basic terms relating to the topic.

Written assignment:

Write a brief essay on «Stock Market» (length: 200 words).

DIAGNOSTIC TEST # 5

Describing Costs

Fill in the blanks in the sentences below with the words on this chart:

return on investment break even indirect costs fixed costs
overhead costs gross margin cost structure unit cost
economies of scale profit margin variable costs costs mark-up
direct costs

1. The money that a company spends in order to produce its products or services are its _____.
2. _____ do not vary in relation to the output level of goods or services - they remain the same.
3. Costs that vary according to the amount of goods and services produced are called _____ .
4. _____ are directly related to the products or services produced. These costs can include raw materials and wages.
5. _____ are not directly related to the production of products or services. They might include charges to pension funds or social security taxes.
6. _____ are used to measure the regular non-production related costs of running a business. These costs might include marketing and R & D expenses - or even rents and/or property taxes.
7. The cost of producing one product (one car, one computer, one air conditioner) is known as the _____ for that product.
8. The theory that the larger the size of a production unit, the lower the unit cost - is called _____ . For example, in producing one million cars, the unit cost would be much lower than if only one car was produced.
9. When sales reach a level where revenues match costs, a company or product can be said to _____ .
10. _____ is the amount of money earned (profit) in direct proportion to the amount of capital invested.
11. The difference between the selling price of goods and their production costs, without taking into account other costs such as marketing and general overhead is called the _____ .

12. The _____ or "net margin" is the difference between the products total costs and its sales revenue
13. Margin is expressed as a percentage of the selling price. It can also be expressed as a percentage of the total cost of a good, in which case it is referred to as the _____ .
14. All of a company's costs tend to be unique as every business is a bit different, with different products produced differently and varied organizational structures and overheads. All of these costs considered together make up a company's _____

Recall the basic terms relating to the topic.

Written assignment:

Write a brief essay on «Business Finance» (length: 200 words).

DIAGNOSTIC TEST # 6

Complete the sentences below using these words

credits debits posted invoice

double-entry vouchers receipt journals

trial balance transactions transferred ledgers

1. Every purchase and sale that a business makes is recorded in the order that they take place in _____ .
2. These temporary records are later entered or _____ to the relevant account book.
3. The account books are called _____ .
4. At the end of each accounting period, all the totals are _____ to the profit and loss account (British English) or income statement (American English).
5. _____ bookkeeping records the dual effect of every transaction - a value both received and parted with.
6. Payments made or _____ are entered on the left-hand (debtor) side of an account.
7. Payments received or _____ are entered on the right-hand side of the account.

8. Periodically, a _____ is done to test whether both sides of the account book match - or "balance".
9. In most business _____ , the seller of goods or services sends the buyer a bill.
10. In accounting terminology, a "bill" is more commonly called an _____ .
11. When payment is made, the seller will issue a _____ acknowledging payment of the invoice.
12. Businesses must keep the receipts - know as _____ to support or prove an item in an account.

Recall the basic terms relating to the topic.

Written assignment:

Write a brief essay on «Financial Accounting» (length: 200 words).

DIAGNOSTIC TEST # 7

- a) Match these six accounting principles on the left with their definitions on the right. Choose the correct response from the drop-down list.

1. The separate-entity or accounting entity assumption	a. All transactions and other items to be accounted for must be in a single monetary unit (currency).
2. The continuity or going-concern assumption	b. An enterprise is an accounting unit separate from its owners and creditors.
3. The unit-of-measure assumption	c. Financial data must be reported for particular (short) periods, which makes accrual and deferral necessary.
4. The time-period or accounting period assumption	d. Revenue is realized at the moment when goods are sold (or change hands) or when services are rendered.

5.The historical cost principle	e. The business will continue indefinitely into the future.
6.The revenue or realization principle	f. The initial price paid for the acquisition of assets is the one that is recorded in accounts.

b) To which principles do these sentences refer? Give the correct answer.

1. This accords with a company's legal status and an artificial person.
2. This implies that the current market value of fixed assets is irrelevant, as they are not for sale.
3. This makes it unnecessary to estimate the current market values every year.
4. This means that each company has its own fiscal year. (UK: financial year)
5. This requires multinational companies to convert their consolidated statements into a single currency.
6. This is why balance sheets often contain an entry for debtors: goods that have been sold, but are not yet paid for.

Recall the basic terms relating to the topic.

Written assignment:

Write a brief essay on «Tax Accounting» (length: 200 words).

DIAGNOSTIC TEST # 8

Match the underlined terms with the corresponding synonym, definition or similar word or phrase.

factors of production *climate* *balance of trade*

balance of payments *quotas* *commodities*

economies of scale *nations* *protectionism*

division of labor *tariiffs* *barter/counter-trade*

1. Countries import goods and services from abroad and export others to the rest of the world.
2. Trade in raw materials and goods is called visible trade in the UK and merchandise trade in the USA.

3. The difference between total earnings from merchandise trade and total expenditures from merchandise trade.
4. The difference between total earnings from all exports and total expenditures on all imports.
5. The direct exchange of goods without the use of money.
6. The favoring of domestic industry against foreign industry.
7. Some countries had certain advantages because their inputs (costs of labor, raw materials, capital, etc.) may be less expensive.
8. The weather in some countries may give them an advantage in agriculture and commodities.
9. The specialization of labor into more efficient sub-units.
10. High volume production can often create savings in unit costs arising from large-scale production.
11. To protect domestic industries, some countries charge taxes on imports.
12. Other countries will restrict the quantity of imports allowed to enter their domestic markets.

Recall the basic terms relating to the topic.

Written assignment:

Write a brief essay on «International Trade» (length: 200 words).

DIAGNOSTIC TEST # 9

Complete each sentence below with the words below:

actuary assessor branches risk agent adjuster
premium loss underwrite brokerage rates
comprehensive discounts claim cover policy holders

1. A payment for an insurance policy is called a _____ .
2. _____ insurance covers almost everything.
3. The guaranteed protection given by an insurance policy is called _____ .
4. _____ are the people who have bought insurance from an insurance company.
5. Reductions in price are called _____ .
6. Prices are called _____ in the insurance industry.

7. Local offices of a large insurance company are called _____.
8. Policy holders file a _____ when they submit an application to their insurance company asking them to pay for loss or damage.
9. A company which buys and sells insurance policies is called a _____.
10. Some companies _____ insurance policies by guaranteeing the funds to pay claims and assuming risk.
11. When something damaged or stolen the policy holder suffers a _____.
12. An _____ is employed by an insurance company to calculate the level of risk and determine the price of premiums.
13. An _____ determines the value of personal and real property at the time an insurance policy is issued - or periodically.
14. An _____ determines the value of a loss when a claim is filled.
15. An _____ sells insurance policies for an insurance company and normally works on a commission.
16. The possibility of loss or damage that is covered by insurance is called _____.

Recall the basic terms relating to the topic.

Written assignment:

Write a brief essay on «Risk and Insurance» (length: 200 words).

DIAGNOSTIC TEST # 10

A: Claims

A claim is an application for payment to reimburse a policy holder for a loss they have incurred. The following verbs are commonly used with claim.

<i>to submit</i>	<i>to accept</i>	<i>to settle</i>
<i>to make</i>	<i>a claim</i>	<i>to reject</i>

Use the verbs above to fill the gaps in the sentences below. Put the verbs into the correct form. Change to form of the verb as needed.

1. If you suffer a loss that is covered by your insurance policy, you need a claim on your policy. (contact your insurance company and tell them about the problem)

2. Depending on the loss, it can take from a few days to a few weeks a claim. (determine the outcome of the claim)
3. If the insurance company thinks that your claim is proper and that your loss was covered they will your claim. (agree that your loss is covered by your insurance policy)
4. You will need to fill out a form with all the details and your claim to your insurance company. (give the form to them for their review)
5. If the insurance company does not agree with you they will your claim. (turn down your request)

B. Liability

A liability is a responsibility for an event or action. People purchase liability insurance to protect themselves, their families and businesses in the event they are found responsible for damages or harm to another person, property, or a business.

public
 professional *liability* personal
 employer's

Match each of the "liability" word partnerships with the definition:

1. provides cover in case a member of the public has an accident.
2. covers a range of possibilities if your business is your livelihood.
3. provides compensation in situations such as death, injury or damage to a third party.
4. means that when an employee has an accident at work, he can claim compensation.

Recall the basic terms relating to the topic.

Written assignment:

Write a brief essay on «Fiscal Policy» (length: 200 words).

UNIT ONE.**FINANCIAL SYSTEM****A. BEFORE YOU READ****1. CONCEPT MAPPING:**

a) Develop a "mind map" around the notion "FINANCE" to comprehend the relationship between the new concepts and the concepts you know (see: the sample p.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar words before reading and give their definition to improve your background knowledge and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading.

- a) Can I find any necessary information for my future business activities?
- b) How can I take a bank credit?
- c) What is the most efficient way to make money work?

6. DEFINITION:

- a) What is finance?
- b) How do you call money borrowed from the bank?
- c) What other types of money do you know?

7. CHARACTERISTICS:

How would I describe economics, financial institutions, stock exchange?

8. EXPERIENCE:

- a) What experience has my family had with loans?

b) What is the role of the IMF in your country's economic growth?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

1.1. Finance allows these entities to use credit instead of cash to purchase goods and invest in projects. For example, an individual can borrow money from a bank to buy a home. An industrial firm can *raise money through investors* to build a new factory. Governments can issue *bonds* to raise money for projects. Finance plays an important role in the economy. As banks, credit unions, and other financial institutions provide credit, they help expand the economy by directing funds from savers to borrowers. For example, a bank acquires large amounts of money from the deposits of *individual savers*. The bank does not let this money sit idle but instead provides loans to borrowers who might then build a house or expand a business. The savings of millions of people percolate through many financial institutions, spurring *economic growth*. A wide variety of financial institutions have different roles in finance and the economy. Some institutions, such as banks, link lenders and borrowers. These institutions act as an intermediary among consumers, businesses, and governments by lending out deposits. Other institutions, such as stock exchanges, provide a market for existing *securities*, which include stocks and bonds. Stock exchanges encourage investment because they enable investors to sell their securities when the need arises. Many aspects of finance are studied individually. Corporate finance centers on how businesses can best raise and spend their funds. *Public finance* focuses on the financial role of federal, state, and local governments.

1.2. How to Avoid a Tax Audit.

1.2.1. Make an English précis of the article.

1.2.2. Make a Ukrainian précis of the article.

One of the biggest fears when it comes to taxes is an IRS tax audit. Here are a few simple tips on avoiding a tax audit.

One of taxpayers' biggest fears is being audited by the IRS (Internal Revenue Service). Even if you're confident that you've filed your taxes correctly, in the back of your mind, you wonder when you're going to receive a phone call or letter from an IRS representative. You can worry a little less this tax season. Here are some ways you can avoid a tax audit. Certain types of taxpayers are more likely to be audited than others. These include taxpayers who make more than \$200,000, small business owners and self-employed taxpayers, and taxpayers who could be hiding taxable income overseas. One of the biggest triggers for a tax audit is having high deductions compared to other taxpayers within your same tax bracket. You can account for high deductions by attaching a receipt or other documentation to your tax return. While above average deductions can trigger an audit, being proactive and providing proof will reduce your chances of being audited. Don't be afraid to deduct expenses that are legally deductible. Instead, make sure you can justify the amount of your deduction. Write checks whenever possible and keep a copy of the cancelled check in your records.

Double check your math. Addition and subtraction errors are common reasons for tax audits. They're also easy to fix and avoid. Check and double check your numbers to make sure you've included the right ones. Use tax preparation software. Tax prep software like TurboTax or H&R Block eliminates math errors that can lead to an audit. They can also do an analysis of your tax return to let you know any items that could trigger an audit. Be aware that even tax software can't completely eliminate your chances at being audited since the IRS computers audit a number of random taxpayers every year.

Make sure you report income and interest from any 1099s you receive. The IRS software does a check to make sure the income reports on the 1099s it received for your social security number matches what you reported. Discrepancies could trigger an audit. If you believe the amount on your 1099 is an error, contact the issuer to have it corrected. If that is unsuccessful, you should contact the IRS by calling 1-800-829-1040. Use a reputable tax preparer. You never know what type of reputation a certain tax preparer has built with the IRS. Your tax preparer should be experienced with filing the type of return you need. Find out that preparer's audit record. Be wary of choosing tax preparers with high

audit rates. Ask that your tax preparer not make assumptions or conclusions about your records. Instead, request the preparer call you with any questions. File at the last minute. The IRS receives numerous returns on April 15 and can't scrutinize them the same way returns filed on February 1 may be. That's not to say you can avoid an audit all together by filing later. You just reduce the risk.

Report all sources of income including child support, alimony, and cash receipts. Child support and alimony received will be tied to your social security number, so the IRS will already know about it. Though you might think getting paid under the table will keep you from paying taxes, the IRS can find out about *cash receipts*. For example, if you deposit cash into your checking account, an audit will raise the question of where the deposits came from. File your income taxes. No matter what you think or feel about paying taxes, you're legally required to do so. Avoiding paying taxes is a crime and if you're caught, you'll face criminal charges and *monetary penalties*. On top of that, you'll have to repay the taxes you should have paid during the time you avoided paying taxes. A good example of this was the singer Willie Nelson, who in 1993 had to pay \$16 million to the IRS for evading taxes.

1.3. UBS plunged deeply into crisis.

1.3.1. Give a written translation of Paragraph I.

UBS was plunged deeper into crisis on Saturday after the Swiss bank's board announced the departure of Oswald Grübel as chief executive and appointment of Sergio Ermotti as his interim successor. The move followed this month's revelation of a \$2.3bn loss because of a rogue trader at the group's investment bank, and was every bit as dramatic as Mr Grübel's surprise return from retirement in February 2009 to turn around the beleaguered Swiss bank. Mr Grübel has come under pressure because of the loss and had acknowledged ultimate responsibility rested with the chief executive. But his departure came as a major shock. Kaspar Villiger, UBS chairman said in a conference call Mr Grübel had left voluntarily. The board had suggested he remain at least until the bank's next shareholder's meeting in April, but Mr Grübel had declined. The timing for Axel Weber, the former Bundesbank president who will join UBS next year as deputy chairman

and take over from Mr Villiger in 2013, would not be brought forward, Mr Villiger added.

Mr Grübel said in a letter to staff that as CEO, he bore “full responsibility for what occurs at UBS”. The departure followed a two-day meeting of UBS’s board and top management in Singapore, where the group had assembled for events around the Formula 1 Grand Prix race, which the bank sponsors. However, after the rogue trading news, the meetings were wholly overshadowed by debate about inadequate risk controls, the future of the group’s investment bank and, ultimately, Mr Grübel’s own fate. UBS’s one page announcement of his departure made no mention of Carsten Kengeter, the 44 year old head of investment banking and in theory the manager most directly responsible for problems at the unit.

The conference call confirmed Mr Kengeter would remain in place, and Mr Villiger praised the latter’s efforts in coping with the crisis. “Carsten Kengeter and his team did an excellent job to deal with the crisis”, he said, noting particularly their speed in closing positions had helped minimise UBS’s loss. “The board regrets Oswald Grübel’s decision. Oswald Grübel feels that is his duty to assume responsibility for the recent authorised trading incident. It is testimony to his uncompromising principles and integrity”, said Mr Villiger. “We could not convince him. We had to accept his decision with regret, and with respect”, he added. Mr Ermotti had been tipped as a potential future chief executive, having previously been deputy head of Italy’s UniCredit and, before that, co head of global equities at Merrill Lynch. But he only joined UBS last April and had been keeping a low profile as chairman of Europe.

UBS said its board would “continue the ongoing internal and external evaluation process to find a permanent successor as group CEO.”

Mr Villiger implied a final decision would be made within no longer than six months, and that Mr Weber would be involved. But he implied Mr Ermotti’s appointment would be confirmed. As expected, the board repeated its commitment to UBS’s integrated bank strategy of private banking, investment banking and asset management, and rejected calls, made particularly by some Swiss politicians, for an exit from volatile investment banking. However the bank said the board

had asked management to “accelerate” the bank’s “client-centric strategy, concentrating on advisory, capital market and client flow and solutions business.” That implied a reinforcement of an already indicated diminution of business in so called FICC – fixed income, currencies and commodities – a major part of the investment bank that accounts for a disproportionately large amount of regulatory capital. “This strategy is consistent with the industry’s changing capital requirement and will lead to a reduction in complexity”, added Mr Villiger.

“We are committed to further expanding our already leading global wealth management franchise. The investment bank will continue to strengthen its alignment with UBS’s wealth management business, in addition to serving its corporate, sovereign and other institutional clients”, he said. “In future, the investment bank will be less complex, carry less risk and use less capital to produce reliable returns and contribute more optimally to UBS’s overall objectives”, he added. Further details will emerge on November 17, when the bank makes a series of presentations to investors in New York. The group wrote off more than \$50bn in the credit crisis and had in October 2008 to early on the Swiss government for a bail-out, while some of its most toxic securities were transferred to a special fund owned jointly with the Swiss National Bank. Mr Villiger said Mr Grübel would receive no severance pay, but receive six months of his SFr2m annual base salary. Following the sharp fall in UBS’s share price, it is unclear whether the UBS share options he received on joining retained any value.

C. AFTER YOU READ

- a) What is the author trying to say?
- b) Relate the information given in the article to a wider context.

D. LANGUAGE FOCUS

a) *Make it negative:*

1. We are committed to reducing (expanding) our already leading global wealth management franchise.
2. Following the sharp rise (fall) in UBS’s share price.
3. Further details won’t emerge on November 17.

b) *Paraphrase the following paragraph:*

In future, the investment bank will be less complex.

c) *Relate the action to the past/present/future:*

1. Mr Villiger implied a final decision would be made within no longer than six months, and that Mr Weber would be involved. But he implied Mr Ermotti's appointment would be confirmed.
2. Though you might think getting paid under the table will keep you from paying taxes, the IRS can find out about cash receipts.

d) *Turn direct speech into indirect:*

1. "We are committed to further expanding our already leading global wealth management franchise. The investment bank will continue to strengthen its alignment with UBS's wealth management business, in addition to serving its corporate, sovereign and other institutional clients", he said. "In future, the investment bank will be less complex, carry less risk and use less capital to produce reliable returns and contribute more optimally to UBS's overall objectives", he added.
2. Mr Grübel said in a letter to staff that as CEO, he bore "full responsibility for what occurs at UBS".

E. VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the topic.
- b) Add words you probably already understand to connect relationships between what is known and unknown.
- c) Supply the English equivalent to the Ukrainian phrases from the list given below:

Meeting at a Pictet *нетрадиційне інвестування* conference in Zurich this week, some of the world's smartest *хеджовий фонд* managers agreed that at some point soon the euro may slide to *паритет* with the US dollar. If the euro *стрімко падати* as expected, it will be largely for one of two reasons: either investors expect that the European Central Bank will begin to print money far more aggressively, or that it will adopt an indirect policy of *полегшення* by lending to the European financial stability *кредитна лінія* so that this *поручительство* fund can buy up the government bonds of weaker members of the eurozone in turn. While officials in the US will *шкодувати за* a stronger dollar, such a development will be taken as proof that the «зелені» and the US itself are

havens and that in times of stress the world has a *жадібний* appetite for the US currency.

1. hedge fund
2. parity
3. plummet
4. voracious
5. facility
6. alternative investment
7. bail-out
8. deplore
9. greenback
10. easing

d) Suggest the correct translation:

The Dow shed 240.60 points, or 2.2%, to 10913.38, after a batch (A) of glum overseas economic data weighed on investor sentiment (B). Stocks sank into the close, finishing at session lows. The loss capped (C) a 12% third-quarter decline for the Dow, the biggest percentage drop since the first quarter of 2009 and the biggest point swoon (D) since 2008's fourth quarter. The session also capped the measure's fifth consecutive (E) monthly drop, the longest such streak (F) since the six months ending in February 2009. The Standard & Poor's 500-stock index shed (G) 28.98 points, or 2.5%, to 1131.42, putting the measure's quarterly loss at 14%. The Nasdaq Composite tumbled (H) 65.36 points, or 2.6%, to 2415.40, for a 13% quarterly fall. The two indexes each also posted (I) their worst quarterly drops since the fourth quarter of 2008. The materials sector led all S&P 500 sectors lower as it fell 3.7%. Financial stocks weren't far behind. Two of the Dow's three worst-performing stocks (J) in the third quarter led the way lower Friday. Hewlett-Packard fell \$1.33, or 5.6%, to \$22.45, and Alcoa shed 49 cents, or 4.9%, to 9.57.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

- a) Relate new reading material to something you already know, to your background or experiences.

- b) Ask your friend for assistance in developing the main points of the article.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them.

I. QUIZ # 1

a. *Define the following sentences “True” or “False”:*

1. Finance is a branch of economics concerned with providing funds to individuals, businesses, and governments.
2. A wide variety of financial institutions have similar roles in finance and the economy.
3. The savings of millions of people percolate through many financial institutions, spurring economic stagnation.
4. Your tax preparer should be experienced with filing the type of return you need.
5. Stock exchanges encourage investment because they enable investors to sell their bonds when the need arises.
6. Avoiding paying taxes is a crime and if you're caught, you'll face criminal charges and monetary penalties.
7. Some institutions, such as banks, link lenders and borrowers.
8. In future, the investment bank will be less complex, carry less risk and use less capital to produce reliable profits.
9. Mr Ermotti had been tipped as a potential future president, having previously been deputy head of Italy's UniCredit.
10. Discrepancies could trigger an audit.

b. *Give the opposite:*

borrow, corporate finance, deduction, self-employed, taxable, expenses, crisis, reliable, wealth, scrutinize.

c. *Decode the following terms:*

alimony, deputy, integrity, keep a low profile, asset management, severance, social security number, discrepancy, charge, beleaguered.

d. *Translate the following into English:*

1. Банки, кредитні спілки та інші фінансові установи надають фінансові послуги фізичним та юридичним особам.
2. Для підвищення поточної ліквідності банки змушені пропонувати депозити під високі облікові ставки.
3. Банки виконують роль посередників між фізичними особами, суб'єктами підприємницької діяльності та урядом, видаючи кредити та депозити.
4. Фондова біржа – це постійно діючий ринок, на якому здійснюється торгівля цінними паперами.
5. Податковий аудит застосовується для перевірки правильності ведення податкового та бухгалтерського обліку на підприємстві.
6. Ви можете розраховувати на значні відрахування, якщо разом з податковою декларацією подасте квитанції та інші документи.
7. Якщо Ви кладете готівку на поточний рахунок, Ви повинні вказати джерела її походження.
8. Інвестиційні банки спеціалізуються у залученні довгострокового позикового капіталу.
9. Основою стратегії інвестиційного банку є розвиток як корпоративного бізнесу, так і малого та середнього бізнесу.
10. Банки інвестують кошти у цінні папери з метою одержання прибутку у формі процентів, дивідендів, курсової різниці від перепродажу цінних паперів.

e. Revise the following finance & banking vocabulary:

account	deposit	money
asset	equity	plunge
audit	exchange	rate
bail-out	expenses	retained
bank	FICC	return
banking	fund	revenue
bonds	income	saver
borrow	interest	savings
borrower	invest	security
Bundesbank	investment	share
business	investor	shareholder

capital cash charge check credit currency	IRS lender lending loan monetary	stock tax taxable taxpayer volatile
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f. Revise the following general vocabulary:

accept acknowledged acquire act add additional advisory afraid after alignment alimony all allow already also among amount analysis announce announcement annual appointment arise around article ask aspect assemble asset	fix fixed flow focus follow following for former formula forward franchise fund further future get give global go good goods government grand group growth have he head help here	potential praise prep preparation preparer presentation president pressure previously price principle private proactive problem process produce profile project proof provide précis public purchase question race raise random reason receipt
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assume	hide	receive
assumption	high	recent
attaching	him	record
audit	his	double
authorised	home	reduce
average	house	reduction
avoid	how	regret
aware	however	regulatory
back	idle	reinforcement
base	if	reject
be	implied	reliable
because	important	remain
before	in	repay
beleaguered	inadequate	repeated
believe	incident	report
best	include	representative
biggest	included	reputable
bit	income	reputation
block	indicate	request
board	individual	required
bore	individually	requirement
bracket	industrial	respect
broad	industry	responsibility
brought	instead	responsible
build	institution	rest
but	institutional	retained
buy	integrated	retirement
by	integrity	return
call	interest	revelation
can	interim	right
cancel	intermediary	risk
carry	internal	report
cash	into	rogue
caught	invest	role
center	investment	salary
CEO	investors	same

certain	involve	Saturday
chairman	IRS	saver
chance	issue	savings
change	issuer	say
chief	Italy	scrutinize
child	item	season
choose	its	security
client	job	self-employed
close	join	sell
come	jointly	series
commitment	just	service
committed	justify	serving
commodity	keep	severance
common	keeping	SFr
compared	know	share
completely	large	sharp
complex	last	shock
complexity	later	should
computer	latter	simple
concentrate	lead	since
conclusion	leading	Singapore
conference	least	singer
confident	left	sit
confirm	legally	six
consistent	less	small
consumer	let	so
contact	letter	social
continue	like	software
contribute	likely	solution
control	link	some
convince	little	source
coping	loan	sovereign
copy	local	special
corporate	long	speed
correct	loss	spend
correctly	low	sponsor

could	made	spurring
crime	major	staff
criminal	make	state
crisis	management	stock
deal	manager	strategy
debate	many	strengthen
decision	market	study
decline	match	subtraction
deduct	math	successor
deductible	matter	such
deduction	may	suggested
deep	meeting	support
deeply	meetings	sure
departure	mention	surprise
deputy	might	Swiss
detail	million	table
different	mind	take
diminution	minimise	team
directing	minute	testimony
directly	month	than
discrepancy	more	that
disproportionately	most	their
do	move	them
documentation	national	then
double	need	theory
dramatic	never	these
during	new	they
duty	news	think
early	next	this
easy	no	though
economic	not	through
economy	note	tied
effort	November	time
eliminate	number	timing
emerge	numerous	tipped
enable	objective	tips

encourage	occur	together
English	October	top
entity	of	toxic
error	off	trader
Europe	old	trading
evading	on	transfer
evaluation	one	translation
even	ongoing	trigger
event	only	turn
every	optimally	two-day
example	option	type
excellent	or	Ukrainian
exchange	other	ultimate
executive	our	ultimately
existing	out	unclear
exit	over	uncompromising
expand	overall	under
expanding	overseas	union
expected	overshadowed	unit
expenses	own	unsuccessful
experienced	owned	until
external	owner	use
face	page	value
factory	paragraph	variety
fall	part	volatile
fate	particularly	voluntarily
fear	pay	wary
February	penalty	way
federal	people	we
feel	percolate	wealth
feels	permanent	wholly
few	phone	wide
file	place	will
filing	play	wonder
final	plunge	worry
finance	politician	would

financial find firm	positions possible	write year
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UNIT TWO.

INTERNATIONAL FINANCE

A. BEFORE YOU READ

1. CONCEPT MAPPING:

- a) Develop a "mind map" around the notion "ECONOMY" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
 b) List all the information that comes to mind about this title
 c) Use these pieces of information to recall and understand the material.
 d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading.

6. DEFINITION:

- a) What is CFR / think tank / global imbalance / nonpartisan membership?
 b) Where does CFR fit?
 c) What group of activities do convening meetings belong to?

7. CHARACTERISTICS:

How would I describe the focus of Ukraine's foreign policy?

8. EXPERIENCE:

- a) What experience have I had with a think tank?
- b) What can I imagine about working as a business executive?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

2.1. The Gloomy Prospects for World Growth.

The Council on Foreign Relations (CFR) is an independent, nonpartisan membership organization, *think tank*, and publisher dedicated to being a resource for its members, government officials, *business executives*, journalists, educators and students, *civic* and religious leaders, and other interested citizens in order to help them better understand the world and the foreign policy choices facing the United States and other countries. Founded in 1921, CFR carries out its mission by maintaining a diverse membership, with special programs to promote interest and *develop expertise* in the next generation of foreign policy leaders; *convening meetings* at its headquarters in New York and in Washington, DC, and other cities where senior government officials, members of Congress, global leaders, and prominent thinkers come together with CFR members to discuss and debate major international issues; supporting a Studies Program that *fosters independent research*, enabling CFR scholars to produce articles, reports, and books and hold roundtables that analyze foreign policy issues and make concrete policy recommendations; publishing *Foreign Affairs*, the preeminent journal on international affairs and U.S. foreign policy; sponsoring Independent Task Forces that produce reports with both findings and policy prescriptions on the most important foreign policy topics; and providing up-to-date information and analysis about world events and American foreign policy on its website, CFR.org.

The seeds of the current economic and financial crisis were sown by economic policies of the major countries that fostered the growth of *global imbalances* during the 2000s. Consequently, an

essential element in any assessment of prospects for world economic recovery and the pace of future growth has to factor in exactly how these imbalances are likely to unwind—or fail to be resolved—in the period immediately ahead. Since the onset of the crisis, *current account* imbalances among the major economies in the world have declined, leading some analysts to think that imbalances were starting to unwind. Unfortunately, however, changes in current account imbalances have largely reflected the effects of *the economic downturn*. To address the underlying imbalances in savings and investment behavior that continue to exist, major economies will need to make some important changes in economic policies.

Understandably, the focus of economic policy up until now has been on tackling the immediate problems of dealing with major *financial disruptions*, stabilizing the world's major economies, and trying to restart growth. Any thinking beyond these initial challenges has been directed at addressing the significant failures in regulation and supervision of the financial sector that contributed to the *severity* of the crisis. Increasingly, light is being seen at the end of the tunnel, the beginnings of *economic recovery* are being proclaimed, and exit strategies from economic stimulus are being discussed.

Some of the stimulus policies that have been pursued will facilitate the adjustment of global imbalances; however, actions in many countries appear likely to add to imbalances over time, and the lack of needed policy actions—especially structural reforms—in other countries will delay adjustment as well. As a result, the outlook for recovery and growth in the world economy *at this juncture* appears rather gloomy. Lasting adjustment in imbalances is taking place only in the United States, and this will continue over the medium term. The result will be significantly slower growth in U.S. demand in the next several years. Hence, the main factor determining growth in the world economy will be whether other sources of demand will arise *to take up the slack* left by slower U.S. growth. At the moment, prospects do not look good. None of the other major economies appear inclined to make the necessary changes in policies to deal with their imbalances and raise their demand. Therefore, the world economy faces the prospect of a prolonged period of slower growth and greater *volatility* than it has known for several decades.

2.2. Adjustment in the United States.

2.2.1. Make an English précis of the article.

2.2.2. Make a Ukrainian précis of the article.

In the United States, savings in the household sector have risen significantly, and these increases are likely to be permanent. The decline in housing prices has had a major impact on savings behavior. The surge in consumption during the economic expansion in the early 2000s was heavily linked to increases in the value of housing. However, this consumption boom did not reflect a traditional wealth effect; it was predominantly a financing phenomenon. Innovations in financial markets increased access to credit for households by making it very easy for individuals to tap the equity in their homes to fund consumption expenditures. But this source of consumption financing has dried up. With lower house prices, households have less equity in their homes, and with a greater debt burden acquired in the previous expansion, households are and will continue to be reluctant to borrow. Consequently, saving has risen in recent quarters back to its average level during the last economic expansion in the 1990s. At that time, household savings averaged about 5-6 percent of disposable personal income, compared with the near zero average rate recorded during the final years of the economic expansion in the 2000s.

There are considerable reasons to believe, however, that the U.S. household savings rate will rise significantly above its current level. Households have experienced a substantial decline in financial wealth, in addition to the sharp fall in the value of housing. In response to these large losses, households will have to raise savings to rebuild their wealth. This is particularly true for members of the baby boom generation, as this large cohort is fast approaching the traditional age for retirement. Baby boomers now have to face the choice of either significantly raising their savings or postponing retirement. In the early 1990s, the boomers faced a somewhat similar need to increase financial resources for retirement. At that time, they had two basic choices: to save more or to raise the returns on their existing savings. They chose to raise returns on their assets by shifting their portfolios toward higher-yielding equity investments. But now households have already diversified their portfolios heavily into equities, and they have little room to shift them further. Moreover, they have little appetite to

do so. Twice in the past decade major stock market corrections have hit household financial wealth hard, making equity investments look a lot more risky than they were perceived to be originally.

2.3. The baby boomers raise their savings.

2.3.1. Give a written translation of Paragraph I.

In these circumstances, the baby boomers are likely to raise their savings significantly. The U.S. government will also have to increase its savings to deal with the massive fiscal deficit that has opened up, in part owing to the necessary measures that the Obama administration has taken to stabilize the economy. But government savings will also have to rise to deal with the underlying imbalance in the U.S. fiscal position that has existed since the Bush administration embarked on a substantial fiscal expansion in the early 2000s. In order for the U.S. government to be able to meet its obligations to its aging population without having to resort to major increases in taxes or cuts in spending (including programs for the elderly), the budget will have to be brought back into surplus, and that surplus will have to be maintained for some time to cope with the pressures on spending arising from population aging.

The Obama administration recognizes the need for fiscal consolidation. Its budget blueprint, released in early 2009, lays out a credible plan for beginning this process. However, in implementing a substantial fiscal consolidation on the scale of what is needed, the administration will face some very tough choices, especially because the economic and political environment in the period ahead is not likely to be very conducive to fiscal consolidation. Relatively slow economic growth over the next several years will offer a convenient pretext for putting off adjustment. But the administration will have little choice but to proceed anyway or risk creating conditions that will result in persistent slow growth over the medium term.

Somewhat slower growth in the near term arising from fiscal consolidation is a tradeoff that will have to be made to achieve a sustainable budget position and lay the foundation for a return to more rapid growth. Delaying fiscal adjustment would provide only marginally higher rates of growth.

Near-term growth would be only marginally higher in the absence of fiscal adjustment because household savings would rise even further as individuals recognize that it will be increasingly likely that either medium-term government promises regarding pension and health care benefits will be broken or that taxes will have to be raised substantially or other government spending cut. A protracted period of large fiscal deficits would also significantly push up real interest rates and reduce investment, in turn reducing growth. So in the end, the Obama administration has only one responsible choice and that is to proceed with fiscal consolidation as economic recovery takes hold in the next one to two years.

