

Banking System Explained

TOKIZZ · VOCABULARY EXPANSION THROUGH CONVERSATION

Name: _____ Date: _____ Score: _____

SPEAKING · WARM-UP

Explain These Phrases & Make Sentences

Before watching the video, work with a partner. For each phrase below, try to explain what it means and make a sentence using it. You will hear all of these in the video.

- have its origins in
- currencies in circulation
- credit unions
- counterfeit money
- middleman
- default on something
- a calculated risk
- crowdfunding
- in a nutshell
- range from ... to ...
- spread
- enable people
- interest
- adopted

LISTENING · VIDEO

Banking System Explained

Banking System Explained – Kurzgesagt – In a Nutshell
youtube.com/watch?v=hGzKWfQ0KeQ

LISTENING · COMPREHENSION

Listen and Answer the Questions

Watch the video and answer the following questions in your own words.

- 1 How were banks created?

- 2 What happened during the financial crisis of 2008?

- 3 What are credit unions?

- 4 How is the bank's role changing?

- 5 What are microcredits and where are they mostly used?

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GRAMMAR · WORD FORMATION

Word Formation

Use the word root shown in the sidebar to form a word that fits each numbered gap in the text.

The international banking system is a complex network with over 30,000 banks worldwide holding vast amounts of money. The top 10 banks alone manage _____ (1) 25 trillion US-Dollars. Originally, banking aimed to simplify life. In 11th century Italy, a hub of European trade, _____ (2) faced a problem: too many types of coins. In Pisa, they dealt with seven coin types, leading to constant exchanges. This practice, often conducted on outdoor benches, gave rise to the term "bank," derived from the Italian word "banco" for "bench."

Fast forward to today, banks focus on managing risks. People deposit their money and earn a small interest. Banks then lend this money at higher rates, taking _____ (3) risks knowing some borrowers may not repay. This process is vital for our economy, enabling people to buy homes and businesses to grow. Banks transform _____ (4) savings into funds society can utilize. They also earn income from saving deposits, credit cards, currency exchanges, custodian _____ (5), and cash management.

However, many banks have shifted from their traditional role as providers of long-term financial products, favoring short-term gains with higher risks. During financial booms, major banks engaged in complex financial practices, leading to _____ (6) economic damage, such as the 2008 housing market collapse. The aftermath saw governments and unions step in with large bailout _____ (7) to rescue the banks.

Today, alternative financing models, like investment banks with yearly fees and credit unions prioritizing shared value, are gaining popularity. Crowdfunding and microcredits have also emerged as _____ (8) funding options, playing a critical role in supporting individuals and businesses worldwide.

WORD ROOTS

1 ROUGH

2 MERCH

3 CALCULATE

4 USE

5 SERVE

6 SIGN

7 PACK

8 ACCESS

ANSWER KEY – WORD FORMATION

1. roughly 2. merchants 3. calculated 4. unused 5. services 6. significant 7. packages
8. accessible

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VOCABULARY · ABCD TEST

Choose the Correct Word

Choose the best option (A, B, C or D) to complete each sentence.

- 1 The company decided to _____ a new strategy to deal with the financial crisis.
A. adopt
B. adapt
C. adhere
D. admire
- 2 The bank took a _____ risk by lending money to high-risk borrowers.
A. measured
B. calculated
C. estimated
D. counted
- 3 Several borrowers began to _____ their loans during the economic downturn.
A. fail
B. miss
C. default on
D. lose
- 4 The new technology _____ small businesses to reach global markets.
A. allows
B. enables
C. permits
D. lets
- 5 The startup raised funds through _____ rather than applying for a bank loan.
A. crowdfunding
B. fundraising
C. sponsorship
D. investment
- 6 _____, the banking system works by taking deposits and lending them out at higher interest rates.
A. In short
B. In a nutshell
C. To summarise
D. Briefly
- 7 The number of credit union members _____ a few hundred to several million.
A. varies from
B. ranges from
C. extends from
D. spans from
- 8 The use of _____ money was a major problem for merchants in medieval Italy.
A. fake
B. forged
C. counterfeit
D. false
- 9 Crowdfunding platforms allow people to get loans without going through a bank as a _____.
A. broker
B. middleman
C. agent
D. dealer

10 Banking has its _____ in the trading practices of 11th century Italian merchants.

A. roots

B. origins

C. source

D. beginning

ANSWER KEY – ABCD TEST

1. A 2. B 3. C 4. B 5. A 6. B 7. B 8. C 9. B 10. B

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SPEAKING · VOCABULARY REVISION

Use These Words in Conversation

Study each term, its definition, and example sentence. Tick the box once you have used it in conversation.

 have its origins in

/hæv its ˈɒrɪdʒɪnz ɪn/ · phrase

To have started or developed from a particular source or place.

"The word 'bank' has its origins in the Italian word 'banco', meaning bench."

 currencies in circulation

/ˈkʌrənsɪz ɪn ˌsɜːkjʊˈleɪʃən/ · noun phrase

Money currently being used and passing between people in an economy.

"In medieval Pisa, there were seven different currencies in circulation."

 counterfeit money

/ˈkaʊntəfɪt ˈmʌni/ · noun phrase

Illegally made copies of official currency designed to deceive.

"The dangers of counterfeit money made merchants look for safer ways to trade."

 default on something

/dɪˈfɔːlt ɒn/ · phrasal verb

To fail to repay a loan or meet a financial obligation.

"Some borrowers will default on their credit, which is a risk banks must manage."

 a calculated risk

/ə ˈkælkjʊleɪtɪd rɪsk/ · noun phrase

A risk taken after careful consideration of the likely outcome.

"Lending money at higher interest rates is a calculated risk for banks."

 enable people to

/ɪˈneɪbəl ˈpiːpəl tuː/ · verb phrase

To make it possible for people to do something.

"Banks enable people to buy homes by providing mortgage loans."

 in a nutshell

/ɪn ə ˈnʌtʃəl/ · idiom

Describing something in the simplest and shortest way possible.

"In a nutshell, banks take money from savers and lend it to borrowers."

 range from ... to ...

/reɪndʒ frɒm ... tuː/ · verb phrase

To vary between two specified limits.

"Credit union membership can range from a handful to hundreds of thousands."

 crowdfunding

/ˈkrɔʊdfʌndɪŋ/ · noun

Raising money from a large number of people online, each contributing a small amount.

"Many tech startups got their initial funding through crowdfunding platforms."

 middleman

/ˈmɪdəlmæn/ · noun

A person or organisation that acts as an intermediary between two parties.

"Crowdfunding allows borrowers to get loans without using a bank as a middleman."

 bailout package

/beɪlaʊt ˈpækɪdʒ/ · noun phrase

Government financial assistance given to a failing company or bank to prevent collapse.

"Governments put together huge bailout packages to stop major banks going bankrupt in 2008."

 credit union

/ˈkredɪt ˈjuːnjən/ · noun phrase

A member-owned financial cooperative providing banking services focused on shared benefit.

"Credit unions survived the 2008 financial crisis better than traditional banks."

microcredit

/ˈmaɪkrəʊ.krɛdɪt/ · noun

A very small loan given to people in developing countries to help them start a business.

"Microcredits have helped millions of people in developing countries escape poverty."

spread

/sprɛd/ · verb

To extend over a wider area; to distribute across a larger group.

"Networks of banks spread all over Europe, providing credit even to kings and the church."