CLASE 1

- IOPA
- Pasivo más importante el numerario nacional.
- La figura más importante en el país es banco es comercia donde se puedan emitir cheques y cuentas de ahorro. La mayor cantidad de activos. Offshore – fuera de plaza.
- Las sociedades financieras
- Casas de ahorro
- Tarjetas de crédito – producto de banco comercial o aparte.
- Aseguradoras

Principales emisiones de bonos:
Banco central – para retirar liquidez y operaciones de mercado abierto.
Ministerio de finanzas – para financiar las operaciones del gobierno.
Los préstamos que los bancos otorgan son activos y los intereses son los ingresos.
El encaje es efectivo.

CLASE 2
Erick Vargas - superintenente
La superintendencia regula los bancos comerciales. La IB controla lavado de dinero y antiterrorista.

CLASE 3
Ley de desconcentración de divisas - abrir cuentas en cualquier moneda.
Banco comercial compra bonos del banguat y del ministerio de finanzas.
Regla cambiaria simétrica si tiene una volatilidad muy alta o baja si se salta la media móvil, si el tipo de cambio sube vende dólares y si baja compra dólares.
El gobierno debe restituir esas pérdidas del cambio para que no sea creación orgánica del dinero.
Esto no tiene rendimiento.
Los bonos que emite el banco si tienen rendimiento.
Default no cumplir con el pago de las deudas.
Reportó te vendo un bono de al menos 15 días y si no me quedo con el título.
Si los ministerios de finanzas
Si la cartera en mora está cambiando algo está pasando.
Bancos y offshore 90% del sistema de intermediarios.

LECTURA CAPITULO 1 Y 2 INDUSTRIAL ORGANIZATION OF BAKING

Objectives of the book:

1. Key factor in decision making by banks.
2. The competitive structure of baking markets
3. Actual regulations for individuals banks

Bank behavior and the structure of baking markets

The chapter two overview key baking concepts, assets and liabilities, sources of income and expenses and measures of profility and forms of asymmetric information and risks that bank confront. The chapter also surveys recent trends in the structure of baking revealed by data from US commercial banks.

THE BAKING ENVIRONMENT

The bank balance sheet

Are applied to study the allocations of and rates of return on banks assets and liabilities.

Bank Assets

A bank asset represents a legal obligation by another party to repay principal plus any contracted interest to the bank within specific period.

The three important asset of all domestically chartered:

1. Loans:

   The predominant category of assets held by commercial bank is loans. There are four important loan classification:

   1. Commercial and industrial loans: account for more than 12% of total bank assets, are loans that banks extend to business enterprises to meet day-to-day cash needs or to finance purchases of plants and equipment.
   2. Consumer loans: is the consumer for personal purchase such as automobiles through installment credit agreements under which individual borrowers of consumer loans agree to repay principal and interest in equal periodic payments scheduled over a one to five year interval.
   3. Real estate loans: these are loans that bank extend to finance purchases of real property buildings and fixtures. *They are the more important business for commercial banks.*
   4. Interbank loans: banks lend fund to each other directly in markets for interbank loans.

2. Securities:

   Treasury bills, notes and bonds.

3. Cash assets:

   Are the most liquid bank assets that function as media of exchange.

Trends in US Bank Asset Allocation:

U.S banks had to focus on commercial and industrial loans but then diversified into real estate, interbank, consumer and other lendings.
They conclude that diversification reduces returns of high risk banks while increasing their lending risks. At lower risk banks, loans diversification led to either a less efficient risk return trade off at best a marginal improvement in the terms of this trade off.

Bank Liabilities and Equity Capital
A liability of a bank is the value of a legal claim on its assets.

- Transactions deposits
  Are accounts from wich owners may draw funds via check or debits cards.

- Large denomination time deposits
  Are denominations exceeding 100000 are certificates of deposit (CDs) that typically fund a significant portion of banks short term lending operations.

- Savings deposits and Small-Denomination time deposits
  Have denominations under 100 000 and fixed maturities.

- Purchased funds and subordinated notes and debentures
  Purchased funds Include interbank borrowing, central banks borrowings, eurocurrenc liabilities and repurchase agreements.
  Subordinated notes are bank debt instruments with maturities in excess of one year.

- Bank capital
  Its assets exceed its liabilities.

Trend in banks liabilities and equity capital
The general trend has been toward reduced dependence on deposits funding nd a slight downward trend, until recently in equity capital.
A key reason for the shift from deposits to purchased funds was that banks have strugggled to attract sufficient deposits.

