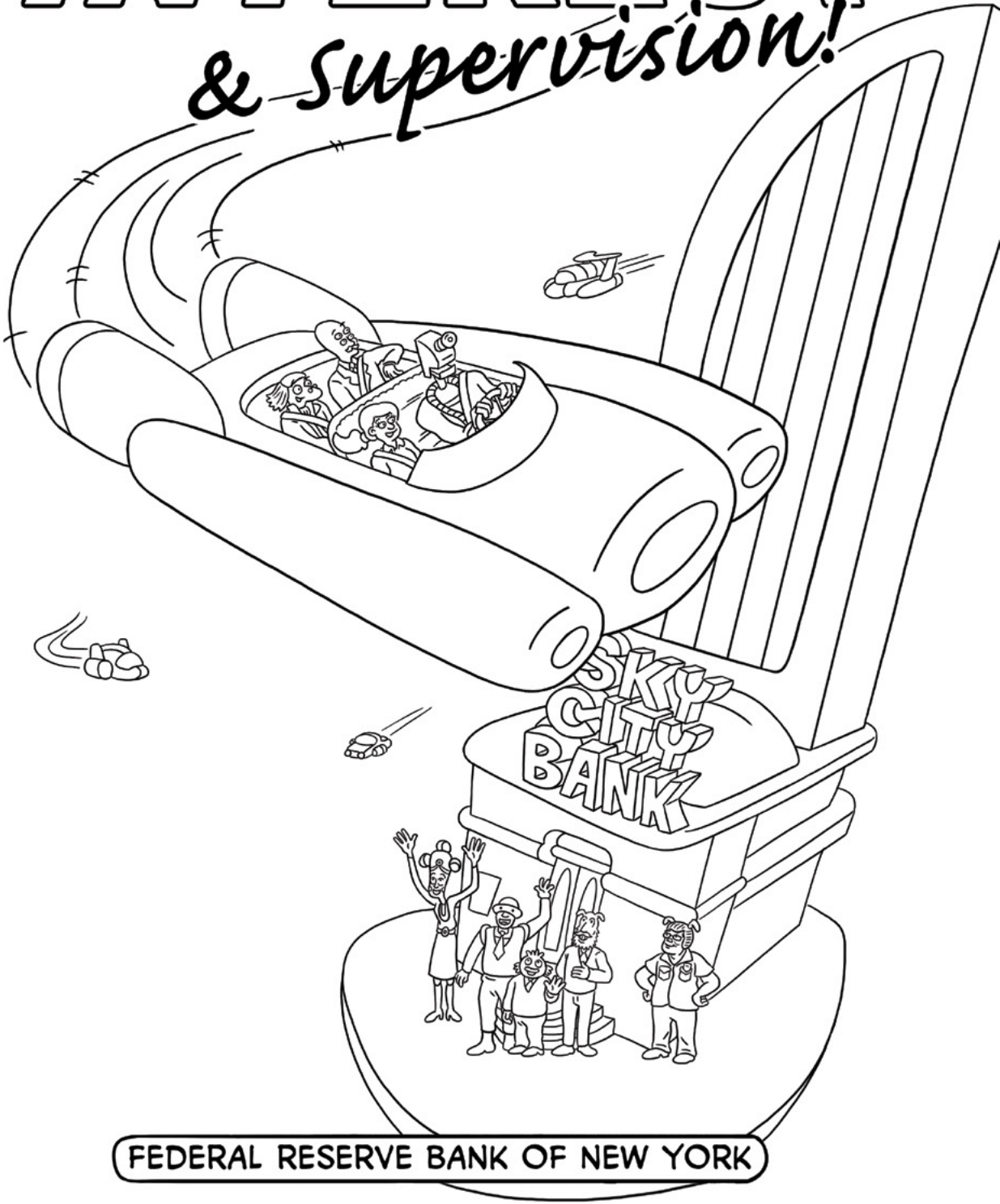
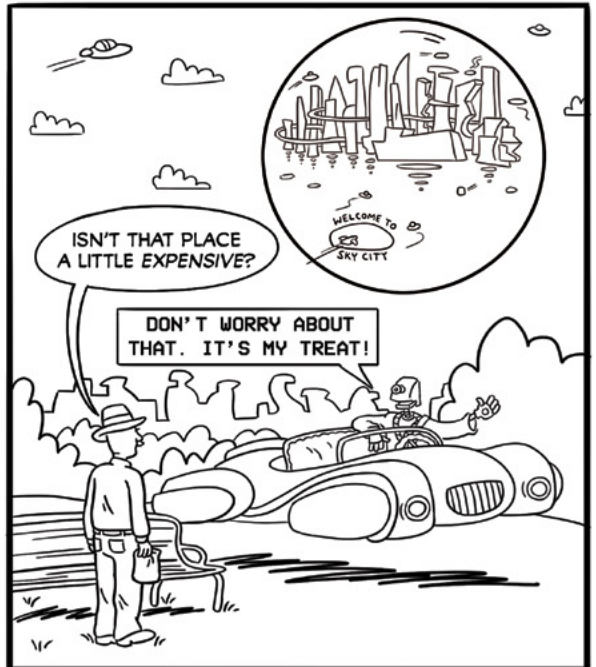
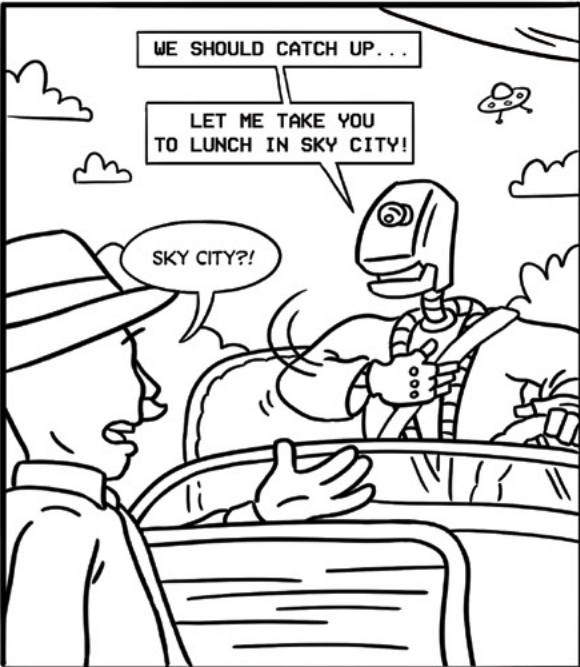
