# Quinte Financial Technologies | FinTech Solutions

**Assignment on**

**TYPES OF BANKS**

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# Types of Banks

### 1. Commercial Banks:

Financial institutions that accept deposits, offer checking and savings accounts, and provide loans.

Main focus:

* Accept deposits from individuals and businesses.
* Offer various types of accounts including checking and savings accounts.
* Provide loans for personal, business, and real estate purposes.
* Issue credit cards and manage payment processing.
* Provide investment services and financial advising.

Example: JPMorgan Chase, Bank of America.

### 2. Savings and Loan Associations (S&Ls):

Institutions that primarily focus on accepting savings deposits and making mortgage loans.

Main focus:

* Accept deposits mainly in savings accounts.
* Specialize in long-term financing, particularly residential mortgages.
* Now offer services similar to commercial banks, including personal and auto loans.
* Historically known for helping individuals buy homes.

Example: New York Community Bank.

### 3. Credit Unions:

Member-owned financial cooperatives that provide traditional banking services.

Main focus:

* Non-profit institutions owned and operated by their members.
* Membership typically restricted to specific groups (e.g., employees of a company, members of an organization, residents of a certain area).
* Offer savings and checking accounts, loans, and credit cards.
* Generally offer lower fees and better interest rates compared to commercial banks.

Example: Navy Federal Credit Union.

### 4. Investment Banks

Institutions that assist in the issuance of new securities, provide advisory services, and engage in trading and market-making activities.

Main focus:

* Do not take deposits from the public.
* Provide underwriting services for new stock and bond issues.
* Offer advisory services for mergers, acquisitions, and other financial transactions.
* Engage in trading and market-making for various financial instruments.

Example: Goldman Sachs, Morgan Stanley.

### 5. Online Banks:

Financial institutions that operate primarily over the internet.

Main focus:

* Do not have physical branch locations, which reduces overhead costs.
* Offer higher interest rates on deposits and lower fees compared to traditional banks.
* Provide services such as checking and savings accounts, loans, and sometimes investment services.
* Operate 24/7, providing greater convenience for customers.

Example: Ally Bank, Discover Bank.

### 6. Mutual Savings Banks:

Financial institutions that are owned by depositors and operate for their benefit.

Main focus:

* Similar to savings and loan associations, focusing on savings deposits and mortgage lending.
* Operate as mutual organizations, where profits are distributed among depositors.
* Tend to be more community-focused, supporting local development and projects.

Example: Eastern Bank.

### 7. Thrifts

Financial institutions that emphasize taking deposits and originating home mortgages.

Main focus:

* Include savings and loan associations, mutual savings banks, and credit unions.
* Focus on consumer savings and residential mortgage lending.
* Often offer better rates for savings and loans than commercial banks.
* Governed by a board of trustees, not shareholders, ensuring focus on member benefits.

## Recent Developments in U.S. Banking Institutions

### 1. Digital Transformation

* **Commercial Banks**: Significant investment in digital banking platforms to compete with fintech companies; surge in mobile banking usage, especially during the COVID-19 pandemic.
* **Credit Unions**: Adoption of digital banking technologies and partnerships with fintech companies to enhance service offerings and member experience.
* **Online Banks**: Rapid growth and expansion of services beyond traditional banking, including robo-advisory services, investment products, and cryptocurrency trading.
* **Mutual Savings Banks**: Investment in upgrading digital platforms to meet increasing demand for online banking services.

### 2. Regulatory Changes and Compliance

* **Savings and Loan Associations (S&Ls)**: Stricter oversight post-2008 financial crisis due to regulations like the Dodd-Frank Act to ensure stability.
* **Investment Banks**: Increased regulatory scrutiny on client information handling and trading practices, leading to enhanced compliance and risk management frameworks.
* **Thrifts**: Adaptation to evolving regulatory environment, ensuring compliance with new standards while focusing on residential mortgage lending.

### 3. Market Dynamics and Economic Conditions

* **Investment Banks**: Navigation of significant market volatility driven by geopolitical tensions, economic uncertainty, and the impacts of the COVID-19 pandemic; involvement in SPACs boom from 2020 to 2021.
* **Thrifts**: Played a key role in supporting homeownership and providing stability during economic downturns through various mortgage relief programs.

### 4. Community and Member Focus

* **Credit Unions**: Membership growth reaching over 126 million by 2023 due to competitive rates and community-focused services; legislative support for expanding fields of membership and lending caps.
* **Mutual Savings Banks**: Strong focus on community engagement and support, providing essential services and financial education to underserved populations.
* **Savings and Loan Associations (S&Ls)**: Continued emphasis on community support, providing localized services and mortgage forbearance during economic challenges.

### 5. Sustainability Initiatives

* **Commercial Banks**: Commitment to substantial investments in sustainable finance and carbon-neutral goals by major institutions like JPMorgan Chase and Bank of America.

### 6. Cybersecurity and Data Protection

* **Online Banks**: Heavy investment in cybersecurity measures to protect customer data and build trust due to the rise in digital banking usage.

Thank You