The bank income statement
Banks measure their incomes or revenues, as flows over time. Hence, they tabulate and report interest income in quarterly and annual income statements.

- Interest income
  The bulk of interest income is derived from loan interest income.

- Noninterest income

Banks ear about one-third of their revenues as noninterest income obtain from souces other than interest income, such as trading profits and customers service change.

- Interest expenses
  Banks must pay interest on these liabilities and these interest expenses constitute a significant component of bank costs.

- Expenses for loan loss provision
  Banks earmark part of their cash assets as loan loss reserves.

- Real resource expenses
  The bank must pay wages and salaries to its employees. Real sources expenses are a nontrivial portion of banks total costs.

- Bank profitability measures
  A bank's net income or accounting profit. Is the dollar amount by which its combined interest and noninterest income exceed its total cost.
  Banking practitioners and researchers most commonly utilize three key profitability measures.
  One is return on assets, which is a bank's accounting profit as a percentage of the value its assets.
  The other is return on equity which is is accounting profits as a percentage of the banks equity capital.
  Bank's net interest margin which is the difference between a depository institutions interest income and interest expenses as a percentage of total assets.
  Return on assets and return on equity are retrospective measures of profitability that can be used to gauge relative past performances of banks.

Asymmetric information and risks in baking
Which arises whenever one party in a financial transaction has information not possessed by the other party.

Adverse selection
A firm seeking a loan possesses information about the intended application of desired funding that is not necessarily readily discernible.
Those who desire funds for undeserving projets are the most likely to seek credit.

Moral Hazard
The possibility that a borrower may behave in a way that increases risk after a loan has been made or a debt instrument has been purchased in moral hazard.

Risks on the balance sheet

Credit Risk
A fundamental asset risk faced by a bank is credit risk, or the probability that a portion of the institutions assets loans in particular will decrease in value.

Market risks
One manifestation of market risk is exposure to price risk, or the potential for a sudden drop in securities prices.
Interest rate risk, is the ratio of interest sensitive assets to interest sensitive liabilities. If this ratio is significantly greater than a unity, then an institution is vulnerable to losses if the general level of interest rates decline (rises).

Liquidity risk
This is the probability of having insufficient cash and borrowing capability to satisfy depositors withdrawals, to be able to extend loans to creditworthy borrowers, or to meet other cash requirements.

Systemic Risk
Banks assume credit, market, and liquidity risks on an individual basis.

Risk off bank balance sheets

Loan commitments
A loan commitment is a promise by a bank to extend credit up to some pre specified limit under a contract interest rate and within a given internal.

Securitization
Entails pooling loans with similar risk characteristics and selling this loan pool in the form a negotiable financial instrument.
Has enable banks to earn fee income for originating, servicing, and insuring loans while selling them to others.
Banks can benefit from securitization because it enables them to shift credit and market risks of a portion of their lending to other parties.

Derivative tradings
Securitization addresses a portion of a banks credits and market risks by moving part of its loan portfolio off its balance sheet. Derivatives tradings has proved to be a significant source of revenues.

CLASE 4
Al perder liquidez tenemos pérdidas operacionales.
El banco central es el que regula, la superintendencia tambien.

Discusión capítulo 2:
Commercial and industrial loans: darle un crédito a comercios como max o industria.
En guatemala el sector comercial es el más utilizado.
Consumer loans:son de las tasas más altas. Créditos tipo cuenta corriente en Guatemala.
Real states loans: no tiene mucha garantia, al banco no le conviene quedarse con las casas.
Interbank loans: son las tasas mas bajas. Reportos.

Securities, inversiones: 20% en USA. el dinero que esta en inversiones está dejado de colocarse en préstamo.

M1= base + Depositos a la vista
M2= M1 + depósitos de Ahorro
M1/B= multiplicador (cuantas veces se multiplica el dinero)

TAREA: meterse a la sib 31 de diciembre del 2018 hasta el 2014 y calcular el porcentaje que representa del total de las inversiones de los activos y después sacar el promedio.
Calcular M1 desde 1995 hasta 2019 marzo o hasta en diciembre del 2018 si no estan los datos.

