**DATA TRAINING: GENERAL GLOBAL BANKING INDUSTRY KNOWLEDGE**

Human beings use money as a medium to facilitate trade with one another. All of the money in the world is controlled within the global banking industry. Individual Financial Institutions within the global banking system compete with one another to ‘sell’ their money to the global banking consumer base. The global banking consumer base uses the money provided by financial institutions to expand their operations within their given economic sector.

No matter how they get individual consumers to use, or ‘buy’, their money, when a financial institution successfully ‘sells’ their money to a consumer, they commonly refer to it as ‘deploying capital.’

Money is also a very universal term that can be used to describe any type of commonly traded fictitious measurement of real-world value, commonly described as ‘currency’. Some examples of money are the U.S. Dollar, private stocks, bonds, crypto-currency, fiat currency, state issued currencies (like the US Dollar, the Chinese Yuan, or Indian Rupee), commodities like precious metals (gold, silver, etc.) or textiles (such as pork bellies, or orange juice).

The current standard for the global measurement of any given currency’s value is the US Dollar. The vast majority of global money sales are settled in US Dollars. Therefore, the vast majority of financial industry profits are realized (and measured) via the US Dollar.

Financial institutions treat money as capital, and they view their primary goal as deploying that capital to consumers for a profit.

In essence, financial institutions' main focus is the process of selling money, plain and simple. The rest of the infrastructure around these financial institutions, and how their infrastructures, or specific focus differs from one another, is secondary. No matter what they focus on, all they're trying to do is sell their money to a consumer.

The conglomeration of all the financial institutions across the globe are commonly referred to as the global banking industry.

In general, the global banking industry is a very fractionalized industry. There are thousands of individual financial institutions within it, large and small, that work both in conjunction with one another and in competition with another across various sectors of the overall global banking industry. They offer many different types of banking products. Some are very well known, like Credit Cards or mortgage loans, others are more obscure, like whole closed loan sales or life insurance bond financing.

Ultimately, there are too many different types of banking products to individually list all of them in this document. Future additions to this document will dive deeper into specific banking products and the specific architecture that governs the perspective and goals of those products.

As previously stated, financial institutions vary in size and structure in every way. Some are very small, and manage very little capital (often measured in the tens of millions of dollars), others are very large and manage massive amounts of capital (often billions or trillions of dollars).

These financial institutions have two main focuses in their quest to sell their money. 1 - They obtain, or raise, capital from some sort of capital source (they get money). 2 - They invest that capital into a real world project for an anticipated positive return on that investment (they sell the money).

Here are some examples of ways in which financial institutions will identify a sector they are looking to deploy capital within and then create a banking product to get their capital into the industry:

*(NOTE - There are many more examples than those listed below - Future documents will cover more examples in greater depth)*

If a financial institution is trying to invest in the residential housing market by writing residential mortgages with their capital, then they are trying to sell their money to consumers who are looking for residential mortgages. Institutions who commonly do this are depository banks, mortgage lenders, mortgage bankers, hedge funds, and mortgage brokerages.

If a financial institution is trying to invest in the entertainment production world by using their capital to finance entertainment production projects, they are trying to sell their money to consumers who are looking to finance their entertainment production project. Examples of financial institutions that might do this are banks, hedge funds and private equity funds.

If a financial institution is looking to get individuals to purchase retirement investment products from them by offering managed investment portfolios filled with pre-selected stock via a mutual fund, then they are trying to sell the security behind the money held by individual companies to consumers by getting the consumer to invest in (buy shares of) the particular mutual fund product they are trying to sell.

The names used to describe the different types of financial institutions that operate within the global banking industry often vary depending on the region they are in, and/or the types of ways in which they either source and/or invest their capital. In general, these institutions are commonly called banks, lenders, brokers, hedge funds, venture capital (VC) firms, investment brokerages, etc.

Sometimes the names of the funds carry with them legal frameworks and require specific licensing and insurances, such as depository banks and investment funds, sometime the names are more general terms being given to a certain type of private institution, and they are commonly used incorrectly, and/or it is acceptable for the same name to be used for different types of institutions, or individuals, that operate within the global banking industry.

