
PRESCRIPTION: 170 FUNDAMENTALS OF BANKING

Last date for assessing this prescription is 31 December 2008

INTRODUCED 1990
REVISED 1997 (Implemented Semester Two 1997)
 2004 (Implemented Semester One 2005)
VERSION 2

AIM OF SUBJECT

To provide students with an understanding of the organisation and operation of the New Zealand financial services industry, and the products and services which are offered to retail customers.

COURSE LENGTH

The equivalent of 20 National Qualifications Framework credits, with a minimum of 60 class contact hours or the equivalent for open learning/distance tuition.

PRE-REQUISITES

Nil

RESOURCES

Suggested student references

Burridge, K and Hart, P. Principles of banking. Latest edition. Auckland: Longman Paul.

Additional References

Annual Reports and regular newsletters of the Office of the Banking Ombudsman.

Banking in New Zealand current edition. New Zealand Bankers' Association.

Reserve Bank of New Zealand Quarterly Bulletin.
Australian Prudential Regulatory Authority's quarterly "Insight"

Russell, M.W. Introduction to New Zealand banking law. Latest edition.

Journal of Banking and Financial Services (Australasian Institute of Banking and Finance – bi-monthly)

AIBF website www.aibf.com

Various banking websites
Code of Banking Practice current edition – New Zealand Bankers' Association

The Bank for International Settlements Review of Central Bank Articles and Speeches

TIME AND ASSESSMENT SCHEDULE

TOPIC	Approximate Time in Hours	Approximate Assessment in Percentages
1 New Zealand Financial Industry	8	13
2 Banks and their Customers	20	33
3 Products and Services	32 (total)	54 (total)
Methods of Payment	16	27
Lending Products	4	7
International Transactions	4	7
Other Financial Services	8	13
TOTAL	60	100

This schedule is a recommendation and guide for tutors, examiners and students. It gives:

- 1 an approximate allocation of time in hours, by topic.
- 2 an approximate allocation of assessment in percentages, by topic.

TOPICS

1 NEW ZEALAND FINANCIAL SERVICES INDUSTRY

Learning Outcome

At the completion of this topic, students will understand the roles and relationships of the various sectors and institutions in the New Zealand financial services industry.

Assessment Criteria

Students will be expected to:

- 1.1 Briefly describe the history and evolution of banking with a particular focus on the New Zealand financial services industry.
- 1.2 Identify the current financial services industry sectors and institutions, and describe their interrelationships.

- 1.3 Describe the role and activities of each type of institution in the current financial services industry.
- 1.4 Outline the functions of the Reserve Bank of New Zealand, and describe the key features of bank registration and supervision.
- 1.5 Compare the roles and activities of banks versus other financial services institutions, analyse how this relationship has changed over time, and discuss the likely future roles of these institutions.

2 BANKS AND THEIR CUSTOMERS

Learning Outcome

At the completion of this topic, students will demonstrate an understanding of the relationship between a bank and its customers.

Assessment Criteria

Students will be expected to:

- 2.1 Define what is meant by a bank today, and describe the functions it fulfils and the services it offers to its customers.
- 2.2 Identify who the customers of a bank are, and describe the legal issues to be considered when dealing with each type of customer.
- 2.3 Distinguish between banking law and banking practice.
- 2.4 Describe the legal relationship between a bank and its customers, and the rights and obligations that arise in that relationship.
- 2.5 Outline the role of the Code of Banking Practice and the Banking Ombudsman, and the effect they have on the banker-customer relationship.
- 2.6 For each type of customer, identify the banking law and practice for the opening and operating of accounts.
- 2.7 Identify the situations where the banker-customer relationship terminates or is affected by an external legal process, and the administrative steps which must be taken in each instance.
- 2.8 Outline the implications of constructive trusts for banks.
- 2.9 Identify and apply other relevant statutory obligations that impact on the banker-customer relationship, including consumer legislation.
- 2.10 Describe the principles and purposes of "know your customer" and "know your business" as they relate to financial crime and the reduction of money laundering.

3 PRODUCTS AND SERVICES

Learning Outcome

At the completion of this topic, students will demonstrate an understanding of each type of financial product and service offered by banks to retail customers, and the circumstances in which each should be used.

Assessment Criteria

Students will be expected to:

Methods of Payment

- 3.1 Identify and describe the methods of payment currently used in the financial services industry, and the circumstances in which each product may be used.
- 3.2 Apply the legal and other rules that determine the operation of cheques and the rights and responsibilities of the various parties to a cheque.
- 3.3 Apply the rules which relate to the operation of other payment methods.
- 3.4 Demonstrate an understanding of how funds are transferred through the clearing system and by credit card companies in New Zealand.

Lending Products

- 3.5 Identify and describe the lending facilities commonly offered to retail customers, and the purposes for which they are used.
- 3.6 Briefly outline the principles of lending as they relate to retail customers.
- 3.7 Identify and describe the types of security most commonly used for retail lending.

International Transactions

- 3.8 Identify and describe the methods of international payment available to retail customers, and the circumstances in which each method may be used.
- 3.9 Demonstrate an ability to calculate simple foreign exchange transactions, as required for retail transactions.

Other Financial Services

- 3.10 Explain the main features of the short and long term investment products available to retail customers.
- 3.11 Identify and describe other financial services currently available to retail customers, with a particular emphasis on insurance and superannuation products.
- 3.12 Identify the circumstances in which each of the above products may be used.