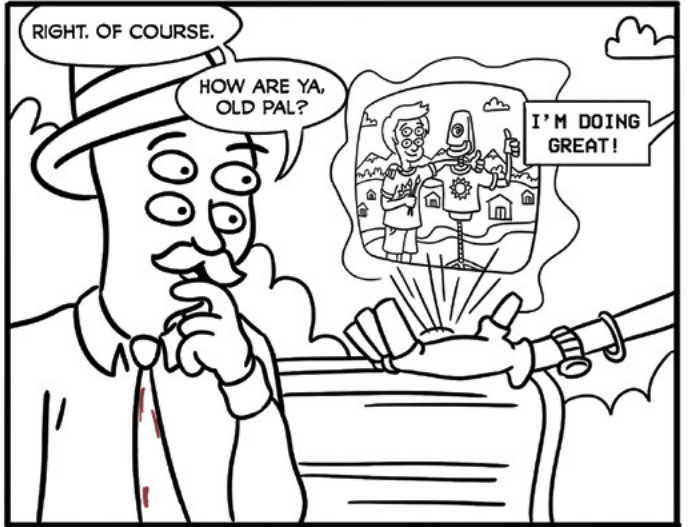
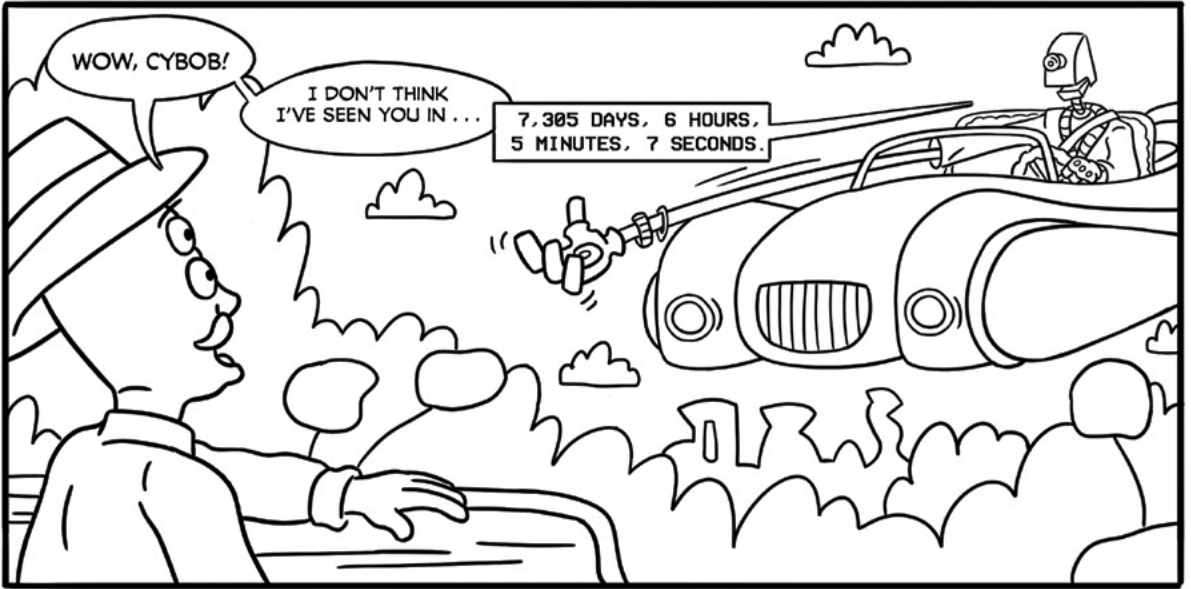