Therefore, it can be expected that national savings in the United States will rise substantially in the period ahead. Thus, adjustment in the U.S. savings and investment imbalance will take place, and the current account deficit will narrow. Consequently, demand in the United States over the next decade or so will grow substantially slower than it has in the preceding three decades.

C. AFTER YOU READ

- a) What is the author trying to say?
- b) What is his point of view and his reason for writing the particular work?

D. LANGUAGE FOCUS

a) *Make it negative:*

1. In these circumstances, the baby boomers are likely to raise their savings significantly.
2. The U.S. government will also have to increase its savings to deal with the massive fiscal deficit that has opened up, in part owing to the necessary measures that the Obama administration has taken to stabilize the economy.

b) *Paraphrase the following:*

Innovations in financial markets increased access to credit for households by making it very easy for individuals to tap the equity in their homes to fund consumption expenditures.

c) *Relate the action to the past/present/future:*

But the administration will have little choice but to proceed anyway or risk creating conditions that will result in persistent slow growth over the medium term.

d) *Turn direct speech into indirect:*

1. Mr Villager said Mr Grübel would receive no severance pay, but receive six months of his SFr2m annual base salary.
2. “We could not convince him. We had to accept his decision with regret, and with respect”, he added.

E. VOCABULARY ARRANGEMENT

- a. Arrange a semantic field of the words relating to the topic.
- b. Add words you probably already understand to connect relationships between what is known and the unknown.
- c. Supply the English equivalent to the Ukrainian from the list given below:

The previous week, US officials were openly criticising their European *протилежну сторону* for their failure to work out a solution to the difficulties of troubled members of the European Union. While *вплив* from that festering problem will hit the US itself in all sorts of unpredictable ways, the inability of the Europeans to come up with a *розв’язання* has allowed Americans to feel complacent again about their own circumstances.

There is little reason, though, for such *самозадоволення*. If the US dollar is strong, it isn’t because the US itself is strong, but because the other traditional havens, notably the Japanese yen and the Swiss franc, have been taken out of the game by the Japanese and Swiss *влада*, as David Bloom’s HSBC’s London-based strategist notes.

The world has turned to the US more by *невиконання зобов’язань* than for any positive reason. Moreover, most economic data continues to be gloomy. For example, a new orders *показник* from Goldman Sachs registered its sharpest *падіння* ever, while *попит* is likely to remain weak as labour income *понижуватися*.

1. counterpart
2. slide
3. solution
4. complacency
5. authorities

6. default
7. index
8. drop
9. demand
10. contagion

d) Suggest the correct translation:

A jump in the euro zone's annual inflation rate for September soured (A) the tone of trading before U.S. markets opened. Concerns over weak Chinese manufacturing data also crimped (B) stocks."The inflation [reading] put a big wet blanket (C) on the market today," said Doug Cote, chief market strategist at ING Investment Management. "It makes an ECB rate cut harder." Stocks briefly pared (D) losses after Berkshire Hathaway's Warren Buffett said on CNBC that the company already has begun a stock-buyback (E) program, also complimenting President Barack Obama's efforts to jump-start (F) the economy. But the comments failed to change the negative tone of Friday's trading. Micron Technology dropped 83 cents, or 14%, to 5.04, after the chip maker (G) reported a fiscal (H) fourth-quarter loss, rather than the slight profit that analysts had expected. Eastman Kodak slumped 91 cents, or 54%, to 78 cents. The Wall Street Journal reported that the company has hired (I) restructuring lawyers amid investor concerns about its turnaround (J) prospects. In after-hours trading, the stock surged after the company said it has no intention to file for bankruptcy protection.

F. INFORMATION FILE:

Share new information with your fellow students.

G. ADVANCE ORGANIZERS:

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS:

a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.

b) If you find they have new background information, ask for more information from them.

I. QUIZ # 2

a. Define the following sentences “True” or “False”:

1. CFR is a governmental organization.
2. CFR was founded in 1931.
3. CFR has headquarters both in Washington and New York.
4. Since the onset of the crisis, current account imbalances among the major economies in the world have risen.
5. The focus of economic policy up until now has been on tackling the immediate problems of dealing with major financial disruptions.
6. There is no direct relationship between consumption and traditional wealth effect.
7. Households are not reluctant to borrow because of greater debt burden acquired in the previous expansion.
8. The Congress recognizes the necessity for fiscal consolidation.
9. Supply in the United States over the next decade or so will grow substantially slower.
10. Due to innovations in financial markets access to credit for households has been increased.

b. Give the opposite:

expertise, facilitate, growth, consumption, wealth, deficit, spending, benefit, loss, impact.

c. Decode the following terms:

think tank, assessment, burden, savings, portfolio, blueprint, tradeoff, interest rate, fiscal, high-yielding.

d. Translate the following into English:

1. Економічне зростання є однією з найважливіших проблем суспільного розвитку.
2. Вихід із економічної кризи можливий завдяки скороченню дефіциту платіжного балансу та державного бюджету країни, підвищення обсягів виробництва.
3. Скорочення економіки спричиняє дисбаланс у поточному рахунку.
4. Світовий банк передбачає, що економіки розвинених країн світу зростатимуть у середньому на 3%, тоді як зростання у

країнах, що розвиваються, буде принаймні удвічі швидшим - до 6%.

5. Сьогодні для фінансової системи чи не найголовнішим є вирішення питання вдосконалення глобальної фінансової регулятивної політики.
 6. Безпосередньою причиною нинішньої фінансової кризи стала безконтрольність діяльності кредитних установ на глобальних та локальних фінансових ринках.
 7. Деякі фінансові аналітики вважають, що споживче кредитування – менш ризиковане для банків, ніж корпоративне чи іпотека.
 8. Значний дефіцит поточного рахунку платіжного балансу поєднується із скороченням припливу прямих, портфельних та фінансових інвестицій.
 9. Влада ЄС побоюється, що повільне економічне зростання в Італії разом з позахмарним рівнем держборгу (1,8 трлн євро) підірвуть довіру інвесторів до держоблігацій країни.
 10. Досягнення низького рівня фіскального дефіциту стає вирішальною метою для перехідних економік.
- e. Revise the following finance&banking vocabulary:*

account	downturn	investment
asset	economic	loss
baby boomer	economy	order
borrow	equity	portfolio
budget	expenditure	rate
burden	financing	return
credit	fiscal	save
debt	high-yielding	saving
deficit	income	stock
demand	interest	surplus

f. Revise the following general vocabulary:

able	force	prolonged
about	foreign	prominent
above	foster	promise

absence	foundation	promote
access	fund	prospect
account	future	protract
achieve	generation	provide
acquired	give	précis
actions	global	publisher
especially	gloomy	pursued
add	good	push
addition	government	put
address	great	quarter
adjustment	grow	raise
administration	growth	rapid
affair	hard	rate
age	have	rather
ahead	headquarters	real
already	health	reason
also	heavily	rebuild
American	help	recent
among	Hence	recognize
analysis	hit	recommendation
analyst	hold	record
analyze	house	recovery
anyway	household	reduce
appear	housing	reflect
appetite	how	reform
approaching	imbalance	regarding
arise	immediate	regulation
article	immediately	relation
assessment	impact	Relatively
average	implement	release
baby	important	religious
basic	incline	reluctant
because	increase	report
beginning	increasingly	research
behavior	independent	resolve
being	individual	resort

believe	information	resource
benefit	initial	response
better	innovation	responsible
beyond	interest	restart
blueprint	interested	result
book	international	retirement
boom	into	return
boomer	investment	rise
borrow	issue	risk
both	journal	risky
budget	journalist	room
burden	junction	roundtable
business	lack	save
care	large	saving
challenge	largely	scale
change	last	scholar
choice	leader	sector
circumstance	leading	seed
city	left	seen
citizen	less	senior
civic	level	several
cohort	light	severity
come	likely	sharp
compared	link	shift
concrete	little	significant
conditions	look	similar
conducive	lot	since
congress	low	slack
consequently	made	slow
considerable	main	some
consolidation	maintain	somewhat
consumption	make	source
continue	many	special
contribute	marginal	spend
convenient	market	sponsor
convening	massive	stabilize

cope	measure	start
correction	medium	stimulus
council	medium-term	stock
country	meet	strategy
create	meeting	structural
credible	member	students
credit	membership	studies
crisis	mission	substantial
current	moment	substantially
cut	more	supervision
deal	moreover	supporting
dealing	narrow	surge
debate	national	sustainable
decade	near	tackling
decline	necessary	take
dedicated	nee	tank
deficit	next	tap
delay	nonpartisan	task
demand	now	term
determine	obligation	somewhat
develop	offer	their
direct	official	therefore
discuss	only	these
disposable	onset	they
disruption	open	think
diverse	order	thinker
diversified	organization	thinking
do	originally	this
downturn	outlook	three
dried	owing	thus
during	pace	time
early	paragraph	together
easy	part	topic
educator	particularly	tough
effect	past	toward
elderly	pension	tradeoff

element	perceived	traditional
embark	percent	translation
enable	period	true
end	permanent	trying
English	persistent	tunnel
environment	personal	turn
especially	phenomenon	twice
essential	place	two
even	plan	underlying
event	policy	understand
exactly	political	understandably
executive	population	unfortunately
exist	portfolio	united
exit	position	until
expansion	postpone	unwind
expected	preceding	up-to-date
experienced	predominantly	value
expertise	preeminent	very
face	prescription	volatility
facilitate	pressures	wealth
factor	pretext	website
fail	previous	well
failure	price	what
fall	problems	where
fast	proceed	whether
final	process	will
financial	proclaim	world
finding	produce	year
focus	program	

UNIT THREE.

INTERNATIONAL FINANCE INSTITUTIONS

A. BEFORE YOU READ

1. CONCEPT MAPPING:

Develop a "mind map" around the notion "LENDING INSTITUTION" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading:

6. DEFINITION:

- a) What is corruption?
- b) What are the functions of the World Bank?
- c) What UNO group do the World Bank and IFI belong to?

7. CHARACTERISTICS:

- a) How would I describe Ukrainian internal budgetary problems?
- b) Who initiated founding the Bretton Woods institutions?
- c) What is the scope of the Bretton Woods institutions' activities?

8. EXPERIENCE:

- a) What experience has my country had with the IMF?
- b) What can I imagine about the country's purpose of using the budget surplus?

c) What is the IMF's significance for any developing country?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

3.1. Bretton Woods institutions.

When people talk of the International Financial Institutions (IFIs), they mean the two Bretton Woods institutions, the International Monetary Fund and the World Bank. Of course, strictly speaking, any *multilateral organization* with financial operations is an IFI – for example, the regional multilateral banks, regional *monetary authorities*, some agencies of the United Nations Organization that *disburse funding*, etc. However, in practice, by IFIs is meant the two global IFIs – the Fund and the Bank. In recent years there has been growing discussion of the role of these institutions in the provision of International Public Goods (IPGs). An aid *fatigued* public in the rich North, beset by its own internal budgetary problems (for example, the *looming* social security *crisis* of an ageing population) and convinced by tales of waste and corruption in aid flows, *has grown weary* and wary of conventional country specific development assistance. In contrast, the notion of IPGs seems attractive to Northern publics – at least their representatives have adopted the IPG *refrain* in international fora. But what exactly is an IPG? Given the “aura” that the term seems to have developed, there is clearly an *incentive* to justify any activity by any agency as an IPG, and aid agencies have not been *shy* in doing this. At its most general level, de Given the “aura” that the term seems to have developed, there is clearly an *incentive* to justify any activity by any agency as an IPG, and aid agencies have not been *shy* in doing this.

Development in poor countries is being argued to be an IPG, and hence an argument for continuing conventional aid – *disenchantment* with which turned the Northern public to IPGs in the first place. On the other hand, highly specific activities like research into vaccines for tropical diseases are also being *labelled* as the

provision of an international public good. If we are not careful, everything will be labelled an IPG, and the concept will lose not only its analytical cutting power, but also its capacity to mobilize Northern resources.

3.2. IPG theory.

3.2.1. Make an English précis of the article.

3.2.2. Make a Ukrainian précis of the article.

There is an understandable tendency to fit almost any IFI activity under the IPG umbrella – for example, financial support for vaccine research, in-house economic research on development, capacity building for research in developing countries, collation and dissemination of research, convening international summits on global pollution, developing international trading mechanisms for national pollution permits, multi-country environmental and water preservation projects, raising money from financial markets at lower cost, disseminating and evaluating information on economic and financial conditions in individual countries, developing and monitoring of banking standards, coordinating aid flows from disparate donors, etc.

It is important at the outset to clarify terms and set up a clear framework for identifying IPGs and their key characteristics. The technical definition of a pure public good is a commodity or activity whose benefits are non-rival and non-excludable. By non-rival is meant that one entity benefiting from it does not diminish the benefit to another entity. By non-excludable is meant that no entity can in fact be denied the benefit. An international public good is one where the entities in question are conceptualized as nations rather than individuals. There are two important points to be made with regard to these two criteria. First, although they help sharp conceptualization, in most practical cases they will only be met partially. Second, while rivalry can be characterized as a property given by technology, excludability is man-made. IPGs relate very closely to spillover effects or externalities between countries, and it is worth clarifying the concept of such international externalities.

Consider a collection of nation states that have jurisdictional authority and control over different policy instruments within their own boundaries. However, there are spillover effects of events and

policies in one country on other countries, near and far. Civil war in one country sends refugees into near neighbours. Carbon dioxide emissions from one country affect all countries through their impact on global climate. Water use in one country lowers the available water supply for others who share the same water table. Infectious diseases incubated in one place spread to another. Financial contagion, as the name suggests, spreads from country to country; lack of confidence in one country's financial future may unfairly taint other countries in a peer group. Activities that mitigate negative externalities and promote positive ones then satisfy the criteria defining IPGs.

3.3. The InterAmerican Development Bank (IDB).

3.3.1. Give a written translation of Paragraph I.

In June of 1994, the IDB's Board of Directors created an independent inspection mechanism to "further the transparency, accountability and effectiveness of the Bank's performance in its operations." Like the inspection Panel at the World Bank, the IDB's inspection mechanism is intended to protect affected citizens in borrowing countries. Any organization can request an inspection by offering "reasonable evidence that its rights or interests have been or are likely to be directly and materially affected by an action or omission of the Bank as a result of a failure of the Bank to follow its operational policies or norms".

All requests are forwarded to the Bank President, who will solicit a response from Bank Management to the allegations and make a recommendation to the Board as to whether an inspection is warranted. If the Board of Directors determines that an inspection is warranted, they shall name an inspection panel from a permanent ten-person roster nominated by the President and appointed by the Board of Directors. Late in 1995, more than a year after passing the resolution, the Bank finally named the roster of experts. The Bank has done nothing to inform potentially affected parties of their ability to file a claim. Due to obscurity and a lack of independence from IDB control, the mechanism has reviewed only one claim.

C. AFTER YOU READ

- a) Depending upon the content area, a discussion of the author of the particular work can be helpful to the understanding of it.
- b) What is the author trying to say?
- c) What is his point of view and his reason for writing the particular article?
- d) What do I know?
- e) What did I learn?

D. LANGUAGE FOCUS

a) Make it negative:

1. In June of 1994, the IDB's Board of Directors created an independent inspection mechanism to "further the transparency, accountability and effectiveness of the Bank's performance in its operations."
2. "Like the inspection Panel at the World Bank, the IDB's inspection mechanism is intended to protect affected citizens in borrowing countries.

b) Paraphrase the following:

1. Consider a collection of nation states that have jurisdictional authority and control over different policy instruments within their own boundaries.
2. Given the "aura" that the term seems to have developed, there is an incentive to justify any activity by any agency as an IPG, and aid agencies have not been shy in doing this.

c) Relate the action to the past/present/future:

1. All requests are forwarded to the Bank President, who will solicit a response from Bank Management to the allegations and make a recommendation to the Board as to whether an inspection is warranted.
2. If the Board of Directors determines that an inspection is warranted, they shall name an inspection panel from a permanent ten-person roster nominated by the President and appointed by the Board of Directors.

d) Turn direct into indirect:

Hahn and Hausman suggested: "This aspect is almost never reported or even checked in applied empirical work, in spite of the fact that recent research shows that the use of weak instruments, i.e. instruments

that do not contribute much to explaining the instrumented variable, can lead to substantial biases in both estimators and test statistics even in large samples”.

E.VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian from the list given below:

“Previously we used to take decisions on fundamental economic *підвалини*,” he said. “Now we are expected to make investment decisions on the basis of the reactions of politicians. We have become *заручником* to the *безвідповідальний* behaviour of politicians. We thought the US would meet its responsibilities as the *єдина* reserve currency of the world. Instead, we found out the *мета* was to get re-elected.”

Mr Al Saad, who started his professional life as a currency *біржовий* маклер, noted that he was taught to regard US Treasuries as the only true *надійні* assets in the world, the *мірило* against which every other asset was measured. Today, he concluded, Treasuries are no longer risk-free, largely because of the behaviour of politicians. Many central bankers in Asia share Mr Al Saad’s *застереження*, which have been shaped by their reaction to the congressional *жорстока суперечка* over raising the debt ceiling.

1. irresponsible
 2. wrangling
 3. sole
 4. objective
 5. trader
 6. risk-free
 7. bases
 8. hostage
 9. benchmark
 10. reservation
- d. Suggest the correct translation:

Financial stocks were among the hardest hit (A) during the quarter, with many banks falling 25% or more. Morgan Stanley shares tumbled 10% on Friday, and have lost more than 40% of their value during the quarter, amid continued rumors (B) that the bank is exposed (C) to debt of troubled European nations. Wall Street strategists have reduced their forecasts for growth and company earnings (D), and investors are ratcheting (E) down expectations for the stock market this year. Ominous (F) signs around. Economic data out of China, the key engine for the world economy, is increasingly bleak (G). Fresh numbers on Friday indicated the country's manufacturing sector may have shrunk (H) slightly in September. Leading indicators for the world's economy, such as China's stock market, copper prices and crude oil, have tumbled. The third quarter began on a cautious (I), but relatively upbeat (J) note. But investors were quickly hit by a barrage of worrisome events.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them.

I. QUIZ # 3

a. Define the following sentences "True" or "False":

1. The World Bank is not a Bretton Woods institution.
2. Disenchantment is referred to continuing financial aid.
3. The rich North is not troubled by its own internal budgetary problems.

4. International Financial Institutions are concerned with the provision of International Public Goods.
5. Capacity building for research in developing countries is one of IFI activities.
6. The technical definition of a pure public good is a commodity or activity whose benefits are rival and excludable.
7. An international public good is one where the entities in question are conceptualized as individuals rather than nations.
8. IPGs relate very closely to spillover effects or externalities between countries.
9. It is the Bank President who solicits a response from Bank Management to the allegations.
10. The President shall name an inspection panel from a permanent ten-person roster nominated by the Board of Directors.

b. Give the opposite:

multilateral, provision, aid, in-house, resolution, transparency, evidence, inspection, justify, capacity.

c. Decode the following terms:

Bretton Woods institution, monetary authorities, incentive, disburse funding, financial contagion, entity, externality, disparate donors, refugee, social security.

d. Translate the following into English:

1. Світовий банк погіршив прогноз зростання ВВП України з 5% до 2,5% в 2012 році.
2. Міжнародні фінансові організації відіграють дедалі більшу роль у міжнародних економічних відносинах, оскільки саме через канали цих організацій проходить значна частка світових інвестицій, купівля та продаж валюти для фінансування експорту й імпорту.
3. Особливо важливою є діяльність міжнародних фінансових організацій для країн, що здійснюють перехід до ринкових відносин.
4. МВФ надає коротко- та середньострокові кредити при дефіциті платіжного балансу держави.
5. Роздрібні ціни на імпортні споживчі товари встановлюються, як правило, виходячи зі співвідношення попиту та пропозиції.

6. Оцінка інформації стосовно економічного та фінансового становища окремих країн і розробка та моніторинг банківських стандартів входять у сферу діяльності міжнародних фінансових організацій.
7. Як провідна міжнародна фінансова організація МВФ здійснює постійний нагляд і спостереження за світовою економікою.
8. Фінансування, виділене Міжамериканським банком розвитку, буде спрямовано на розширення доступу до електроенергії в провінціях, розвиток туризму, зовнішньої торгівлі і поліпшення можливостей працевлаштування для людей з обмеженими можливостями.
9. Ресурси Міжамериканського банку розвитку складаються із внесків країн-членів і запозичених коштів.
10. Кредити на суму 500 млн. дол., надані Міжамериканським банком розвитку, допоможуть країнам Латинської Америки боротися зі зростаючими цінами на продовольство.

e. Revise the following finance & banking vocabulary:

aid	claim	flow
banking	cost	funding
borrowing	donor	monetary
budgetary		

f. Revise the following general vocabulary:

ability	failure	place
accountability	far	point
action	fatigued	policy
activity	file	pollution
adopt	finally	poor
affect	financial	population
affect	first	positive
after	fit	potentially
ageing	flow	power
agency	follow	practical
aid	for	practice
all	fora	preservation
allegations	forward	president

almost	framework	problem
also	Fund	project
although	future	promote
analytical	general	property
and	give	protect
another	global	provision
appointed	good	public
argue	group	pure
argument	growing	question
article	hand	raise
assistance	help	rather
attractive	hence	recent
authority	highly	recommendation
available	however	refrain
banking	identify	refugee
benefit	impact	regard
beset	important	regional
between	in-house	relate
board	incentive	representative
borrowing	incubated	request
boundary	independence	research
building	independent	resolution
capacity	individual	resources
careful	infectious	response
case	inform	result
characteristics	information	review
citizen	inspection	rich
civil	institution	right
claim	instrument	rivalry
clarify	intended	role
clear	interest	roster
clearly	internal	same
climate	international	satisfy
closely	jurisdictional	second
collation	justify	security
collection	key	seems

commodity	label	send
concept	lack	set
conceptualization	late	shall
conceptualized	least	share
conditions	level	sharp
confidence	like	shy
contagion	likely	social
continuing	looming	solicit
contrast	lose	some
control	make	speak
convening	man-made	specific
conventional	management	spillover
convinced	market	spread
coordinating	materially	standard
corruption	may	state
cost	mean	strictly
country	mechanism	such
course	mitigate	suggest
created	mobilize	summit
crisis	money	supply
criteria	monitoring	support
cutting	more	table
defining	most	taint
definition	multi-country	tales
deny	multilateral	talk
determine	name	technical
developed	named	technology
development	nation	ten-person
different	national	tendency
diminish	near	term
dioxide	negative	then
directly	neighbour	theory
director	nominate	through
disburse	non-excludable	trading
discussion	non-rival	translation
disease	norm	transparency

disenchantment	nothing	tropical
disparate	notion	turn
disseminating	obscurity	two
dissemination	offer	Ukrainian
donor	omission	umbrella
due	only	under
economic	operational	understandable
effectiveness	organization	unfairly
effect	other	united
emission	outset	use
English	over	vaccine
entity	own	very
environmental	panel	war
evaluating	paragraph	warranted
event	partially	wary
everything	party	waste
evidence	passing	water
exactly	peer	we
example	people	weary
excludability	performance	worth
expert	permanent	written
externality	permit	year
fact		

UNIT FOUR.

MONETARY POLICY

A. BEFORE YOU READ

1. CONCEPT MAPPING:

Develop a "mind map" around the notion "MONEY" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading:

6. DEFINITION:

- a) What is the EMU?
- b) What countries signed the EMU treaty?
- c) What is the EU's monetary policy?

7. CHARACTERISTICS:

- a) How would I describe the benefits of the EMU?
- b) What is the UK's standing to the EMU?

8. EXPERIENCE:

- a) What have the countries lost signing the EMU treaty?
- b) What can I imagine about the rouble zone?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

4.1. The creation of the European Monetary Union (EMU)

is the most important event in *monetary economics* in the last decade. It led to at least two potentially important changes with respect to the setting of short-term *interest rates* in the EMU member countries. First, the European Central Bank (ECB) bases its monetary policy decisions on *aggregate* developments in the euro area, which may conceal diverse developments at the national level. Second, the weights on inflation and *output* in the ECB Taylor rule may deviate from those that were a good description of national interest rates in the pre-EMU phase. The core question of this paper is how appropriate the actual ECB interest rate setting is for each of the member countries compared to a (hypothetical) situation where national central banks are still responsible for monetary policy. This analysis may also *yield* some insights into the question of whether monetary policy can be blamed for the low GDP growth rate in a number of EMU member countries, e.g. Germany or Italy. In this study we interpret short-term interest rates as the *prime indicators* of monetary policy. *Estimated* monetary policy reaction functions in the form of Taylor rules are often used as concise descriptions of the monetary policy *stance*. They explain how deviations of output from potential output and inflation from target affect the level of interest rates. To answer the above research question, we compare the actual short-term interest rate path in the euro area with simulated interest rate paths for the member countries in a *counterfactual* scenario.

The analysis should enable us to better understand how appropriate the centrally conducted monetary policy is for the respective member countries. If it turned out that the counterfactual national interest rate paths were relatively similar to the actual interest rate paths resulting from European monetary policy decisions, the cost of EMU from centralising monetary policy would be rather small. It would also be difficult to blame the ECB for contributing to the poor growth *performance*. On the other hand, if we found noteworthy

deviations in the interest rate paths for at least some economies, this might *raise concerns* about the net benefits these countries can expect from EMU membership. A potentially important general estimation problem in this context is the choice of instruments. Good instruments are variables that are uncorrelated with the error term and highly correlated with the *variable* that needs to be instrumented. Thus, good instruments should on the one hand fulfill the orthogonality conditions between regressors and *error* term.

Typically, this assumption is investigated using a test of the validity of over-identifying restrictions when there are more instruments than estimated coefficients (Davidson and McKinnon, 1993). However, it should be noted that the test of over-identifying restrictions in fact tests the joint *hypotheses* that the instruments are *orthogonal* to the error term *and* that the estimated model is correctly specified. Moreover, working with time-series data, it is easy to find instruments that pass this test. On the other hand, good instruments should be highly correlated with the instrumented variable. This aspect is almost never reported or even checked in applied empirical work, in spite of the fact that recent research shows that the use of weak instruments, i.e. instruments that do not contribute much to explaining the instrumented variable, can lead to substantial *biases* in both estimators and test statistics even in large samples (Hahn and Hausman, 2003, Stock *et al.*, 2002). Stock and Yogo (2003) propose a test for weak instruments based on the F-test *value* of the first stage regression in a two-stage least squares procedure.

4.2. Canada: Monetary Policy.

4.2.1. Make an English précis of the article.

4.2.2. Make a Ukrainian précis of the article.

Central banks have not always existed. In early economies, governments would supply currency by minting precious metals with their stamp. No matter what the creditworthiness of the government, the worth of the currency depended on the value of its underlying precious metal. A coin was worth its gold or silver content, as it could always be melted down to this. A country's worth and economic clout was largely to its holdings of gold and silver in the national treasury. Monarchs, despots and even democrats tried to skirt this inviolate law

by filing down their coinage or mixing in other substances to make more coins out of the same amount of gold or silver. They were inevitably found out by the traders, money lenders and others who depended on the worth of that currency. This is the reason that movies show pirates and thieves biting Spanish doubloons to ascertain the value of their booty and loot.

The advent of paper money during the industrial revolution meant that it wasn't too difficult for a country to alter its amount of money in circulation. Instead of gold, all that was needed to produce more banknotes was paper, ink and a printing press. Because of the skepticism of all concerned, paper money was backed by a "promise to pay" upon demand. A holder of a "pound sterling" note of the United Kingdom could actually demand his pound of silver! When gold became the de facto backing of the world's currency a "gold standard" was developed where nations kept sufficient gold to back their "promises to pay" in their national treasuries. The problem with this standard was that a nation's economic health depended on its holdings of gold. When the treasury was bare, the currency was worthless.

In the 1800s, even commercial banks in Canada and the United States issued their own banknotes, backed by their promises to pay in gold. Since they could lend more than they had to hold in reserves to meet their depositors demands, they actually could create money. This inevitably led to "runs" on banks when they could not meet their depositors demands and were bankrupt. The same happened to smaller countries. Even the United States Treasury had to be rescued by JP Morgan several times during this period. In the late 1800s and early 1900s, countries legislated their exclusive monopoly to issue currency and banknotes. This was in response to "financial panics" and bank insolvencies. This meant that all currency was issued and controlled by the national governments, although they still maintained gold reserves to support their currencies. Commercial banks still could create money by lending more than their depositors had placed with the bank, but they no longer had the right to issue banknotes.

Modern Monetary Policy. Modern central banking dates back to the aftermath of great depression of the 1930s. Governments, led by the economic thinking of the great John Maynard Keynes, realized that collapsing money supply and credit availability greatly contributed to

the savagery of this depression. This realization that money supply affected economic activity led to active government attempts to influence money supply through "monetary policy". At this time, nations created central banks to establish "monetary authority". This meant that rather than accepting whatever happened to money supply, they would actively try to influence the amount of money available. This would influence credit creation and the overall level of economic activity.

Modern monetary policy does not involve gold to a great extent. In 1968, the United States rescinded its promise to pay in gold and effectively removed itself from the "gold standard". Since then, it has been the job of the Federal Reserve to control the amount of money and credit in the U.S. economy. In doing this, it wants to maintain the purchasing power of the U.S. dollar and its comparative worth to other currencies. This might sound easy, but it is a complex task in an information age where huge amounts of money travel in electronic signals in microseconds around the world.

4.3. The Effectiveness of Monetary Policy.

4.3.1. Give a written translation of Paragraph III.

Economists debate the relevant measures of money supply. "Narrow" money supply or M1 is currency in circulation and the currency in easily accessed chequing and savings accounts. "Broader" money supply measures such as M2 and M3 include term deposits and even money market mutual funds. Economists debate the finer points of the implementation and effectiveness of monetary policy but one thing is obvious. At the extremes, monetary policy is a potent force. In countries such as the Russian Republic, Poland or Brazil where the printing presses run full tilt to pay for government operations, money supply is expanding rapidly and the currency becomes rapidly worthless compared to goods and services it can buy. Very high levels of inflation or "hyperinflation" is the result. With 30-40% monthly inflation rates, citizens buy hard goods as soon as they receive payment in the currency and those on fixed income have their investments rendered worthless.

At the other extreme, restrictive monetary policy has shown its effectiveness with considerable force. Germany, which experienced hyperinflation during the Weimar Republic and never forgot, has

maintained a very stable monetary regime and resulting low levels of inflation. When Chairman Paul Volcker of the U.S. Federal Reserve applied the monetary brakes during the high inflation 1980s, the result was an economic downturn and a large drop in inflation. The Bank of Canada, headed by John Crow, targeted 0-3% inflation in the early 1990s and curtailed economic activity to such an extent that Canada actually experienced negative inflation rates in several months for the first time since the 1930s. Without much debate, the effectiveness of monetary policy, its timing and its eventual impacts on the economy are not obvious. That central banks attempt influence the economy through monetary is a given. In any event, insights into monetary policy are very important to the investor. The availability of money and credit are key considerations in the pricing of an investment.

Operations of a Modern Central Bank

The Central Bank attempts to achieve economic stability by varying the quantity of money in circulation, the cost and availability of credit, and the composition of a country's national debt. The Central Bank has three instruments available to it in order to implement monetary policy:

- Open market operations
- Reserve requirements
- The 'Discount Window'

Open market operations are just that, the buying or selling of Government bonds by the Central Bank in the open market. If the Central Bank were to buy bonds, the effect would be to expand the money supply and hence lower interest rates, the opposite is true if bonds are sold. This is the most widely used instrument in the day to day control of the money supply due to its ease of use, and the relatively smooth interaction it has with the economy as a whole.

Reserve requirements are a percentage of commercial banks', and other depository institutions', demand deposit liabilities (i.e. chequing accounts) that must be kept on deposit at the Central Bank as a requirement of Banking Regulations. Though seldom used, this percentage may be changed by the Central Bank at any time, thereby affecting the money supply and credit conditions. If the reserve requirement percentage is increased, this would reduce the money

supply by requiring a larger percentage of the banks, and depository institutions, demand deposits to be held by the Central Bank, thus taking them out of supply. As a result, an increase in reserve requirements would increase interest rates, as less currency is available to borrowers. This type of action is only performed occasionally as it affects money supply in a major way. Altering reserve requirements is not merely a short-term corrective measure, but a long-term shift in the money supply.

Lastly, the Discount Window is where the commercial banks, and other depository institutions, are able to borrow reserves from the Central Bank at a discount rate. This rate is usually set below short term market rates (T-bills). This enables the institutions to vary credit conditions (i.e., the amount of money they have to loan out), there by affecting the money supply. It is of note that the Discount Window is the only instrument which the Central Banks do not have total control over.

By affecting the money supply, it is theorized, that monetary policy can establish ranges for inflation, unemployment, interest rates, and economic growth. A stable financial environment is created in which savings and investment can occur, allowing for the growth of the economy as a whole.

C. AFTER YOU READ

What is the author trying to explain?

D. LANGUAGE FOCUS

a) Make it negative:

1. Lastly, the Discount Window is where the commercial banks, and other depository institutions, are able to borrow reserves from the Central Bank at a discount rate.
2. This rate is usually set below short term market rates (T-bills).
3. This enables the institutions to vary credit conditions (i.e., the amount of money they have to loan out), there by affecting the money supply.

b) Paraphrase the following:

1. Economists debate the relevant measures of money supply.

2. "Narrow" money supply or M1 is currency in circulation and the currency in easily accessed chequing and savings accounts.
3. "Broader" money supply measures such as M2 and M3 include term deposits and even money market mutual funds.

c) *Relate the action to the past/present/future:*

Very high levels of inflation or "hyperinflation" is the result. With 30-40% monthly inflation rates, citizens buy hard goods as soon as they receive payment in the currency and those on fixed income have their investments rendered worthless.

d) *Turn direct into indirect:*

The FED Secretary said: "Even the United States Treasury had to be rescued by JP Morgan several times during this period. In the late 1800s and early 1900s, countries legislated their exclusive monopoly to issue currency and banknotes".

E.VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian from the list given below:

As concerns over the state of the world and the ability of governments to act constructively grow, *відраза* to risk is likely to grow *відповідно*. Today, many hedge fund managers are *песимістичний щодо* about the prospects for world growth and are placing negative *ставка* on everything from the Aussie dollar to copper and other промислові *метали*. Some are short the Nasdaq (and a few particularly brave ones have a *відносна вартість* trade on in which they are also long the German stock index).

