Balance sheet and regulatory features paper

Business, Accounting

Financial institutions offer a wide array of services that vary in terms of transactions, clients, packaging, volume and other parameters. Among them are the investment securities firms, banks and insurance companies. In general, they all " perform the essential function of channeling funds from those with surplus funds to those with shortages of funds" (Saunders & Cornett, 2003). Then as they progress with their respective financial products, services, and target markets, then their roles in the financial world become more apparent. Investment Securities Firms

Investment securities firms act as brokers and sell securities such as company stocks, commercial papers and promissory notes as well as government-issued treasury bills. "[They] assist individuals who want to purchase new or existing securities issues or who want to sell previously purchased securities" (Melicher & Norton, 2003). Full service of these firms for individual clients would include doing research on securities available for them to invest in and rendering advisory services by giving clients timely information and recommendations based thereon (Saunders & Cornett, 2003).

These they do also for corporate clients that park some of their idle company funds in securities – both fixed-income securities and stocks. These firms charge commission and service fees for their services, and this is basically how they generate their income. Depository Institutions While investment securities firms are non-depository institutions, those that are designated as depository institutions can accept deposits from retail savers. They include banks, savings institutions and credit unions (Saunders & Cornett, 2003).

While non-depository institutions plainly act as intermediaries of funds from the sources (the investors and the savers) to the users (the companies needing additional working capital to fund their operations, etc.), depository institutions can act both as intermediaries and as custodians of themoneyentrusted to them. When an investor goes to an investment securities firm to either buy stocks or to put some money in commercial papers, they know that their money is placed in the company that issued the securities (stock or debt instruments).

They will therefore be concerned with the financial well-being of the securities issuer, and not so much the investment securities firm. This is because the company primarily responsible for the safety of the value and the income of their money is the same company that issued the securities they invested in. In contrast, when an investor goes to a depository institution like a bank to leave their money there for safekeeping until they would need to use it or to invest it elsewhere, the same investor is placing his trust and confidence in the depository institution.

He, therefore, believes that the institution is financially sound and that putting his money in their custody is a safe move. The institution, in turn, accepts the deposits and stands to be responsible for them. In behalf of their depositors, then, they invest the pooled deposits elsewhere and lend them to qualified borrowers. Financial Intermediaries Financial intermediaries generally include banks, investment securities firms, investment banks, insurance companies and pension funds.

They are grouped into three categories: the depository institutions (banks), the contractual savings institutions (insurance companies) and investment

intermediaries (mutual funds). These entities stand between the lender-savers and the borrower-spenders and facilitate the transfer of funds from one to the other. (Mishkin, 2001) They receive money and pass them on as investments, subject to their respective agreements or transaction contracts with their clients.