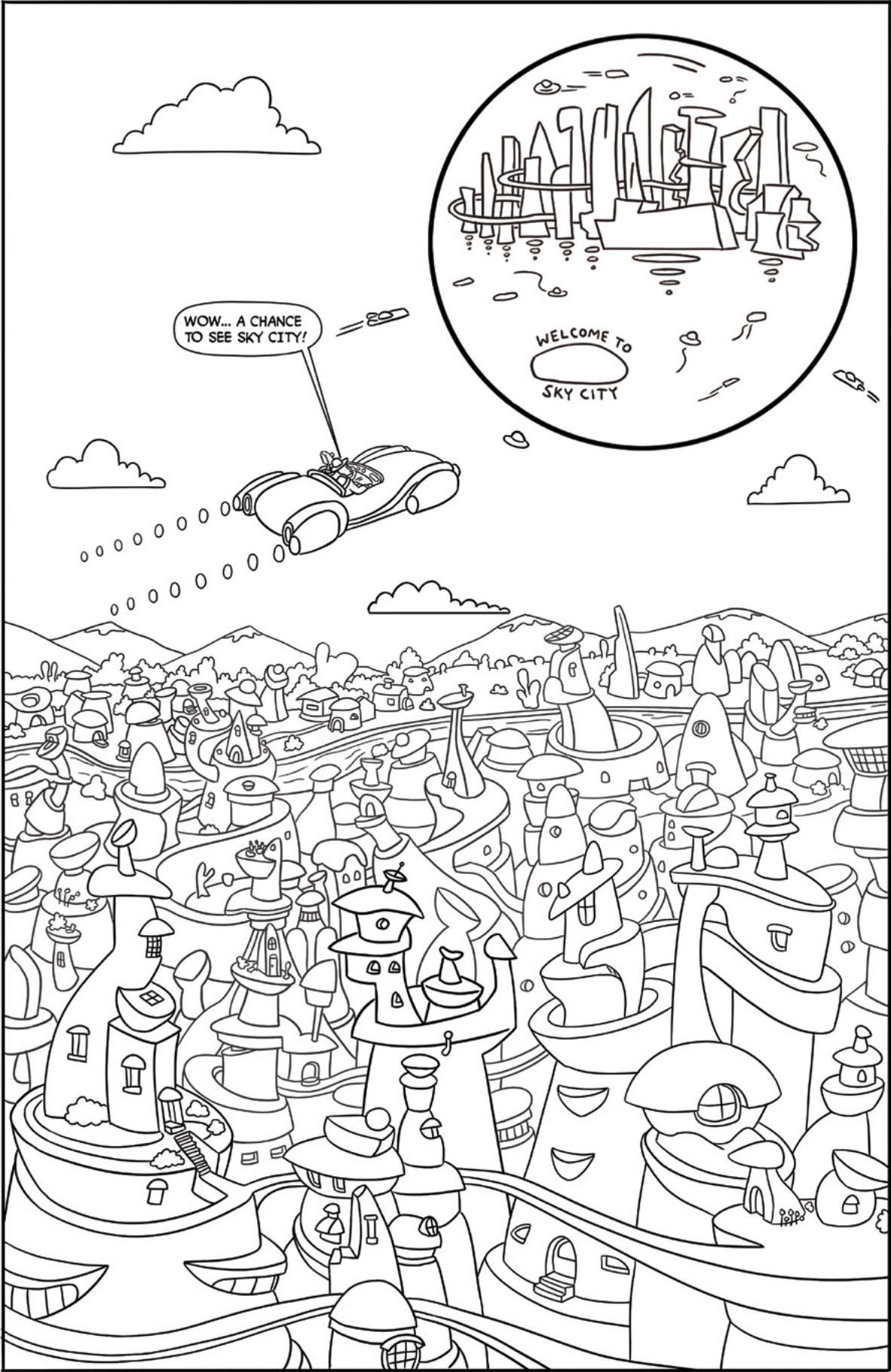
# A STORY OF **INTEREST** *& supervision!*