Meanwhile, one lesson of the eurozone crisis is that not all euro *державний* bonds are equal – that a German sovereign bond is very different from a Greek sovereign bond. But investors are only beginning *стикатися* with a world in which there are no true *притулків* or risk-free *активів*, especially for those whose home currency isn't the US dollar.

1. aversion

2. sovereign
3. bearish
4. relative value
5. industrial metal
6. grapple
7. commensurately
8. haven
9. bet
10. asset

d) Suggest the correct translation:

Economic data (A) early in July showed the U.S. recovery was slowing, and policymakers (B) in Washington took the country to the brink of default in early August. Then Standard & Poor's downgraded (C) the U.S. credit rating, sparking a rush (D) out of U.S. stocks. At the same time, Europe's debt troubles deepened, and more recently, the troubling (E) signs emerged (F) about China, raising new doubts about future demand for commodities (G) and other goods. Investors fled to safe havens. U.S. Treasury debt had its best quarter since the first quarter of 2008. Treasury's maturing (H) in 10 years or more returned (I) 23% during the quarter through Thursday, according to Barclays Capital index data. The yield on the 10-year note tumbled 1.23 percentage points during the quarter. Late Friday, the yield was still below the psychologically important 2% level, at 1.929%. The Japanese yen and U.S. dollar also rose. Some investors are taking some solace (J) in the fact that the third quarter, historically, has been the worst of the year, and the fourth quarter is typically the best.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them.

I. QUIZ # 4

a. *Define the following sentences "True" or "False":*

1. The European Central Bank bases its monetary policy decisions on collective developments in the euro area.
2. Taylor rules help experts describe the monetary policy of the EU.
3. Taylor rules explain how deviations of output from potential output and inflation from target affect the level of interest rates.
4. The worth of the currency of a country typically depended on the value of its underlying precious metal.
5. Commercial banks in Canada and the United States issued their own banknotes, backed by their promises to pay in gold in the 1800s.
6. The Great Depression caused introduction of modern central banking.
7. The United States withdrew itself from the "gold standard" in 1968.
8. Money supply is not expanding rapidly in Brazil and Poland.
9. Varying the quantity of money in circulation, the cost and availability of credit, and the composition of a country's national debt are the key targets of a modern central bank.
10. The discount rate is usually set below long term market rates.

b. *Give the opposite:*

performance, output, worthless, depression, deviation, reduce, relevant, monopoly, monetary, mutual.

c. *Decode the following terms:*

prime indicator, interest rate, sufficient, open market operations, money supply, depository institutions, economic cloud, EMU, euro area, credit conditions.

d. *Translate the following into English:*

1. З 1999 року діє Європейський монетарний союз одинадцяти держав і відбувся перехід на єдину валюту євро.

2. Європейський центральний банк виділяє такі принципи монетарної політики: ефективність, відповідальність, прозорість, середньострокова спрямованість.
3. Аналітики прогнозують, що країни єврозони будуть сповзати у рецесію, внаслідок чого очікується скорочення ВВП у країнах єврозони на 1 відсоток.
4. Центральні банки у переважній більшості країн не вступають у безпосередні взаємовідносини з підприємствами, організаціями і населенням.
5. Введення паперових грошей під час індустріальної революції означало, що для держав не було складно змінити обсяг грошової маси в обігу.
6. Основною причиною активізації та удосконалення банківського бізнесу став стрімкий розвиток капіталістичного виробництва.
7. Завдяки банкам діє механізм розподілу і перерозподілу капіталу за сферами і галузями виробництва.
8. В Україні головним суб'єктом монетарної політики є Національний банк, що відповідає законодавству України.
9. Основні функції ЄЦБ - емісія банкнот, проведення грошово-кредитної політики, рефінансування банків, контроль за діяльністю кредитно-банківських установ, організація й контроль за функціонуванням системи платежів, проведення валютної політики, виконання функцій агента уряду.
10. Розуміння монетарної політики надзвичайно важливе для інвесторів за будь-яких умов.

e. Revise the following finance & banking vocabulary:

backing	dollar	M2
banking	dubloon	M3
banknote	ECB	minting
bankrupt	EMU	monetary
bond	euro	mutual
borrow	funds	net
borrower	GDP	note
cheque	holding	payment
chequing	hyperinflation	pound

circulation	income	promise
coinage	inflation	rate
cost	insolvency	reserve
credit	investment	savings
creditworthiness	investor	sterling
currency	lend	stock
debt	lender	T-bill
deposit	lending	treasury
depositer	liabilities	yield
depository	loan	
discount	M1	

f. Revise the following general vocabulary:

able	eventual	performance
about	exclusive	period
above	exist	phase
accept	expand	pirate
access	expanding	place
account	expect	point
achieve	experienced	policy
action	explain	poor
active	explaining	potent
actively	extent	potential
activity	extreme	potentially
actual	F-test	power
actually	fact	precious
advent	facto	press
affect	federal	press
affected	filing	pricing
affecting	financial	prime
aftermath	find	printing
age	finer	problem
aggregate	first	procedure
all	fixed	produce
allow	for	promise
almost	force	propose

also	form	précis
alter	from	purchasing
although	fulfill	quantity
always	full	question
amount	function	raise
analysis	general	range
answer	give	rapidly
applied	gold	rather
appropriate	good	reaction
area	goods	realization
around	government	realize
article	great	reason
ascertain	greatly	receive
aspect	growth	recent
assumption	hand	reduce
attempt	happen	regime
authority	hard	regression
availability	have	regressor
available	head	regulation
back	health	relatively
backed	hence	relevant
backing	high	remove
bank	highly	render
bare	hold	reported
based	holder	requirement
bases	holding	rescind
because	however	rescue
become	huge	research
below	hypothesis	respect
benefit	impact	respective
better	implement	response
between	implementation	responsible
biases	important	restriction
biting	include	restrictive
blame	income	result
blame	increase	revolution

booty	increased	right
both	indicator	rule
brakes	industrial	run
Brazil	inevitably	same
but	influence	sample
buy	information	savagery
buying	ink	scenario
can	insights	seldom
Canada	instead	sell
central	institution	service
centralising	instrument	set
centrally	interaction	setting
chairman	interest	several
change	interpret	shift
check	into	short
choice	investigate	short-term
circulation	inviolate	show
citizen	involve	signal
clout	issue	silver
coefficient	issued	similar
coin	Italy	simulated
coinage	job	since
collapsing	joint	situation
commercial	just	skepticism
comparative	key	skirt
compare	kingdom	small
complex	large	smooth
composition	largely	some
conceal	larger	soon
concerned	last	sound
concise	lastly	specified
conditions	late	spite
conduct	law	square
considerable	lead	stability
considerations	least	stable
content	led	stage

context	legislate	stamp
contribute	less	stance
control	level	standard
controlled	long-term	statistics
core	long	still
corrective	loot	study
correctly	low	substance
correlated	maintain	substantial
cost	maintained	such
counterfactual	major	sufficient
country	make	supply
create	market	support
created	matter	taking
creation	may	target
crow	mean	targeted
curtailed	measure	task
data	meet	term
date	melt	typically
day	member	test
debate	membership	than
debt	merely	theorized
decade	metal	there
decision	microsecond	thereby
demand	might	these
democrat	mixing	they
depend	model	thief
depression	money	thing
description	monopoly	thinking
despot	monthly	those
developed	more	Though
development	moreover	through
deviate	most	thus
deviation	movie	tilt
difficult	much	time
discount	must	time-series
diverse	mutual	timing

doing	nation	total
dollar	national	trader
down	needed	translation
downturn	negative	travel
drop	net	true
due	note	try
during	noted	turn
each	noteworthy	two
early	number	two-stage
ease	obvious	type
easily	occasionally	uncorrelated
easy	occur	underlying
economic	often	understand
economics	only	unemployment
economist	open	use
economy	operation	using
effect	opposite	usually
effectively	order	validity
effectiveness	orthogonal	value
electronic	orthogonality	variable
empirical	other	vary
EMU	output	very
enable	over	way
English	over-identifying	weak
environment	overall	weights
error	own	whole
establish	panics	widely
estimated	paper	window
estimation	paragraph	work
estimator	pass	working
euro	path	world
European	pay	worth
even	percentage	worthless
event		

UNIT FIVE.**INTERNATIONAL MONETARY FUND****A. BEFORE YOU READ****1. CONCEPT MAPPING:**

Develop a "mind map" around the notion "FUND" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading.

6. DEFINITION:

- a) What is the membership of the IMF?
- b) Where does the IMF fit?
- c) What group does Ukraine belong to?

7. CHARACTERISTICS:

- a) How would I describe the negative aspect of cooperating with the IMF?
- b) Why does the IMF use the tranche policy?
- c) What is the way of the IMF's operating?

8. EXPERIENCE:

- a) What experience has my country had with the IMF?
- b) What can I imagine about long-term cooperation with the IMF?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

5.1. The IMF Policy.

With its near-global membership of 186 countries, the IMF is uniquely placed to help member governments take advantage of the opportunities—and manage the *challenges*—posed by globalization and economic development more generally. The IMF tracks global economic trends and performance, *alerts* its member countries when it sees problems on the *horizon*, provides a forum for policy dialogue, and passes on know-how to governments on how to *tackle* economic difficulties.

The IMF provides policy advice and financing to members in economic difficulties and also works with developing nations to help them achieve macroeconomic stability and reduce *poverty*. Marked by massive movements of capital and *abrupt shifts* in comparative advantage, globalization affects countries' policy choices in many areas, including labor, trade, and tax policies. Helping a country *benefit from* globalization while avoiding potential *downsides* is an important task for the IMF. The global economic crisis has highlighted just how interconnected countries have become in today's world economy. The IMF supports its membership by providing policy advice to governments and central banks based on analysis of *economic trends* and *cross-country experiences*; research, statistics, forecasts, and analysis based on tracking of global, regional, and individual economies and markets; loans to help countries overcome economic difficulties; *concessional loans* to help fight poverty in developing countries; and technical assistance and training to help countries improve the management of their economies

The IMF was founded more than 60 years ago toward the end of World War II (see History). The founders aimed to build a *framework* for economic cooperation that would avoid a repetition of the *disastrous* economic policies that had contributed to the Great

Depression of the 1930s and the global conflict that followed. Since then the world has changed dramatically, bringing extensive *prosperity* and lifting millions out of poverty, especially in Asia. In many ways the IMF's main purpose—to provide the global public good of financial stability—is the same today as it was when the organization was established. More specifically, the IMF continues to provide a forum for cooperation on international monetary problems *facilitate* the growth of international trade, thus *promoting job creation*, economic growth, and poverty reduction; promote exchange rate stability and an open system of international payments; and lend countries foreign exchange when needed, on a temporary basis and under adequate *safeguards*, to help them address balance of payments problems.

The IMF's way of operating has changed over the years and has undergone rapid change since the beginning of the 1990s as it has sought to adapt to the changing needs of its expanding membership in a globalized world economy. Most recently, the IMF's Managing Director, Dominique Strauss-Kahn, has *launched* an ambitious reform agenda, aimed at making sure the IMF continues to *deliver* the economic analysis and *multilateral* consultation that is at the *core* of its mission—ensuring the stability of the global monetary system.

5.2. An adapting IMF.

5.2.1. Make an English précis of the article.

5.2.2. Make a Ukrainian précis of the article.

With cross-border financial flows increasing sharply in recent decades, the interdependence of countries has deepened (see slideshow on capital inflows). The turbulence in advanced economy credit markets in 2007-08 has demonstrated that domestic and international financial stability cannot be taken for granted, even in the world's wealthiest countries. The spike in food and fuel prices, which has hit import-dependent poor and middle-income countries particularly hard, is another aspect of the globalized economy we all are part of. In response, the IMF has rethought its operations in several ways:

Enhancing IMF lending facilities. The IMF has upgraded its lending facilities to enable it to better serve its members. It has created a new Short-Term Liquidity Facility designed to help emerging market

countries with a track record of sound policies address fallout from the current financial crisis. To make its financial support more flexible and tailored to the diversity of low-income countries, it has established a new Poverty Reduction and Growth Trust, which has three new lending windows. As part of a wide-ranging reform of its lending practices, the IMF has also redefined the way it engages with countries on issues related to structural reform of the economy.

Strengthening the monitoring of global, regional, and country economies. The IMF has taken several steps to improve economic and financial surveillance, which is its framework for providing advice to member countries on macroeconomic policies. It is emphasizing research into the links between the financial sector and the real economy and the sharing of cross-country experiences. It has published new guidance on how to analyze and advise on exchange rates, and is paying more attention to the impact of the world's most important economies on other countries' economies. And it is improving its ability to warn member countries of risks and vulnerabilities in their economies.

Helping resolve global economic imbalances. The IMF's analysis of global economic developments, contained in its World Economic Outlook, provide finance ministers and central bank governors with a common framework for discussing the global economy. The IMF now also has the ability to call for multilateral consultations to discuss specific problems facing the global economy with a select group of countries—an innovative way of facilitating collective action among key players in the global economy. The first such consultation took place in 2006. It sought to reduce global payments imbalances and involved China, the euro area, Japan, Saudi Arabia, and the United States.

5.3. Analyzing capital market developments.

5.3.1. Give a written translation of Paragraph II.

The IMF is devoting more resources to the analysis of global financial markets and their linkages with macroeconomic policy. Twice a year, it publishes the Global Financial Stability Report, which provides up-to-date analysis of developments in global financial markets. IMF staff also work with member countries to help them

identify potential risks to financial stability, including through the Financial Sector Assessment Program (described in more detail below). The IMF also offers training to country officials on how to manage their financial systems, monetary and exchange regimes, and capital markets. The IMF is currently facilitating the drafting of voluntary guidelines for Sovereign Wealth Funds and works closely with the Financial Stability Board to promote international financial stability.

Assessing financial sector vulnerabilities. Resilient, well-regulated financial systems are essential for macroeconomic stability in a world of ever-growing capital flows. The IMF and the World Bank jointly run the Financial Sector Assessment Program, aimed at alerting countries to vulnerabilities and risks in their financial sectors. IMF and World Bank staff also advise on how to strengthen oversight and supervision of banks and other financial institutions. Working to cut poverty. At present, more than a billion people are living on less than \$1 a day, and more than three-quarters of a billion people are malnourished.

The IMF's role in low-income countries is changing as these countries grow and mature. But its central goal remains the same: to help promote economic stability and growth, laying the ground work for deep and lasting poverty reduction. Its current main priority is to help low- and middle-income countries cope with the adverse effects of the global economic crisis. To that effect, it is stepping up lending to low-income countries to combat the impact of the global recession.

Improving IMF governance. In May 2008, the IMF's membership approved a two-year package of reforms to improve representation of members at the Fund. For the IMF to be fully effective in its role, it must be perceived as representing all countries in a fair manner. With that in mind, governance reform is being accelerated to ensure a decision-making structure that reflects current global realities. The IMF is also becoming leaner and more efficient. It is trimming expenditures and reorganizing the way it earns revenue to pay for its operations.

Greater accountability and transparency. The IMF publishes almost all of its annual economic health checks of member countries, updates about its lending programs, and a wealth of other information

on its website. The IMF's performance is assessed on a regular basis by an Independent Evaluation Office.

C. AFTER YOU READ

- a) Depending upon the content area, a discussion of the author of the particular work can be helpful to the understanding of it.
- b) What is the author trying to say?
- c) What is his point of view and his reason for writing the particular work?

D. LANGUAGE FOCUS

a) *Make it negative:*

1. The IMF is devoting more resources to the analysis of global financial markets and their linkages with macroeconomic policy.
2. Twice a year, it publishes the Global Financial Stability Report, which provides up-to-date analysis of developments in global financial markets.
3. IMF staff also work with member countries to help them identify potential risks to financial stability, including through the Financial Sector Assessment Program (described in more detail below).

b) *Paraphrase the following:*

1. Resilient, well-regulated financial systems are essential for macroeconomic stability in a world of ever-growing capital flows.
2. The IMF and the World Bank jointly run the Financial Sector Assessment Program, aimed at alerting countries to vulnerabilities and risks in their financial sectors.
3. IMF and World Bank staff also advise on how to strengthen oversight and supervision of banks and other financial institutions.

c) *Relate the action to the past/present/future:*

1. The IMF publishes almost all of its annual economic health checks of member countries, updates about its lending programs, and a wealth of other information on its website.
2. The IMF's performance is assessed on a regular basis by an Independent Evaluation Office.

d) *Turn direct speech into indirect:*

Financial analysts say: "The IMF provides policy advice and financing to members in economic difficulties and also works with developing

nations to help them achieve macroeconomic stability and reduce *poverty*. Marked by massive movements of capital and *abrupt shifts* in comparative advantage, globalization affects countries' policy choices in many areas, including labor, trade, and tax policies”.

E. VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian from the list given below:

The euro *пожвавиться* from an eight-month low against the dollar this week on *нерішучий* hopes that eurozone leaders could agree on a plan to address the region's debt crisis. Sentiment towards the single currency improved as the German parliament approved plans to expand the size and *рамки* of the European financial stability facility, the eurozone's *антикризовий фонд*, on Thursday. The euro, which hit a low of \$1.3361 against the dollar on Monday, *пожвавився* but still finished the week 0.5 per cent lower at \$1.3430 against the dollar. Analysts remained sceptical that the single currency could make significant progress in the absence of a concrete strategy from European politicians to deal *додаткові* eurozone debt problems and to *зміцнити* the region's financial system.

Steve Barrow at Standard Bank said all that was happening was that investors were cutting their bets against further sharp losses in the euro, which was hardly the basis for a *стабілізоване* rally in the single currency. “Markets remain *в занепаді*,” he said. “For a rally to happen eurozone officials have to come up with the goods. But while we feel the risks are that their plans will receive a warm initial reaction by the market, this support will soon *зникати*.”

1. scope
2. rescue fund
3. in limbo
4. peripheral
5. sustain
6. recover

7. bolster
8. tentative
9. fade
10. rally

d) Suggest the correct translation:

People are finding it increasingly difficult to be optimistic, but I'm hopeful that history will play itself out again," said Charles Schwab's Mr. Frederick. "I don't think we're going to get out of this slump (A) in October, but I see that in November and December." Investors are now turning their sights (B) to corporate earnings (C), he said. So far, earnings have held up well throughout the turmoil (D), and many investors are hoping for more of the same. Companies will start releasing (E) their third-quarter reports in coming weeks, and, perhaps more importantly, will give their outlook (F) for profits and the economy. The Dow's (G) September decline capped its fifth straight month of losses, the longest such string since the six months ended February 2009. March 2009, however, marked the beginning of a two-year rally. But some stock-market strategists, after analyzing the relative performance this quarter of individual market sectors, are not optimistic about a rally. Gina Martin Adams, an equity (H) strategist for Wells Fargo Securities, says some so-called defensive sectors, such as utilities (I) and consumer staples (J), vastly outperformed the rest of the stock market. She says that shows that even if investors decide to buy stocks, they are being extremely cautious. That may be "an ominous indicator of where investors see the economic potential in the next several months," she says. "Investors have been shunning risk in favor of more defensive components of the index."

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them.

I. QUIZ # 5

a. *Define the following sentences “True” or “False”:*

1. There are 196 member countries across the globe.
2. The global economic crisis has highlighted just how disconnected countries have become in today’s world economy.
3. The IMF was founded before the World War II.
4. The IMF does not provide concessional loans.
5. The IMF sought to reduce global payments imbalances and involved China, the euro area, Japan, Saudi Arabia, and the United Kingdom.
6. The lending facilities of the IMF have been advanced to enable it to better serve its members.
7. Warning member countries of risks and vulnerabilities in their economies is not the scope of IMF’s activities.
8. The Global Financial Stability Report is published quarterly.
9. The IMF is increasing expenditures and reorganizing the way it earns revenue to pay for its operations.
10. The Independent Evaluation Office assesses the IMF’s performance annually.

b. *Give the opposite:*

challenge, poverty, difficulty, low-income, efficient, vulnerability, prosperity, overcome, accelerate, recession.

c. *Decode the following terms:*

downside, framework, tackle, cross-country experience, macroeconomic stability, governance, exchange rate, financial sector, innovative, credit market.

d. *Translate the following into English:*

1. Кредити МВФ допомагають країнам подолати економічні труднощі.

2. На думку директора-розпорядника МВФ Крістін Лагард, щоб мінімізувати наслідки економічного спаду в Європі, необхідно дотримуватися двох правил: стимулювати економічне зростання, створюючи робочі місця, і відмовитися від будь-яких форм протекціонізму.
3. Фонд має створювати умови для інтенсифікації й підвищення ефективності міжнародного обміну через стабілізацію валютних курсів і запобігання конкурентному знеціненню валют.
4. Кошти надходять до центрального банку країни-позичальника і використовуються на формування валютних резервів.
5. Фінансові операції, які є основним напрямом діяльності, МВФ здійснює тільки з офіційними органами країн — членів Фонду.
6. При наданні кредитів МВФ ставить перед країнами-боржниками деякі політичні та економічні умови.
7. МВФ не лише надає фінансові ресурси, а й здійснює дослідження, аналіз та прогнозування розвитку світової економіки та міжнародних фінансових ринків.
8. МВФ є так званим кредитором “першої руки”, тобто ресурси фонду (як і Світовому банку) треба повертати в першу чергу.
9. Працівники МВФ також співпрацюють з країнами-учасниками, щоб допомогти їм визначити потенційні загрози фінансовій стабільності.
10. Ріст цін на продовольство та паливо вразив країни, залежні від імпорту, а також країни з середнім рівнем доходу.

e. Revise the following finance&banking vocabulary:

capital	funds	middle-income
check	inflow	payment
credit	lend	share
euro	lending	sovereign
expenditure	liquidity	tax
exchange rate	loan	trust
flow	low-income	

f. Revise the following general vocabulary:

ability	facilitate	people
about	facility	perceived
abrupt	face	performance
accelerated	fair	place
accountability	fallout	placed
achieve	fight	player
action	finance	policy
adapt	financial	poor
adapting	first	potential
address	flexible	poverty
adequate	follow	practice
advanced	food	present
advantage	forecast	price
advantage	foreign	priority
adverse	forum	problem
advice	found	program
advise	founder	promote
affect	framework	promoting
agenda	from	prosperity
ago	fuel	provide
aim	fully	provider
alert	fund	précis
all	generally	public
almost	give	publish
also	global	purpose
ambitious	globalization	rapid
among	globalized	rate
analysis	goal	real
analyze	good	reality
annual	governance	recent
another	governments	recently
approved	governor	recession
area	grant	improve
article	great	record
aspect	ground	redefine
assessed	group	reduce

assessment	grow	reduction
assistance	growth	reflect
attention	guidance	reform
avoid	guideline	regime
balance	hard	regional
bank	health	regular
based	help	related
basis	highlight	remain
become	history	reorganize
beginning	hit	repetition
below	horizon	report
benefit	how	represent
better	identify	representation
between	imbalance	research
billion	impact	resilient
board	import-dependent	resolve
bring	important	resource
build	improve	response
but	improving	rethink
by	include	revenue
call	increase	risk
central	independent	role
challenge	individual	run
change	information	safeguard
choice	innovative	same
closely	institution	sector
collective	interconnected	see
combat	interdependence	select
common	international	serve
comparative	into	several
concessional	involve	share
conflict	issues	sharply
consultation	job	shifts
contain	jointly	short-term
continue	just	since
contribute	key	slideshow

cooperation	know-how	sound
cope	labor	specific
core	lasting	specifically
country	launch	spike
create	lay	stability
creation	lean	staff
crisis	lift	statistics
cross-border	linkage	step
cross-country	link	strengthen
current	living	structural
currently	low	structure
cut	low-income	such
day	macroeconomic	supervision
decade	main	support
decision-making	make	sure
deep	malnourished	surveillance
deepen	manage	system
deliver	management	tackle
demonstrate	managing	tailor
depression	manner	take
design	many	task
detail	mark	technical
developing	market	temporary
development	massive	today
devote	mature	toward
dialogue	May	track
difficulty	member	trade
director	membership	training
disastrous	million	translation
discuss	mind	transparency
diversity	minister	trend
domestic	mission	trim
downside	monitor	turbulence
drafting	movement	twice
dramatically	multilateral	two-year
earn	nation	under

economic	near-global	undergo
economy	need	uniquely
effect	new	united
effective	now	up-to-date
effect	offer	update
efficient	office	upgrade
emerging	official	voluntary
emphasize	open	vulnerability
enable	operating	war
end	operation	warn
engage	opportunity	way
English	organization	wealth
ensure	other	wealthy
especially	out	website
essential	outlook	well-regulated
establish	over	when
euro	overcome	which
evaluation	oversight	while
even	package	wide-ranging
ever-growing	paragraph	window
exchange	part	with
expanding	particularly	work
experience	pass	world
extensive	pay	year

UNIT SIX.**EUROZONE****A. BEFORE YOU READ****1. CONCEPT MAPPING:**

Develop a "mind map" around the notion "EUROPEAN UNION" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading.

6. DEFINITION:

- a) What is stagnation / deflation / recession?
- b) What is the correlation of the EU's and the US economies?
- c) What socio-economic and political groups does the USA belong to?

7. CHARACTERISTICS:

- a) How would I describe the collaboration between the US and the EU?
- b) What European fields are mostly affected by the US economy?

8. EXPERIENCE:

What experience have I had with the EU countries?

What can I imagine about the Ukraine's EU partnership?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

6.1. Picking Up the Slack.

Europe is an unlikely candidate *to pick up the slack* in world demand resulting from slower U.S. growth. Major European countries—particularly Germany—look likely to remain heavily *dependent on* exports to drive their economies. This situation reflects in part a sense of complacency among the Europeans and a lack of political will, especially in current circumstances, to implement some difficult, but necessary, *policy measures*. The complacency of the Europeans arises from their view that they are victims in the current economic and financial crisis. They see little wrong in the economic policies that they have followed. In particular, they argue that they have developed a *competitive advantage* in the export of certain types of goods, and exploiting this advantage was a *major impetus* to growth in the period before the current crisis. They see no reason to change this basic model for growth. Weak political will also increases the Europeans' reluctance to take policy actions to improve their *medium-term* economic performance. Such actions are seen as *entailing* significant near-term costs.

No serious consideration is being given to diversifying their economies by removing barriers in their economies created by rigidities in product and labor markets that constrain Europe's growth. Instead, the Europeans are content to wait for world growth to resume, with the mistaken impression that the world economy will essentially go back relatively quickly to levels of activity and demand similar to those that *prevailed* before the current crisis. However, things will not be the same. In addition to slow demand growth in the United States, demand within Europe will grow significantly more slowly than previously. Growth in Eastern Europe will be less *robust* as these countries cope with the fallout from the current crisis. These countries will have to deal with an overhang of foreign currency *denominated*

debt. They are likely to encounter significant difficulties in rolling over existing loans and a *drying up* of new credit flows, particularly as western European lenders scale back their operations in the east.

Moreover, these countries have generally experienced a significant loss in competitiveness. The only way for them to restore competitiveness, especially if they seek to maintain fixed exchange rates or limit exchange rate movements relative to the euro, is through slower growth in their domestic demand. A bigger problem for Europe that will dim growth prospects will come from within the euro area. The area's southern countries (Portugal, Italy, Greece, and Spain) have become noncompetitive both within the euro area and externally. Since they are now members of the euro, they cannot rely—as they have in the past—on changes in their nominal exchange rates to produce real *depreciations* in order to *restore their competitiveness*.

They have only two choices. They can raise competitiveness by improving the efficiency of their economies by *undertaking* needed structural reforms. Or economic growth in these countries will be constrained to significantly lower levels to allow for an improvement in competitiveness through lower inflation than in the rest of the euro area. The latter is the likely way that competitiveness will be improved. The political will to implement needed reforms in these countries' product and *labor markets* is just not there. Consequently, the countries of southern Europe appear to be in for a long period of rather painful *economic adjustment*. And this painful adjustment process could severely test the future of European monetary union and the euro. Slow growth in southern and eastern Europe will significantly *impair* growth in the northern European countries. This will be especially true for Germany, which has been very heavily dependent on exports to other European countries. *Stagnation* in Europe, coupled with slow U.S. growth, will directly depress growth in the rest of the world. But it may also have important indirect *adverse effects* on world growth. With slow growth throughout Europe and increased difficulties and stress in southern Europe, protectionist pressures are likely to rise. The recent EU decision to impose *antidumping duties* on steel pipe imports from China on the basis of prospective (not actual) *injury* to the domestic industry from such imports may be a harbinger of further *recourse* to

import protection as recovery in Europe proceeds much more slowly than the Europeans currently expect.

6.2. Germany powers eurozone recovery.

6.2.1. Make an English précis of the article.

6.2.2. Make a Ukrainian précis of the article.

Germany's economy expanded by 0.7 per cent in the third quarter, marking a sharp acceleration in the pace of recovery in Europe's largest economy, but the pick-up in France fell short of expectations. The surge in German economic activity in the three months to September, although slightly lower than expected, suggested the country was rebounding rapidly from the disastrous slump at the end of last year and early in 2009. Exports and investments appeared to have powered German growth, making up for a fall in consumer spending as the effects of the government's temporary "cash for clunkers" car purchase incentive scheme wore off.

The data strengthened expectations that eurozone gross domestic product figures later on Friday would show that the recession in the 16-country region had ended in the third quarter – although the pace of the eurozone recovery is likely to fall short of the 0.9 per cent expansion in US third-quarter GDP. However, French third-quarter data were weaker than expected, showing GDP rose by 0.3 per cent compared with the previous three months – the same as in the previous quarter.

That surprised analysts because purchasing managers' indices had suggested France's economy was performing better than Germany's. European policymakers, meanwhile, remain concerned that continental Europe's economic recovery will remain weak, with rising unemployment and a strengthening euro acting as a brake on growth. Much of the recent recovery appears to have been driven by emergency stimulus measures and less aggressive de-stocking – factors that could fade in coming months. The eurozone economy fared worse than the US's after the failure of Lehman Brothers late last year, with the collapse of global economic confidence hitting its exports. But France and Germany both emerged from recession ahead of the US and the UK.

Germany's statistical office revised up the country's second quarter growth rate from 0.3 per cent to 0.4 per cent. The 0.7 per cent rise in the third quarter was the strongest since early 2008. Commenting on the latest figures, the statistical office said growth had been boosted by construction and investment in machinery and equipment. Stronger imports, meanwhile, led to a build-up in inventories. However, private consumption "was down and slowed economic growth," the office said. Carsten Brzeski, European economist at ING in Brussels, said: "The latest monthly numbers show that industrial production has taken over the baton from car-driven private consumption as the main growth driver. Looking ahead, the current momentum is likely to stay for some time. The inventory cycle has just started to turn and positive news will continue." (The Financial Times)

6.3. Dollar rebound weighs on European bourses.

6.3.1. Give a written translation of Paragraph I.

10:25 GMT. European bourses struggled to make headway on Friday as traders pondered the implications of the dollar's strong advance in the previous session. A 1 per cent drop on Wall Street overnight also damped sentiment. The dollar's rally off 15-month lows on Thursday had caught the market on the hop and set many investors to question whether the long-established strategy of selling the dollar to purchase riskier assets was taking a breather or had had its chips. Gold and oil remained not far off Thursday's lows, while stockmarkets moved in a narrow range. The FTSE 100 was flat at 5,277.1, while the FTSE Eurofirst 300 was also limp, adding just 0.1 per cent at 1,016.1. Confirmation that the eurozone had moved out of recession in the third quarter caused hardly a flutter. US futures point to the S&P 500 opening about 4 points higher.

Wall Street's measure of investor anxiety, the Vix index, rose on Thursday by 5.2 per cent to 24.24 as traders became concerned that a more volatile dollar would translate into a jittery stock market. Indeed, the S&P 500 had closed down 11.3 points at 1,087.2 as tumbling energy stocks followed oil's fall below \$77 a barrel. On Friday, oil traded up 0.7 per cent at \$77.48. Higher crude inventories were one reason for the black gold's tumble in the previous session,

but the rising dollar also played its part. On Friday the dollar was down 0.2 per cent versus the euro at \$1.4874, having traded above \$1.50 earlier in the week. On a trade-weighted basis the dollar was off 0.4 per cent at 75.40. But the buck lost ground against the yen, falling 0.7 per cent to Y89.74. Gold was steady after pulling back from the previous day's high above \$1,120 an ounce. The precious metal was trading up 0.4 per cent at \$1,108.05. In Asia, the resource-rich Australian market led the decliners, with the the S&P/ASX 200 falling 0.9 per cent to 4,706.4. The Nikkei 225 in Tokyo lost 0.4 per cent to 9770.3, while in China the Shanghai Composite turned an earlier loss into a 0.5 per cent gain, closing at 3,187.65. Hong Kong's Hang Seng rose 0.7 per cent to 22,553.6. In the bond markets, US Treasuries were flat after a sloppy \$16bn 30-year auction late on Thursday. The US 10-year benchmark was yielding 3.438. Ten-year Bund yields were off 0.3 basis points at 3.340 per cent.

C. AFTER YOU READ

- a) Depending upon the content area, a discussion of the author of the particular work can be helpful to the understanding of it.
- b) What is the author trying to say?
- c) What is his point of view and his reason for writing the particular work?

D. LANGUAGE FOCUS

a) Make it negative:

1. The surge in German economic activity in the three months to September, although slightly lower than expected, suggested the country was rebounding rapidly from the disastrous slump at the end of last year and early in 2009.
2. Exports and investments appeared to have powered German growth, making up for a fall in consumer spending as the effects of the government's temporary "cash for clunkers" car purchase incentive scheme wore off.

b) Paraphrase the following:

1. European policymakers, meanwhile, remain concerned that continental Europe's economic recovery will remain weak, with

rising unemployment and a strengthening euro acting as a brake on growth.

2. Much of the recent recovery appears to have been driven by emergency stimulus measures and less aggressive de-stocking – factors that could fade in coming months.

c) *Relate the action to the past/present/future:*

1. A bigger problem for Europe that will dim growth prospects will come from within the euro area. The area's southern countries (Portugal, Italy, Greece, and Spain) have become noncompetitive both within the euro area and externally.
2. Since they are now members of the euro, they cannot rely—as they have in the past—on changes in their nominal exchange rates to produce real depreciations in order to restore their competitiveness.

d) *Turn direct into indirect:*

Carsten Brzeski, European economist at ING in Brussels, said: “The latest monthly numbers show that industrial production has taken over the baton from car-driven private consumption as the main growth driver. Looking ahead, the current momentum is likely to stay for some time. The inventory cycle has just started to turn and positive news will continue.”

F. VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian from the list given below:

The *єдина* валюта also eased 0.1 per cent to Y103.21 against the yen on the week, was 0.6 per cent weaker at SFr1.2145 against the Swiss franc and dropped 1.1 per cent to £0.8635 against the pound. Sterling, which also rose 0.5 per cent to \$1.5544 against the dollar on the week, received support as an official from the Swiss National Bank said the central bank would be adding the currency to its *ресурси* over the next year.

Meanwhile the dollar found support as concerns over global growth and the eurozone debt crisis *зважувати* risk appetite and

pushed investors to the relative *безпека* of the US dollar. The dollar rose 0.3 per cent to Y76.82 against the yen on the week, but advanced more strongly against *валюта, прив'язана до товару*.

The Australian dollar fell 0.9 per cent to a 10-month low of \$0.9688 against the US dollar over the week, while the Canadian dollar dropped 1.7 per cent to a one-year *найнижчої* точки of C\$1.0456. The New Zealand dollar also suffered, dropping 1.8 per cent to a six-month low of \$0.7610 against the US dollar over the week after the country lost its *кредитний рейтинг «3 А»*. Rating agencies Fitch and Standard & Poor' *знизили* рейтинг New Zealand by one notch, citing concerns over the high level of the country's *зовнішній борг*.

1. external debt
2. weigh on
3. safety
4. commodity-linked currency
5. trough
6. single currency
7. triple A credit rating
8. downgrade
9. risk appetite
10. reserves

d) Suggest the correct translation:

Ingersoll-Rand sank (A) 3.87, or 12%, to 28.09, after the industrial conglomerate (B) lowered its earnings and revenue (C) outlook for the quarter, citing weak demand in consumer-related and commercial-security (D) businesses. Orion Marine Group shed 46 cents, or 7.4%, to 5.77. The marine construction (E) and services company said its markets have experienced "uncertain and tough times," citing weak economic growth and delays in federal spending. McGraw-Hill is in advanced talks to combine its S&P Indices business with CME Group's Dow Jones Indexes, according to a report in The Wall Street Journal. McGraw-Hill lost 1.31, or 3.1%, to 41, and CME Group shed 10.78, or 4.2%, to 246.40. A deal could make it harder for CBOE Holdings to renew S&P licenses. CBOE fell 1.25, or 4.9%, to 24.47. Fertilizer stocks took a hit (F) in the wake (G) of a government report showing larger-than-expected corn stockpiles (H). Mosaic lost 5.23, or 9.7%, to 48.97, and CF Industries shed 17.55, or 12%, to

123.39. Chicken and pork producers (I) gained (J) after the same report on corn. Sanderson Farms rose 1.36, or 3%, to 47.50. Smithfield Foods gains 37 cents, or 1.9%, to 19.50. Tyson Foods added 25 cents, or 1.5%, to 17.36.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them

I. QUIZ # 6

a. Define the following sentences "True" or "False":

1. Germany is not likely to depend on export to drive its economy.
2. There is a tendency that the Europeans will wait for world growth to resume.
3. The US economy is marked with the slow growth of demand.
4. Portugal, Italy, Greece, and Spain have become noncompetitive both within the euro area and internationally.
5. Germany's economy expanded due to exports and investments.
6. There is a theory that faster growth in domestic demand will help the EU countries restore competitiveness.
7. Statistics suggests that France's economy was performing better than Germany's.
8. According to statistical office, investment in machinery and equipment has boosted economic growth.
9. The buck lost ground against the yen in the stock market.

10. Due to the dollar's earlier strong advance European bourses struggled to make headway on Friday.

b. Give the opposite:

adverse effects, aggressive, recovery, competitiveness, to power, complacency, painful, tumble, protectionist, jittery.

c. Decode the following terms:

pick up the slack, antidumping duties, volatile dollar, benchmark, slump, inventory, aggressive de-stocking, depreciation, a major impetus, stagnation.

d. Translate the following into English:

1. Німецькі держпапери вважаються найбільш безпечними активами в єврозоні і користуються підвищеним попитом в інвесторів на тлі боргової кризи.
2. Незважаючи на те, що Польща не входить до єврозони, керівництво цієї країни підтримало заходи зі зміцнення євро.
3. Прогноз аналітиків про 2,5-відсоткове зростання ВВП буде актуальним, якщо єврозоні вдасться втримувати ситуацію хоча б під відносним контролем.
4. Європейський центральний банк (ЄЦБ) продовжить вливання ліквідності в економіку єврозони, незважаючи на зростання активів на його балансі до рекорду.
5. Коаліційний уряд має до виборів вжити заходів щодо скорочення держборгу Греції, що є обов'язковою умовою отримання фінансової допомоги від Євросоюзу.
6. Неспроможність Євросоюзу централізовано координувати економічну політику в країнах-членах дозволила деяким із них погрузнути в непідйомних боргах.
7. Стабільність та інтегрованість економічного і монетарного союзу та Євросоюзу загалом потребує імплементації швидких та дієвих заходів.
8. Банки готові використовувати будь-які засоби для того, щоб уникнути проблем з ліквідністю.
9. Проведення структурних реформ має стати частиною стратегії виходу Євросоюзу з кризи.
10. Реформи внутрішнього ринку Євросоюзу спрямовані на стимулювання економічного зростання регіону і торкаються

сектора послуг, енергетичного сектора і ринку інтелектуальної власності.

e. Revise the following finance & banking vocabulary:

assets	depreciation	investor
auction	de-stocking	lender
benchmark	euro	loan
bond	eurozone	loss
bourse	fare	monetary
buck	flow	stock
cash	flutter	stock exchange
cash yield	FTSE	stockmarket
cent	futures	trader
costs	gain	trade-weighted
credit	GDP	treasury
currency	inflation	tumble
deal	inventory	volatile
debt	investment	yen
denominate		

f. Revise the following general vocabulary:

about	fade	pressure
above	failure	prevail
acceleration	fall	previous
acting	falling	previously
action	fallout	private
activity	far	problem
actual	figure	proceeds
adding	financial	process
addition	fixed	produce
adjustment	flat	product
advance	flow	production
advantage	flutter	prospective
adverse	follow	prospect
after	for	protection
against	foreign	protectionist
aggressive	further	précis

ahead	future	pull
allow	generally	purchase
also	give	quarter
although	global	question
among	go	quickly
analyst	gold	raise
antidumping	goods	rally
anxiety	government	range
appear	gross	rapidly
area	ground	rate
argue	grow	rather
arise	growth	real
article	harbinger	reason
assets	hardly	rebound
auction	have	rebounding
back	headway	recent
barrel	heavily	recession
barrier	high	recourse
basic	higher	recovery
baton	hit	reflect
because	hop	reform
become	however	region
before	impair	relative
below	impetus	relatively
benchmark	implement	reluctance
black	implication	rely
boost	import	remain
both	important	remove
brake	impose	resource-rich
breather	impression	rest
buck	improve	restore
build-up	improved	result
bund	improvement	resume
but	incentive	revise
can	increase	rigidity
candidate	indeed	rise

car	index	rising
car-driven	indirect	risky
cause	industrial	robust
certain	industry	roll
change	inflation	rose
chips	injury	same
choice	instead	scale
circumstance	into	scheme
closed	jittery	second
clunker	just	see
collapse	labor	seek
come	lack	sell
comment	large	sense
compare	last	sentiment
competitive	late	serious
competitiveness	latter	session
complacency	lead	set
composite	less	severely
concerned	level	sharp
confidence	likely	short
confirmation	limit	show
consequently	limp	significant
consideration	little	significantly
constrain	loan	similar
constrained	long	since
construction	long-established	situation
consumer	look	slack
consumption	low	slightly
content	machinery	sloppy
continental	main	slow
continue	maintain	slump
cope	major	some
costs	make	southern
country	manager	spending
couple	many	stagnation
create	market	start

crisis	may	statistical
crude	meanwhile	stay
current	measure	steady
currently	medium-term	steel
cycle	member	stimulus
damp	metal	strategy
data	mistake	strengthen
day	model	strengthening
decision	momentum	stress
decliners	month	strong
demand	monthly	structural
denominate	more	struggle
dependent	moreover	such
depress	move	suggest
developed	movement	surge
difficult	much	surprised
difficulty	narrow	take
dim	near-term	temporary
directly	necessary	test
disastrous	need	thing
diversify	new	third
dollar	news	third-quarter
domestic	nominal	this
down	noncompetitive	those
drive	northern	three
driven	now	through
driver	number	throughout
drop	office	time
dry	oil	Tokyo
duty	only	trade
early	opening	trading
east	operation	translate
eastern	order	translation
economic	other	true
economist	ounce	turn
economy	out	two

effect	over	type
efficiency	overhang	undertaking
emerge	overnight	unemployment
emergency	pace	union
encounter	painful	unlikely
end	paragraph	versus
energy	part	very
English	particular	victim
entail	particularly	view
equipment	past	volatile
especially	per	wait
essentially	performance	way
EU	period	weak
Europe	pick	week
existing	pick-up	weigh
expand	pipe	western
expansion	play	whether
expect	point	which
expectation	policy	while
expected	policymaker	will
experienced	political	with
exploit	ponder	within
export	positive	world
externally	power	wrong
factor	precious	year

UNIT SEVEN.**EU FINANCE POLICY****A. BEFORE YOU READ****1. CONCEPT MAPPING:**

Develop a "mind map" around the notion "POLICY" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading:

6. DEFINITION:

- a) What is insurance / securities / investment funds / financial markets infrastructure / retail financial services / payment systems?
- b) Where does the EU's financial Commission fit?
- c) What group does EUBRD belong to?

7. CHARACTERISTICS:

- a) How would I describe a credit from EBRD?
- b) How does the Commission clearing house and the World Bank cooperation look like?
- c) What are the objectives of the Asian Development Bank's policy?

8. EXPERIENCE:

- a) What experience has my country had with Asian Development Bank?
- b) What can I imagine about my job at the EBRD?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

7.1. Financial Services - General Policy.

An overarching policy and strategy in financial services and financial markets ensures coherence and consistency between the various policy areas, such as banking, insurance, securities and investment funds, financial markets infrastructure, retail financial services and payment systems.

From 1999 to 2005, this overarching policy was delivered in the framework of the Financial Services Action Plan (FSAP), and the Commission continues to regularly monitor progress made in implementing the FSAP, for instance through making twice-monthly updates to its FSAP transposition tables. Work also continues on coordinating the initiatives driven by the FSAP, including the restructured financial services committee architecture. The recently reviewed Lamfalussy process remains the basis for the EU regulatory and supervisory approach. Strengthening the convergence of supervisory practices is the overarching objective. In December 2005, the Commission published the White Paper on Financial Services 2005-2010, which sets out the Commission's objectives in financial services policy for the period to 2010.

Each year, the Commission publishes an empirical indicator-based analysis to measure the progress of financial integration in the European Union (European Financial Integration Report). This analysis can inform policy debate by identifying the extent to which integration is translating into enhanced competition and greater efficiency of EU financial markets. It also seeks to monitor ways in which financial instability might be transmitted across borders, so as to inform discussions on the need to adapt EU prudential safeguards.

The report includes an annual overview of the EU policy achievements in the domain of financial services, previously published as Progress Report.

On external relations, the Commission has developed a strategy for a coherent and strengthened EU policy in the field of financial services. Work focuses in particular on taking forward the regulatory or other dialogues with the EU's main trading partners, namely the United States (in the context of the EU-US Financial Market Dialogue) and Japan, but also the emerging financial services markets in China, India, Russia and elsewhere.

7.2. EU/Asia: Commission decides to establish network of financial experts.

7.2.1. Make an English précis of the article.

7.2.2. Make a Ukrainian précis of the article.

The European Commission has adopted a decision to establish a European Financial Expertise Network (EFEX) to assist Asian countries seeking to restructure their financial sector. The Commission will set up a 'clearing house' to supply private and public sector financial sector experts from the EFEX network in response to requests for technical assistance. Requests may come directly from Asian countries or through international financial institutions such as the World Bank and Asian Development Bank. The experts will be available to advise their counterparts in Asia on such topics as bank restructuring, prudential supervision and risk management. The second Asia-Europe Summit (ASEM II) in London on 3-4 April 1998 welcomed the idea of such a European Union (EU) financial experts network, which will enable the EU to make an effective, visible and much-needed contribution to tackling one of the main causes of recent turbulence on Asian financial markets, whilst complementing the efforts of other international organisations.

The Commission's decision was adopted on the initiative of Mario Monti, Commissioner for financial services and Yves-Thibault de Silguy, Commissioner for economic, monetary and financial affairs. The Commission "clearing house" will have the task of encouraging experts from the public sector (e.g. Central Banks and Finance Ministries) and private sector organisations to make themselves

available for technical assistance projects in Asian countries with the greatest need. When projects come on stream from major donor organisations such as the World Bank and Asian Development Bank, the Commission clearing house will draw on its network of experts to provide a human resource input into these projects. The World Bank has welcomed the idea of such a network, and already operates effectively with similar financial expert volunteer networks based in the United States.

The financial crisis in Asia has shown that there is a real need for advice and expertise in all areas of the financial sector in order to assist efforts to re-establish financial stability. Among the main causes of recent market turbulence were unsound lending policies of financial institutions in the region and inadequate standards of prudential supervision.

The creation of the network is a way of providing a co-ordinated European response to the crisis whilst complementing the activities of individual Member States. It is also a concrete demonstration of the EU's determination to contribute to solving the region's problems.

The Commission clearing house will offer its services free of charge. The finance for technical assistance or training will come from existing multilateral and bilateral donor organisations (such as the World Bank and the International Monetary Fund) or from the Asian countries themselves.

7.3. EU-Japan: Results of annual High-Level Meeting.

7.3.1. Give a written translation of Paragraph I.

The annual EU-Japan High Level Meeting on Financial Issues took place in Brussels on December 11, 2000, hosted by the European Commission. The Commission was represented by Internal Market Director General John Mogg and Economic and Financial Affairs Director General Giovanni Ravasio. The Japanese delegation comprised Haruhiko Kuroda, Vice Minister of Finance for International Affairs, and Tadashi Iwashita, Senior Deputy Director General of the International Bureau, both of the Japanese Ministry of Finance, and Yoshio Okubo, Deputy Commissioner for International Affairs, Japanese Financial Services Agency (FSA). This is the first

time that representatives from the FSA have attended these consultations in Brussels.

Fruitful discussions were held in a friendly atmosphere on issues including macroeconomic developments in Japan and the EU, regulatory and supervisory developments in the financial services, and developments in the markets in Japan and the EU. The meeting discussed exchanges of information on financial services in the EU, in Japan and at the international level and also considered both regulation and market developments. The Commission side presented the EU Financial Services Action Plan (see IP/00/1269) and elaborated on the need for sound prudential regulation, including on a consolidated basis. The Commission also described distance marketing, accounting and financial reporting in the EU, as well as securities trading.

The Japanese side reported on Japan's progress on financial system reform. It also described recent Japanese measures in the financial services area with a focus on insurance and banking, including the changes in the Deposit Insurance Law and the Insurance Business law. The EU-Japan Regulatory Reform Dialogue and Japanese and European proposals regarding financial services were touched upon. Both sides also exchanged views on the WTO negotiations regarding financial services. Other topics included the recent changes in the Japanese financial administration, and the follow-up to the EU-Japan Summit that took place in July 2000.

As regards macroeconomic issues, the Commission side explained the current economic growth supported by sound macro and structural policies in the euro area and the economic impact of the euro. The importance of EMU was emphasised. Both sides exchanged views on the developments in the world economy, such as the impact of oil price rises and the slow-down in the US economy. The Japanese side described the current economic situation and recent measures intended to support the recovery in the Japanese economy, such as the new economic package. They also noted the current fiscal position, the effort to enhance accountability and efficiency of fiscal policy, and the importance of fiscal consolidation after achieving the full recovery. The Japanese representatives presented Japan's views on its role in Asian regional co-operation.

C. AFTER YOU READ

- a) Depending upon the content area, a discussion of the author of the particular work can be helpful to the understanding of it.
- b) What is the author trying to say?
- c) What is his point of view and his reason for writing the particular work?

D. LANGUAGE FOCUS

a) *Make it negative:*

1. As regards macroeconomic issues, the Commission side explained the current economic growth supported by sound macro and structural policies in the euro area and the economic impact of the euro.
2. The importance of EMU was emphasised.
3. Both sides exchanged views on the developments in the world economy, such as the impact of oil price rises and the slow-down in the US economy.

b) *Paraphrase the following:*

1. Fruitful discussions were held in a friendly atmosphere on issues including macro-economic developments in Japan and the EU, regulatory and supervisory developments in the financial services, and developments in the markets in Japan and the EU.
2. The meeting discussed exchanges of information on financial services in the EU, in Japan and at the international level and also considered both regulation and market developments.

c) *Relate the action to the past/present/future:*

1. The Japanese side reported on Japan's progress on financial system reform.
2. It also described recent Japanese measures in the financial services area with a focus on insurance and banking, including the changes in the Deposit Insurance Law and the Insurance Business law.

d) *Turn direct into indirect:*

The commissioner for economic, monetary and financial affairs admitted: "The financial crisis in Asia has shown that there is a real need for advice and expertise in all areas of the financial sector in order to assist efforts to re-establish financial stability. Among the main causes of recent market turbulence were unsound lending policies of

financial institutions in the region and inadequate standards of prudential supervision”.

E. VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian from the list given below:

It would require a new *міжурядова комісія* to enable the EFSF to co-operate with Europe’s central bank. This would have to be authorised by the Bundestag and perhaps other *законодавчими органами* as well. The immediate task is to erect *безпеку* against contagion from a possible Greek default. There are two *вразливі* groups – the banks and the bonds of countries such as Italy and Spain – that need to be protected. These two tasks could be *здійснені* as follows. The EFSF would be used primarily to guarantee and recapitalise banks. Systemically important banks would have to sign an undertaking with the EFSF to abide by the instructions of the ECB as long as the guarantees were in force. Banks that refused would not be guaranteed. Europe’s central bank would then instruct the banks to *підтримувати* credit lines and loan портфель while closely monitoring risks in their own accounts. These arrangements would stop the concentrated *скорочення частки позикового капіталу* that is one of the main causes of the crisis. Completing the recapitalisation would remove the *мотив* to deleverage.

1. incentive
2. legislatures
3. safeguard
4. deleveraging
5. vulnerable
6. intergovernmental agency
7. maintain
8. readjust.
9. accomplished
10. portfolio

d) Suggest the correct translation:

Investors have been a trigger-happy (A) lot this week, gobbling up risky securities one day and dumping them the next. But while the European debt crisis dominated the conversation in the market, a key factor behind the turmoil (B) was the fact that it's the end of the quarter. Quarter-end is always a big deal for large, conservative investors (C) like insurance companies and pension funds, which typically face self-imposed limits on their risk-taking (D) and on how much they can hold in different investments. Those rules mean that at quarter-end (E) they place buy or sell orders just to get back in line with their mandates. After a quarter as volatile (F) as this one, that rebalancing process can be especially extensive. Some investors may have suffered hefty losses in their stock portfolios (G) and gains in their bond holdings. To readjust, they are stocking up on stocks to replenish (H) holdings (I) that have lost value. Others might be redirecting cash from their now top-heavy bond funds. At the same time, money managers are generally rethinking their strategies, making it even more difficult to decipher (J) market moves. These investors are reducing riskier holdings due to the darkening clouds over the euro zone and the global economy.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them.

I. QUIZ # 7

a. Define the following sentences “True” or “False”:

1. An overarching policy and strategy in financial services and financial markets ensures cohesion and consistency between the various policy areas.
2. The Commission publishes annually an empirical indicator-based analysis.
3. The report does not include yearly overview of the EU policy achievements in the domain of financial services.
4. China is EU’s main trading partner.
5. European Financial Expertise Network was developed to assist African countries.
6. The Commission will closely cooperate with the World Bank and the IMF.
7. The services of the Commission clearing house won’t be offered free of charge.
8. During the EU-Japan Meeting the Commission described distance marketing, auditing and financial reporting in the EU, as well as securities trading.
9. The issue of WTO was not mentioned at the annual EU-Japan during High Level Meeting on Financial Issues.
10. The importance of the ECB was emphasized.

b. Give the opposite:

supervision, initiative, support, sound, friendly, expert, volunteer, integration, consolidated, enhance.

c. Decode the following terms:

overarching policy, supervisory practices, investment fund, retail financial services, clearing house, economic package, turbulence, economic impact, contribution, public sector.

d. Translate the following into English:

1. План запровадження фінансових послуг – це спроба Європейського Союзу створити єдиний ринок фінансових послуг.
2. Процеси фінансової інтеграції мають найбільш системні особливості на трьох рівнях: глобальному, євразійському та трансформаційних економік.
3. Європейська фінансова інтеграція розвивається на базі валютного союзу країн євразійського та ЄС.

4. Єврокомісія намагається відстежувати шляхи поширення фінансової нестабільності через кордони.
5. Азійський банк розвитку був заснований в 1966 р., щоб стимулювати зростання економіки в Азії і на Далекому Сході, направляючи в ці регіони прями позики та надаючи технічне сприяння.
6. Аналітики Азійського банку розвитку зазначили, що проблеми єврозони можуть загострити кризу світової економіки.
7. Фінансова криза в Азії продемонструвала, що існує потреба в порадах і консультативних послугах стосовно всіх галузей фінансового сектора.
8. Агенство фінансових послуг – це японська державна організація, яка здійснює нагляд за банківською діяльністю, торгівлею цінними паперами і операціями з обміну валюти.
9. На зустрічі обговорювалися питання обміну інформацією стосовно фінансових послуг в ЄС, в Японії та на міжнародному рівні, а також розглядалися проблеми регулювання і розвитку ринків.
10. На саміті також були розглянуті дистанційний маркетинг, бухгалтерський облік, фінансова звітність і торгівля цінними паперами в ЄС.

e. Revise the following finance & banking vocabulary:

clearing	donor	insurance
banking	fiscal	lending
charge	funds	securities
deposit	indicator-based	WTO

f. Revise the following general vocabulary:

accountability	ensure	process
accounting	establish	progress
achieve	EU	project
achievement	euro	proposal
across	European	provide
action	exchange	providing
activity	existing	prudential

adapt	expert	précis
administration	expertise	public
adopt	explain	publish
advice	extent	re-establish
advise	external	real
affairs	field	recent
after	finance	recently
agency	financial	recovery
all	first	reform
already	focus	regarding
also	follow-up	regard
among	for	region
analysis	forward	regional
and	framework	regularly
annual	free	regulation
approach	friendly	regulatory
April	from	relation
architecture	fruitful	remain
area	full	report
article	fund	reported
Asia	general	representative
Asia-Europe	give	requests
Asian	great	resource
assist	growth	response
assistance	have	restructure
at	high	restructured
atmosphere	high-level	restructuring
attend	host	result
available	house	retail
bank	human	review
based	idea	rise
basis	identify	risk
between	impact	role
bilateral	implement	Russia
border	importance	safeguard
both	inadequate	second

bureau	included	sector
business	include	securities
but	including	seek
by	India	senior
can	individual	service
cause	inform	set
central	information	side
change	infrastructure	similar
China	initiative	situation
co-operation	input	slow-down
co-ordinated	instability	so
co-ordinating	instance	solving
coherence	institution	sound
coherent	integration	stability
come	intended	standard
commission	internal	strategy
commissioner	international	stream
committee	into	strengthen
competition	investment	strengthening
complement	issue	structural
comprise	Japan	such
concrete	Japanese	summit
consider	law	supervision
consistency	lending	supervisory
consolidate	level	supply
consolidation	London	support
consultation	macro	supported
context	macroeconomic	system
continue	main	table
contribute	major	tackling
contribution	make	taking
convergence	management	task
counterpart	market	technical
country	marketing	their
creation	measures	themselves
crisis	meeting	there

current	member	these
debate	might	they
December	minister	through
decide	ministry	time
decision	monitor	took
delegation	much-needed	topic
deliver	multilateral	touch
demonstration	namely	trading
deposit	need	training
deputy	negotiation	translating
describe	network	translation
determination	new	transmit
developed	noted	transposition
development	objective	turbulence
dialogue	offer	twice-monthly
directly	oil	Ukrainian
director	operate	union
discuss	or	united
discussion	order	unsound
distance	organisation	update
domain	other	upon
donor	overarching	US
draw	overview	various
drive	package	vice
economic	paper	view
economy	paragraph	visible
effective	particular	volunteer
effectively	partner	way
efficiency	payment	way
effort	period	welcomed
elaborate	place	well
elsewhere	plan	when
emerging	policy	which
emphasise	position	whilst
empirical	practice	white
EMU	present	will

enable encourage English enhance enhanced	previously price private problem	with work world year
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UNIT EIGHT.

EUROPEAN FINANCE INSTITUTIONS

A. BEFORE YOU READ

1. CONCEPT MAPPING:

Develop a "mind map" around the notion "STOCK" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading:

6. DEFINITION:

- a) What is the EIB?
- b) What is the highest credit rating of a bank?
- c) What group of banks does the EIB belong to?

7. CHARACTERISTICS:

- a) How would I describe over-the-counter securities?

- b) What does over-the-counter (OTC) trading look like?
- c) How is the EIB's work organised?

8. EXPERIENCE:

- a) What experience have I had with the EIB?
- b) What can I imagine about Ukraine's contribution to the EIB?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

8.1. The European Investment Bank.

The European Investment Bank (EIB) was set up in 1958 by the Treaty of Rome as the *long-term lending* Bank of the European Union. The EIB lends money to the public and *private sectors* for projects of European interest, such as:

Cohesion and convergence of EU regions. Support for small and *medium-sized* enterprises Environmental schemes Research, development and innovation

Transport. Energy. The EIB is active in the EU and in some 140 countries worldwide with which the EU has a Cooperation agreement.

Philippe Maystadt, from Belgium, became President of the EIB on 1 January 2000. What does the Bank do? The EIB is a non-profit, policy driven bank. Unlike commercial banks, the EIB does not manage *personal bank accounts*, conduct *over-the-counter* transactions or provide private investment advice. The EIB makes long-term loans for capital investment projects (mainly *fixed assets*) but does not provide grants. The EIB is owned by the Member States of the European Union. They subscribe jointly to its capital, each country's contribution reflecting its economic weight within the Union. The EIB does not use any funds from the EU budget. Instead, it is self-financing, borrowing on the financial markets.

Because the EU Member States are the EIB's shareholders, it carries the highest possible credit rating (AAA) on the money markets. As a result, the EIB can raise large amounts of capital on very

competitive terms. As the EIB is not-for-profit, its lending conditions are equally *favourable*. The EIB cannot however lend anymore than 50% of the total cost of an individual project. The projects the Bank invests in are carefully selected according to the following criteria: they must help achieve EU objectives; they must be economically, financially, technically and environmentally sound; they should help attract other sources of funding. The EIB also supports *sustainable* development in the candidate and potential candidate countries, in EU neighbour countries to the south and to the east, and in partner countries elsewhere.

The EIB is the majority shareholder in the European Investment Fund. How is the Bank's work organised? The EIB is *an autonomous* institution. It makes its own borrowing and lending decisions purely on the merits of each project and the opportunities offered by the financial markets. As a transparent institution, the Bank reports widely on all its activities. The EIB maintains close working ties with the family of EU institutions *in pursuit of* the Community's objectives. Most notably, the Bank is represented at a number of committees of the European Parliament, and the Ecofin Council of Ministers.

The Bank's decisions are taken by the following statutory bodies:

The Board of Governors consists of ministers (normally the Finance Ministers) from all the EU Member States. It defines the Bank's general *lending policy*, approves the balance sheet and annual report, authorises the Bank to fund *projects outside the EU and decides on capital increases*. *The Board of Directors* approves lending and borrowing operations and ensures the proper management of the EIB. It consists of 28 Directors – one nominated by each EU Member State and one by the European Commission. The Management Committee is the Bank's full-time executive. It handles the EIB's day-to-day business and it has nine members. The Audit Committee is an independent body answerable directly to the Board of Governors and responsible for verifying that the operations of the Bank have been conducted and its books kept in a proper manner.

8.2. Swiss Investment Fund for Emerging Markets – SIFEM.

8.2.1. Make an English précis of the article.

8.2.2. Make a Ukrainian précis of the article.

The Swiss Investment Fund for Emerging Markets (Sifem) was established on 1st July 2005 as a spin-off of the Swiss Confederation's State Secretariat for Economic Affairs (seco). Seco has invested some \$200 million over the last 10 years in some 30 projects, mostly through private equity funds. Sifem was created as part of seco's long term strategy for poverty reduction as outlined in "Strategy 2006" and "Agenda 2010", and Switzerland's general commitments to the Millennium Development Goals. Both white papers reaffirm seco's commitment to the idea that the private sector has a crucial role to play in sustainable development, and that public money can be used as an extremely effective catalyst in mobilising private investors who are normally hesitant to enter emerging markets.

During the interim phase, which will run until the end of 2006, Sifem is mandated to manage and advise on seco's portfolio, while continuing to seek new investments. At the end of this phase, and following the necessary legislative amendments in the Swiss Parliament, seco will transfer the portfolio to Sifem but will retain oversight as principal shareholder. To better respond to the market, Sifem plans to *diversify* into loan instruments, credit guarantees and direct investments. In regards to fund investments, Sifem participates in the range of 15 – 30%, usually between 5 to 7 million US dollars. Direct investments *range* up to 7.5 million US dollars. Sifem invests in developing and transitional countries, as defined by the World Bank, with a GNP per capita of under 5,295 US dollars. A large part of the investments will be made in *seco's* priority countries.

8.3. CDC Group Plc.

8.3.1. Give a written translation of Paragraph I.

CDC's mission is to generate wealth in the emerging markets, particularly in poorer countries, by providing capital for investment in sustainable and responsibly managed private sector businesses. CDC is one of the longest-established emerging markets development finance institutions in the world: it has been providing capital to developing countries for nearly 60 years. Its target is to make 70% of its investments in the poorest countries, i.e. those with annual GDP per

capita below US\$1,750m, and the remaining 30% in countries which are classified as poor, i.e. those with annual GDP per capita below US\$9,075. Priority markets are in Africa and South Asia. CDC has built up a portfolio valued in excess of US\$2 billion. Its funds are currently deployed in 250 companies in 60 countries. CDC requires fund managers and investee companies to observe a set of business principles relating to governance, social responsibility, health and safety and care for the environment.

CDC operates as a fund of funds. It does not make direct investments in companies, but places capital with managers who know and understand the emerging markets. Its monies are currently committed to more than 35 separate funds in Africa, Asia and Latin America. CDC will only commit funds to managers who invest equity or mezzanine instruments.

C. AFTER YOU READ

- a) Depending upon the content area, a discussion of the author of the particular work can be helpful to the understanding of it.
- b) What is the author trying to say?
- c) What is his point of view and his reason for writing the particular work?

D. LANGUAGE FOCUS

a) *Make it negative:*

1. CDC is one of the longest-established emerging markets development finance institutions in the world: it has been providing capital to developing countries for nearly 60 years.
2. Its target is to make 70% of its investments in the poorest countries, i.e. those with annual GDP per capita below US\$1,750m, and the remaining 30% in countries which are classified as poor, i.e. those with annual GDP per capita below US\$9,075.

b) *Paraphrase the following:*

1. Priority markets are in Africa and South Asia. CDC has built up a portfolio valued in excess of US\$2 billion.
2. Its funds are currently deployed in 250 companies in 60 countries.

3. CDC requires fund managers and investee companies to observe a set of business principles relating to governance, social responsibility, health and safety and care for the environment.
- c) *Relate the action to the past/present/future:*
1. During the interim phase, which will run until the end of 2006, Sifem is mandated to manage and advise on seco's portfolio, while continuing to seek new investments.
 2. At the end of this phase, and following the necessary legislative amendments in the Swiss Parliament, seco will transfer the portfolio to Sifem but will retain oversight as principal shareholder.
- d) *Turn direct speech into indirect:*

The survey defined: "The Bank's general *lending policy*, approves the balance sheet and annual report, authorises the Bank to fund *projects outside the EU and decides on capital increases*. The Board of Directors approves lending and borrowing operations and ensures the proper management of the EIB. It consists of 28 Directors – one nominated by each EU Member State and one by the European Commission".

E. VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian from the list given below:

То *зменшити* the pressure on the government bonds of countries such as Italy, the ECB would lower its *знижена* rate. It would then encourage countries to finance entirely by *випуску* Treasury bills, and banks to buy the bills. Banks could rediscount the bills with the ECB but they would not do so as long as they earned more on the bills than on the cash. This would allow Italy and other countries to refinance for about 1 per cent a year during this *критичний* period. Yet the countries concerned would be *підлягати* strict discipline because if they went beyond agreed limits the facility would be withdrawn. Neither the ECB nor the EFSF would buy any more bonds in the market.

These measures would allow Greece to default without causing a global *руйнування*. That does not mean that Greece would be forced into *банкрутство*. If it met, the EFSF could *підтримати* a “самостійну” restructuring at, say 50 cents on the euro. The EFSF would have enough money left to guarantee and recapitalise the European banks. It would be left to the International Monetary Fund to recapitalise the Greek banks. How Greece *існувати* then would be up to the Greeks.

1. discount
2. subject to
3. meltdown
4. issuing
5. fare
6. relieve
7. underwrite
8. emergency
9. voluntary
10. default

d) Suggest the correct translation:

Even as the euro was rallying (A) off of its lows (B), speculative investors increased their bets against the common currency this week, according to a report from the U.S. Commodity (C) Futures Trading Commission. The euro has made a meandering (D) climb back from an eight-month low hit against the dollar on Monday, inspired by faint (E) signs that European leaders are making progress solving the region's debt crisis, including Germany approving a measure to boost (F)the region's bailout fund. But that short-term rally came at a time when speculative traders, who try to profit off of changes in exchange rates, still held bets amounting (G) to a near-record net position that the euro would weaken. Their net "short" position was \$13.95 billion on Sept. 27—a 15-month high, the CFTC said Friday. The euro dipped (H) as low as \$1.3360 on Monday before pushing toward \$1.37 in the middle of the week. It has once again faltered (I), dropping back (J) to about \$1.34 late Friday. Meanwhile, the dollar was at ¥77.08 from ¥76.83 late Thursday, while the euro was at ¥103.20 compared with ¥104.46. The U.K. pound traded at \$1.5587 from \$1.5626, while the dollar bought 0.9067 Swiss franc from 0.8970 franc.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.