The most common example is the name / term ‘broker’. The term ‘broker’ is so commonly used to describe different individuals operating within a financial institution’s framework and/or to describe a type of financial institution itself. Sometimes the name requires specific licensing to be applied to an individual or financial institution, other times it is used as the loosest-acceptable term to describe any type of person or financial institution within the global banking industry.

When trying to determine what type of name should be applied to a specific financial institution, one should consider three things:

1. Where do they get their capital?
2. Where do they invest their capital?
3. How are they regulated by government entities?

These three questions are the core of how the global banking industry works. A financial institution gets money. The financial institution then sells that money. But, they sell it according to the regulatory rules they have to follow as a financial institution.

*Regarding the first question, ‘Where do they get their capital?’, there are only two sources of capital - Private Capital and Public Capital.*

Private capital encompasses any way that a financial institution might raise capital from private individuals or institutions who are not affiliated with a government or central bank. The capital raised could be in very small increments, as it often is with depository institutions who raise much of their capital through offering checking accounts or savings accounts to ordinary middle-class consumers, or by selling long-term savings bonds or savings similar types of investment products to ordinary middle-class consumers. The capital raised through private sources could be enormous as it often is with the sale of mortgage backed securities or through private syndication sales where the banking product being offered is only available to well-qualified, high-net-worth, individuals or financial institutions.

Often the main distinction within the private capital sector that is used to help determine the naming convention of that financial institution lies within whether or not the product used to raise capital comes from an ordinary, middle-class, individual with a low-to-medium-net-worth (measured in the thousands to the millions of dollars in net-worth); or whether it comes from well-qualified, high-net-worth (measured in the millions to the trillions of dollars in net worth), individuals or institutions. We see this when making a distinction between depository banks and hedge funds - A depository bank raises capital from many small, mostly middle-class, consumers through checking account deposits and savings account deposits, where hedge funds typically raise capital through private investment offerings (private syndications) only made available to well-qualified, high-net-worth, individuals.

Ultimately, there are many different sources of private capital, and many different banking products used to raise private capital.

Public capital encompasses the many ways in which a financial institution gains control of funds that come from the public spector. Often the raising of capital from the public sector is controlled by central banks. Central banks act in specific ways, and they look to provide public capital (capital raised from taxation and/or money creation on a state level) as a means for fueling the capital needed by the global banking industry.

Similarly, many central banks will also buy the debt created by banks as they sell their money on a large-scale level. Doing so is another way that financial institutions can use public capital to help raise money. They will sell the debt they have outstanding to a central bank, realize a profit margin ont hat sale, and then resell the money they have received back front he central bank again to a new set of consumers.

Public capital is almost always intended for very specific investments, and almost always represents the largest capital raises within the global banking institutions. The capital provided through public channels almost always goes into creating a banking product that is sold to consumers with a greater level of protection, and a slower rate of return, and/or a lower cost and longer period of repayment, than similar types of banking products funded via private capital.

Similarly, the projects funded by public capital sources are often very large, macro-economic products that encompass major percentages of given economic sectors. Common examples are FHA Mortgage loan programs, used to provide low-cost mortgages to less-qualified home buyers, or large tax credits given to community revitalization projects.

Similar to the private capital sector, the public capital sector has many different sources, and many different banking products are used by financial institutions to raise public capital.

Whether public or private, there are many different examples of the specific ways in which financial institutions raise capital. We will not discuss all of them in this document. Future documents will deal with the different ways in which financial institutions raise capital in much more specific detail.

*Regarding the second question, ‘Where do they invest their capital?’, the easy answer is that they invest their capital in every economic sector everywhere in the world. The actual answer is much more complicated:*

There are too many examples of types of industries that a financial institution could be willing to invest in, and the type of banking product they could develop to sell that capital to list them within the confines of this document. Future documents will dive into the specifics of this question in greater detail. But, to gain a general understanding, it’s important to understand that they all follow the same basic principle as presented in the examples above - The financial institution wants to invest their capital into a specific economic sector, so they create and sell a product that accomplishes that goal.