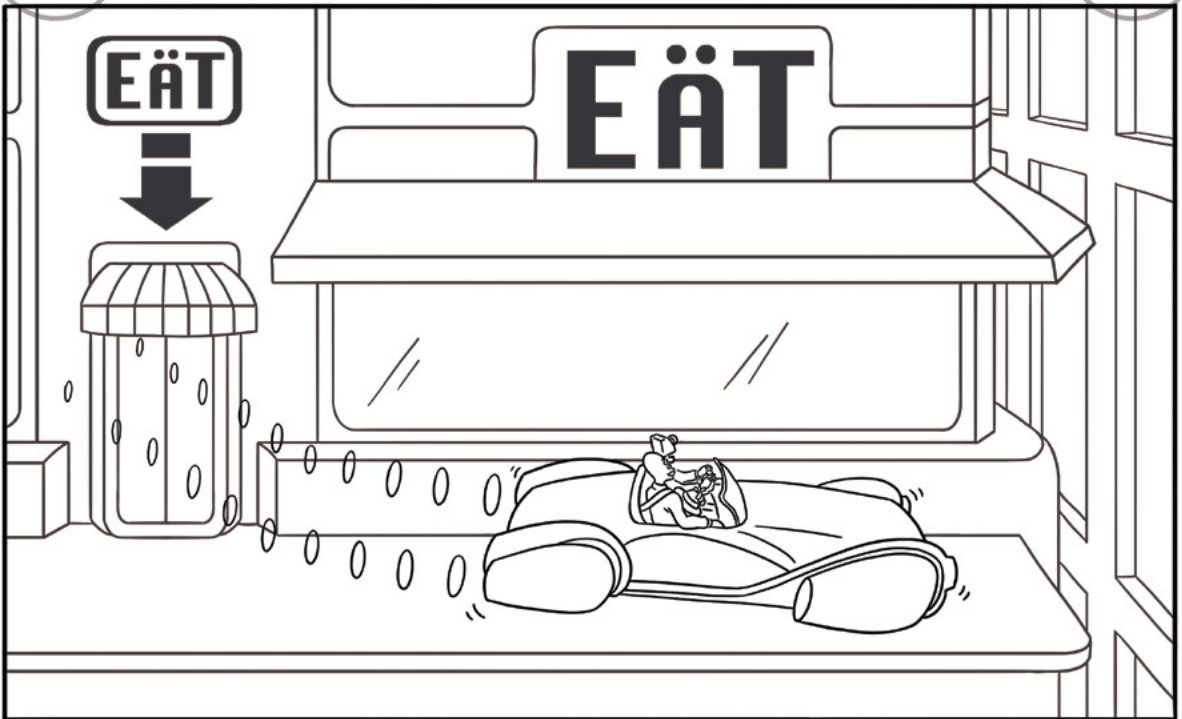
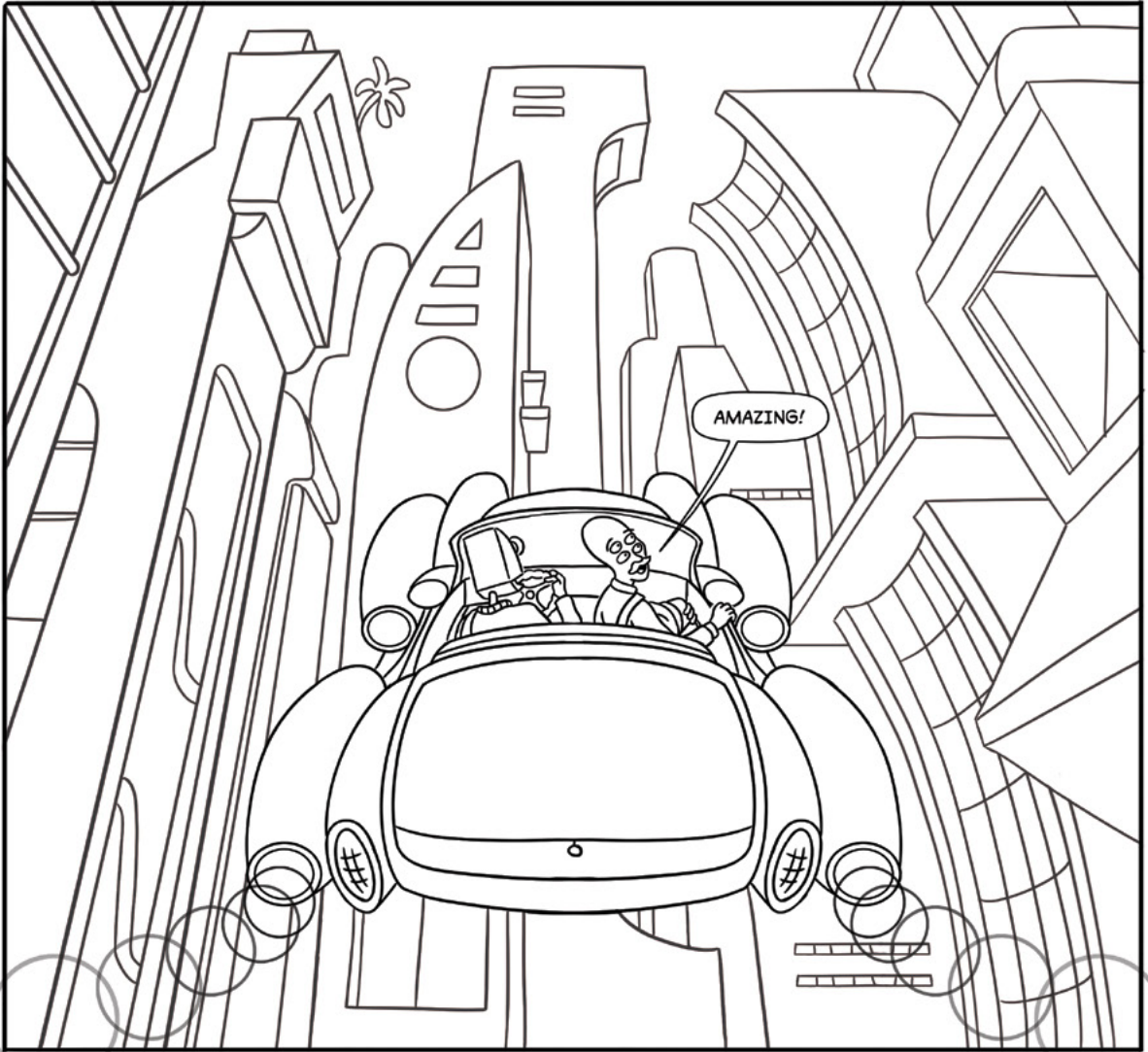