If you find they have new background information, ask for more information from them.

I. QUIZ # 8

a. Define the following sentences “True” or “False”:

1. The EIB is the main lending institution of the EU.
2. The EIB does not provide retail banking services.
3. The EU is the main owner of the EIB.
4. The European Investment Fund is the majority shareholder in the EIB.
5. AAA is the highest possible credit rating.
6. The Board of Governors comprises ministers from all the EU Member States.
7. Lending and borrowing operations are approved by the Board of Directors.
8. The Audit Committee is answerable directly to the Board of Directors.
9. CDC’s target is making 70% of its investments in the developing nations.
10. Sifem invests in poor and transitional countries.

b. Give the opposite:

sustainable, merit, development, autonomous, transparent, commit, crucial, full-time, proper, attract.

c. Decode the following terms:

treaty, over-the-counter, personal bank accounts, fixed assets, emerging market, private investors, GDP per capita, direct investment, spin-off, mezzanine instrument.

d. Translate the following into English:

1. ЄІБ надає кредити країнам-членам ЄС та іншим 140 країнам світу — так званим країнам-партнерам, а також приватним компаніям.
2. ЄІБ має декілька фінансових механізмів, завдяки яким він надає допомогу проектам: індивідуальні позики, глобальні позики та структуровані кредитні лінії.
3. 27 країн-членів ЄС є акціонерами ЄІБ і спільно надають капітал для ЄІБ, а їх відповідні внески відображають економічну вагу кожної країни всередині Спільноти.
4. Рада директорів банку складається з 28 директорів: кожна країна-член ЄС призначає по одному директору, і один — Європейською комісією, а також дублерів — всі вони призначаються Радою керуючих.
5. Проекти Державного секретаріату з економічних питань SECO зосереджуються на сприянні сталому економічному зростанню на основі ринкової економіки та на інтеграції країн-партнерів у світову економіку.
6. Діяльність SECO, зокрема, пов'язана з підтримкою реформування політики в сфері макроекономіки, інфраструктурними проектами і програмами сприяння торгівлі та інвестиціям.
7. В Україні SECO підтримує проекти в сфері корпоративного управління, інфраструктури, ядерної безпеки та раціонального використання енергії.
8. Корпорація розвитку Співдружності – це британська урядова організація розвитку, яка діє в країнах Південної Африки.
9. Фонд фондів – це інвестиційний фонд, який використовує інвестиційну стратегію, засновану на зборі, категоризації та аналізі портфолію інших інвестиційних фондів.
10. Корпорація розвитку Співдружності не здійснює прямих інвестицій у компанії, а розподіляє капітал серед менеджерів, які спеціалізуються на ринках, що розвиваються.

e. Revise the following finance&banking vocabulary:

AAA	fund	over-the-counter
assets	funding	portfolio
audit	funds	self-financing
borrowing	GNP	shareholder
budget	investee	transaction
EIB	mezzanine finance	transfer
equity	non-profit	wealth

f. Revise the following general vocabulary:

according	favourable	place
account	finance	plan
achieve	financial	play
active	financially	plc
activity	fixed	policy
advice	following	poor
advise	for	possible
affairs	from	potential
Africa	full-time	poverty
agreement	general	president
all	generate	principal
also	give	principle
amendment	GNP	priority
America	goal	private
amount	governance	project
annual	governors	proper
answerable	grants	provide
anymore	group	providing
approves	guarantee	précis
article	handle	public
Asia	have	purely
assets	health	pursuit
attract	help	raise
authorise	hesitant	range
autonomous	high	rating
balance	how	reaffirm
bank	however	reduction

Belgium	idea	reflect
below	increase	regard
better	independent	region
between	individual	relate
billion	innovation	remain
board	instead	report
body	institution	represent
book	instrument	require
both	interest	research
budget	interim	respond
build	into	responsibility
business	invest	responsible
but	January	responsibly
by	jointly	result
can	July	retain
candidate	keep	role
capita	know	Rome
care	large	run
carefully	last	safety
carry	Latin	scheme
catalyst	legislative	secretariat
classified	lend	sector
close	lending	seek
commercial	loan	selected
commission	long	self-financing
commit	long-term	separate
commitment	long-established	set
committed	maintain	sheet
committee	majority	should
community	make	small
company	manage	social
competitive	managed	some
condition	management	sound
conduct	manager	source
conducted	mandate	south
confederation	manner	spin-off

consist	market	state
continue	medium-sized	statutory
contribution	member	strategy
convergence	merit	subscribe
cooperation	millennium	such
cost	million	support
council	minister	sustainable
country	mission	Swiss
create	mobilise	Switzerland
criterion	money	take
crucial	more	target
currently	mostly	technically
day-to-day	must	term
decide	nearly	than
decision	necessary	that
define	neighbour	they
deploy	new	this
developing	nine	those
development	nominate	through
direct	normally	tie
directly	not	total
director	not-for	transitional
diversify	notably	translation
do	number	transparent
dollar	objective	transport
driven	observe	treaty
during	offer	under
each	on	understand
east	one	union
Ecofin	only	unlike
economic	operate	until
economically	operation	up
effective	opportunity	use
elsewhere	or	used
emerging	organise	usually
end	other	value

energy	outline	verify
English	outside	very
ensure	over	weight
enter	over-the-counter	what
enterprise	oversight	which
environment	own	while
environmental	owned	white
environmentally	paper	who
equally	paragraph	widely
equity	parliament	will
established	part	with
EU	participate	within
European	particularly	work
excess	partner	working
executive	per	world
extremely	personal	worldwide
family	phase	year

UNIT NINE.

THE EUROPEAN BANK OF RECONSTRUCTION AND DEVELOPMENT

BEFORE YOU READ

1. CONCEPT MAPPING:

Develop a "mind map" around the notion "BANK" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading:

6. DEFINITION:

- a) What are the concepts underlying the Bank's activity?
- b) Where does the market economy fit in the field of EBRD's activities?
- c) What group do the Central and Eastern European countries belong to?

7. CHARACTERISTICS:

- a) How would I describe the market-oriented economy?
- b) What do the EBRD's operations and lending strategy look like?
- c) What are its fundamentals?

8. EXPERIENCE:

- a) What experience have I had with non-governmental organizations?
- b) What can I imagine about working in the Council of Europe?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

9.1. Establishing the European Bank for Reconstruction and Development

An important feature of the Agreement (the "Agreement") Establishing the European Bank for Reconstruction and Development (the "Bank") relates to the political aspects of the Bank's *activities*. This memorandum *outlines* suggested procedures that the Bank might adopt to *implement* the political aspects of its mandate.

I Provisions of the Agreement

The concepts *underlying* the Bank's mandate are found in the Preamble to the Agreement.¹ The Agreement then states the general principles which form the basis for the mandate. The principal relevant *provisions* are in Article 1, which sets out the Bank's purpose, and Article 8, which deals with the use of the Bank's resources. Article 1 states:

“In contributing to economic progress and reconstruction, the purpose of the Bank shall be to foster the transition towards open market-oriented economies and to *promote* private and *entrepreneurial* initiative in the Central and Eastern European countries committed to and applying the principles of *multiparty* democracy, pluralism and market economics.”

The countries of the Bank's operations which signed and ratified the Agreement committed themselves to the purpose of the Bank, as well as to the other provisions of the Agreement. Other members, by their signature and ratification, accepted the *commitment* of those countries.

Paragraphs 1 and 2 of Article 8 state:

“1. The resources and facilities of the Bank shall be used exclusively to implement the purpose and carry out the functions set forth, *respectively*, in Articles 1 and 2 of this Agreement.

2. The Bank may conduct its operations in countries from Central and Eastern Europe which are proceeding *steadily* in the transition towards market-oriented economies and the promotion of private and entrepreneurial initiative, and which apply, by concrete steps and otherwise, the principles as set forth in Article 1 of this Agreement.”

The Agreement *empowers* the Bank to “provide technical advice and assistance which serve its purposes and come within its functions” (paragraph 1(vi) of Article 20) and to finance such technical assistance (paragraph (ii) of Article 13). It calls for a review at least annually by the Board of Directors of the Bank's operations and lending strategy in each Central and Eastern European country to ensure that the purpose of the Bank, including by implication the political aspects of its mandate, is fully served. ² It also addresses the consequences of a country implementing policies inconsistent with the Bank's purpose.

It is evident from the Preamble to the Agreement, as well as from the history of the Agreement's negotiation, that the successful transition of member countries to market-oriented economies is closely linked to parallel progress towards democracy and the rule of law. Thus, the political aspects of the Bank's mandate extend to all elements of the Bank's purpose as set out in Article 1 and should be monitored and encouraged by the Bank as part of the process of assisting the transition of countries of operations to market economies.

9.2. Implementation.

9.2.1. Make an English précis of the article.

9.2.2. Make a Ukrainian précis of the article.

a) Objectives

Because of the critical link between the economic and political aspects of the Agreement, the decision on an appropriate way to assess the progress of countries of operations towards multiparty democracy, pluralism and market economics is vital to the Bank's successful fulfilment of its mandate. The specifically economic aspect of the Bank's mandate is outside the scope of this memorandum, but an assessment of economic as well as political factors will be fundamental to an overall view of the implementation of the Bank's purpose in the countries of operations.

In considering how to assess political progress, emphasis is often placed on human rights. References to human rights are in fact found in the Preamble, although not in the Agreement itself. This drafting choice was deliberate. It does not exclude human rights from the scope of the political aspects of the Bank's mandate, but it indicates that only those rights which, in accordance with international standards, are essential elements of multiparty democracy, pluralism and market economics should be considered when evaluating a country's progress. Such a reading of the Agreement focuses primarily on civil and political rights. Other rights, including economic and social rights that advance multiparty democracy, pluralism and market economics, could be taken into account and fostered by the Bank in connection with its normal operations.

b) Procedures

Against that background, and that of the experience of other relevant institutions, it seems appropriate to assess political and economic progress together, annually, in the Bank's country strategy papers, rather than on a project by project basis.

The approach to the assessment might be to consider progress on factors relevant

to the political aspects of the Bank's purpose, as set out in Article 1, drawn from

the various reference points cited in Section II above, e.g.:

- free elections;
- representative government in which the executive is accountable to the elected legislature or the electorate;
- duty of the government and the public authorities to act in accordance with the constitution and law, and availability of redress against administrative decisions;
- separation between the State and political parties;
- independence of the judiciary;
- equal protection under the law, including for minorities;
- fair criminal procedure;
- freedom of speech, including the media, of association, and of peaceful assembly;
- freedom of conscience and religion;
- freedom of movement;
- the right to private property; and
- the right to form trade unions and to strike.

These internationally recognised elements could also be fostered by the Bank in its operations, including technical cooperation, to promote the transition to market-oriented economies and otherwise satisfying the operating principles of the Bank, as described in Article 13. For example, the Bank could encourage public participation and consultation in the preparation of infrastructure projects and could help with the establishment of consumer protection bodies as part of public sector projects.

9.3. The Bank Cooperation.

9.3.1. Give a written translation of Paragraph I.

The Bank will cooperate with other institutions and non-governmental organisations, particularly the Council of Europe, in making its assessment of a country's progress towards the political aspects of the Agreement. Admission to the Council of Europe and ratification of the European Convention on Human Rights would be positive indications of a country's continued commitment to the Bank's purpose. If the formal assessment of implementation of the political aspects of the Bank's purpose indicates that a country is implementing policies that, to a greater or lesser degree, are inconsistent with that purpose, paragraph 3 of Article 8 provides the Bank's governing bodies, under the authority of the Board of Governors, substantial flexibility in formulating the Bank's response.

Such circumstances will be considered by the Board of Directors, in accordance with its usual procedures, whether in connection with a formal review of operations or otherwise as appropriate, for example through reports of fact-finding missions.

If the Board of Directors decides to apply the provisions of paragraph 3 of Article 8, it must submit the issue to the Board of Governors with recommendations. Action by the Board of Governors might include, according to the circumstances:

- recommendations;
- postponement of proposed operations;
- restrictions of operations pursuant to paragraph 4 of Article 8;

and

- suspension of operations.

In formulating its response, the Bank might consider curtailing planned public sector projects before taking action on private operations. Within the public sector it might curtail state infrastructure projects before local ones and endeavour to continue with its technical cooperation activities as long as possible. Throughout its operations, the Bank will need to bear in mind the requirement in Article 13 that it apply sound banking principles to all of its operations. Thus it will need to consider carefully its own financial position as well as the legitimate financial interests of relevant third parties.

C. AFTER YOU READ

- a) Depending upon the content area, a discussion of the author of the particular work can be helpful to the understanding of it.
- b) What is the author trying to say?
- c) What is his point of view and his reason for writing the particular work?

D. LANGUAGE FOCUS

a) *Make it negative:*

1. The Bank will cooperate with other institutions and non-governmental organisations, particularly the Council of Europe, in making its assessment of a country's progress towards the political aspects of the Agreement.
2. Admission to the Council of Europe and ratification of the European Convention on Human Rights would be positive indications of a country's continued commitment to the Bank's purpose.

b) *Paraphrase the following:*

It does not exclude human rights from the scope of the political aspects of the Bank's mandate, but it indicates that only those rights which, in accordance with international standards, are essential elements of multiparty democracy, pluralism and market economics should be considered when evaluating a country's progress.

c) *Relate the action to the past/present/future:*

It calls for a review at least annually by the Board of Directors of the Bank's operations and lending strategy in each Central and Eastern European country to ensure that the purpose of the Bank, including by implication the political aspects of its mandate, is fully served.

d) *Turn direct into indirect:*

Article 1 stated:

"In contributing to economic progress and reconstruction, the purpose of the Bank shall be to foster the transition towards open market-oriented economies and to *promote* private and *entrepreneurial* initiative in the Central and Eastern European countries committed to and applying the principles of *multiparty* democracy, pluralism and market economics."

E. VOCABULARY ARRANGEMENT

- a. Arrange a semantic field of the words relating to the learning topic.
- b. Add words you probably already understand to connect relationships between what is known and the unknown.
- c. Supply the English equivalent to the Ukrainian from the list given below:

During the financial crisis, bankers at relatively strong institutions would joke they were the tallest dwarf in the bunch. The problem for Morgan Stanley is that it is still among the shortest. While in far better financial shape than in 2008, Morgan remains the smallest and to some extent most *вразливий* of the big, U.S. financial institutions. It also has a tendency for trading *перепони*, even if it *чинити опір* that trend in the second quarter. This goes part of the way in explaining why its stock and credit-default *обмін* spreads have been getting hit far harder than *очікування* on fears related to Europe, the slowing global economy and a trading *падіння*. And it may also be why Morgan seems more *чутливий* to market *чутки*. On Friday, Morgan's shares tumbled 10% and its CDS spreads continued to widen due in part to confusion over its *відкритість* to Europe. A report pegged its "net" exposure to French banks at \$39 billion, although this was actually a "gross" figure. On a net basis, which takes into account *застава* and hedges, its exposure is zero, according to a person familiar with the matter. And the \$39 billion figure is for the end of 2010; the latest gross figure is \$21.6 billion.

1. peers
2. stumbles
3. downturn
4. buck
5. collateral
6. swap
7. chatter.
8. susceptible
9. exposure
10. vulnerable

- d. Suggest the correct translation:

The data also showed net "long" positions (A) in the dollar against other major currencies, including the Canadian dollar and yen

rose as well. European debt worries (B) and concerns about overall global economic growth pushed investors toward the greenback. The "net" (C) long dollar position betting on gains (D) against all major currencies jumped 59% as of Sept. 27 to a combined \$13.66 billion, compared with a week earlier. Analysts say there aren't any concrete reasons for the euro to rally (E) long term, which has emboldened (F) speculative (G) investors to increasingly bet against the common currency. The euro's rise earlier this week came as Germany and several other euro-zone members approved (H) expanded powers (I) for the European Financial Stability Facility (J), a rescue fund for economies threatened by high debt levels. However, European officials haven't finalized details of another bailout for Greece, the country in the most immediate danger of defaulting.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them.

I. QUIZ # 9

a. *Define the following sentences "True" or "False":*

1. The Preamble sets out the Bank's purpose.
2. Pluralism alone is vital to the Bank's successful fulfilment of its mandate.
3. The Bank will cooperate closely with the EMU.
4. The Bank does not render its services in Eastern Europe.

5. While making its assessment of a country's progress towards the political aspects of the Agreement, the Bank will cooperate with the Council of Europe.
6. Suspension of operations is one of the possible actions of the Board of Governors.
7. Democracy and the rule of law help countries transit to market-oriented economies.
8. Article 13 is the most important one in the Agreement.
9. References to human rights can be found in the Preamble and in the Agreement itself.
10. Multiparty democracy, pluralism and market economics all correspond to international standards.

b. Give the opposite:

vital, inconsistent, set forth, legitimate, relevant, endeavour, *promote*, restriction, overall, freedom.

c. Decode the following terms:

entrepreneurial, provisions, non-governmental organization, infrastructure projects, mandate, lending strategy, memorandum, governing bodies, foster, to assess.

d. Translate the following into English:

1. Європейський банк реконструкції та розвитку (зі штаб-квартирою в Лондоні) був створений в 1991 році.

2. Його засновниками стали 60 країн і дві міжнародних організації.

3. ЄБРР працює лише на комерційних засадах.

4. На відміну від МВФ, надає тільки цільові кредити під конкретні проекти приватним і державним структурам на потреби розвитку економіки.

5. До Ради директорів Банку входять Президент, три віцепрезиденти і 23 директори.

6. ЄБРР надає допомогу країнам від Центральної Європи до Центральної Азії для проведення ринкових реформ, активного інтегрування економік цих країн у міжнародні господарські зв'язки.

7. Крім цільових кредитів ЄБРР здійснює прямі інвестиції, а також надає технічну допомогу (консультації, курси навчання

банкiрів та менеджерiв, допомога в організації систем розподілу продовольства).

8. Головна мета кредитування ЄБРР – розвиток підприємництва, роздержавлення та приватизація, фінансова підтримка малого та середнього приватного бізнесу.

9. ЄБРР намагається допомогти місцевим банкам набути надійної репутації, яка б допомогла їм працювати на міжнародних фінансових ринках.

10. Проекти, які підтримуються ЄБРР, покликані сприяти сталому розвитку економіки країни, бути фінансово самоокупними та екологічно безпечними.

e. Revise the following general vocabulary:

above	example	pluralism
accepted	exclude	point
accordance	exclusively	policy
according	executive	political
account	experience	position
accountable	extend	positive
act	facility	possible
action	fact	postponement
activity	fact-finding	preamble
addresse	factor	preparation
administrative	fair	primarily
admission	feature	principal
adopt	finance	principle
advance	financial	private
advice	flexibility	procedure
against	focus	proceed
agreement	for	process
all	form	progress
also	formal	project
although	formulate	promote
and	forth	promotion
annually	foster	property
apply	found	propose
approach	free	protection

appropriate	freedom	provide
article	from	provision
as	fulfilment	précis
aspect	fully	public
assembly	function	purpose
assess	fundamental	pursuant
assessment	general	rather
assistance	give	ratification
association	governing	ratify
authority	government	reading
availability	governor	recognised
background	great	recommendation
bank	help	reconstruction
banking	history	redress
basis	how	reference
bear	human	relate
before	implement	relevant
between	implementation	religion
board	implication	report
body	important	representative
but	in	requirement
by	include	resource
call	including	respectively
carefully	inconsistent	response
carry	independence	restrictions
central	indicate	review
choice	indication	right
circumstance	infrastructure	rule
cite	initiative	satisfy
civil	institution	scope
closely	interest	section
come	international	sector
commitment	internationally	seems
committed	into	separation
concept	issue	serve
concrete	judiciary	set

conduct	law	shall
connection	least	should
conscience	legislature	signature
consequence	legitimate	sign
consider	lending	social
considered	lesser	sound
constitution	link	specifically
consultation	linked	speech
consumer	local	standard
continue	long	state
continued	make	steadily
contribute	mandate	steps
convention	market	strategy
cooperate	market-oriented	strike
cooperation	may	these
could	media	submit
council	member	substantial
country	memorandum	successful
criminal	might	such
critical	mind	suggested
curtail	minorities	suspension
curtailing	mission	take
deal	monitor	technical
decide	movement	than
decision	multiparty	that
degree	must	their
deliberate	need	themselves
democracy	negotiation	then
describe	non-governmental	third
development	normal	this
director	not	those
drafting	objective	through
duty	of	throughout
each	often	thus
Eastern	on	together
economic	only	towards

economics	open	trade
economy	operating	transition
elect	operation	translation
elections	organisation	under
electorate	other	underlying
element	otherwise	union
emphasis	out	use
empower	outline	used
encourage	outside	usual
encouraged	overall	various
endeavour	own	view
English	paper	vital
ensure	paragraph	way
entrepreneurial	parallel	well
equal	part	when
essential	participation	whether
establishing	particularly	which
establishment	party	will
Europe	peaceful	with
European	place	within
evaluating	planned	would
evident		

UNIT TEN.**THE EUROPEAN BANK OF RECONSTRUCTION AND DEVELOPMENT IN UKRAINE****A. BEFORE YOU READ****1. CONCEPT MAPPING:**

Develop a "mind map" around the notion "STRATEGY" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading.

6. DEFINITION:

- a) What is Sustainable Energy Action Plan?
- b) What is the objective of the Sustainable Energy Action Plan?
- c) What are the banks priorities for joint activities?

7. CHARACTERISTICS:

- a) How would I describe Ukraine's participation in the EBRD's joint activities?
- b) What does the EBRD's investment into Ukraine's primarily energy efficiency projects look like?
- c) What are the steps of the joint activities?

8. EXPERIENCE:

- a) What experience have I had with the joint ventures?
- b) What can I imagine about starting up a joint venture?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

10.1. EBRD unveils energy efficiency action plan for Ukraine.

In a major step towards promoting an *energy efficient economy*, the European Bank for Reconstruction and Development and the government of Ukraine have agreed on a *Sustainable Energy Action Plan (SEAP)*. Vice Prime Minister Hryhoriy Nemyria from the Ukrainian government and André Küssvek from the EBRD signed a memorandum of understanding on the action plan in Kiev on 10 June 2009. The SEAP builds on the continuous policy dialogue between the Bank and Ukraine as part of the EBRD's Sustainable Energy Initiative (SEI) that was launched in 2006 for all of the countries where the EBRD invests. Ukraine, one of the least energy efficient countries in the region, has since attracted EBRD *funding* of €647 million for a variety of energy efficiency projects across the country.

The objective of the Sustainable Energy Action Plan is to *outline actions* to promote the *rational use* of energy resources as well as the efficient and *sustainable supply* of power and energy. They should help strengthen the country's energy security, improve industrial competitiveness and reduce energy bills for Ukrainian people. In the context of the SEAP the government of Ukraine and the Bank have identified several areas *for joint activities* in the field of sustainable energy. These will include a review of tariff methodology and legislation, the introduction of *legal frameworks* for renewable energy development as well as for energy efficiency in residential and public buildings.

The Bank will consider investing in energy efficiency projects in such priority areas as industrial energy efficiency, credit lines to SME energy users, clean power and energy supply, renewable energy, municipal infrastructure and carbon finance.

The EBRD's sustainable energy initiative has become an important part of the Bank's Country Strategy for Ukraine and has facilitated closer policy dialogue with the *Ukrainian authorities*. Last year the Bank paid special attention to energy efficiency in Ukraine by improving the access of private companies to much-needed energy efficiency lending just at a time when credit was becoming increasingly *scarce*. In 2008 investments in sustainable energy -- primarily energy efficiency projects -- totalled €350 million, or around 40 per cent of the EBRD's annual business volume in Ukraine.

10.2. Putin Requests EU Credits For Ukraine.

10.2.1. Make an English précis of the article.

10.2.2. Make a Ukrainian précis of the article.

MOSCOW (AP) — Russian Prime Minister Vladimir Putin urged the European Union on Monday to lend Ukraine at least \$1 billion to help it pay for natural gas supplies from Russia and avoid another disruption of flows to Europe.

Europe gets 20 percent of its gas from Russia via pipelines that cross Ukraine and has an interest in helping prevent a repeat of the January gas crisis. When Russia cut off gas shipments via Ukraine for nearly two weeks as a price and payment dispute between the two neighbors escalated, more than 15 European countries were sent scrambling to find alternative sources of energy.

Putin said Russia had done its part by paying transit fees of \$2.5 billion in advance.

"Let the Europeans throw in a lousy billion," he said in televised remarks after talks with Danish Prime Minister Lars Lokke Rasmussen.

"Why have they gotten so stingy down there? Let them get something out of their pockets," he said, in typically colorful language. "They have money, too."

Putin has been warning in recent days that Ukraine may not be able to meet its commitments to Russia's state-controlled gas company, Gazprom, suggesting that this could lead to another cutoff.

Ukraine's state-owned natural gas company, Naftogaz, has been paying its monthly gas bills on time. The next bill comes due Saturday.

On Sunday, Putin called Swedish Prime Minister Fredrik Reinfeldt, whose country holds the rotating EU presidency, to express his concerns.

"Prime Minister Reinfeldt stated that both the Swedish and the Czech presidency had followed this issue closely and that we will continue to do so," the Swedish government said in a statement.

The European Commission had reached agreement with Ukraine in June for international lenders — the World Bank, European Investment Bank and European Bank for Reconstruction and Development — to provide up to \$1.7 billion in loans to help it pay its gas bill and reform its energy sector.

Putin said that Ukraine, whose economy has been devastated by the financial crisis, has not received any of the money.

Putin first raised the alarm Friday, when he said Ukrainian Prime Minister Yulia Tymoshenko had warned him that Ukraine's president, Viktor Yushchenko, was making it difficult to pay the gas bill. Tymoshenko and Yushchenko are running against each other in a January presidential election. Their bitter rivalry, and Moscow's interest in seeing a more Russia-friendly president in Ukraine, was seen as a major factor behind the renewed tensions over gas supplies.

10.3. World Bank Improves Ukraine 2010 Forecast.

10.3.1. Give a written translation of Paragraph I.

KIEV, Ukraine (AP) — The World Bank on Thursday improved its bleak outlook for Ukraine's struggling economy amid signs of a global recovery, predicting it will grow 2.5 percent in 2010 after contracting by 15 percent this year.

The growth will be driven by an anticipated rise in global demand for Ukraine's key exports, steel and chemicals, the Washington-based organization said in a statement. The World Bank had earlier forecast only 1 percent growth for 2010.

Inflation is forecast to fall below 14 percent in 2009 and below 11 percent next year. The World Bank cautioned, however, that next year's growth will be modest due to a rising number of toxic loans, which are weighing on the financial sector and dragging down lending. Many Ukrainian banks, corporations and private lenders had borrowed money in foreign currencies and are now defaulting on those loans

after the national currency, the hryvna, lost some 40 percent of its value.

Ukraine's financial crisis is one of the worst in Europe. The economy contracted by 20.3 percent in the first quarter of 2009 and by 17.8 in the second quarter. The country is relying on a \$16.4 billion loan from the International Monetary Fund to avoid a complete meltdown. The European Bank for Reconstruction and Development said Thursday that it expects Ukraine's economy to shrink by 14 percent this year and grow 3 percent in 2010. The international development bank urged Ukraine to launch structural and institutional reforms, and to deepen integration with the European Union to fuel growth.

C. AFTER YOU READ

- a) Depending upon the content area, a discussion of the author of the particular work can be helpful to the understanding of it.
- b) What is the author trying to say?
- c) What is his point of view and his reason for writing the particular work?

D. LANGUAGE FOCUS

a) *Make it negative:*

The World Bank on Thursday improved its bleak outlook for Ukraine's struggling economy amid signs of a global recovery, predicting it will grow 2.5 percent in 2010 after contracting by 15 percent this year.

b) *Paraphrase the following:*

1. Ukraine's financial crisis is one of the worst in Europe.
2. The economy contracted by 20.3 percent in the first quarter of 2009 and by 17.8 in the second quarter.
3. The country is relying on a \$16.4 billion loan from the International Monetary Fund to avoid a complete meltdown.

c) *Relate the action to the past/present/future:*

1. The Bank will consider investing in energy efficiency projects in such priority areas as industrial energy efficiency, credit lines to SME energy users, clean power and energy supply, renewable energy, municipal infrastructure and carbon finance.

2. The EBRD's sustainable energy initiative has become an important part of the Bank's Country Strategy for Ukraine and has facilitated closer policy dialogue with the Ukrainian authorities.

d) *Turn direct into indirect:*

1. "Prime Minister Reinfeldt stated that both the Swedish and the Czech presidency had followed this issue closely and that we will continue to do so," the Swedish government said in a statement.
2. "Let the Europeans throw in a lousy billion," he said in televised remarks after talks with Danish Prime Minister Lars Lokke Rasmussen.
3. "Why have they gotten so stingy down there? Let them get something out of their pockets," he said, in typically colorful language.

E. VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian from the list given below:

These steps would bring the *кульмінація* of the crisis to an end by staunching its two main sources and *стабілізовані ринки* that a longer-term solution was in sight. That solution would be more complicated because the regime imposed by the ECB would *не залишати місця* for *фінансові мотиви* and the debt problem could not be resolved without growth. How to create *життєздатні* fiscal rules for the euro would be left to negotiations.

Many other proposals are under discussion behind closed doors. Most seek to leverage the EFSF by turning it into a bank or an insurance company or by using a special purpose vehicle. While practically any proposal is *імовірний* to bring *тимчасове покращення*, disappointment could push financial markets over the *межа*. Markets are likely to see through inadequate proposals, especially if they *порушувати* Article 123 of the Lisbon treaty, which my proposal respects. That said, some form of leverage could be useful in recapitalising the banks.

This course of action does not require leveraging or increasing the size of the EFSF but it is more radical because it puts the banks under European control. That is liable to arouse the opposition of both the banks and the national *уряд*. Only public pressure can make it happen.

1. acute
2. temporary relief
3. reassuring markets
4. liable
5. authorities
6. leave no room
7. violate
8. fiscal stimulus
9. brink
10. viable

d) Suggest the correct translation:

The euro's temporary rise (A) during the middle of the week probably had more to do with investors closing out positions before the end of the third quarter Friday, as well as some profit-taking after the euro's sharp move (B) lower, said Anish Abuwala, foreign-exchange strategist (C) at Nomura Securities in New York. Those two factors often skew moves (D) in the exchange rate and convince (E) market participants that a trend is reversing when it is actually just taking a breather (F). The latest bets on the euro are surpassed (G) only by those from the spring of 2010. Back then, investors also fretted (H) over whether Greece would get a bailout. Without one, the country was at risk of default, which in turn could have set off a cascade of problems for European banks and other euro-zone members with exposure (I) to Greek debt. Investors still perceive European leaders are "not really addressing the root problem" of the debt crisis by approving a comprehensive (J) Greek bailout, said Shaun Osborne, chief FX strategist at TD Securities.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them.

I. QUIZ # 10

a. Define the following sentences "True" or "False":

1. In a major step towards advancing an energy efficient economy, the EBRD and Ukraine have agreed on a Sustainable Energy Action Plan.
2. The SEAP builds on the temporary policy dialogue between the Bank and Ukraine.
3. These will include a review of tariff philosophy and legislation.
4. Last year the Bank paid special attention to energy deficiency in Ukraine.
5. Europe gets one fifth of its gas from Russia via pipelines that cross Ukraine.
6. Russia had done its part by advancing transit fees of \$2.5 billion.
7. Putin has been threatening in recent days that Ukraine may not be able to meet its commitments to Gazprom.
8. President of Sweden Reinfeldt stated that both the Swedish and the Czech presidency had followed this issue closely.
9. Putin first rang the bell in 2005.
10. The World Bank improved its thriving outlook for Ukraine's struggling economy.

b. Give the opposite:

major, to reach, devastate, to raise, bitter (rivalry), tension, state-controlled, warning, scramble, to prevent.

c. Decode the following terms:

energy efficient economy, Sustainable Energy, rational use, toxic loans, credit lines, joint activities, legal framework, to meet one's commitment, user-friendly, gas shipment.

d. Translate the following into English:

1. Серед широкого кола учасників іноземного інвестиційного кредитування на Україні сьогодні вагоме місце посідає Європейський банк реконструкції та розвитку (ЄБРР).
2. В Україні ЄБРР має дипломатичний статус і статус привілейованого кредитора.
3. ЄБРР має намір інвестувати в енергобезпеку, енергозберігаючі технології та розвиток промисловості в Україні.
4. На сьогодні ЄБРР визначив стратегію співробітництва з Україною та розробив загальний план сприяння реформам, згідно з якими 2/3 засобів, що виділяються, припадає на кредити, 1/3 – на здійснення технічної допомоги.
5. Основними напрямками діяльності банку на Україні є: інвестування акціонерного капіталу підприємств приватного та державного сектору та гарантоване розміщення цінних паперів, випущених приватними та державними підприємствами.
6. Банк буде розглядати будь-які запропоновані українським урядом варіанти фінансування, в тому числі і входження в капітал створюваних підприємств.
7. В цілому ЄБРР виділив кредитів на модернізацію української енергетики майже 750 млн. євро, при цьому близько 300 млн. вкладено в поточному році.
8. Програма мікrokредитування в Україні була створена в 1997 році ЄБРР і Німецько-українським фондом (НУФ) для підтримки розвитку малого й середнього бізнесу України.
9. Фінансова криза в Україні – одна з найгірших в європейському просторі.
10. Запроваджено єдине вікно для реєстрації малого та середнього бізнесу.

e. Revise the following finance & banking vocabulary:

bill	default	national currency
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business volume carbon finance contract credit line	fee financial sector funding meltdown	private lender tariff toxic loans
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f. Revise the following general vocabulary:

able access across action activity advance after against agreed agreement alarm all alternative amid annual another anticipated any area around article attention attract authority avoid become behind below between billion	gas get give global government grow growth have he help hold however hryvna identify important improve improved include increasingly industrial inflation infrastructure initiative institutional integration interest international introduction investing investment	priority private project promote provide précis public quarter raise rational reach receive recent reconstruction recovery reduce reform region rely remark renewable renewed repeat request residential resource review rise rising rivalry
--	---	---

bitter	invest	rotating
bleak	issue	running
borrow	January	Russia
both	joint	Russia-friendly
building	June	Russian
build	just	Saturday
business	key	scarce
call	Kiev	scrambling
carbon	language	second
caution	last	sector
cent	launch	security
chemical	lead	send
clean	least	several
closely	legal	shipment
closer	legislation	should
colorful	lend	shrink
come	lender	sign
commission	lending	since
commitment	let	some
company	line	something
competitiveness	loan	source
complete	lost	special
concern	lousy	state
consider	major	state-controlled
context	make	state-owned
continue	many	statement
continuous	may	steel
contracted	meet	step
contracting	meltdown	stingy
corporation	memorandum	strategy
could	methodology	strengthen
country	million	structural
crisis	minister	struggle
cross	modest	such
currency	monetary	suggest
cut	money	Sunday

cutoff	monthly	supply
day	more	sustainable
deepen	much-needed	Swedish
demand	municipal	talks
devastate	national	tariff
development	natural	televised
dialogue	nearly	tensions
difficult	neighbor	these
dispute	next	they
disruption	not	this
do	now	those
down	number	throw
dragging	objective	time
due	of	total
each	off	towards
early	on	toxic
economy	one	transit
efficiency	only	translation
efficient	or	two
election	organization	typically
energy	other	Ukraine
English	out	understanding
escalate	outline	union
EU	outlook	up
Europe	over	urge
expect	paragraph	use
export	part	user
express	pay	value
facilitate	paying	variety
factor	payment	via
fall	people	volume
field	per	warn
finance	percent	warning
financial	pipeline	we
find	plan	week
first	pocket	weigh

flow	policy	well
follow	power	when
for	predict	where
forecast	presidency	which
foreign	president	whose
framework	presidential	will
Friday	prevent	with
from	price	world
fuel	primarily	worst
fund	prime	year

UNIT ELEVEN.