CLASE 5
Banco líquido - Una estructura bancaria liquida es cuando mis activos y pasivos están calzados en el tiempo. Sin sacrificar valor en vender los activos.
Los bancos funcionan con reserva fraccionaria, hacen descalce de plazos.
En la banca contemporánea hemos cambiado de idea por la shiftability theory. No tener la estructura líquida, pero si se puede obtener sin un costo una que no lo sea. Cambiar activos por efectivo.
Los plazos de la banca para consumo se han extendido en Guatemala.
Capital social de trabajo periodos de 3 meses.
A corto plazo se tiene más liquidez.
Si yo coloco créditos a largo plazo deberían estar calzados con el capital.
Es más líquido el banco que se dedica a dar créditos a capital social de trabajo.
RIESGO = LIQUIDEZ
Un banco solvente y líquido puede quebrar porque si todo el mundo va a traer su dinero no tiene cómo pagarles, porque esta descalzados en plazos.
La forma más fácil para obtener activo es vender la cartera de créditos a otro banco.
Porque fuctuan los bonos del gobierno, debido a la tasa.
Fondos de inversión
Rescates - personas que van a retirar su póliza.
Banco de inversión y banco comercial.

Liquidity

THE LIQUIDITY DOCTRINE OF LIBERALISM

banks do not necessarily add to the volume of circulating media, but only "monetize" such credit instruments as have existed before into a more readily circulating form.

Banks can only temporarily raise the volume of money; the backflow of their automatically self-liquidating, short-term credits limits both the size and the duration of the expansion. The banking mechanism is such as to adapt the credit volume to the flow of goods in an "elastic" fashion.

This theory had three major modifications:

1. the central bank must apply the brakes to avert over speculation and to moderate panic.
2. it had to be recognized that the rules for liquidity of bank loans do not always, or at least not fully, apply to banks' (secondary) reserves, for which marketable securities, especially Treasury bills, may offer a more readily liquidated form of investment.
3. German experts argue that the basis of liquid credit has been broadened by including goods in the process of production, in addition to those in the process of commercial transactions.

Yet the classical theory retained its predominant position, not only as a postulate of what banking ought to be, but also as an alleged description of what it is. This in spite of the fact that commercial banks have already been deeply involved in the securities business and long-term finance.

A REVOLUTION IN MONETARY THOUGHT

H. G. Moulton carried out one of the most brilliant attacks of this school against the traditional doctrine. His point was that very few commercial loans could be relied upon for liquidation; and in time of crisis no liquidation is possible at all.

The loans are based much more on a permanent "alliance" of the banks with other business units than on the financing of specific completed transactions, and are less "liquid" than marketable securities. Liquidity, indeed, in the sense of liquidation, has meaning only for the individual firm. The banking system as a whole, Moulton thought, *does not know any liquidation other than the shifting of assets from one bank to another.* **Shiftability takes the place of liquidity;** banking becomes a matter of choosing the properly marketable assets, a*nd banking policy a matter of securing mechanisms to create or maintain shiftability.*

Practically all currency reformers, aiming at some sort of price, or income or employment stabilization by the control of monetary volume, have their common foundation in Moulton's criticism of the traditional liquidity principle. Consequently, the term "liquidity" does not even occur any more in most current books dealing with the theory of banking, or with the business cycle. Their interest centers on "measurable" quantitative problems, and the control to be exerted over the volume of money. "Qualitative" problems of bank policy are either ignored or ridiculed.

THE MEANING OF LIQUIDITY

Liquidity is the capacity to fulfill financial obligations.

In reality, the long-term trend of reduced cash holdings is not due to the improved liquidity of earning assets, but rather to market developments permitting the sale (shifting) of assets on a large scale.

the cash ratio and the liquidity of earning assets, are determined by a bewildering number of factors. They will depend, for example, on such facts as the confidence of the public in the banks.

Optimism or pessimism of cyclical character are even more important. Established standards of what is proper practice exert a great deal of "irrational" influence, too. Still more important is the general monetary organization of the country.
the very term "liquidity" is tied up with a currency system which limits the amount of available cash according to the "rules of the game."
The shiftability approach argues that there is no liquidity at all, since the whole system could not be liquidated, and overlooks the possibility or danger of some partial liquidation.
The fact that the total of the banks' assets cannot possibly have a book value greater than the total of their liabilities. Consequently Bank deposits should at all times be capable of buying the assets.
liquidity means preparation-for the avoidance of liquidation.
A liquid structure never liquidates; only the illiquid one comes under the pressure of liquidation.
'Perfect liquidity" means that, for any length of time, all financial obligations are fulfilled without net liquidation of capital.
A liquid society has adjusted its obligations to the flow of its income. (Una sociedad líquida ha ajustado sus obligaciones al flujo de sus ingresos).
An open illiquidity (as opposed to a concealed illiquidity) means either a refusal to pay (i.e., collective bankruptcies, moratoria and foreign exchange controls), or the necessity of forced sales of bank assets, or both.