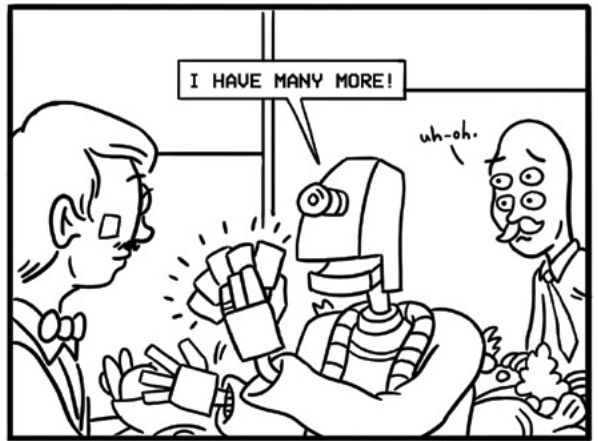
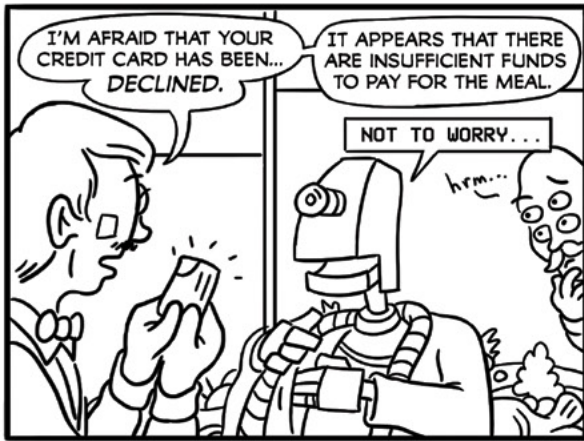
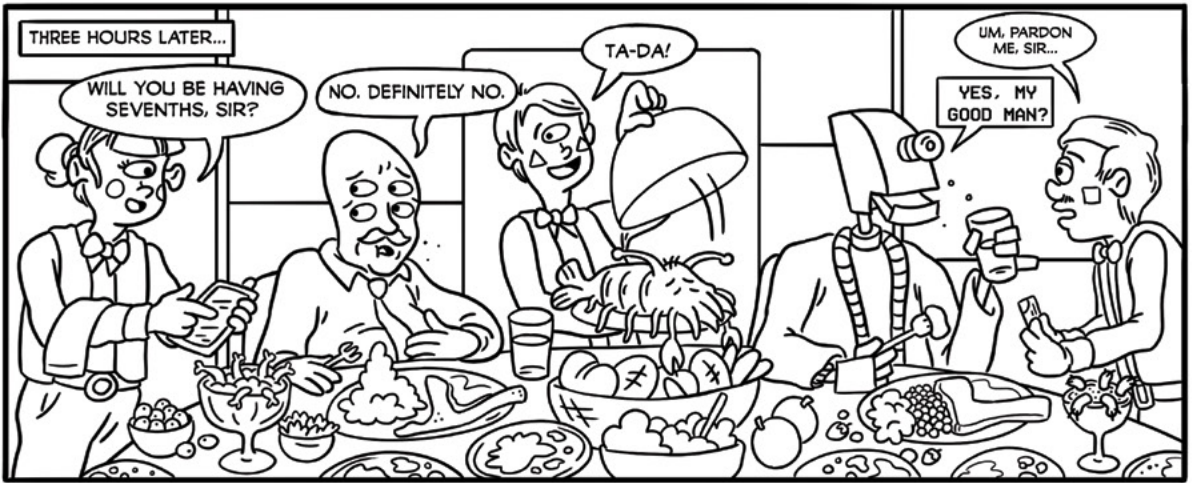
FEDERAL RESERVE BANK OF NEW YORK