UK TREASURY

A. BEFORE YOU READ

1. CONCEPT MAPPING:

Develop a "mind map" around the notion "TREASURY" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading:

6. DEFINITION:

- a) What is treasury in the UK and in the USA?
- b) Where does the UK Treasury fit?
- c) What financial groups does the US Treasury belong to?

7. CHARACTERISTICS:

- a) How would I describe Ukraine's Treasury?
- b) What does UK financial services sector look like?
- c) What are its parts?

8. EXPERIENCE:

- a. What experience have I had with the Regional Treasury Department?
- b. What can I imagine about a job at Treasury?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

11.1. History

The English Treasury seems *to have come into existence* around 1126, in the reign of Henry I. The Treasury emerged out of the Royal Household, and served as the location where the king kept his treasures. The head of the Treasury was called the Lord Treasurer. Starting in Tudor times, the Lord Treasurer became one of the chief officers of state, and competed with the Lord Chancellor for the principal place. In 1667 Charles II of England was responsible for *appointing* George Downing (the builder of Downing Street) to radically reform the Treasury and the collection of taxes. Beginning in the 17th century, the Treasury was frequently *entrusted* to a commission, rather than to a single individual, and after 1714, it was always in *commission*. The commissioners were referred to as Lords of the Treasury, and given a number based on *seniority*. Eventually, the First Lord of the Treasury came to be seen as the natural *head of any government*, and from Robert Walpole on, began to be known, unofficially, as the prime minister. Before 1827, the First Lord of the Treasury, when a *commoner*, also held the office of Chancellor of the

Exchequer, while if the First Lord was a peer, the Second Lord would usually serve as Chancellor. Since 1827, the *Chancellor of the Exchequer* has always been Second Lord of the Treasury.

11.2. The UK financial services sector.

11.2.1. Make an English précis of the article.

11.2.2. Make a Ukrainian précis of the article.

The global economy is in the midst of a radical transformation, with far-reaching and fundamental changes for the pattern of economic activity. These changes pose challenges and opportunities for the UK and all advanced economies. The financial services sector has a central role to play and will be key to increasing the flexibility and dynamism of UK business and the wider economy.

The paper identifies a critical role played by the financial services sector in all advanced economies, in terms of three core functions: matching savers, borrowers and investment through the investment chain; risk pooling and management; and facilitating payments. The UK financial services sector fulfils its functions nationally, regionally and globally, reflecting its central role within the globally-integrated marketplace. As a result, it makes a significant direct contribution to the wider UK economy. The paper identifies four key trends in the global economy that are changing demand for financial services, including: growth in emerging economies; tougher global competition; technology and the increasing rewards from innovation; and demographic change. In addition, technology and the liberalisation of financial markets are driving structural changes in global financial markets themselves.

Looking ahead, the paper argues that in responding to changing trends in the global economy, the UK financial services sector has a key role to play. The paper identifies four key challenges for the future: promoting further financial integration; ensuring that the UK financial services sector meets the changing needs of the UK economy; ensuring that the UK financial services sector meets the changing needs of the UK society; and ensuring that the UK financial services sector remains globally competitive.

11.3. Financial Capability.

11.3.1. Give a written translation of Paragraph I.

As financial products become more sophisticated, and the pace of economic, social and demographic change increases, it becomes more important for consumers to engage with financial services with skill and assurance. However, the Financial Services Authority (FSA) has identified low levels of financial capability across the UK, especially among young people. There are, in particular, widespread weaknesses in planning ahead and choosing financial products. Financial capability is a broad concept, encompassing people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action.

Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market. With additional Child Trust Fund (CTF) payments to 7-year-olds from 2009, and the implementation of personal accounts for pension saving from 2012, the Government has new opportunities to promote greater capability across the life cycle.

C. AFTER YOU READ

- a) Depending upon the content area, a discussion of the author of the particular work can be helpful to the understanding of it.
- b) What is the author trying to say?
- c) What is his point of view and his reason for writing the particular work?
- d) What do I know?
- e) What do I want to learn?
- f) What did I learn?

D. LANGUAGE FOCUS

a) *Make it negative:*

1. The global economy is in the midst of a radical transformation, with far-reaching and fundamental changes for the pattern of economic activity.
2. These changes pose challenges and opportunities for the UK and all advanced economies.

3. The financial services sector has a central to play and will be key to increasing the flexibility and dynamism of UK business and the wider economy.

b) Paraphrase the following:

The paper identifies four key trends in the global economy that are changing demand for financial services, including: growth in emerging economies; tougher global competition; technology and the increasing rewards from innovation; and demographic change. In addition, technology and the liberalisation of financial markets are driving structural changes in global financial markets themselves.

c) Relate the action to the past/present/future:

1. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market.
2. With additional Child Trust Fund (CTF) payments to 7-year-olds from 2009, and the implementation of personal accounts for pension saving from 2012, the Government has new opportunities to promote greater capability across the life cycle.

d) Turn indirect speech into direct:

1. The paper identifies a critical role played by the financial services sector in all advanced economies, in terms of three core functions: matching savers, borrowers and investment through the investment chain; risk pooling and management; and facilitating payments.
2. The UK financial services sector fulfils its functions nationally, regionally and globally, reflecting its central role within the globally-integrated marketplace.
3. As a result, it makes a significant direct contribution to the wider UK economy.

E. VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian from the list given below:

Eurozone inflation *з'явитися* unexpectedly to a three-year high of 3 per cent, adding to the dilemma facing the European Central Bank as an *зростаючий* debt crisis pushes the region towards recession. The acceleration *послаблювати* the case for an ECB interest rate reduction at its meeting next week, although the euro's monetary guardian is expected to press ahead with measures to provide extra *ліквідність* to eurozone banks. Eurozone unemployment, meanwhile, saw a surprise *падіння* in August.

With next Thursday's interest rate-setting meeting the last to be *головувати* by Jean-Claude Trichet, whose eight-year term as president ends on October 31, it will be harder for him "*схилитися* out with a cut", said Julian Callow, European economist at Barclays Capital. Eurozone inflation could rise further in October, he warned, before falling later. The ECB aims to *підтримувати* inflation "below but close" to 2 per cent over the medium term. September's inflation rate – the highest since October 2008 – was *пришвидшити* by clothing prices and energy costs. August's inflation *ставка* was 2.5 per cent.

1. fall
2. weaken
3. surge
4. escalate
5. chair
6. keep
7. drive
8. rate
9. liquidity
10. bow

d) Suggest the correct translation:

That confusion (A) aside, there are deeper reasons for Morgan's travails (B). Investors remain unconvinced (C) its Merrillessque strategy of running both a trading operation and a big brokerage (E) will bear fruit (F). Most importantly, investors aren't sure the old Wall Street trading model will be able to generate sufficient returns (G) in the face of more-stringent (H) regulations and subdued (I) trading. And there seems to be little chance someone will suddenly come along and bid for Morgan. So although much of the current fear looks overdone,

and Morgan's about 50% discount to tangible (J) book value seems unwarranted, the storms clouds aren't likely to part anytime soon.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them

I. QUIZ # 11

a. *Define the following sentences "True" or "False":*

1. The English Treasury seems to have come into oblivion around 1126.
2. The Treasury emerged out of the Royal Household, and served as the vault where the king kept his treasures.
3. The servant to the Treasury was called the Lord Treasurer.
4. Financially disabled consumers plan ahead.
5. These changes pose failures for the UK.
6. The financial services sector will be minor to increasing the flexibility.
7. The Treasury was seldom entrusted to a commission.
8. The UK financial services sector remains regionally competitive.
9. The Financial Services Authority (FSA) has revealed low levels of financial capability.
10. Financial capability is a broad notion.

b. *Give the opposite:*

To emerge, serve, chief, radically, entrust, respond, direct, fundamental, weakness, important.

c. Decode the following terms:

sophisticated, treasury, treasurer, chancellor, appoint, entrust to, seniority, a commoner, liberalization, encompass.

d. Translate the following into English:

1. В рамках Угоди про технічне співробітництво між Державним казначейством України та Генеральною дирекцією державних фінансів Міністерства бюджету, державних рахунків, державної служби та державної реформи Франції (ГДДФ) на 2012-2013 відбулася робоча зустріч експертів сторін.
2. Головною метою візиту було підведення підсумків двосторонньої співпраці у 2010-2011 роках.
3. Українські та французькі експерти зосередили свою роботу на підготовці та наповненні конкретним змістом проекту Угоди.
4. Важливою складовою перемовин стало опрацювання конкретних напрямів двостороннього співробітництва на 2012-2014 роки та першочергових заходів їх реалізації.
5. Досягнуто домовленості на рівні експертів щодо подальшої підтримки французькою стороною зусиль української сторони з питань модернізації та адаптації діяльності Державної казначейської служби України.
6. Аудит, внутрішній контроль та оптимізацію діяльності Казначейства України необхідно привести у відповідність до європейських норм та стандартів шляхом передачі набутого досвіду.
7. Управління ліквідністю Єдиного казначейського рахунку та обслуговування державного боргу; ведення бухгалтерського обліку та складання звітності, координація роботи бухгалтерських служб – основні завдання двосторонньої угоди.
8. Розробка інструментів оптимального здійснення витрат держави та використання державних ресурсів є головною метою країн-учасниць Міжнародної Асоціації казначейських служб.
9. Учасники визначили основні напрями модернізації державних видатків держави – впровадження інноваційних

технологій державного фінансового менеджменту, моделювання процесу витрат, електронне обслуговування видатків, реорганізація процесу витрат.

10. Асоціація тісно співпрацює з такими міжнародними організаціями як: Світовий банк, Міжнародний валютний фонд, Організація економічного співробітництва і розвитку та Європейський банк реконструкції та розвитку.

e. Revise the following finance & banking vocabulary:

Chancellor of the Exchequer	investment chain	risk management
financial integration	Lord Chancellor	risk pooling
financial markets	Lord Treasurer	saver
financial product	payment	tax collection
financial services	facilitation	treasury
financially capable	pension saving	trust
	personal account	

f. Revise the following general vocabulary:

account	eventually	pace
across	existence	paper
act	facilitate	participation
action	far-reaching	particular
activity	financial	pattern
addition	financially	payment
additional	find	peer
advanced	first	pension
advice	flexibility	people
after	for	personal
ahead	four	place
all	frequently	plan
along	from	planning
also	fulfil	play
always	function	pose
among	fund	prime
appoint	fundamental	principal
argue	further	product
around	future	promote

article	give	précis
assurance	global	radical
authority	globally	radically
based	globally-integrated	rather
become	government	refer
before	greater	reflect
began	growth	reform
beginning	have	regionally
borrower	head	reign
broad	household	remain
builder	however	respond
business	identified	responsible
call	identify	result
can	implementation	reward
capability	important	risk
capable	including	role
central	increase	royal
century	increasing	saving
chain	individual	second
challenge	information	sector
change	innovation	seek
changing	integration	seem
chief	into	seniority
child	investment	serve
choose	keep	service
circumstance	key	significant
collection	king	since
come	know	single
commission	knowledge	skill
commissioner	leading	social
commoner	level	society
compete	liberalisation	sophisticated
competition	life	starting
competitive	location	state
concept	look	street
consumer	low	structural

contribution core critical cycle demand demographic direct driving dynamism economic economy emerge emerging encompass engage England English ensure entrusted especially	make management market marketplace match meet midst minister more motivation nationally natural need new number office officer one opportunity own	take taxes technology term their tough transformation translation trend UK understand unofficially use usually weakness wide widespread will within young
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UNIT TWELVE.

THE US RESERVE FUND

A. BEFORE YOU READ

1. CONCEPT MAPPING:

Develop a "mind map" around the notion "INVESTMENT" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading.

6. DEFINITION:

- a) What is a financial supervision?
- b) Where does the financial audit in the Finance Department activity fit?
- c) What financial group does Basel Committee on Banking Supervision belong to?

7. CHARACTERISTICS:

- a) How would I describe the Financial Stability Board?
- b) What does the Swiss banking system look like?
- c) What are its parts?

8. EXPERIENCE:

- a) What experience have I had with financial supervision?

- b) What can I imagine about my in the Financial Supervision Commission?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
 b) Pay attention to specific plans of paragraph or text organization.
 c) Define the phrases in italics:

12.1. Supervising and Resolving Large Financial Institutions.

Proposals for the creation of a special resolution process for large financial firms have rightly assumed *prominence* in the wake of the financial crisis. Some events during the crisis have also focused attention on the difficult problems often created by the failure of a large, internationally active financial firm. In my remarks this afternoon I want *to elaborate* a bit on the relationship between resolution processes and an effective *overall system* of financial regulation and *supervision* in both the international and *domestic* spheres.¹

At the risk of some oversimplification, I would state that relationship as follows: First, an effective domestic resolution process is a necessary *complement* to supervision that would bring more market discipline into the decision-making of large financial firms, their *counterparties*, and investors. Second, the high legal and *political hurdles* to harmonized cross-border resolution processes suggest that, for the foreseeable future, the effectiveness of those processes will largely depend on supervisory *requirements* and cooperation *undertaken* before distress appears on the horizon. I would further suggest that the importance of proposed requirements that each large financial firm produce a so-called living will is that this device could better tie the *supervisory* and resolution processes together.

A Resolution Regime for Large, Interconnected Firms.

During the financial crisis, serious distress at a large financial firm presented authorities in the United States and many other countries with only two realistic alternatives. First, they could try to contain systemic risk by stabilizing the firm through *capital injections*,

extraordinary *liquidity assistance*, or both. Second, they could allow the firm to fail and enter generally applicable bankruptcy processes.

Faced with the possibility of a cascading financial crisis, most governments selected the *bailout option* in most cases. Yet this option obviously risks imposing significant costs on the taxpayer and supports the notion that some firms are too-big-to-fail, with *consequent* negative effects on market discipline and competitive equality among financial institutions of different sizes. Indeed, too-big-to-fail perceptions *undermine* normal regulatory and supervisory requirements. However, as the Lehman Brothers experience demonstrated, permitting the *disorderly failure* of a large, interconnected firm can indeed unleash just the systemic *consequences* that motivated the bailouts.

The desirability of a third alternative is thus obvious--a special resolution process that would allow the government to wind down a systemically important firm in an orderly way. As compelling as the case for such a process is, *the debate* around resolution proposals has shown how challenging it is to craft a workable resolution regime for large, interconnected firms that will effectively *advance* the complementary--but at times competing--goals of financial stability and market discipline. Still, I think there are certain key features that are essential.

First, any new regime should be used only in those rare circumstances where a firm's failure would have serious adverse effects on financial stability. That is, the presumption should be that generally *applicable* bankruptcy law applies to non-bank financial firms. One way to help ensure that the regime is invoked only when necessary to protect the public's interest in systemic stability is to use a "multi-key" approach--that is, one that requires the approval of multiple agencies and a determination by each that the high standards governing the use of the special regime have been met. Once invoked, however, the government should have broad authority to restructure or wind down the company in an orderly way. This authority should include--among other things--selling assets, liabilities, or business units of the firm, transferring the systemically significant operations of the firm to a new bridge entity that can continue these operations, and repudiating burdensome contracts of the firm, subject to appropriate compensation.

Second, there should be a clear expectation that the shareholders and creditors of the failing firm will bear losses to the fullest extent *consistent* with preserving financial stability. Shareholders of the firm ultimately are responsible for the organization's management (or, more likely, mismanagement) and are supposed to be in a first-loss position upon failure of the firm. Shareholders, therefore, should pay the price for the firm's failure and should not benefit from any *rehabilitation* of the firm through a government-managed resolution process. To *promote* market discipline on the part of the creditors of large, interconnected firms, unsecured creditors of the firm should also bear losses, although the extent of these losses and the manner in which they are applied likely would need to depend on the facts of the individual case.

Third, the ultimate cost of any government assistance provided in the course of the resolution process to prevent severe disruptions to the financial system should be borne by the firm or the financial services industry, not by taxpayers. The *scope* of financial institutions assessed for these purposes should be appropriately broad, reflective of the fact that *a wide range* of financial institutions likely would benefit, directly or indirectly, from actions that avoid or mitigate threats to financial stability. However, because the largest and most interconnected firms likely would *benefit* the most, it seems appropriate that these firms should bear a proportionally larger share of any costs that cannot be *recouped* from the failing firm itself. To avoid pro-cyclical effects such assessments should be collected over an extended period.

12.2. International Efforts on Resolution Issues.

12.2.1. Make an English précis of the article.

12.2.2. Make a Ukrainian précis of the article.

The looming or actual failure of a large, internationally active financial firm inevitably complicates the already challenging process of resolution. Mismatches in the amount and maturities of assets and liabilities held by the firm in the various countries in which it operates can lead host governments to take special action to protect the interests of depositors and creditors. Different insolvency regimes apply to separately incorporated subsidiaries across the world. Some of those

regimes may be substantively inconsistent with one another, or may not account for the special characteristics of a large international firm.

A natural response, which one can find peppered through various law journals over the years, is to propose an international treaty that would establish and harmonize appropriate insolvency regimes throughout the world. Just to state the proposition is to see the enormous hurdles to its realization. The task of harmonizing divergent legal regimes, and reconciling the principles underlying many of these regimes, would be challenge enough. But an effective international regime would also likely require agreement on how to share the losses and possible special assistance associated with a global firm's insolvency.

Despite the good and thorough work being undertaken in both the Basel Committee on Banking Supervision (Basel Committee) and the Financial Stability Board, we must acknowledge that satisfyingly clean and comprehensive solutions to the international difficulties occasioned by such insolvencies are not within sight.² It would certainly be useful if jurisdictions could at least broadly synchronize both standard bankruptcy and any special resolution procedures applicable to a failing financial firm. But even this significant advance would not settle many of the nettlesome problems raised by a cross-border insolvency.

It thus seems reasonably clear that effective management of these problems will, at least for the foreseeable future, require regulatory coordination and supervisory cooperation before a large firm's failure becomes a real possibility. In one sense, this observation reinforces the importance of the international agenda for strengthening capital and liquidity standards. It also counsels continued attention to efforts to ensure that globally active institutions are subject to effective consolidated supervision, and that information-sharing arrangements among home and host country supervisors are well designed and implemented. To this end, the key supervisors and central banks for each of the largest global banks will begin to meet regularly to discuss crisis planning, with particular attention to contingency liquidity planning.

The crisis demonstrated that issues around cross-border liquidity support are difficult. Liquidity pressures may arise in

unexpected places; time for coordination will be short; and failures in one jurisdiction likely will spread quickly to other jurisdictions. The Basel Committee and the Committee of European Banking Supervisors are working on definitions of liquid assets, common stress testing metrics and structural balance sheet measures. We are actively discussing the appropriate division of responsibility between home and host authorities to provide liquidity support and the related issue of how to approach cross-border branch operations. Some have called into question the traditional assumption that home country authorities will be willing and able to support all of the worldwide operations of a banking group headquartered in its jurisdiction. What approach to substitute remains unclear, however, beyond the obvious need for broad international consistency and careful calibration with other prudential requirements.

One of the key issues identified by the Basel Committee's Cross-border Bank Resolution Group is the complexity and interconnectedness of the largest organizations. Often the complexity is motivated by tax or regulatory factors, rather than a clear business purpose. Given the way these firms are structured and their linkages to key systems and other institutions, resolution of such an organization will carry significant risk of spillovers to other key markets, payments systems, or systemically important institutions. The Cross-border Bank Resolution Group consequently recommended developing initiatives that would result in simpler, less connected structures.

12.3. Living Wills and Improved Management Information Systems.

12.3.1. Give a written translation of Paragraph II.

This point leads us to one much-discussed idea, that of firm-specific resolution plans--sometimes referred to more colorfully, though not wholly accurately, as living wills. In one variant of the idea, each internationally active bank would be required to develop, and potentially to execute, its own resolution plan--literally to plan for its own demise. Such a requirement could doubtless be helpful to some degree, but it has notable limitations. Most obviously, it is very difficult to predict in advance of a crisis which parts of the firm will be under greatest stress, what geographical regions may be affected most

severely, and what the condition in various markets and economies will be, as well as the stability of counterparties and similarly situated institutions. Furthermore, governments may be understandably reluctant to rely too much upon a wind-down plan developed by an internationally active financial firm that so mismanaged itself that it is on the brink of failure, placing other institutions at peril. Finally, management of an institution can be expected to seek to preserve as much value for shareholders as possible in its planning, whereas the supervisors' objective in a crisis is to achieve an orderly resolution, which will often entail winding down or restructuring the insolvent firm in ways that effectively wipe out shareholder interests.

The living will requirement could be broadened so as to make it into a potentially very useful supervisory tool for healthy firms, as well as a resource in the event that resolution became necessary. Under this approach, the firm would, in addition to developing a resolution plan, be required to draw up a contingency plan to rescue itself short of failure, identify obstacles to an orderly resolution, and quickly produce the information needed for the supervisor to orchestrate an orderly resolution. These plans will need to evolve as the organization's business and economic conditions evolve and will need to become a regular part of normal supervisory processes. A living will of this type could remove some of the uncertainty around a possible resolution. It would force firms and their supervisors to review contingency plans regularly. As part of their ongoing oversight, supervisors could target the areas where a firm's planning falls short of best practice. Indeed, by focusing on the legal, contractual, and business relationships among the firm's subsidiaries, this requirement could yield significant benefits for prudential supervision in normal times, quite apart from its benefits in a stressed environment.

Central to the success of a living will as a supervisory tool is the quality of information it would make available in a crisis. Some of the information would be relatively static. A firm would have to inventory all its legal entities, along with the legal regimes applicable to each one, and map its business lines into legal entities. A firm also would have to document interaffiliate guarantees, funding, hedging, and provision of information technology and other key services. This information would be needed to deal with any crisis, no matter what

its specific form. Supervisory discussions will be essential to determine the scope and nature of the rapidly changing information that would be needed under each firm's living will. It can be expected to include matters such as credit exposures, funding, unpledged collateral and available lines of credit, cash flows, earnings, capital, and so forth--all coded by identifiers such as business line, legal entity, counterparty, and legal jurisdiction to allow for the ready retrieval of critical information needed depending on the nature, location, and type of stress. Much of this information can change monthly, daily, or even intraday.

Once the centrality of accurate, comprehensive information is understood, it becomes apparent that a very significant upgrade of management information systems (MIS) may be the only way for the firm to satisfy living will requirements. Improved MIS are also needed for ongoing risk management at the institution. One of the lessons of the recent crisis is that many firms had inadequate information systems to measure and manage their risks. Improvements in automated MIS capacity will likely involve considerable expense. Again, though, the result will be improvements in risk management that will help avoid a crisis at the firm, as well as to manage such a crisis successfully should it nonetheless occur. Supervisory demands for improved MIS could have another benefit. Just as a homeowner has an incentive to shed belongings to reduce the expense of moving, so a financial firm may have a powerful incentive to simplify its organizational structure and rationalize relationships among its corporate entities in order to reduce the cost of developing comprehensive MIS that enables an organization to retrieve information in multiple formats across jurisdictions, business lines, and legal entities. Simpler structures can also be encouraged by re-emphasizing existing supervisory guidance requiring banking organizations to measure and manage their risks not only on the global, consolidated level, but also on a legal entity basis. Together, the information requirements of living wills and the need to measure and manage risks at the legal entity level can help create the right incentives for firms to simplify their structures without necessarily requiring a supervisor to delve into the details of a banking group's structure.

All the work on resolution, both domestically and internationally, is important and necessary. But we must be realistic about what it can accomplish. In light of what has happened over the past 18 months, it is imperative that governments convince markets that they can and will put large financial firms into a resolution process rather than bail out its creditors and shareholders. Yet no one can guarantee that future resolutions of systemically important firms will proceed smoothly or predictably. Resolution mechanisms must be understood not as silver bullets, but as critical pieces of a broader agenda directed at the too-big-to-fail problem. Measures such as strengthening capital standards and bringing all systemically important firms within the perimeter of regulation are other essential elements of that agenda.

C. AFTER YOU READ

- a) Depending upon the content area, a discussion of the author of the particular work can be helpful to the understanding of it.
- b) What is the author trying to say?
- c) What is his point of view and his reason for writing the particular work?

D. LANGUAGE FOCUS

a) *Make it negative:*

1. Central to the success of a living will as a supervisory tool is the quality of information it would make available in a crisis.
2. Some of the information would be relatively static.
3. A firm would have to inventory all its legal entities, along with the legal regimes applicable to each one, and map its business lines into legal entities.
4. A firm also would have to document inter-affiliate guarantees, funding, hedging, and provision of information technology and other key services.

b) *Paraphrase the following:*

1. Supervisory demands for improved MIS could have another benefit.
2. Just as a homeowner has an incentive to shed belongings to reduce the expense of moving, so a financial firm may have a powerful incentive to simplify its organizational structure and rationalize

relationships among its corporate entities in order to reduce the cost of developing comprehensive MIS that enables an organization to retrieve information in multiple formats across jurisdictions, business lines, and legal entities.

c) *Relate the action to the past/present/future:*

1. This point leads us to one much-discussed idea, that of firm-specific resolution plans--sometimes referred to more colorfully, though not wholly accurately, as living wills.
2. In one variant of the idea, each internationally active bank would be required to develop, and potentially to execute, its own resolution plan--literally to plan for its own demise. Such a requirement could doubtless be helpful to some degree, but it has notable limitations.

d) *Turn direct into indirect:*

The CEO said: “Simpler structures can also be encouraged by re-emphasizing existing supervisory guidance requiring banking organizations to measure and manage their risks not only on the global, consolidated level, but also on a legal entity basis”.

E. VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian from the list given below:

However, the latest data did not close the door on an early interest rate cut. The ECB expects inflation to decelerate rapidly next year – the more relevant time horizon for its interest rate decisions.

Earlier this month, Mr Trichet opened the door for a possible cut next week when he warned of “intensified *зменшити ризики*” to growth, which would further weaken inflation pressures. Since then, sharp falls in *менеджер із закупівлі* indices and economic confidence indicators have pointed to *при застійна зона* eurozone economic growth over the winter. The ECB sees a *спад промисловості* – two successive quarters of *зменшення економічної активності* – as possible and has not escaped international pressure for a decisive European response to the continent’s *економічні негаразди*.

However, recent comments by ECB governing council members suggest that at least some see the *сповільнення* as remaining в межах сподівань. “It takes time for the ECB to revise down its *прогноз зростання*,” said Jörg Krämer, chief economist at Commerzbank in Frankfurt. “We have pencilled in a *перше зниження облікової ставки* in December, then again in March.”

1. in line with expectations
2. a technical recession
3. near-stagnant
4. first rate cut
5. contracting economic activity
6. downside risks
7. economic woes
8. purchasing managers’
9. slowdown
10. growth forecasts

d) Suggest the correct translation:

One of the things rattling (A) Morgan Stanley’s stock price today was a draft note (B) by Bloomberg economist Joseph Brusuelas that discussed reasons for the company’s wide CDS spreads. The note, which Mr. Brusuelas says was never meant for external consumption (C), had an error about the company’s net exposure (D) to French banks. It turns out that note had another error, too, in its estimate of the size of the bank’s derivatives exposure (E). In the note Mr. Brusuelas suggests Morgan Stanley has \$1.793 trillion in notional derivatives (F) contracts outstanding, linking to an OCC report with that data. But a closer look at that report reveals that Morgan Stanley’s notional outstanding (G) is actually much, much bigger — about \$56 trillion in total (H). Mr. Brusuelas’s number includes only the exposure of Morgan Stanley’s commercial bank operations, which are very small, and misses the exposure of its holding company (I).

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your

background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them.

I. QUIZ # 12

a. *Define the following sentences “True” or “False”:*

1. Proposals for the creation of a special bill process for large financial firms have rightly assumed *prominence* in the wake of the financial crisis.
2. But we must be realistic about what it can achieve.
3. It is imperative that governments convince markets that they can unite.
4. Simpler institutions can also be encouraged by re-emphasizing existing supervisory guidance requiring banking organizations.
5. There should be a clear visualisation that the shareholders and creditors of the failing firm will bear losses.
6. Some of the information would be relatively dynamic.
7. Such a demand could doubtless be helpful to some degree.
8. We must acknowledge that satisfyingly clean and comprehensive decisions to the international difficulties.
9. The requirement should be that generally applicable bankruptcy law applies to non-bank financial firms.
10. This point leads us to one much-spoken idea.

b. *Give the opposite:*

Insolvency, prominence, in the wake of, harmonize, supervisor, regime, multiple, repudiate, significant, continue.

c. *Decode the following terms:*

overall system, elaborate, domestic, counterparty, hurdle, capital injection, cross-border, bailout option, liquidity, consequent.

d. *Translate the following into English:*

1. Вища школа економіки Ханкен, яка розташована у м. Гельсінки, активно співпрацює з провідними фінансовими компаніями, залучаючи значні фінансові ресурси для здійснення власної діяльності.
2. Одним із таких партнерів фінського університету є провідний інвестиційний банк Скандинавії, банк Евлі.
3. Банк займається інвестиційним банківським бізнесом вже протягом 17 років та має представництва у країнах Скандинавії, Прибалтики та Росії.
4. У банку працюють близько 300 фахівців у підрозділах, що займаються злиттями та поглинаннями, інвестиційними послугами для приватних клієнтів, послугами з клірингу, брокерськими послугами.
5. Банк стабільно розвивається та розглядає ринки країн Східної Європи, у тому числі Україну, для можливого розширення своєї діяльності.
6. Висока ступінь усвідомленості важливості такої співпраці знаходить прояв також й в організації власне інвестиційного бізнесу.
7. Особливого враження справляє високий рівень культури працівників, висока ступінь автономії у виконанні власних функцій та умови, в яких працюють робітники.
8. Про технологічне та технічне забезпечення та інвестиції у кадровий потенціал банку можна вести окрему бесіду.
9. Колектив працівників банку є достатньо молодим за віком і як зазначає пан Андерсін, що це є також складовою стратегії розвитку банку.
10. Очевидно, що на таких засадах і має формуватися фінансова установа.

e. Revise the following finance & banking vocabulary:

assets	earnings	liquidity assistance
bailout	expense	liquidity standard
bankruptcy process	financial firm	loss
business unit	financial	manage risk
capital	regulation	maturity
capital injection	funding	non-bank

capital standard cash cash flow collateral contingency credit exposure creditor depositor	hedging insolvency insolvent inventory liabilities line of credit liquid assets liquidity	resolution shareholder subsidiary systemic risk taxpayer unpledged collateral yield benefits
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f. Revise the following general vocabulary:

able about accomplish account accurate accurately achieve acknowledge across action active actively actual addition advance adverse affected afternoon again agency agenda agreement all allow along	equality essential establish European even event evolve execute existing expectation expected experience exposure extended extent extraordinary face fact factor fail failing failure fall feature finally	price principle pro-cyclical problem procedure proceed process produce prominence promote proportionally proposal propose proposed proposition protect provide provided provision prudential précis public purpose put quality
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already	financial	question
also	find	quickly
alternative	firm	quite
although	firm-specific	raise
among	first	range
amount	first-loss	rapidly
another	flow	rare
apart	focused	rather
apparent	focusing	rationalize
appear	follow	re-emphasize
applicable	for	ready
applied	force	real
apply	foreseeable	realistic
approach	form	realization
appropriate	format	reasonably
appropriately	forth	recent
approval	from	recommended
area	full	reconciling
arise	further	recoup
around	furthermore	reduce
arrangement	future	refer
article	generally	reflective
assess	geographical	regime
assessments	give	region
assistance	global	regular
associated	globally	regularly
assume	good	regulation
assumption	governing	regulatory
attention	government	rehabilitation
authorities	government-managed	reinforce
authority	great	related
automated	group	relationship
available	guarantee	relatively
avoid	guidance	reluctant
bail	happen	rely
balance	harmonize	remain

bank	harmonized	remark
bankruptcy	harmonizing	remove
Basel	have	repudiate
basis	headquarters	require
bear	healthy	required
because	help	requirement
become	helpful	rescue
before	high	resolution
begin	home	resource
belongings	homeowner	response
benefit	horizon	responsibility
best	host	responsible
better	how	restructure
between	however	restructuring
beyond	hurdle	result
bit	idea	retrieval
board	identify	retrieve
borne	imperative	review
both	implement	right
branch	importance	rightly
bridge	important	risk
bring	imposing	satisfy
brink	improved	satisfyingly
broad	improvement	scope
broaden	inadequate	second
broadly	incentive	see
brother	include	seek
bullet	inconsistent	seem
burdensome	incorporated	selected
business	indeed	sense
but	indirectly	separately
calibration	individual	serious
call	industry	services
can	inevitably	settle
capacity	information	severe
capital	information-sharing	severely

careful	initiative	share
carry	injection	shed
cascading	institution	sheet
case	interaffiliate	short
central	interconnected	sight
centrality	interconnectedness	significant
certain	interest	silver
certainly	international	similarly
challenge	internationally	simple
challenging	intraday	simplify
change	investor	situated
changing	invoke	size
characteristics	involve	smoothly
circumstances	issue	so-called
clean	journal	solution
clear	jurisdiction	some
code	just	special
collect	key	specific
colorfully	large	sphere
committee	largely	spillover
common	law	spread
company	lead	stability
compelling	least	stabilizing
compensation	legal	standard
competing	lesson	state
competitive	level	static
complement	light	still
complementary	likely	strengthening
complexity	limitation	stress
complicate	line	stressed
comprehensive	linkage	structural
condition	living	structure
connected	location	structured
consequence	looming	subject
consequent	make	substantively
consequently	manage	substitute

considerable	management	success
consistency	manner	successfully
consistent	many	such
consolidated	map	suggest
contain	market	supervision
contingency	matter	supervisor
continue	may	supervisory
continued	measure	support
contract	mechanism	suppose
contractual	meet	synchronize
convince	metrics	system
cooperation	mismanaged	systemic
coordination	mismanagement	systemically
corporate	mismatch	system
cost	mitigate	take
costs	monthly	target
counsel	motivated	task
counterparty	moving	tax
country	much	technology
course	much-discussed	testing
craft	multiple	therefore
create	must	they
created	my	thing
creation	natural	think
crisis	nature	third
critical	necessarily	thorough
cross-border	necessary	those
daily	need	though
deal	needed	threats
debate	negative	through
decision-making	nettlesome	throughout
definition	new	thus
degree	nonetheless	tie
delve	normal	time
demand	notable	together
demise	notion	too

demonstrate	objective	too-big-to-fail
depend	observation	tool
depending	obstacle	traditional
designed	obvious	transferring
desirability	obviously	translation
detail	occasioned	treaty
determination	occur	try
determine	ongoing	two
develop	only	type
developed	operate	ultimate
developing	operation	ultimately
device	option	uncertainty
different	orchestrate	unclear
difficult	order	under
difficulty	orderly	underlying
direct	organization	undermine
directly	organizational	understandably
discipline	overall	undertake
discuss	oversight	unexpected
discussing	oversimplification	united
discussions	own	unit
disorderly	paragraph	unleash
disruption	part	unpledged
distress	particular	unsecured
divergent	past	upgrade
division	pay	use
document	payment	used
domestic	pepper	useful
domestically	perception	value
doubtless	peril	variant
down	perimeter	various
draw	period	very
during	permit	wake
each	piece	want
economic	place	way
economy	placing	well

effect effective effectively effectiveness effort elaborate element enable encourage end English enormous enough ensure entail enter entity environment	plan planning point political position possibility possible potentially powerful practice predict predictably present preserve preserving pressure presumption prevent	wholly wide willing wind wind-down winding wipe within without work workable working world worldwide year yet yield
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UNIT THIRTEEN.**CANADA'S CENTRAL FUND****A. BEFORE YOU READ****1. CONCEPT MAPPING:**

Develop a "mind map" around the notion "STOCK EXCHANGE" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading:

6. DEFINITION:

- a) What is CIBC?
- b) What is multijurisdictional disclosure system?
- c) What group does the Canadian Central Fund belong to?