THE BURDEN OF ILLIQUIDITY
The bank's earning power depends on the "credit" of the bank which is based on the assumption of its liquidity; long-term earning power is a matter of provision for losses.
Bank liquidity, therefore, begins with an adequate capital ratio.
Even "first class" long-term paper involves very substantial risks, due to fluctuating market quotations. To avoid losses, banks are compelled to sell out holdings of securities whenever their prices fall continuously; his is a typical case of a perfectly "good" investment which causes liquidation and therefore has not been "liquid."
The difference in maturities means a great deal more than the heavy risk of fluctuating values.
short-term credits imply automatic backflow.
***The principle of reflux**, if properly applied, helps to control credit in two directions: the total volume expanded, as well as its use for short and long-term purposes*. It is a somewhat mechanistic but very useful device to supplement the bankers' judgment of the credit risk-or to check on it. This check is missing, ex definitione, in the case of long-term credits.

The greatest risk, however, in credits which provide working or fixed capital, is the threat of their permanent renewal and expansion.
But a banking structure which embarks on large-scale financing in advance of future security issues runs even more risks than the excessive danger of immobilization of bank funds.
Credit on collateral is perhaps the most crucial problem of bank liquidity. It means additional safeguards for the loan, without any implication as to its purpose. The problem is especially relevant in view of the fact that *collateral loans are likely to be the first line of defense in case of a drain on the bank's cash resources.*

They may readily be turned into cash and, therefore, "liquid" from the point of view of the individual bank. But, for the banking system as a whole,collateral loans in great amounts represent the most serious danger of illiquidity.
The technique of deposit creation through bank-to-bank credits is another aspect of the same principle.

<u>BANK ASSETS AND THE MONEY SUPPLY</u>
the volume of normal commercial transactions,disregarding seasonal fluctuations, is hardly ever subjected to violent changes. Speculative activities and the flow of savings into investments may dry up, but the basic commercial life which provides the consumers' current needs cannot stop.
The old experience that strictly commercial credits are always available in a modern banking community, and at a reasonable rate of interest.
changes in technology or consumption have major liquidating effect on the banks' total credit.
An illiquid structure leads to a crash which a liquid one not only avoids for itself, but may actually soften for the rest of the community, by being able to "come to the rescue."
If bank credit is provided largely on short-term commercial lines, its total volume cannot exceed the demand for circulating capital proper, i.e., a sum commensurate with the amount of goods flowing to the market at prices at which they can be sold.
the, the total volume of circulating media is effectively limited by the observance of liquidity rules.
The liquid structure limits the possibility of fluctuations by not allowing the banking machine to supply more currency than is compatible with the volume of goods forthcoming, within a short time, at given prices.
A money market which serves largely long-term investment purposes is hardly capable of adapting its credit volume to changes in the rate of interest.
A liquid banking structure allows the central bank or the Federal Reserve system a substantial power over market fluctuations.
control over the money supply in itself is not sufficient to control price or income level fluctuations, since changes in velocity are usually beyond control. *Liquidity policy, on the other hand, has the advantage of indirect control over velocity, too.*
The shorter the period between the lending of funds and the repayment date, the less the likelihood of repeated use of the deposits.
liquidity means qualitative credit control checking the speculative activities of the boom which tend to increase the velocity of circulation.

<u>CAPITAL ALLOCATION AND CREDIT POLICY</u>

ORIGINS AND MISSION OF THE FEDERAL RESERVE

Central bank: is a government agency, and it stands at the center of a country's monetary and financial system.

What do central banks do?

1. **Try to achieve macroeconomic stability.** Achieving stable growth in the economy, avoiding big swings and keeping inflation low and stable.
2. **Maintain financial stability.** Try to prevent or mitigate financial panics or financial crises.

What are the tools that central banks use to achieve these two broad objectives?

1. **Monetary policy.** the normal tool of central bank is to raise interest rates.
2. **The provision of liquidity.** Lend of last resort.
3. **Financial regulation and supervision**

Where do central banks come from?

The swedes set up a bank in 1668 and the bank of england was founded in 1694.

Financial panic

A financial panic is spared by loss of confidence in an institution.

Not all banks holds cash equal to all its deposits, it puts that cash into loans.

