



# CHAPTER SIX

FACULTY OF COMMERCE

## CENTRAL BANKING

## Central Bank:

A central bank, reserve bank, or monetary authority is a public institution that manages a state's currency, money supply, and interest rates.

## Instruments of Central bank

Open Market Operations

Changes in statutory reserve  
requirements for banks

Lending policies towards banks

Control over interest rate structure

## FUNCTIONS OF CENTRAL BANK

1- Issue of Currency Notes

2- Banker to other Banks

3- Banker to the Government

4- Exchange Rate Management

5- Credit Control Function

6- Supervisory Function

## 1- Issue of Currency Notes:

- Central bank is the sole authority for the issue of currency in the country.
- It takes care of the currency in circulation and its withdrawal from circulation.
- Issuing new currency is known as expansion of currency and withdrawal of currency is known as contraction of currency.

## 2- Banker to other Banks:

- Central bank has obligatory powers to guide, help and direct other commercial banks in the country.



### 3- Banker to the Government:

- It works as a representative of the government even at the international level.
- It maintains government accounts, provides financial advice to the government.
- It manages government public debts and maintains foreign exchange reserves on behalf of the government.

### 4- Exchange Rate Management:

- It is an essential function of the Central bank to maintain stability in the external value of Currency.

## 5- Credit Control Function

- Commercial bank in the country creates credit according to the demand in the economy.
- it regulates the credit creation capacity of commercial banks by using various credit control tools.

## 6- Supervisory Function

- The Central bank has been endowed with vast powers for supervising the banking system in the country.
- It has powers to issue license for setting up new banks, to open new branches,.....etc.

# Development Role of Central Bank

## 1 - Traditional Functions:

The traditional functions of the central bank are:

- Having the monopoly of note-issue.
- Acting as banker to the government.
- Serving as bankers' bank.
- Functioning as the lender of the last resort.
- Controlling and regulating the credit.
- Maintaining the external stability.



## 2- Economic Growth :

The central banks promoting the process of economic growth.

The central bank can ensure adequate monetary expansion in the country.

The central bank can provide funds for initiating investment in the public sector.

## 3- Internal Stability:

The central bank should also attempt to maintain internal price stability.

# Why Development Role of Central Bank Is Important For Our Country?

The central bank in a developing country aims at the promotion and maintenance of a rising level of production, employment and real income in the country.

So, The Central bank perform the following functions for achieving its development role:

1. Creation and Expansion of Financial Institutions
2. Proper Adjustment between Demand for and Supply of Money
3. A Suitable Interest Rate Policy
4. Debt Management
5. Credit Control
6. Solving the Balance of Payments Problem

# LIST OF CENTRAL BANKS OF DIFFERENT COUNTRIES

Country name	Central Bank
Algeria	Bank of Algeria
Bahrain	Central Bank of Bahrain
Egypt	Central Bank of Egypt
France	Bank of France
Ghana	Bank of Ghana
Jordan	Central Bank of Jordan
United Kingdom	Bank of England
United States	Federal Reserve System



## THE CENTRAL BANK OF EGYPT (CBE):

✓ On the 19th of July 1960, Law No. 250 was promulgated. & amended on 2nd of November of the same year by Law No. 377 concerning the Central Bank of Egypt and the National Bank of Egypt. The Law provided for the establishment and conferring on the Central Bank of Egypt the right of issuing the Egyptian banknotes.



## THE CENTRAL BANK OF EGYPT (CBE):

- ✓ The Central Bank of Egypt (CBE) is an autonomous regulatory body, assuming the authorities and powers vested therein by Law No. 88 for 2003, and the Presidential Decree No. 65 for 2004.



# THE CENTRAL BANK OF EGYPT (CBE):

## THE MAIN OBJECTIVES AND FUNCTIONS OF THE CBE ARE AS FOLLOWS:

- Formulating and implementing the monetary, credit & banking policies.
- Issuing banknotes and determining their denominations and specifications.
- Supervising the banking sector.
- Managing the foreign currency international reserves of the country.
- Regulating the functioning of the foreign exchange market.
- Supervising the national payments' system.
- Recording and following up on Egypt's external debt (public and private)



Thanks

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