7. CHARACTERISTICS:

- a) How would I describe the U.S. Treasury Department's Financial Regulatory Reform?
- b) What does the Financial Regulatory Reform in the US look like?
- c) What are its provisions?

8. EXPERIENCE:

- a) What experience have I had with the Ukrainian banking system changes?

- b) What can I imagine about my participating in the G20 Working Group?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
 b) Pay attention to specific plans of paragraph or text organization.
 c) Define the phrases in italics:

13.1. Central Fund of Canada.

TORONTO, ONTARIO -- 11/10/09 -- Central Fund of Canada Limited ("Central Fund") (TSX: CEF.A)(TSX: CEF.U)(NYSE Amex: CEF) of Calgary, Alberta announced today that it has entered into an *underwriting agreement* with a *syndicate* of underwriters (the "Underwriters") led by CIBC (Canadian Imperial Bank of Commerce), under which the Underwriters have agreed to buy and sell to the public, in Canada (except Quebec) and in the United States under the *multijurisdictional disclosure* system, 15,500,000 Class A Shares of Central Fund. The Underwriters *have been granted* the right to increase the size of the offering (the "Right") by up to an additional 1,475,000 Class A Shares, *exercisable* in whole or in part, at any point prior to 4:00 pm (EST) on November 10, 2009. The offering will be made under a prospectus supplement to Central Fund's U.S.\$1,000,000,000 *base shelf prospectus* dated September 8, 2009.

The purchase price of U.S.\$13.56 per Class A Share is expected to result *in gross* proceeds of approximately U.S.\$210 million. Substantially all the net proceeds of the *offering* have been committed to purchase *gold and silver bullion* for settlement at closing, in keeping with the *asset allocation* policies established by the Board of Directors of Central Fund. Any additional capital raised by this offering is expected to assist in reducing the annual expense ratio *in favour of* the Shareholders of Central Fund.

Central Fund *has filed* a base shelf prospectus and registration statement with the Canadian securities *regulatory authorities* (except Quebec) and the United States Securities and Exchange Commission ("SEC") for the offering to which this communication relates. Before you invest, you should read the base shelf prospectus and any other

documents Central Fund has filed with the securities commissions in each of the provinces and territories of Canada, except Quebec, and the SEC for more complete information about Central Fund and this offering. Statements contained in this release that are not historical facts are *forward-looking statements* that involve risks and uncertainties. Central Fund's actual results could differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those risks detailed in Central Fund's *filings* with the Canadian securities regulatory authorities and the SEC.

Central Fund of Canada Limited (est. 1961) is an exchange-tradeable, refined gold and silver bullion holding company. Class A Shares are qualified for inclusion in many North American regulated accounts. Central Fund's bullion holdings are stored *unencumbered* in allocated and *segregated safekeeping* in Canada, in the *treasury vaults* of the Canadian Imperial Bank of Commerce. The gold and silver bullion are physically inspected by Ernst & Young LLP in the presence of Central Fund's Directors and Officers as well as bank officials. Class A Shares *are quoted* on the NYSE Amex LLC, symbol CEF and on the TSX, symbols CEF.A (Cdn. \$) and CEF.U (U.S. \$).

13.2. Treasury Department proposals.

13.2.1. Make an English précis of the article.

13.2.2. Make a Ukrainian précis of the article.

As described yesterday, the U.S. Treasury Department's "Financial Regulatory Reform: A New Foundation" includes numerous proposals to address perceived inadequacies in U.S. financial regulation. Of particular note, the report proposes requiring that investment advisers to hedge funds and other private pools of capital (including private equity and venture capital funds) whose assets under management exceed "some modest threshold" be registered with the Securities and Exchange Commission under the Investment Advisers Act. Registration of such investment advisers would make them subject to recordkeeping and disclosure requirements, including requirements to report to investors, creditors and counterparties, as well as regulators. While the reporting may vary across the different types of private pools of capital, the report

proposed confidential reporting to regulators of the amount of assets under management, borrowings, off-balance sheet exposures and other “necessary” information. As stated in the report, “requiring the SEC registration of investment advisers to hedge funds and other private pools of capital would allow data to be collected that would permit an informed assessment of how such funds are changing over time and whether any such funds have become so large, leveraged, or interconnected that they require regulation for financial stability purposes.”

These proposals follow similar proposals made by the G20 in the G20 Working Group 1 Final Report released in March of 2009, which also recommended registration of private pools of capital or their managers. The G20 Report also endorsed enhanced disclosure by such entities, including with respect to size, investment type, leverage, performance and participation in “certain systemically important markets.” As well, the G20 report recommended the development of common metrics to assess the significant exposures of counterparties for hedge funds, including prime brokers, given its view that failure of a systemically important fund or group of funds could be spread to the broader financial system through the use of counterparties.

13.3. G20 Report.

13.3.1. Give a written translation of Paragraph I.

Following the publication of the, the European Commission also proposed its own framework for the regulation of managers of “alternative investment funds” on April 29, 2009. The proposed Directive would apply to any European Union domiciled “alternative investment fund manager” (AIFM) with assets under management above \$EUR 100 million, or, for funds with no leverage and a lock-in period of five years or more, assets under management above \$EUR 500 million. Under the proposed Directive, all AIFMs falling within the scope of the Directive would be required to be “authorized” by the regulator of their home state. Such authorization would impose a wide range of investment adviser type of requirements, including suitability, disclosure, governance, capital and other requirements.

Disclosure requirements would relate to reporting on planned activity, identity and characteristics of the funds managed, governance

and internal arrangements (including with respect to risk management, valuation and safe-keeping of assets, audits and systems of regulatory reporting). The manager would also be required to report to the relevant authority on the principal markets and instruments in which it trades, its principal exposures, performance data and concentration of risk. Additional disclosure requirements could also apply to managers managing leveraged funds and controlling stakes in companies.

C. AFTER YOU READ

- a) Depending upon the content area, a discussion of the author of the particular work can be helpful to the understanding of it.
- b) What is the author trying to say?
- c) What is his point of view and his reason for writing the particular work?

D. LANGUAGE FOCUS

a) *Make it negative:*

Disclosure requirements would relate to reporting on planned activity, identity and characteristics of the funds managed, governance and internal arrangements (including with respect to risk management, valuation and safe-keeping of assets, audits and systems of regulatory reporting).

b) *Paraphrase the following:*

1. The manager would also be required to report to the relevant authority on the principal markets and instruments in which it trades, its principal exposures, performance data and concentration of risk.
2. Additional disclosure requirements could also apply to managers managing leveraged funds and controlling stakes in companies.

c) *Relate the action to the past/present/future:*

While the reporting may vary across the different types of private pools of capital, the report proposed confidential reporting to regulators of the amount of assets under management, borrowings, off-balance sheet exposures and other “necessary” information.

d) *Turn direct into indirect:*

As described yesterday, the U.S. Treasury Department's "Financial Regulatory Reform stated: A New Foundation" includes numerous proposals to address perceived inadequacies in U.S. financial regulation. Of particular note, the report proposes requiring that investment advisers to hedge funds and other private pools of capital (including private equity and venture capital funds) whose assets under management exceed "some modest threshold".

E. VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian phrases from the list given below:

Providing some comfort, the Bundesbank thinks Germany's economy grew by a *стійкий* 0.5 per cent in the third quarter, and eurozone unemployment figures on Friday suggested that the economic slowdown had yet to *вразити* labour markets. Eurozone joblessness fell by a *сезонно встановлений* 38,000 in August compared with the previous month, according to Eurostat, the European Union's statistical office. The unemployment rate remained unchanged at 10 per cent of the *робоча сила*. Unlike the US *Національний Банк*, the ECB has room *скоротити облікову ставку* – which it raised twice earlier this year, most recently to 1.5 per cent in July. Even if it stays interest rate cuts, the ECB is widely expected next week to expand its policy of providing *необмежена ліквідність* to eurozone banks. So far it has *обіцяти* to continue doing so until early next year – but that deadline is likely to be extended. It could also reintroduce unlimited 12-month *позики*, in addition to existing offers of weekly, monthly and three-month liquidity.

1. hit
2. Federal Reserve
3. seasonally
4. loans
5. workforce
6. robust

7. to cut interest rates
8. unlimited liquidity
9. pledge
10. adjusted

d) Suggest the correct translation:

What's also missing (A), however, is the context that this is not an unusually large derivatives exposure (B) among the Too Big to Fail Set. J.P. Morgan has about \$79 trillion — trillion, with a T — in notional derivatives contracts outstanding, for instance. Finally, these gigantic numbers represent the notional value (C) of underlying contracts. The net exposure (D) is actually much, much smaller. J.P. Morgan's total credit exposure (E), according to the OCC report, is about \$360 billion. That's still a huge number — but a little more in the realm (F) of normal human numbers than \$78 trillion. We don't know the comparable number for Morgan Stanley because OCC doesn't give it. By now these concepts are probably well-known, as this issue (G) has been discussed all day, so it's doubtful this particular issue is hurting (H) Morgan Stanley's stock (I) any more. Which is probably a good thing — Morgan Stanley shares are already down nearly 10% as we head into the final half-hour of trading.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them.

I. QUIZ # 13

a. Define the following sentences “True” or “False”:

1. Alberta announced today that it has abandoned the underwriting agreement with a syndicate of underwriters.
2. The market price of U.S.\$13.56 per Class A Share is expected to result in gross proceeds of approximately U.S.\$210 million.
3. Before you request a loan, you should read the base shelf prospectus.
4. You may obtain a copy of the base shelf charter filed in the United States.
5. Central Fund's actual profits could differ materially from those expressed or implied by such forward-looking statements.
6. Central Fund of Canada Limited (est. 1961) is an exchange-tradeable, precious metals holding company.
7. The prospectus proposes investment advisers to hedge funds and other private pools of capital.
8. Administration of such investment advisers would make them subject to recordkeeping and disclosure requirements.
9. It also recommended registration of private pools of capital or their authorities.
10. Such authorization would demand a wide range of investment adviser type of requirements.

b. Give the opposite:

The public, to grant, prior, offer, purchase, approximately, settlement, to raise, release, uncertainty.

c. Decode the following terms:

Underwriting agreement, syndicate, multijurisdictional disclosure, exercisable, base shelf prospectus, in gross, gold and silver bullion, asset allocation, in favour of, regulatory authorities.

d. Translate the following into English:

1. Трансформаційні процеси в Україні супроводжувалися глибокою економічною кризою.
2. У 2012 році різко загострилися питання ресурсного забезпечення економічного розвитку, особливо його фінансової складової.
3. Розбалансованість фінансової системи, платіжна криза, спричинені насамперед переходом до світових цін на енергоносії.

4. Серед зовнішніх фінансових джерел найбільший потенціал мають міжнародні фінансові інституції - Міжнародний валютний фонд (МВФ), Світовий банк (СБ), Європейський банк реконструкції і розвитку (ЄБРР).
5. Порівняно низька вартість запозичень спонукає на даному етапі до тісної співпраці на загальноприйнятих принципах міжнародного права.
6. У період післякризового розвитку потрібне вдосконалення механізмів такого співробітництва.
7. В їх основі мають залишатися національні економічні інтереси, потреби дальшої ринкової трансформації, соціальні пріоритети.
8. Співпраця з Міжнародним валютним фондом розглядається як фактор довіри та кредитоспроможності держави.
9. Прерогатива України – визначення механізмів та інструментарію стратегії і тактики економічних перетворень.
10. Це зобов'язує Кабінет Міністрів і Національний банк прискорити обґрунтування оптимального алгоритму взаємовідносин з міжнародними фінансовими інституціями та практичних дій у сфері державних запозичень.

e. Revise the following finance&banking vocabulary:

asset allocation	hedge fund	securities
asset management	holding	securities
borrowings	holding company	commission
capital raising	leverage	shareholder
class a share	leveraged funds	shelf prospectus
counterparty	net	silver bullion
creditor	net proceeds	stake
equity capital	off-balance	syndicate
exchange-tradeable	offering	underwriter
expense ratio	pool of capital	underwriting
exposure	prime broker	vault
fund manager	prospectus	valuation
gold bullion	quote	venture
gross proceeds	regulated account	venture capital

f. Revise the following general vocabulary:

about	falling	private
above	favour	proposal
account	file	propose
across	filing	proposed
act	final	province
activity	financial	précis
actual	five	public
additional	follow	publication
address	for	purchase
adviser	forward-looking	purpose
agree	foundation	qualified
agreement	framework	raise
all	from	range
allocate	fund	ratio
allocation	give	read
allow	gold	recommended
also	governance	recordkeeping
amount	grant	reduce
announce	gross	refined
annual	group	reform
apply	have	registered
approximately	hedge	registration
arrangement	historical	regulated
article	home	regulation
assess	following	regulator
assessment	identity	regulatory
assist	imperial	relate
audit	imply	release
authority	important	released
authorization	impose	relevant
bank	inadequacy	report
base	include	reporting
become	including	require
before	inclusion	required

board	increase	requirement
broad	information	respect
broker	informed	result
buy	inspected	right
cause	instrument	risk
central	interconnected	safe-keeping
change	internal	scope
characteristic	into	segregated
class	invest	sell
closing	investment	September
collect	investor	settlement
commerce	involve	sheet
commission	keep	shelf
committed	large	should
common	lead	significant
communication	limited	silver
company	lock-in	similar
complete	make	size
concentration	managed	spread
confidential	management	stability
contain	manager	state
contribute	managing	statement
control	many	store
could	March	subject
data	market	substantially
date	materially	such
department	may	suitability
describe	metrics	supplement
detailed	million	symbol
development	modest	system
differ	more	systemically
difference	multijurisdictional	territory
different	new	threshold
directive	note	through
director	November	time
disclosure	numerous	today

document	officer	trade
domicile	official	translation
each	paragraph	type
endorse	part	uncertainty
English	participation	under
enhance	particular	unencumbered
enter	per	union
equity	perceived	use
establish	performance	vary
European	period	view
exceed	permit	well
except	physically	wide
exchange	plan	will
exercisable	point	within
expected	policy	working
expense	presence	would
express	price	years
factor	prime	yesterday
fact	principal	you
failure	prior	

UNIT FOURTEEN.

GLOBAL FINANCIAL CRISIS

A. BEFORE YOU READ

1. CONCEPT MAPPING:

Develop a "mind map" around the notion "CRISIS" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection (the key sentence) you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading:

6. DEFINITION:

- a) What are prudent footing / downturn / sustainability / implicit government liabilities?
- b) Where does the Budget temporary operating rule fit?
- c) What group of activities does the Budget temporary operating rule belong to?

7. CHARACTERISTICS:

- a) How would I describe the Budget temporary operating rule?
- b) What does fiscal consolidation look like?
- c) What are its parts?

8. EXPERIENCE:

- a) What experience have I had with Budget drafting?
- b) What can I imagine about my participation in the Budget drafting?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

14.1. The UK government deficit is widening rapidly and is expected to reach around 14% of GDP in 2010 according to OECD *projections*, which is helping to *cushion the downturn*. Moreover, support for the financial system has led to *direct fiscal costs* and substantially added to *implicit government liabilities*. The UK authorities have provisionally estimated that the losses may lie within *a potential range* from 1½ to 3½ per cent of GDP and the authorities have included the upper end of this range in their projections for borrowing and debt, as the basis for setting fiscal policy. After around the turn of the century, the underlying fiscal position weakened more than anticipated, while there was some *subsequent improvement*, particularly in *tax receipts*. Tax receipts have been significantly affected by the current downturn. According to OECD projections, the *gross government debt-to-GDP ratio* is now on course to reach around 90% by 2010. The November Pre-Budget Report and Budget 2009 outlined a path to *fiscal consolidation* starting in 2010, based on income tax rises for those on high incomes, increases in national insurance contributions and revised *spending assumptions*, alongside “value for money” savings. Although the deficit should be allowed to support activity in the near term, the government has set out an ambitious consolidation plan for when the recovery takes hold. The delivery of the consolidation will require specifying the “value for money” *savings* beyond 2011-12 in the upcoming Spending Review. This would signal the *commitment* to getting the public finances back onto a *sustainable and prudent footing*. Further action may be required if the economy does not recover as quickly as anticipated.

In 1997, the government introduced a *principles-based fiscal framework* which, alongside the new independent monetary policy

regime, sought to shift the focus of macroeconomic policy to *long-term sustainability* within a credible and transparent framework. The fiscal framework is operationalised through two fiscal rules: the golden rule, which requires that over the economic cycle the government should borrow only to invest and that current spending (including *the consumption of capital*) should be paid for by taxation; and the sustainable investment rule, which requires that over the economic cycle the government should ensure the level of public debt as a proportion of national income is held at *a stable and prudent level* (defined as net public debt below 40% of GDP on average over the cycle running from 1997-98 to 2006-07). In November 2008, the government *suspended* the two fiscal rules on the grounds of *extraordinary circumstances*. This decision reflected the suddenness and *severity* of the downturn. The government has adopted a temporary operating rule: to set policies to improve the cyclically-adjusted current budget each year, once the economy emerges from the downturn, so it reaches balance and debt is falling as a proportion of GDP once the global shocks have worked their way through the economy in full. The Budget projects that the *cyclically adjusted budget* will return to balance by 2017-18 with the *net debt* to GDP ratio falling from 2015-16.

The original fiscal rules could be *amended* in a number of ways, rather than being *reinstated*. The reformulated rules should be forward looking, ensure *medium-term spending discipline* and account more explicitly for off balance sheet public liabilities. Finally, income tax thresholds and *national insurance thresholds* should be linked to wage, rather than price inflation so that *fiscal drag* is handled more transparently.

14.2. Austria has been affected by the international crisis.

14.2.1. Make an English précis of the article.

14.2.2. Make a Ukrainian précis of the article.

Austria's economic expansion came to a halt with the global financial crisis which erupted in the summer of 2007 and intensified in the autumn of 2008. However, till end-2008, the downturn proved less abrupt than in most other high-income euro area countries. Private consumption and investment held up better, as did exports, notably to

Central and Eastern Europe (CEE). International contagion first took the form of general tensions in the financing of banks and a tightening of economy-wide credit conditions. In response, the authorities put in place measures to bolster banks' liquidity and capital, and the confidence of depositors and creditors. The ongoing slump in world trade is the second channel through which global weakness is affecting Austria, where exports amount to some 60% of GDP. Coupled with the financial-sector uncertainties, and with the expectation of shrinking domestic employment, this foreshadows subdued spending by households and enterprises. Against this backdrop, and despite significant policy action, Austria is projected to experience its deepest and most protracted recession since the mid-1950s, with unemployment rising sharply, albeit with a lag.

The financial system has been less affected than elsewhere, being less exposed to the most toxic international asset classes or to souring domestic credits. Strains arose in February 2009, however, when the perceived riskiness of credit positions in a number of CEE countries rose sharply in light of a deteriorating economic outlook and balance of payments problems. Austrian banks have been very active across a broad spectrum of countries in the region in recent years through cross-border loans and credits by subsidiaries, which accounted for a prominent portion of their total earnings. With Austrian banks' assets in CEE representing over 60% of Austrian GDP, the fiscal implications of a potential banking crisis raised concerns and the risk premium on Austrian government bonds soared to as much as 130 basis points in early 2009, though it has edged down since. Uncertainty about the situation in certain CEE countries endures, however, and deep recessions in the region would put additional strains on Austria's financial system, regional trade and domestic activity and investment. The ensuing risks differ across the CEE countries, however, both because of large differences in economic conditions there and as a function of their relative importance to Austria as economic partners.

A number of policy measures have been taken in response to the crisis.

A series of monetary, financial, fiscal and labour market policy measures have been put in place since last autumn. In addition to the

monetary stimulus imparted by the Eurosystem, the Austrian authorities have introduced a € 100 billion (36% of GDP) package, including a top-up of the deposit guarantee scheme by € 10 billion, € 15 billion for capital injections in financial institutions, and € 75 billion for supporting interbank lending (via a new clearing bank) and for government guarantees of bank bond issuance. Banks soliciting these resources need to sign agreements with the authorities and to step up lending. A new guarantee scheme underwrites the borrowings of small-and-medium sized enterprises for their investment and working capital needs. These measures have helped alleviate the strongest sources of tension in the financial system between October 2008 and April 2009.

Fiscal policy has also responded to the exceptional circumstances. As the share of taxes and public spending in GDP is high, and as social transfers are comprehensive in Austria, the automatic stabilisers play a particularly large role. Moreover, discretionary stimulus is being injected, notably through measures to support households' purchasing power (including increases in family benefits, cancellation of student fees, and VAT cuts on medication), personal income tax cuts (brought forward from 2010 to 2009) and other measures such as new infrastructure investments. The fiscal deficit is projected to rise from close to zero to about 4.5% of GDP in 2009 – with approximately two thirds of the increase a result of automatic stabilisers and one third stemming from discretionary stimulus.

Labour market policy action has also been taken. In Austria, workers' incomes are well protected in case of unemployment, initially through unemployment insurance and then through equally supportive social assistance. All recipients of unemployment insurance and social assistance are in principle referred to active labour market programmes, which seek to assess and, if possible, adapt their labour market skills. More recently, a rarely-used public subsidisation scheme for enterprises that keep on their employees despite falls in activity has been expanded. It is now available for up to 18 months, and compensates income losses due to working time reductions of up to 90% of the basic salary. Participating firms are encouraged to use the subsidised hours for re-qualification and retraining. Some 50 000

workers had been covered by this measure by April 2009 and the total take-up is expected to approach 70 000 by end 2009, amounting to a quarter of the current number of registered unemployed.

More may be needed, but without creating distortions.

These various policy levers should continue to be used in a timely and flexible way, keeping in mind the need to avoid lasting negative side effects and to start phasing out policy support once economic conditions improve. Generous income maintenance is in principle associated with programmes aiming at improving recipients' employability and care should be taken that they keep fulfilling that role through the crisis. Neither the recent tax cuts nor social protection appear to unduly distort market signals or hinder the adjustment of corporate structures and worker qualifications and it is essential that further measures – if any – also be as neutral as possible in that respect. Measures aimed at securing financial stability appear broadly effective to date, but further support may become necessary in the event of additional regional or global shocks. Plans should be ready in the event that the financial crisis worsens in one or more CEE countries. The Austrian authorities are closely monitoring developments. They have actively facilitated confidence-building and crisis-management contacts within the CEE region and the international financial community, and are keeping in close touch with their relevant counterparts. Depending on developments, further cross-border initiatives may be called for. In response to the changing environment Austria has endorsed the OECD standard for the exchange of information in tax matters, and withdrew its earlier reservation on the applicable article in the OECD Model Tax Convention. Once information exchange consistent with the OECD Model is implemented, Austria will be in a position to exchange information on all tax matters foreseeably relevant for the administration or enforcement of the domestic law of its treaty partners. Austria is encouraged to implement this decision as rapidly as possible.

14.3. Economic Survey of the Euro Area 2009: Fiscal Policy.

14.3.1. Give a written translation of Paragraph IV.

The recession and financial market turmoil will add to fiscal pressures.

Fiscal performance improved in recent years. The overall euro area fiscal deficit shrank from 2.5% of GDP in 2005 to 0.6% in 2007 and the cyclically-adjusted fiscal deficit declined as well. Some countries achieved impressive fiscal positions but some high-debt countries made little effort to improve their fiscal position. The last economic expansion was particularly rich in revenue and generated strong growth in receipts from corporation tax and taxes related to capital gains and property, so that the measured improvement in the underlying fiscal position is likely to be overstated. The economic downturn, unfavourable developments in tax elasticities, and the actions being taken by governments to stabilise financial markets will add to fiscal pressures. The euro area actual fiscal deficit is expected to increase by 0.8% of GDP in both 2008 and 2009, reversing much of the decline in 2006-07. Government debt had fallen as a share of GDP, but is now set to rise again. The major challenge for long-run fiscal sustainability remains ageing and healthcare costs: the most recent estimate from the European Commission suggests an increase in the share of age-related spending of 4.4% of GDP between 2010 and 2050, bringing this share to about 28% of GDP but the actual costs could be much higher. Consideration should be given to how this challenge will be addressed through structural reforms and pre-funding.

The revised Stability and Growth Pact (SGP) agreed in 2005 has been successful up until recently, but has yet to be tested in an economic downturn, or a financial crisis. Euro area countries had emerged from Excessive Deficit Procedures under the “dissuasive arm” of the Pact in recent years. The greater discretion under the revised Pact has hardly been used so far and should be used only sparingly. In fact this is exactly what has happened since the 2005 reform of the Pact. The SGP’s “preventive arm” has continued to develop, with greater focus on the achievement of long-run fiscal sustainability. Nevertheless, the existing range of the country-specific medium-term budgetary objectives (MTOs) does not fully reflect the fiscal sustainability challenges facing different countries: the current proposals to take implicit liabilities into account when setting MTOs should be implemented. The objective of attaining the MTOs by improving the structural balance by 0.5% of GDP or more in “good times” has had mixed results. The definition of good and bad times and

the calculation of their impact on budgetary balances could be refined further. There should be greater emphasis on asset prices and a disaggregated analysis of revenues in assessing structural balances.

Fiscal policy in some euro area member states tightened as the economy expanded in recent years, but policy has remained procyclical in others and a few were forced to tighten policy under adverse cyclical circumstances. In the context of the current economic slowdown and the exceptional measures being taken to support the financial system, discretionary fiscal policy may be appropriate where room for manoeuvre exists. Any discretionary easing should be timely, targeted and temporary and take into account specific challenges of the country concerned. The reformed Stability and Growth Pact provides sufficient flexibility to allow for fiscal policy to play its normal stabilisation function. The relatively large automatic stabilisers in Europe will help cushion the slowdown. The priority should remain improving long-run fiscal sustainability, given the challenges stemming from ageing. This is in line with the conclusions of the October 2008 ECOFIN Council. In addition, fiscal incentives to invest in housing exacerbate the housing cycle and should be phased out in the long run. Moreover, in some cases there is opportunity for property taxation to be designed more efficiently, allowing it to function as a built-in stabiliser. However, due account would need to be taken of the timing of these changes, especially with regard to the risk of exacerbating further the present difficulties in the housing market.

The efficiency of government intervention is an important way in which fiscal policy can contribute to raising living standards, with key factors including the ways in which money is spent and the design of the tax system. This is a key issue for the euro area because public spending accounts for around 45% of GDP on average. Infrastructure investment can help to raise living standards, although it should be well-designed and policies such as user charges can contribute to its efficient use. The efficiency of public spending is hard to assess. But, there is some evidence that euro area countries could benefit from improving value for money: educational attainment could be raised by following international best practice or raising the efficiency within national systems towards those of the best performing schools; and health spending could be better used to improve outcomes. The design

of the tax system should be improved by increasing the use and efficiency of consumption taxes, which would be less distorting than the current degree of reliance on personal income taxes, although in seeking such reform it is important to consider the effect on the distribution of real incomes. Moreover, strong fiscal governance frameworks can help to ensure sound budgetary positions and improve the efficiency of public spending.

C. AFTER YOU READ

What is the author trying to say?

D. LANGUAGE FOCUS

a) Make it negative:

1. In 1997, the government introduced a principles-based fiscal framework which, alongside the new independent monetary policy regime, sought to shift the focus of macroeconomic policy to long-term sustainability within a credible and transparent framework.
2. The fiscal framework is operationalised through two fiscal rules: the golden rule, which requires that over the economic cycle the government should borrow only to invest and that current spending (including the consumption of capital) should be paid for by taxation.

b) Paraphrase the following:

1. In fact this is exactly what has happened since the 2005 reform of the Pact.
2. The SGP's "preventive arm" has continued to develop, with greater focus on the achievement of long-run fiscal sustainability.
3. Nevertheless, the existing range of the country-specific medium-term budgetary objectives (MTOs) does not fully reflect the fiscal sustainability challenges facing different countries: the current proposals to take implicit liabilities into account when setting MTOs should be implemented.

c) Relate the action to the past/present/future:

1. They have actively facilitated confidence-building and crisis-management contacts within the CEE region and the international financial community, and are keeping in close touch with their relevant counterparts.

2. Depending on developments, further cross-border initiatives may be called for.

d) *Turn direct into indirect:*

The financial expert said: “After around the turn of the century, the underlying fiscal position weakened more than anticipated, while there was some subsequent improvement, particularly in tax receipts. Tax receipts have been significantly affected by the current downturn”.

E. VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian phrases from the list given below:

Traders can be excused a moment of reflection given the *спекотний час* they have endured over the past three months. Worries about a *глобальна економіка, що уповільнюється* and headlines relating to eurozone fiscal *неприємності, що яtringь*, have regularly caused *різкий крен* in sentiment. Thursday saw some bright spots, with better than expected US data joining a German “yes” vote for the expansion of the European *заставний* fund to provide hope to optimists. And on Friday, investors were presented with better than expected Chicago PMI and University of Michigan *настрій споживача* reports. But the underlying mood remains broadly *похмурим*. Many traders recognise that the danger of a destabilising Greek default is still a possibility, while other evidence of economic weakness has emerged with news on Friday that German *роздрібна торгівля* in August experienced their biggest monthly decline in four years. A US Commerce Department report showed household incomes fell 0.1 per cent in August, the first decline for two years. In addition, investors are noting building concerns about prospects for the Chinese economy after the country’s *майнові та банківські акції* were hit on worries over a *ринок житла* correction.

1. bail-out fund
2. housing market
3. festering fiscal woes

4. sharp lurches
 5. torrid time
 6. consumer sentiment
 7. downbeat
 8. retail sales
 9. property and banking shares
 10. slowing economy
- d) Suggest the correct translation:

The euro's rise earlier this week came as Germany and several other euro-zone members approved expanded powers (A) for the European Financial Stability Facility, (B) a rescue fund (C) for economies threatened by high debt levels. However, European officials haven't finalized details (D) of another bailout for Greece, the country in the most immediate danger of defaulting. The euro's temporary rise during the middle of the week probably had more to do with investors closing out positions before the end of the third quarter Friday, as well as some profit-taking after the euro's sharp move (G) lower, said Anish Abuwala, foreign-exchange strategist at Nomura Securities in New York. Those two factors often skew moves (H) in the exchange rate and convince market participants that a trend is reversing when it is actually just taking a breather. The latest bets (I) on the euro are surpassed (J) only by those from the spring of 2010. Back then, investors also fretted over (whether Greece would get a bailout. Without one, the country was at risk of default, which in turn could have set off a cascade of problems for European banks and other euro-zone members with exposure to Greek debt.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

- a) Relate new reading material to something you already know, to your background or experiences.
- b) Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them.