A financial panic can occur anytime you have an institution that has long term illiquid assets. Illiquid in the sense that it takes time and effort to sell those loans and is financed on the other side of the balance sheet by short term liabilities such as deposits.

So by providing short term loans and taking collateral (the illiquid assets of the institution) central banks can put money into the system, pay off depositors and short term lenders calm the situation and end the panic.

CLASE 6

Antes se tenían reservas de oro y se daban billetes cómo comprobantes. Lo que los bancos hicieron fue emitir más billetes de los que se tenían en reservas de oro.

Reserva fraccionaria: en vez de guardar el dinero se le permite prestarlo.

Ley de pyvie: prohibió la impresión de billetes pero no la reserva fraccionaria.

Son iguales en la emisión de billetes pero diferentes en el sistema bancario.

Contrato de depósito	a	un contrato de préstamo:
Custodia	I	trasladar la disponibilidad
100% disponibilidad	I	Plazo
No hay plazo	I	

Multa = intereses

Si hay más préstamos bajan los intereses.

Si hay menos préstamos aumentan los intereses.

Estructura productiva

Producción de bienes de consumo

Producción de bienes de capital - tienden a irse a prestar a esta estructura.

Comienza a bajar la demanda de los bienes de capital porque no hay ahorro real y no bajan las tasas de interés.

Sube el precio de la producción de bienes de capital la demanda aumenta en los bienes de consumo.

Si los bancos dejan de dar préstamos se destruye el dinero creado, el multiplicador bancario baja.

Austriaca: no permitir que presten dinero de los depósitos a la vista, imprimir dinero y respaldarlo y se cobrarian por el guardar el dinero.

CLASE 7
La cantidad de dinero que se crea debe crecer conforme la economía aumenta.
1945 se crea el banco central en Guatemala.
1914 fundación del FED.
El banco central es una agencia del gobierno.
El objetivo primario de los bancos centrales es

- macroeconomic stability: growth, no recesión, inflación, estabilidad de precios.
- Financial stability: previene pánicos financieros.

TOOLS:

- Monetary policy: operaciones de mercado abierto. Tasas de interes. Para reducir la tasa de interés tiene que comprar bonos. Para aumentar la tasa de interés tienes que vender bonos. La tasa de interés es un bien complementario del crédito.
- Liquidity
- Financial supervision

CLASE 8
R - tasa de interes nominal
Las ganancias de prima no están sujetas a impuestos.
Esto solo sucede en las inversiones, la pérdida de dinero en las instituciones bancarias.
El banco no puede comprar bonos de gobierno en oferta primaria.

CLASE 9
1929-1930 permitió que el dinero circulante disminuye.
El cierre del banco de USA fue planeado por los banqueros comerciales para no ayudarlo durante su comida tampoco la FED ayudo.
El cierre afectó todo el país.
Mitigaron el pánico evitando que se hicieran colas para recuperar la confianza de la gente.
Por cada 3 dólares de depósitos que tenían las personas, solo quedan 2.
El oro en USA determinaba la cantidad que se emitía por la cadena comercial.
El FED guardó el oro de inglaterra y no ayudó la crisis de USA
En vez de la falta de dinero, enfrentamos el problema de el exceso de.
Keynes decía que lo que importaba era el gasto autónomo. Esta teoría ayudó a argumentar porque el gobierno debía de regular la banca.
Si el hubiera vivido más, tal vez se hubiera evitado la inflación.
La depresión era un fracaso del gobierno.
Un pánico puede extenderse para todos los bancos.
Milton friedman propone la regla monetaria que el M1 debe de subir con respecto a la productividad.
La reducción de la cantidad de dinero en la economía, porque se dio la crisis.
Kaynes: estabilizar con política monetaria y política fiscal. Referida a las economías industriales.
1929- crash, crisis
1945- destrucción masiva de capital
La demanda agregada tiene unas condiciones de validez en las inversiones.
Fluctuacion de la demanda agregada.

La inflación es la diferencia entre lo que crece la masa monetaria de lo que crece a la economía a largo plazo.

QUIZZES

QUIZ de la lectura 2

1. ***Que es social securities y con qué analogía lo comparan del libro***
2. ***Diferencia entre liquidity y liquidation***
   Liquidity: Preparación para evitar la liquidación.
   Liquidation:
3. ***Diferencia de liquidity theory y shiftability theory***
4. ***Que es la perfect liquidity***
   significa que, durante cualquier período de tiempo, se cumplen todas las obligaciones financieras sin liquidación neta de capital.