

# About Financial services

**Financial services** is a term used to refer to the services provided by the finance industry. **Financial services** is also the term used to describe organizations that deal with the management of money and includes **merchant banks**, **credit card** companies, consumer finance companies, government sponsored enterprises, and stock broker ages. Financial services is the largest industry (or industry category) in the world, in terms of earnings; as of 2004, the industry represents 20% of the market capitalization of the S&P 500.

## History of financial services

===United States: Gramm-Leach-Bliley Act=== The term *financial services* became more prevalent in the **United States** partly as a result of the Gramm-Leach-Bliley Act of the late 1980s, which enabled different types of companies in the US financial services industry to merge. Critics of this act say the term *financial services* attempts to make the union of these operations sound natural, ignoring the history of problems that have arisen from combining them, such as conflicts of interest and Monopoly|monopolization. Others, noting that many of the restrictions abolished by the Gramm-Leach-Bliley Act had never existed in other countries or had been abolished earlier than in the U S, say the term *financial services* is a natural one, in long term use, which means nothing more than its constituent words.

In the USA almost every company now which previously described themselves as a bank, **insurance company**, or brokerage house, now describes themselves in some way as a financial services institution. **Allstate Insurance**, for example, now provides certificates of deposit|CDs and investment brokerage services. **Bank of America** offers full-featured brokerage products, while E\* TRADE has expanded into offering **bank accounts** and **loans**. Companies usually have two distinct approaches to this new type of business. One approach would be a bank which simply buys an insurance company or an investment bank, keeps the original brands of the acquired firm, and adds the acquisition to its holding company simply to diversify its earnings. Outside the U.S., e.g., in Japan, non-financial services companies are permitted within the holding company. In this scenario, each company still looks independent, and has its own customers, etc. This is essentially the style of Citigroup and JP Morgan Chase.

In the other style, a bank would simply create its own brokerage division or insurance division and attempt to sell those products to its own existing customers, with incentives for combining all things with one company. This is the style of Washington Mutual and Wells Fargo.

==Banking Services: *What do banks do?*== The primary operations of banks include:

- Keeping money safe while also allowing withdrawals when needed
- Issuance of **checkbooks** so that bills can be paid and other kinds of payments can be delivered by post
- Provision of loans and **mortgage loans** (typically loans to purchase a home, property or business)
- Issuance of credit cards
- Allow financial transactions at branches or by using Automatic Teller Machines (ATMs)
- Facilitation of standing orders and direct **debts**, so payments for bills can be made automatically
- Provide overdraft agreements for the temporary advancement of the Bank's own money to meet monthly spending commitments of a customer in their current **account**.
- Provide Charge card advances of the Bank's own money for customers wishing to settle credit advances monthly.
- Provide cheques guaranteed by the Bank itself prepaid by the customer which are the recognised as valid by other Banks;sometimes called **travellers cheques**.

===Virtual banking=== Banking from home is called **virtual banking**, because it allows transactions that bypass branches and ATMs; in the case of **Internet banking**, there is no need to contact a bank staff member. Virtual banking has changed the way people bank in many ways. In the past, people opened a bank account when they first started work and stayed with that bank for their whole lives; now, it is much easier to move an account, mortgage or loan from one banking institution to another. Many customers look at what other banks are offering and **change their account** if they find a better deal, so banks now have fewer loyal customers. It is common for credit card companies to entice new customers with offers such as zero per cent interest for the first six months.

==Commercial bank== A **commercial bank** is what is commonly considered a 'bank'. The term 'Commerce|commercial' is used to distinguish it from an 'investment bank', a type of financial services entity which, instead of lending money directly to a business, helps businesses raise money from other firms in the form of Bond (finance)|bonds (debt) or stock (equity).