I. QUIZ # 14

a. Define the following sentences “True” or “False”:

1. The government suspended the two monetary rules on the grounds of extraordinary circumstances in November 2008.
2. The reformed Stability and Growth Pact provides no flexibility to allow for fiscal policy.
3. CEE stands for the region encompassing former Eastern Bloc countries.
4. Workers’ incomes are well protected in case of unemployment in Switzerland.
5. Fiscal sustainability challenges facing different countries can be clearly reflected in the country-specific medium-term budgetary objectives.
6. The Austrian authorities are responsible for monitoring the financial crisis in CEE.
7. Ageing and healthcare costs are the main problems for long-run fiscal sustainability.
8. Deep recessions in the region would put additional strains on Austria’s financial system, international trade and domestic activity and investment.
9. The economic downturn and unfavourable developments in tax elasticities will contribute to fiscal pressures.
10. A new guarantee scheme underwrites the borrowings of small-and-medium sized enterprises for their investment and equity capital needs.

b. Give the opposite:

Ensuing, to soar, to shrink, to bolster, savings, commitment, discretionary, to subsidize, to distort, to facilitate.

c. Decode the following terms:

Cross-border loan, to cushion the downturn, direct fiscal costs, implicit government liabilities, potential range, subsequent improvement, tax receipt, gross government debt-to-GDP ratio, fiscal consolidation.

d. Translate the following into English:

1. Максимальний кредитний рейтинг дозволяє державам позичати кошти під мінімальний відсоток.
2. Хоча наразі США та Об'єднане Королівство не мають проблем з ліквідністю, зниження рейтингів може збільшити вартість кредитів, а отже погіршити фінансову ситуацію в країнах.
3. Влада Великобританії розробляє масштабну інфраструктурну інвестиційну програму обсягом 50 млрд фунтів стерлінгів, яка буде фінансуватися здебільшого за рахунок коштів приватних кредиторів.
4. Таким чином міністр фінансів Об'єданого Королівства Джордж Осборн хоче дати економіці країни поштовх до зростання на тлі боргової кризи.
5. План Осборна повинен прискорити розвиток житлового сектора, профінансувати будівництво високошвидкісних магістралей і нових електростанцій в країні.
6. На думку британського уряду, приватні інвестори (насамперед, пенсійні фонди і страхові компанії) повинні зацікавитися участю в програмі, тому що вже влітку влада країни потурбувалась про залучення приватних інвестицій у проект і почала готувати відповідні пропозиції.
7. Враховуючи непросту ситуацію з державними фінансами, британський уряд хоче уникнути обтяження бюджету країни додатковими витратами.
8. Варто зазначити, що економіка Об'єданого Королівства перебуває на межі рецесії, незважаючи на дані за III квартал ц.р. ВВП країни, за попередніми даними, за III квартал 2011 р. виріс на 0,5%.
9. Британський прем'єр неодноразово заявляв про те, що криза в євросоні становить загрозу не тільки для Британії, яка зберігає власну валюту, а й для всієї світової економіки.
10. Правляча партія консерваторів на чолі з Кемероном прийняла пакет заходів економії зі скорочення бюджетного дефіциту.

e. Revise the following finance & banking vocabulary:

balance of payments	fiscal incentive	public subsidization
bolster liquidity	fiscal performance	purchasing power
bond issuance	fiscal policy	revenue
budgetary objectives	high-debt	savings
budgetary position	high-income	student fees
capital gains	country	subsidisation
capital injections	implicit liabilities	subsidise
clearing	income loss	sustainable
corporation tax	income tax	investment
cross-border loan	interbank lending	tax cuts
current spending	net public debt	tax elasticity
debt-to-GDP	off balance	tax receipt
earnings	personal income	taxation
family benefits	pre-budget	total earnings
fee	pre-funding	toxic assets
financial sector	premium	underwrite
fiscal costs	public finance	unemployment
fiscal deficit	public liabilities	insurance
fiscal implications	public spending	VAT cuts
		working capital

f. Revise the following general vocabulary:

about	especially	policy
abrupt	essential	portion
according	estimate	position
account	estimated	possible
achieve	euro	potential
achievement	Europe	power
across	European	practice
action	Eurosystem	present
active	event	pressure
actively	evidence	price
activity	exacerbate	principle
actual	exacerbating	principles-based
adapt	exactly	priority

add	exceptional	private
addition	excessive	pro-cyclical
additional	exchange	problem
address	exist	procedure
adjust	existing	programme
adjustment	expand	project
administration	expansion	projection
adopt	expectation	prominent
adverse	expected	property
affect	experience	proportion
after	explicitly	proposal
again	export	protect
against	expose	protection
age-related	extraordinary	protract
ageing	facilitate	prove
agree	face	provide
agreement	fact	provisionally
aim	factor	prudent
aiming	fall	précis
albeit	falling	public
all	family	purchasing
alleviate	far	put
allow	February	qualifications
allowed	few	quarter
alongside	finally	quickly
also	finances	raise
although	financial	raised
ambitious	financing	raising
amend	firm	range
amount	first	rapidly
analysis	fiscal	rarely-used
anticipate	flexibility	rather
appear	flexible	ratio
applicable	focus	re-qualification
approach	following	reach
appropriate	footing	ready

approximately	for	real
April	forced	receipt
area	foreseeably	recent
arm	foreshadow	recently
arose	form	recession
around	forward	recipients
article	framework	recover
assess	from	recovery
assistance	fulfil	reduction
associate	full	refer
assumption	fully	refined
at	function	reflect
attain	further	reform
attainment	GDP	reformulate
Austria	general	regard
authorities	generate	regime
automatic	generous	region
autumn	gett	regional
available	give	registered
average	global	reinstate
avoid	golden	relate
back	good	relative
backdrop	governance	relatively
bad	government	relevant
balance	great	reliance
bank	gross	remain
banking	ground	remains
based	growth	report
basic	guarantee	represent
basis	halt	require
because	handle	required
become	happen	reservation
below	hard	resource
benefit	hardly	respect
between	have	respond
beyond	health	response

billion	healthcare	result
bolster	help	retraining
bond	helping	return
borrow	high	reverse
borrowing	hinder	review
both	hold	revised
bring	hour	rich
broad	household	rise
broadly	housing	rising
budget	how	risk
budgetary	however	riskiness
built-in	impact	role
but	impart	room
calculation	implement	rule
call	implemented	run
cancellation	implication	running
capital	implicit	salary
case	importance	scheme
cent	important	school
central	impressive	second
century	improve	secure
certain	improved	seek
challenge	improvement	series
change	incentive	set
channel	include	setting
charges	including	severity
circumstance	income	share
class	increase	sharply
close	increasing	sheet
closely	independent	shift
commission	inflation	shock
commitment	information	shrink
community	infrastructure	side
compensate	initially	sign
comprehensive	initiative	signal
concern	inject	significant

concerned	injection	significantly
conclusion	institution	since
condition	insurance	situation
confidence	intensify	size
confidence-building	interbank	skill
consider	international	slowdown
consideration	intervention	slump
consistent	into	soar
consolidation	introduce	social
consumption	invest	soliciting
contact	investment	some
contagion	issuance	sound
context	issue	source
continue	keep	souring
continued	key	sparingly
contribute	labour	specific
contribution	lag	specify
convention	large	spectrum
corporate	last	stabilisation
corporation	lasting	stabilise
cost	law	stabiliser
could	lead	stability
council	lending	stable
counterpart	level	standard
country	lever	start
country-specific	lie	state
coupled	light	stem
course	likely	step
cover	line	stimulus
creating	link	strain
credible	little	strong
credit	living	structural
creditor	loan	structure
crisis	long	student
crisis-management	long-run	subdued
cross-border	long-term	subsequent

current	look	substantially
cushion	loss	successful
cut	macroeconomic	such
cycle	maintenance	suddenness
cyclical	major	sufficient
cyclically	make	suggest
cyclically-adjusted	manoeuvre	summer
date	market	support
debt	matters	supporting
decision	may	supportive
decline	measure	survey
declined	measured	suspend
deep	medication	sustainability
deficit	medium-term	sustainable
definition	member	system
degree	mid-1950s	take
delivery	mind	targeted
depend	mixed	temporary
deposit	model	tension
depositor	monetary	term
design	money	test
designed	monitor	thresholds
despite	month	through
deteriorating	more	tighten
develop	moreover	tightened
development	most	tightening
differ	much	till
difference	national	time
different	near	timely
difficulty	necessary	timing
direct	need	top-up
disaggregated	needed	total
discipline	negative	touch
discretion	neither	towards
discretionary	net	toxic
distort	neutral	trade

distorting	nevertheless	transfer
distortion	new	transparent
distribution	normal	transparently
domestic	notably	treaty
down	November	turmoil
downturn	now	turn
drag	number	two
due	objective	UK
each	October	uncertainty
earlier	Once	under
early	ongoing	underlying
easing	only	unduly
eastern	operating	unemployed
economic	operationalise	unemployment
economy	opportunity	unfavourable
economy-wide	original	until
edge	other	up
educational	outcome	upcoming
effect	outline	upper
effective	outlook	use
efficiency	over	used
efficient	overall	user
efficiently	overstate	value
effort	package	various
elasticity	pact	very
elsewhere	paragraph	wage
emerge	participate	way
emphasis	particularly	weakened
employability	partner	weakness
employee	path	well
employment	payment	well-designed
encourage	per	widening
end	perceived	will
endorse	performance	work
endure	performing	worker
enforcement	personal	workers

English ensuing ensure enterprise environment equally erupt	phase phasing place plan play point	working world worsen would year yet zero
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UNIT FIFTEEN.

FINANCIAL SYSTEM: DECLINE BUT NO FALL

A. BEFORE YOU READ

1. CONCEPT MAPPING:

Develop a "mind map" around the notion "INFLATION" to comprehend the relationship between the new concepts and the concepts you know.

2. BRAINSTORMING:

- a) Examine the title of the selection you are about to read.
- b) List all the information that comes to mind about this title.
- c) Use these pieces of information to recall and understand the material.
- d) Use this knowledge to reframe or reorder what you know, or to note what you disagree with, for a further research.

3. SKIMMING THE TEXT:

Scan the text to comprehend the content structure.

4. VOCABULARY PREVIEWS:

Look up unfamiliar key words before reading to improve your background and comprehension.

5. PRE-QUESTIONS:

Write out a series of questions you expect to be answered when reading:

6. DEFINITION:

- a) What are US hegemony / beneficiary / a harbinger?
- b) Where does the US decline fit in the global economy?
- c) Where do the BRIC's boosting reserves of gold in preference belong to in dollar-denominated securities?

7. CHARACTERISTICS:

- a) How would I describe the US economy at present?
- b) What do the BRIC economies look like?
- c) What are their elements?

8. EXPERIENCE:

- a) What experience have I had with the BRIC economies?

b) What can I imagine about my work within the BRIC economy?

B. READING

- a) Highlight signal words, main idea sentences, phrases, headings and subtitles.
- b) Pay attention to specific plans of paragraph or text organization.
- c) Define the phrases in italics:

15.1. Decline but no fall.

As US president Barack Obama begins a tour of Asian capitals, the standard assumption in the west is that his meetings will be with leaders of nations that rank as America's junior partners. Yet the reality is more complex. Amid the rubble of the financial crisis, the US position as singular superpower and global economic top dog looks increasingly under threat. In particular, when he reaches Beijing next week, nothing will be able to disguise the fact that Mr Obama is paying a visit to his country's biggest *creditor*. Those who take pleasure in America's discomfort point out that this global economic colossus has become shackled to the world's largest pile of international debt and pulled down by a sinking currency. By common consent China is the chief beneficiary of the financial debacle and a serious challenger to US *hegemony*. Since economic might so often goes hand in hand with military strength, this shift in economic power, along with the recent weakness of the dollar, has been heralded as a harbinger of US national decline. Neatly catching this mood was the title of Fareed Zakaria's recent best-selling book, *The Post-American World And The Rise Of The Rest*. Then came Mr Obama's reference in his inaugural speech to "a *sapping* of confidence across our land; a nagging fear that America's decline is inevitable, that the next generation must lower its sights".

Paul Volcker, former chairman of the Federal Reserve and an adviser to the president, chipped in with remarks in a recent interview with PBS, the US public broadcaster, that the rise of *emerging markets* was "symbolic of the relative, less dominant position the US has, not just in the economy but in leadership, intellectual and otherwise". Central banks in the developing countries have rubbed salt in the wounds of the ailing giant. The Reserve Bank of India last week joined

the central banks of China, Russia, Mexico and the Philippines in choosing to boost its reserves of gold in preference to dollar-denominated securities. A veritable chorus of policymakers in countries running current account surpluses has declared that the reserve currency role of the dollar is unsustainable. At which point, it is important to remember that we have been here before. Back in the late 1980s, Paul Kennedy of Yale University stunned the world's chattering classes with his assertion in *The Rise And Fall Of The Great Powers* that "the only answer to the question increasingly debated by the public of whether the United States can preserve its existing position is 'no'."

This downbeat verdict came around the time of the 1987 *stock market crash*, when there was continuing concern about the twin US budget and *current account deficits*. The country had become an *international debtor* for the first time and was increasingly dependent on European and Japanese capital inflows. A supremely confident Japan was in the *ascendant*. Declinist sentiment in the US came close to hysterical when Japanese companies snapped up New York's Rockefeller Center, Columbia Pictures in Hollywood and Pebble Beach golf course in California. "Who owns America?" demanded ABC News. In one sense Prof Kennedy's thesis was right. As China, India and the other emerging markets catch up with the developed world, the US is bound to suffer relative economic decline in the shape of a falling share of global gross domestic product, even as it grows faster than most of the developed world's larger economies and remains the world's biggest economy in absolute terms.

15.2. Globalisation and domestic liberalization.

15.2.1. Make an English précis of the article.

15.2.2. Make a Ukrainian précis of the article.

Globalisation and domestic liberalization have given these developing countries the chance to establish a share of global GDP commensurate with their size and history. Chinese economic performance before 1978 was, after all, an aberration viewed from the perspective of centuries. In a study of leading economies, Angus Maddison of the University of Groningen has calculated that China's share of global GDP in 1820, before the industrial revolution in Europe

gathered pace, was more than 30 per cent, which is well above the US's current share. A return to something more normal may thus be under way. Where the Kennedy thesis appeared wide of the mark was in suggesting the US was seriously at risk of imperial overstretch, as with Spain in 1600 or Britain in 1900. The more obvious case of overstretch in the 1980s was in fact the Soviet Union, which collapsed, while the US succeeded soon after in restoring its budgetary position under the Clinton presidency without a full-scale retreat from its international commitments.

The Japanese economic challenge, meantime, wilted as equity and property bubbles burst and deflation threatened. The US media's panic over the Japanese invasion proved a perfect, if inadvertent, indicator of a turning point. The question now is whether the overstretch thesis was wrong or simply premature. Yet predicting the timing of the rise and fall of nations and economies is notoriously difficult. Charles Kindleberger, the late economic historian, was one of many who believed that national vitality moved in a life cycle. Among the internal causes of decline he identified were increased consumption, decreased savings, resistance to taxation, inequality, corruption, mounting debt and finance becoming more dominant in the economy than industry. Yet if this chimes with current circumstances, note that many of these things were also present in the US in 1929 when an earlier financial crisis coincided with the long transition from British to American economic hegemony. When Kindleberger wrote his *World Economic Primacy 1500-1990* in 1996, he believed the US was slipping. But he had no idea which country was likely to emerge as the next primary world economic power and regarded China as merely a dark horse for the role.

The most powerful argument supporting the declinist hypothesis concerns what Prof Kennedy called "the age-old task of relating national means to national ends". Since there is a significant long-term correlation between productive and revenue raising capacity, and military strength, much hinges on the sustainability of fiscal policy. Here the omens are not good for the US. Under the twin pressures of the financial crisis and the longer-term problem of ageing baby boomers, official projections point to budget deficits on an unprecedented scale. The Peterson Institute for International

Economics in Washington estimates that after nearing \$1,500bn (€1,000bn, £905bn) in the current fiscal year – more than three times the previous record – the deficit is likely to remain close to an annual \$1,000bn until 2020 or later.

15.3. Inflation Surges in the Euro Zone.

15.3.1. Give a written translation of Paragraph I.

Consumer prices in the 17-member euro zone rose at the fastest pace in almost three years, even as the economy slowed sharply, leaving the European Central Bank's rate setters to make a very tough call when they meet next week. The European Union's official statistics agency Eurostat Friday said consumer prices rose by 3% in the 12 months to September, up from 2.5% in August and well above the ECB's target of just below 2%. It was the fastest rise in prices since October 2008, and under normal circumstances the response from the ECB's 23-member governing council would be an immediate increase in its key interest rate. But these aren't normal times, and other data indicate the economy is slowing sharply as confidence evaporates in the face of the currency area's deepening fiscal crisis. A measure of activity compiled by the Centre for Economic Policy Research and the Bank of Italy, also released Friday, showed the economy grew at the slowest pace since the end of the recession in August 2009.

The Eurocoin reading suggests growth slowed further in the third quarter, and is consistent with other timely measures of activity and leading indicators. Taken together, they suggest the ECB may soon have to reverse its April and July rate rises. Market Economics last week said the purchasing-managers index for the euro zone fell to 49.2 in September from 50.7 in August, indicating the economy contracted. A survey of confidence released by the European Commission on Thursday recorded a sharp fall among manufacturers, service providers and other businesses, as well as consumers. The economic-sentiment indicator fell for the seventh straight month, to 95.0 from 98.4.

The role that shattered confidence has played in the slowdown was demonstrated Friday by Germany's statistics agency. The euro zone's largest economy has been one of its strongest, recording a steady decline in unemployment since the end of the recession. As Germany's

jobless rate has fallen, wages have been rising strongly. But in August German shoppers cut their spending by 2.9% from July, even though the country's jobless rate was steady in August at 6%.

Spain's jobless rate, by contrast, rose to 21.2% from 21.1% in July, according to Eurostat figures. The EU statistics agency said that 15.7 million people overall were without a job in the currency area, down 38,000 from July and 215,000 from August 2010. However, the unemployment rate remained at 10.0%. But there were big divergences within the currency area. The jobless rate was steady at 6.0% in Germany, but rose to 21.2% from 21.1% in Spain. Still, shop prices will be a chief concern as the ECB considers its next move.

The annual rate of inflation usually picks up as summer comes to an end, stores stop discounting clothing and home energy costs start to pick up. But the large rise in inflation will worry the ECB, which was expected to reverse the interest rate rises it announced in April and July to counter the marked slowdown in growth. That reversal may yet take place, but the sudden and unexpected pickup in inflation may delay the move. "On the face of it, the latest euro-zone...inflation...numbers would appear to reduce the chance of an imminent ECB rate cut," said Ben May, an economist at Capital Economics. "Nonetheless, we still think that the bank is likely to loosen policy by the year end."

C. AFTER YOU READ

What is the author trying to say?

D. LANGUAGE FOCUS

a) *Make it negative:*

1. The Japanese economic challenge, meantime, wilted as equity and property bubbles burst and deflation threatened.
2. The US media's panic over the Japanese invasion proved a perfect, if inadvertent, indicator of a turning point.
3. The question now is whether the overstretch thesis was wrong or simply premature.
4. Yet predicting the timing of the rise and fall of nations and economies is notoriously difficult.

b) *Paraphrase the following:*

1. It was the fastest rise in prices since October 2008, and under normal circumstances the response from the ECB's 23-member governing council would be an immediate increase in its key interest rate.
 2. But these aren't normal times, and other data indicate the economy is slowing sharply as confidence evaporates in the face of the currency area's deepening fiscal crisis.
- c) *Relate the action to the past/present/future:*
1. The Eurocoin reading suggests growth slowed further in the third quarter, and is consistent with other timely measures of activity and leading indicators.
 2. Taken together, they suggest the ECB may soon have to reverse its April and July rate rises.
 3. Market Economics last week said the purchasing-managers index for the euro zone fell to 49.2 in September from 50.7 in August, indicating the economy contracted.

d) *Turn direct into indirect:*

"On the face of it, the latest euro-zone...inflation...numbers would appear to reduce the chance of an imminent ECB rate cut," said Ben May, an economist at Capital Economics. "Nonetheless, we still think that the bank is likely to loosen policy by the year end."

E. VOCABULARY ARRANGEMENT

- a) Arrange a semantic field of the words relating to the learning to the topic.
- b) Add words you probably already understand to connect relationships between what is known and the unknown.
- c) Supply the English equivalent to the Ukrainian from the list given below:

The cost of insuring Beijing's debt against default, as measured by five-year credit default *міни*, is up 17 basis points to 191bp, the highest since March 2009.

Risk *уникнення* can be seen in the dollar index gaining 0.7 per cent and the German retail data helping to push the euro down 1.2 per cent to \$1.3428. Gold is little changed at \$1,616 an ounce. The *суворий* tone is expressed vividly by the FTSE All-World index, which is

sitting on a loss for the quarter of more than 18 per cent. Similarly, the Reuters-Jefferies CRB index, a commodities *набір*, is down 11 per cent, though this fails to reflect the five-year credit some important constituents. Copper, considered a global economic barometer and currently trading at \$3.12 a pound, is down 27 per cent since the start of July. As *учасники* plays lost their charm, so perceived *притулки* have benefited. An auction of seven-year US *вексели* on Thursday was as *стійкий* as the five-year auction on Wednesday, again setting a record low *дохід* – at 1.496 per cent for the seven-year – with strong demand from investors. US 10-year Treasuries and German Bunds have had a solid quarter. Yields on the former are currently down 10 basis points to 1.90 per cent, a fall of 127bp over the period. Bund yields, which *досягли* 1.7 per cent for the first time, are currently down 12bp at 1.89 per cent.

1. aversion
2. swap
3. dour
4. basket
5. racier
6. haven
7. note
8. yield
9. sturdy
10. breach

d) Suggest the correct translation:

The euro dipped (A) as low as \$1.3360 on Monday before pushing toward \$1.37 in the middle of the week. It has once again faltered (B), dropping back to about \$1.34 late Friday. Meanwhile, the dollar was at ¥77.08 from ¥76.83 late Thursday, while the euro was at ¥103.20 compared with ¥104.46. The U.K. pound traded at \$1.5587 from \$1.5626, while the dollar bought 0.9067 Swiss franc from 0.8970 franc. The data also showed net (C) "long" positions in the dollar against other major (D) currencies, including the Canadian dollar and yen rose as well. European debt worries (E) and concerns about overall global economic growth pushed investors toward the greenback (E). The "net" (F) long dollar position betting on gains (G) against all major currencies jumped 59% as of Sept. 27 to a combined \$13.66 billion,

compared with a week earlier. Analysts say there aren't any concrete reasons for the euro to rally (H) long term, which has emboldened (I) speculative investors to increasingly bet against the common (J) currency.

F. INFORMATION FILE

Share new information with your fellow students.

G. ADVANCE ORGANIZERS

Relate new reading material to something you already know, to your background or experiences. Ask your teacher for assistance in developing these issues.

H. GROUP DISCUSSIONS

- a) Group discussions in and out of class will help you to discover what you bring to your reading, what your fellow students bring, as well as shared experiences.
- b) If you find they have new background information, ask for more information from them.

I. QUIZ # 15

a. *Define the following sentences "True" or "False":*

1. The central banks of China, India, Mexico and the Philippines boosted their gold reserves gold in preference to dollar-denominated securities.
2. Germany's economy recorded a steady decline in unemployment since the end of the recession.
3. Charles Kindleberger held that national vitality moved in a life cycle.
4. The highest annual inflation is usually expected at the end of summer.
5. The US media's panic over the Japanese invasion turned out a perfect indicator of a turning point.
6. While considering its next move, ECB will be chiefly concerned with shop prices.
7. Among the internal causes of decline he identified were increased consumption, decreased savings, resistance to taxation, inequality,

corruption, increasing debt were among the internal causes Charles Kindleberger identified.

8. Predicting the timing of the rise and fall of nations and economies is relatively easy.
9. The USA is China's biggest creditor.
10. John Kennedy asserted that the US would not preserve its economic and global power.

b. Give the opposite:

Retreat, decline, to boost, inflow, restore, to surge, consistent, to pick up, to loosen, productive.

c. Decode the following terms:

Consumer price, commensurate, domestic liberalization, reserve currency, beneficiary, rubble, top dog, policymakers, deflation, baby boomer.

d. Translate the following into English:

1. У минулі роки Китай був серед тих економік світу, що мали найшвидші темпи розвитку.
2. Проте заходи стимулювання економіки, що запроваджуються урядом, створили ризик виникнення бульбашок на ринках активів.
3. Тому Китай наразі шукає шляхи поступового уповільнення темпів зростання, аби вийти на більш сталий економічний розвиток.
4. Зазначені заходи включають обмеження кредитування, що має на меті запобігти перегріву на ринках нерухомості та інвестицій, а також зменшення грошової маси, що знаходиться в обігу.
5. За останніми даними, інвестиції у нерухомість в Китаї вирости в 2011 році на 27,9%, що трохи нижче, ніж річний темп зростання на рівні 29,9% в період між січнем та листопадом, повідомляє Національне бюро статистики КНР.
6. Але на зростання економіки впливають не тільки внутрішні чинники.
7. Експерти також вказують на уповільнення темпів зростання експорту, що викликане послабленням попиту на китайську продукцію у Європі та США.

8. Деякі аналітики закликають Китай змінити стратегію зростання у напрямку більшої сталості, навіть якщо це буде означати уповільнення темпів зростання.
9. "Китай має, в першу чергу, подбати про сталий розвиток, не покладаючись на інвестиції, і зосередитися на внутрішньому ринку", - додає експерт.
10. Китайська влада намагається підвищити рівень внутрішнього споживання, з метою зниження залежності країни від експорту.

e. Revise the following finance & banking vocabulary:

baby boomer	decreased savings	property bubble
beneficiary	dollar-denominated	purchasing-
budget deficit	economic-sentiment	managers index
budgetary position	indicator	rate of inflation
capital inflow	emerging market	reserve currency
consumer prices	euro-zone	reserves
currency area	fiscal crisis	securities
current account	fiscal policy	sinking currency
cut spending	inflow	spending
debtor	interest rate	stock
deflation	mounting debt	surplus

f. Revise the following general vocabulary:

aberration	fast	presidency
able	fear	president
about	federal	pressure
above	figure	previous
absolute	finance	price
according	financial	primacy
account	first	primary
across	fiscal	problem
activity	for	product
adviser	former	productive
after	Friday	projection
age-old	from	property

ageing	full-scale	prove
agency	further	provider
ailing	gather	précis
all	GDP	public
almost	generation	pull
along	German	quarter
also	Germany	question
America	giant	raise
Amid	give	rank
among	global	rate
announce	globalisation	reach
annual	go	reading
answer	gold	reality
appear	golf	recent
area	good	recession
argument	governing	record
around	great	recorded
article	grow	recording
ascendant	gross	reduce
assertion	grow	reference
assumption	growth	regard
August	hand	relating
baby	harbinger	relative
bank	have	release
beach	hegemony	remain
become	herald	remains
before	here	remark
begin	hinge	remember
believe	his	research
below	historian	reserve
best-selling	history	resistance
between	home	response
big	horse	rest
book	however	restore
boomer	hypothesis	retreat
boost	hysterical	return

bound	idea	revenue
Britain	identify	reversal
British	if	reverse
broadcaster	immediate	revolution
bubble	imminent	right
budget	imperial	rise
budgetary	important	rising
burst	inadvertent	risk
business	inaugural	role
calculate	increase	rub
California	increased	rumble
call	increasingly	running
called	index	salt
can	India	sapping
capacity	indicate	savings
capital	indicator	scale
case	industrial	sense
catch	industry	sentiment
cause	inequality	September
cent	inevitable	serious
central	inflation	seriously
centre	institute	service
century	intellectual	setter
chairman	interest	seventh
challenge	internal	shackle
challenger	international	shape
chance	interview	share
chattering	invasion	sharp
chief	job	sharply
chimes	jobless	shattered
China	join	shift
Chinese	junior	shop
chip	just	shopper
choose	land	show
chorus	large	sight
circumstance	last	significant

class	late	simply
close	leader	since
clothing	leadership	singular
coincide	leading	sinking
collapse	leave	size
colossus	less	slipping
Columbia	liberalization	slowdown
comes	life	snap
commensurate	likely	something
commission	long	soon
commitment	long-term	speech
common	look	standard
company	loosen	start
compile	lower	state
complex	make	statistics
concern	manufacturer	steady
confidence	many	still
confident	mark	stop
consent	marked	store
consider	market	straight
consistent	means	strength
consumer	meantime	strong
consumption	measure	strongly
continuing	media	study
contract	meet	stunned
contrast	meeting	succeed
correlation	merely	sudden
corruption	might	suffer
costs	military	suggest
council	million	summer
counter	month	superpower
country	mood	supporting
crash	mount	supremely
creditor	move	surge
crisis	much	survey
currency	must	sustainability

current	nagging	take
cut	national	target
cycle	nations	task
dark	near	taxation
data	neatly	terms
debacle	new	thesis
debate	news	they
debt	next	thing
declare	no	think
decline	normal	though
declinist	note	threat
decrease	nothing	threaten
deepen	notoriously	three
deficit	now	Thursday
delay	obvious	thus
demand	official	time
demonstrate	often	timely
dependent	omen	timing
developed	only	title
developing	other	together
difficult	otherwise	top
discomfort	our	tough
discount	out	tour
disguise	over	transition
divergences	overall	translation
dollar	overstretch	turning
dollar	own	twin
domestic	pace	under
dominant	panic	unemployment
down	particular	unexpected
downbeat	partner	union
early	pay	united
economic	pebble	university
economic-sentiment	people	unprecedented
economics	per	unsustainable
economist	perfect	until

economy	performance	usually
emerge	perspective	verdict
emerging	pick	veritable
energy	pickup	very
English	picture	view
equity	pile	visit
establish	place	vitality
estimate	pleasure	wages
EU	point	way
euro	point	weakness
inflation	policy	week
Eurostat	policymaker	well
evaporate	position	west
even	post-American	wide
existing	power	wilt
expected	powerful	world
face	predict	worry
fact	preference	wounds
fall	premature	wrong
fallen	present	year
	preserve	zone

LIST OF ABBREVIATIONS

- AAA – Triple-A (used to describe a company that is considered one of the safest to lend money to)
- ABC – American Broadcasting Company
- AIFM – alternative investment fund manager
- ASEM – Asia-Europe Meeting
- ASX – The Australian Securities Exchange
- bp – basis point
- CBOE – The Chicago Board Options Exchange
- CDC – CDC Group plc (formerly called the Commonwealth Development Corporation)
- Cdn. \$ – Canadian dollar
- CDS – certificate of deposit
- CDS – credit default swap (a type of financial instrument)
- CEE – Central and Eastern Europe
- CEF – Canadian Eastern Finance limited
- CEO – chief executive officer
- CFO – chief financial officer
- CFTC – the US Commodity Futures Trading Commission
- CFR – The Council on Foreign Relations
- CIBC – Canadian Imperial Bank of Commerce
- CME – The Chicago Mercantile Exchange
- CRB index – Commodity Research Bureau Index
- CTF – Child Trust Fund
- EBRD – the European Bank for Reconstruction and Development
- ECB – European Central Bank
- ECOFIN – The Economic and Financial Affairs Council
- EFEX – European Financial Expertise Network
- EFSF – European Financial Stability Facility
- EIB – European Investment Bank
- EMU – European Monetary Union
- EU – the European Union
- EUR – euro
- FED – Federal Reserve System or Federal Reserve Board

FICC – fixed income, currencies and commodities

FSA – Financial Services Agency

FSA – Financial Services Authority

FSAP – Financial Services Action Plan

FTSE – Financial Times and the London Stock Exchange

FX – foreign exchange market

G20 – Group of Twenty Finance Ministers and Central Bank Governors

GDP – Gross domestic product

GNP – Gross national product

H&R Henry (W. Bloch and Richard Bloch) Block – a tax preparation company in the United States

IDB – Inter-American Development Bank

IFI – International Financial Institutions

IMF – International Monetary Fund

IPGs – International Public Goods

IRS – Internal Revenue Service

LLC – limited liability company

LLP – limited liability partnership

M1 – one measure of the money supply that includes all coins, currency held by the public, traveler's checks, checking account balances, NOW accounts, automatic transfer service accounts, and balances in credit unions

M2 – one measure of the money supply that includes M1, plus savings and small time deposits, overnight repos at commercial banks, and non-institutional money market accounts

M3 – one measure of the money supply that includes M2, plus large time deposits, repos of maturity greater than one day at commercial banks, and institutional money market accounts

MIS – management information systems

MTOs – medium-term budgetary objectives

NYSE – The New York Stock Exchange

OCC – Office of the Comptroller of the Currency

OECD – The Organisation for Economic Co-operation and Development

OTC – over-the-counter (trading of financial instruments)
PBS – Public Broadcasting Service
PMI – Purchasing Managers' Index
S&P – Standard and Poor's (a US-based financial services company)
SGP – Stability and Growth Pact
SEAP – Sustainable Energy Action Plan
SEC – the US Securities and Exchange Commission
SECO – State Secretariat for Economic Affairs (Bern, Switzerland)
SEI – Sustainable Energy Initiative
SFr – Swiss franc
SIFEM – The Swiss Investment Fund for Emerging Markets
TSX – Toronto Stock Exchange
UBS – Union Bank of Switzerland and Swiss Bank Corporation merged
in 1998
UK – the United Kingdom
UNO – United Nations Organization
US – the United States
VAT – value added tax
WTO – World Trade Organization

SUGGESTED READING AND RESOURCES

1. Bolen J. Business English Vocabulary Builder: Idioms, Phrases, and Expressions in American English. Jackie Bolen. 2020. 66 p.
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3. Key Issues in English for Specific Purposes in Higher Education / Ed. by Yasemin Kirkgöz & Kenan Dikilitaş, Vol. 11. Switzerland: Springer International Publishing, 2018. 353 pp.
4. Kenny, N., Işık-Taş, E. E., & Jian, H. English for Specific Purposes Instruction and Research: Current Practices, Challenges and Innovations. Switzerland: Palgrave Macmillan, 2020.129 p.
5. Laurence A. Introducing English for Specific Purposes. Routledge, 2018. 220 p.
6. Richards M. A. Advanced Business English Idioms Visual Guide: Master Sales & Marketing Conversations – Volume 1. PATMAR; 1st edition, 2023. 744 p.