DECLINED

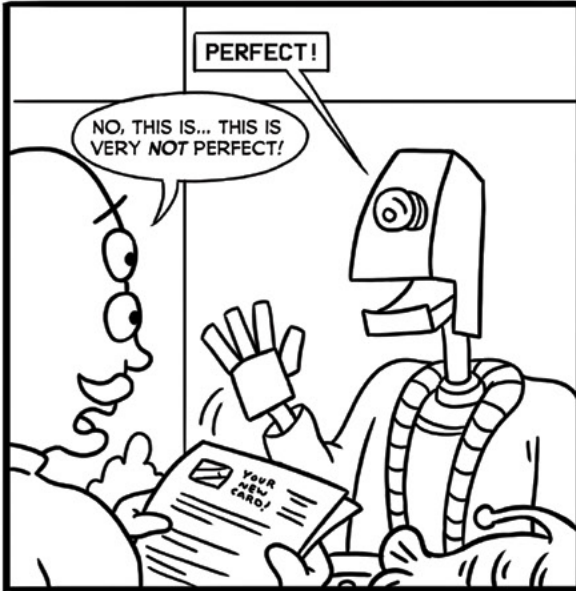
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DECLINED

DECLINED

DECLINED





IT'S EASIEST TO THINK OF COMPOUND INTEREST AS "INTEREST ON INTEREST."

SO, IT'S THE INTEREST INVESTORS EARN ON THEIR ORIGINAL INVESTMENT... PLUS ALL THE INTEREST EARNED ON THE INTEREST THAT HAS ACCUMULATED OVER TIME.

Simple vs Compound Interest

Compound

Simple

PARDON ME... EXCUSE ME...

COMIN' THROUGH!

LET'S SAY YOU INVESTED \$100 AND EARNED 10 PERCENT INTEREST PER YEAR. LET'S LOOK AT HOW MUCH MORE YOU WOULD MAKE IF YOU EARNED INTEREST ON THAT INTEREST OVER 20 YEARS.

Principal (AMOUNT INVESTED) Interest (AMOUNT EARNED)

1 YEAR 3 YEARS 5 YEARS 7 YEARS 9 YEARS 11 YEARS 13 YEARS 15 YEARS 17 YEARS 19 YEARS

RETURN

BUT KEEP IN MIND, IF YOU BORROWED \$100 OVER 20 YEARS, YOU WOULD HAVE TO PAY THAT MUCH MORE WITH COMPOUND INTEREST.

PSST! FLORA, IS IT TIME FOR BEN FRANKLIN YET?

IT'S NOT ALWAYS BAD TO BORROW. BORROWING CAN HELP YOU START A BUSINESS, BUY A HOME, OR INVEST IN YOUR FUTURE. BUT YOU GOTTA BE CAREFUL.

Principal (AMOUNT BORROWED) Interest (AMOUNT OWED)

1 YEAR 3 YEARS 5 YEARS 7 YEARS 9 YEARS 11 YEARS 13 YEARS 15 YEARS 17 YEARS 19 YEARS

DEBT

NOT YET, GLIX. NOW, LET'S LOOK AT A REAL WORLD EXAMPLE....

MY PARENTS AND OUR FRIEND LAHNA! MOM AND DAD, YOU'VE MADE SOME WISE INVESTMENTS IN THE PAST. TELL US A LITTLE BIT ABOUT THEM.

WELL, HONEY, A LONG TIME AGO YOUR FATHER AND I INVESTED SOME MONEY IN LAHNA'S FLYING VEHICLE COMPANY. AND OVER TIME, SHE DID SUCH A GOOD JOB WITH HER BUSINESS...

WHAT CAN I SAY, I'M GOOD!

OUR INVESTMENT AVERAGED AN ANNUAL RETURN OF 13%, SO...

Principal (AMOUNT BORROWED) Interest (AMOUNT OWED)



...AFTER 35 YEARS, IT HAS RISEN TO MORE THAN \$1 MILLION!

RETURN  
MORE THAN \$1 MILLION!

2 YEARS 4 YEARS 6 YEARS 8 YEARS 10 YEARS 12 YEARS 14 YEARS 16 YEARS 18 YEARS 20 YEARS 22 YEARS 24 YEARS 26 YEARS 28 YEARS 30 YEARS 32 YEARS 34 YEARS

HOW 'BOUT THAT?

ASTONISHING.

WOW!

OH BOY!!

WITH THAT AMOUNT, ALONG WITH THE SALE OF OUR SHOP, WE'VE BEEN ABLE TO ENJOY A NICE RETIREMENT.

HOW ABOUT NOW?

NOT YET, GLIX. FIRST, LET'S LOOK AT SOME OTHER EXAMPLES.

OOH-OOH!  
I WANNA BE AN EXAMPLE!  
PICK ME!

I WASN'T ASKING FOR VOLUNTEERS, BUT WHY NOT. COME ON UP, MR...

CYBOB!

WELL, CYBOB, WHAT CAN YOU TELL US ABOUT YOUR FINANCES?

