

Question

Describe the function and purpose of the financial system in the United Kingdom

Answer

The state budget, which includes the central government budget and numerous local budgets, is the leading element of the financial system in the UK. While the financial system of the United Kingdom by the type referred to as securities market-based, by the ratio of "bank assets / GDP" it surpasses Germany and Japan - countries with banking financial systems. Foreign banks' activities in London are mainly associated with international operations, and not lending British borrowers. Overall, more than a third of all bank loans (English and foreign) in London accounts for foreign borrowers. Because of its enormous influence on finance and monetary system Bank of England began to acquire the features of the central bank. The Bank of England has the following major functions:

- conducts banking transactions for government, accumulating money and giving it loans, as well as a range of advisory services on economic and financial policy. In addition, it carries out monetary policy by the government of changes in interest rates on deposits;
- represents the interests of the country in the field of international economic relations, especially in performing the required actions to support a stable exchange rate of the national currency against other convertible monetary units;
- performs banking functions in relation to other banks, carrying out credit and settlement transactions in their correspondent accounts. In particular, the Bank of England has the name of "lender of last resort" in relation to all other commercial banks when the latter requires additional credit facilities;
- performs a number of other operations inherent to central banks of other developed countries, such as issuing currency notes and coins, the control over the gold reserves of the country, collecting and processing information from other commercial banks in order to study and predict the financial situation in the country, the supervision of credit institutions etc.