Similarly, there are too many different types of specific names given to specific financial institutions based on where they invest their capital for this document. Also, as already stated, these different types of financial institutions are highly furactionalized, with thousands of individual companies acting within the broader global banking industry. Many times one financial institution is itself fractionalized with different investment strategies being pursued from within a larger financial conglomerate, and those investment strategies often compete with one another, even though they are being sought under the same larger conglomerate’s perview.

Essentially - Financial institutions often play both sides of the fence when developing banking products aimed at meeting their capital investment goals to help minimize risk if an economic ebb or flow out paces their short term risk on either side of an investment.

To gain a better understanding of all the types of economic sectors banks could theoretically invest their capital by creating banking products designed to sell that capital to consumers within a given economic sector, one must commit to continual research of both classically held banking philosophies and to the discovery of current banking trends.

*Regarding the third question ‘How are they regulated by government entities?’, the answer is exceedingly simple, yet unbelievably complicated, all at the same time.*

From a general perspective, financial institutions are regulated by government laws. These laws provide a legal framework from within which financial institutions have to operate.

But, dissecting these specific regulations in detail is an arduous task. There are an extremely high amount of individual laws that pertain to both the specific and the general aspects of financial institutions’ activities, and those regulations often interact with each other, and will change interpretations depending upon their individual interactions with one another.

In short - Understanding the specifics of all the laws is a mess, and it is hard to understand. But it’s easy to understand that there are regulations.

Future documents will deal with the many specific regulations of all the different financial institutions and those institutions' actions and / or activities.

Because of the global banking industry’s extreme fractionalization, and because of its amorphous naming conventions, and because of the many regulations that surround many different aspects of the global banking industry, it’s more important to have a solid functional understanding of the different general subtypes of financial institutions and financial institutions’ activities that there are in the world, than it is to have a completely accurate understanding of all the subtypes of financial institutions and financial institution activities that there are in the world.

Most professionals within the global banking industry would not be able to accurately identify all the subtypes within the fractionalized global banking industry. But nearly all professionals adhere to a similarly structured general understanding of the different subtypes that there are, and they are thus able to understand each other, even when naming conventions are intermingled and used to describe different financial institutions or financial institution activities and / or individuals operating within the global banking industry.

It is important to note that the larger, often multi-national, financial institutions (often referred to as global conglomerate corporations or banks) - Institutions like Bank of America, JP Morgan Chase, Morgan Stanley, Wells Fargo, etc., will often participate with the greater banking industry through many different sister companies, and are often seen as the controllers of the global banking institutions private sectors. They are often the institutions who work most closely with central banks, and they often control the vast majority of the global capital supply.

*Here is a general list of general examples often used to describe specific financial institutions, using the logic presented within this document:*

‘Depository Banks’ or ‘Banks’ - These are the types of banks that hold individual deposits in checking accounts, savings accounts, and various types of money-market accounts. Historically, they use that capital to invest into financial markets, or to provide capital for the lending products they choose to offer. For the most part, depository banks fall into a few different types of categories - Regional Banks, Credit Unions or To-Big-To-Fail Institutions like Chase, Wells Fargo or Bank of America.

Often depository banks are the most regulated institutions as they are often using capital raised from a large swatch of middle-class, individual, consumers who would be unable to recover from significant financial losses.

‘Private Equity Funds’ - These are the types of institutions who gather large pools of investment funds, from varied sources, and look to invest those funds into specific economic sectors that align with their overall strategy for securing financial returns. Typically private equity funds will invest in higher risk-reward types of investments than depository banks will invest in. Private equity funds can also be very specific to certain sectors and people will refer to them by different terms than calling them a private equity fund. Sometimes a term for a specific type of private equity fund will carry with it a legal definition and/or licensing or certification, other times the name will be used very loosely, and could be referring to a number of different, specific, types of private equity funds.

Some example terms for different types of private equity funds are - ‘Private Funds’, ‘Hedge Funds’, ‘Mortgage Banks’, ‘Mortgage Lenders’, ‘REITs (Real Estate Investment Trusts)’, and ‘VC Firms (Venture Capital Firms)’.