I DON'T NEED TO TELL YOU. YOU CAN JUST READ IT OFF OF MY COMMERCE CHIP.

OH, GREAT! WE CAN JUST PLUG THIS INTO OUR PRESENTATION.

LOOKS LIKE YOUR DEBT IS GOING TO DOUBLE, THEN TRIPLE, THEN...

DEBT

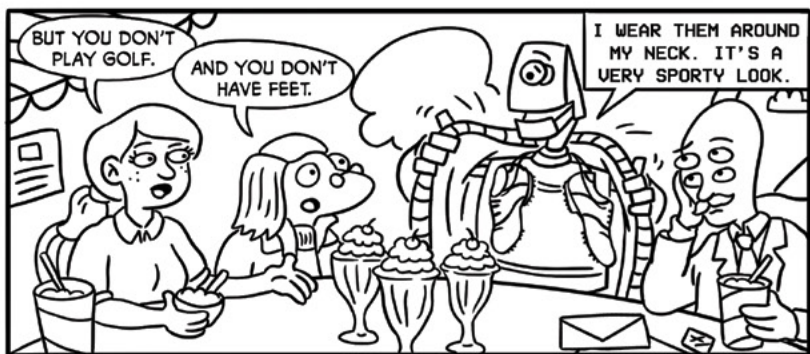
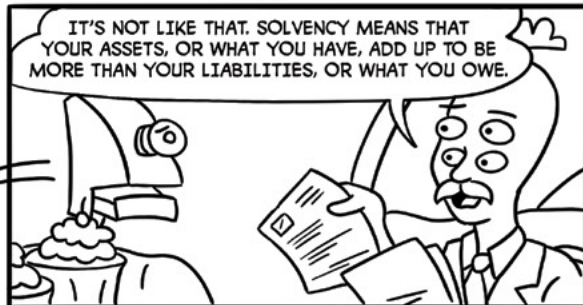
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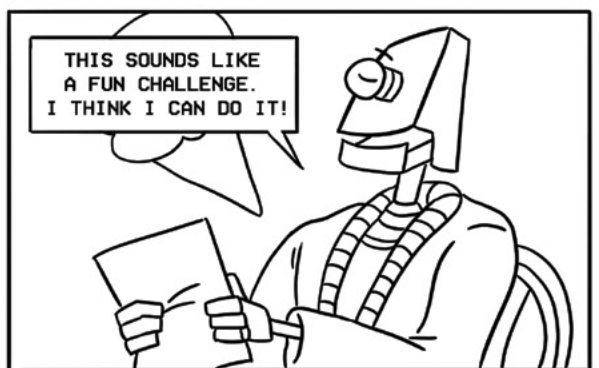
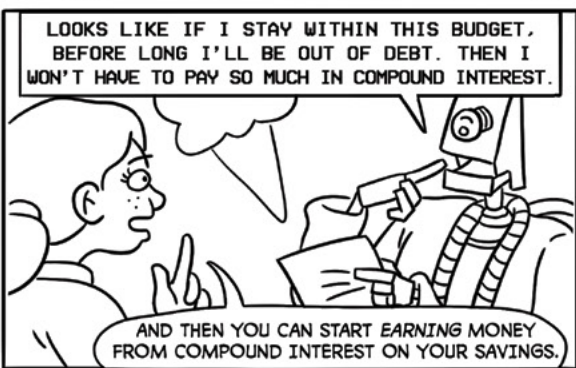
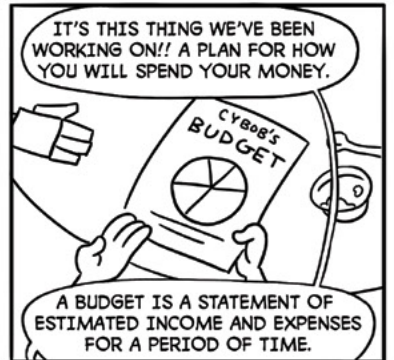
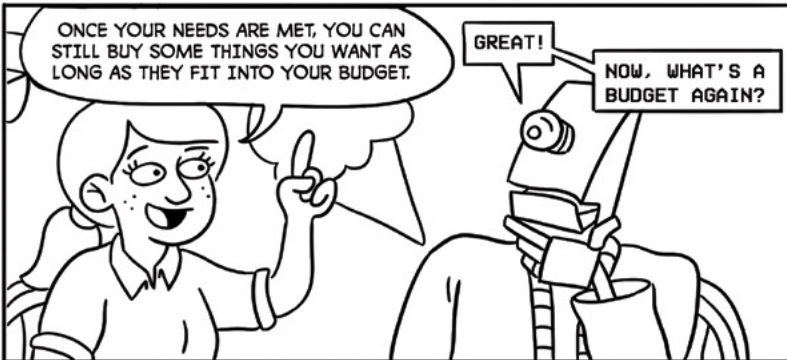
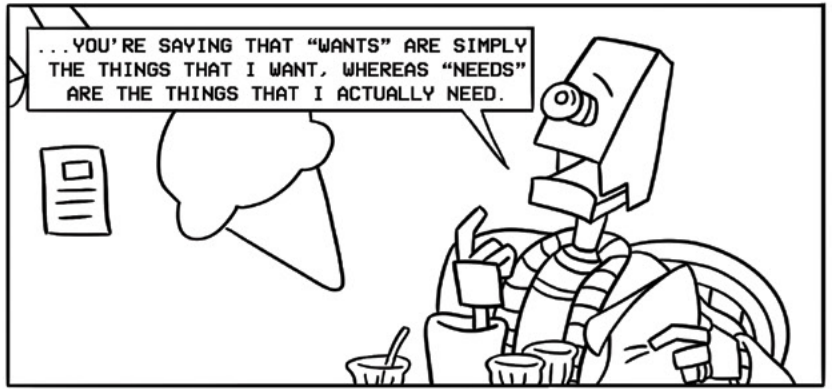
A LOT OF DEBT!

