

Banking institutions in the u.s

Finance



Recommendation Banking s in the U. S need to hold the reserves that are the same as a portion of the quantity of the liabilities of banks that is owed to clients, this is popularly referred to as fractional reserve. This enables the banks to invest heavily from these funds collected from the depositors. This would reduce arising problems such as a bank run where several bank clients withdraw their savings and forcing the banks to go an extra mile of seeking an extra aid from outside.

Banks must keep their Federal Reserve accounts to be in a position of lending their funds to another bank in case the need arises. The monetary policy needs to put all the measures in place to ensure that the lending banks do not overcharge each other when lending these funds. Also, the federal reserve banks should it keep itself updated with the general character as well as the extent of loans and investments of the member banks with the aim of determining whether a utilization is made of bank credit for the trading of securities, commodities or real estate.

The Federal Reserve should improve its role in the nation's retail including wholesale systems of payments, provision of diverse financial services among the various depository institutions. Retail payments mostly involve few dollar amounts reserved for individuals and the small enterprises while wholesale payments involve huge dollar amounts that involve big corporate clients and financial institutions.