* Private Funds - Typically a private fund is a fund that receives all, or most, of its funds from one source. Private Funds can be very large, very small, or anything in between. It depends where they draw their capital from. One example of a large private fund sector are the Private Funds investing capital raised from Insurance Companies, often life Insurance Companies. These types of Private Funds are capable of multi-billion to trillion-dollar transactions. An example of a small Private Fund would be a local Private Mortgage Lender who lends out their own money and they could be managing as little as a million dollars in capital. An example of a fund that sits in the middle could be a private fund specializing in providing capital for entertainment products, capable of transactions in the several million dollar range.
* Hedge Funds - This is a general term largely interchangeable with the term private equity fund and/or any specific fund term that exists. The term hedge fund is probably the most widely used and loosely defined term within the global banking industry. In general, the term means to hedge an institution's capital against the returns of a specific economic sector. Most consider a hedge fund to be a banking-type institution that specializes in soliciting funds from qualified investors and then using those funds to invest in any market sector that exists in every market, depending on what their particular focus is. Most of the time, a hedge fund that focuses strictly on real estate will not be called a hedge fund, and will instead be called a Mortgage Bank or Mortgage Lender. Popular hedge fund examples are Goldman Sachs or Citadel.
* Mortgage Bank - A mortgage bank is a term that carries with it a litany of legal guidelines and licensing needs. Although it is often used to refer to any type of entity working in the greater mortgage industry, a mortgage bank is an institution that actually lends its own capital. Examples are United Wholesale Mortgage, Bank of America Mortgage and JP Morgan Chase. It is important to note that mortgage banks often deploy significant amounts of public sector capital through products that are funded by private capital, but protected by public capital insurances.
* Mortgage Lender - A mortgage lender is a loose term used to describe a financial institution who lends money in the form of real-estate mortgages. Often these institutions are much smaller than other players within the private capital world, but, the size of the institutions when compared to each other can be vast with the smallest players being individual brokers, and the largest players being multi-national mortgage lenders. Ultimately, all do the same basic things - They sell mortgage loans to consumers of mortgage loans. It is important to note that, like mortgage banks, mortgage lenders often deploy significant amounts of public sector capital through products that are funded by private capital, but protected by public capital insurances.
* REITs (Real Estate Investment Trusts) - A REIT is a large fund where the fund managers invest large amounts of capital into physical real estate. They are often highly regulated, and often used to secure slow, dependable, returns for very high-net-worth, well-qualified, institutions who invest large amounts of capital. They are largely considered ‘safe’ as they are backed by the ownership of actual physical real estate property.
* VC Firms (Venture Capital Firms) - VC Firms are often engaged in the highest risk/reward types of banking products. This term often refers to financial institutions who invest into economic sectors and subsequent companies within that sector who are at the earlier, higher-risk, stage of their evolution.

‘Investment Funds’ and / or ‘Investment Brokerages’ - These are the types of institutions who specialize in controlling all of the different types of investment vehicles offered across the many different types of investment exchanges that exist. Common examples are companies like Charles Schwab, TD Ameritrade or ETrade - Companies whose activities revolve around the sale of individual investment securities such as Stocks, Bonds and/or commodity certificates.

‘CryptoCurrency Exchanges’ - These are companies who act in similar ways to Investment Funds or Brokerages, but who deal specifically in crypto-currencies. Crypto-currencies are by their nature considered to be decentralized, and they are also traded across various different types of exchanges. Some are very decentralized, and lack much oversight, and others are very centralized and have a greater degree of oversight. But, no matter the amount of oversight, crypto currency itself, and the subsequent exchanges who offer platforms for their trade are considered to be much less regulated than other financial institutions.

No matter what the specific type of financial institution being discussed, or what type of subsequent banking product being used to sell the money behind that specific financial institution’s banking product, the goal always remains the same - Sell that institution's money to their specific consumer base.

Therefore, the most important thing to know in banking is very simple - ‘*How do you sell money?’*

The most important trait in banking is also very simple - *To be successful, one needs to be good at selling money.*

All other knowledge within the banking industry is transitory in nature, and can only be obtained through sustained research and involvement within the global banking industry as a whole.