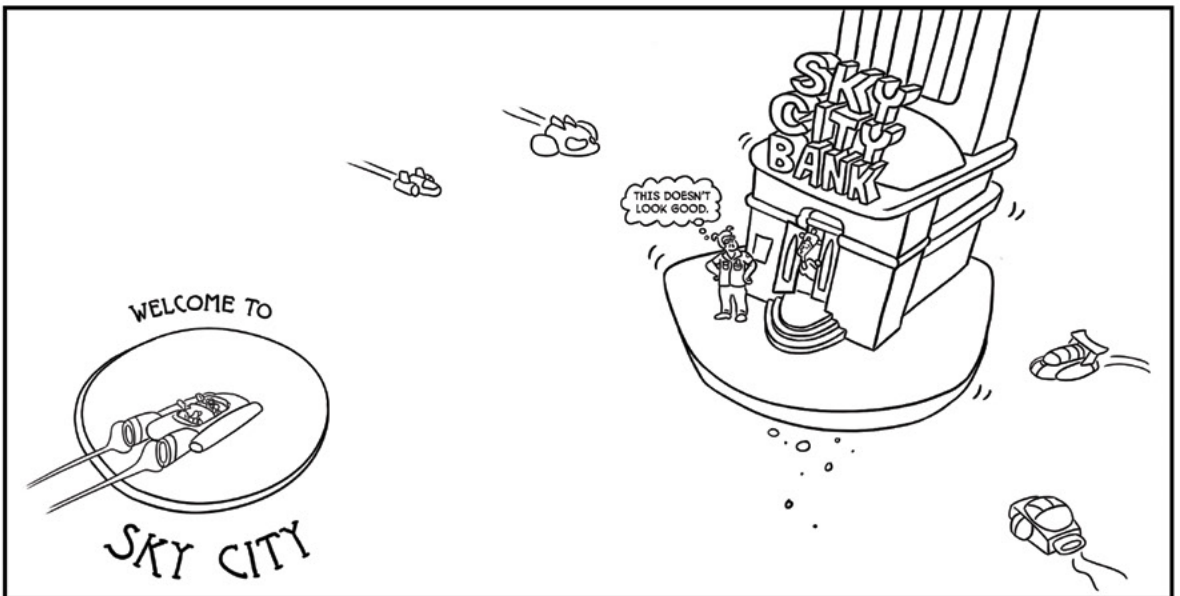
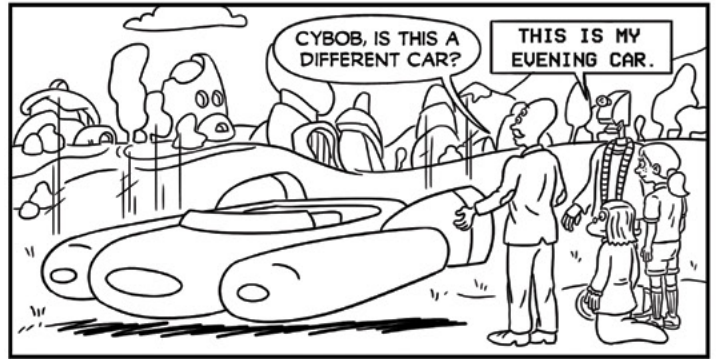
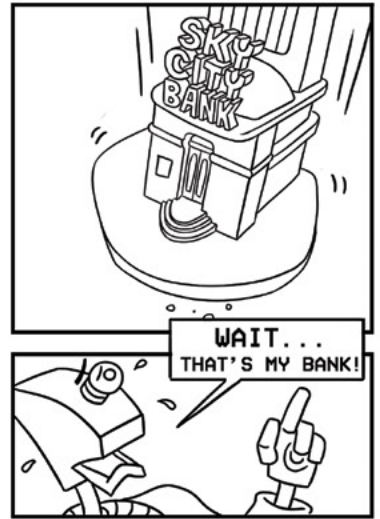
WHOA. THAT CAN'T BE RIGHT.

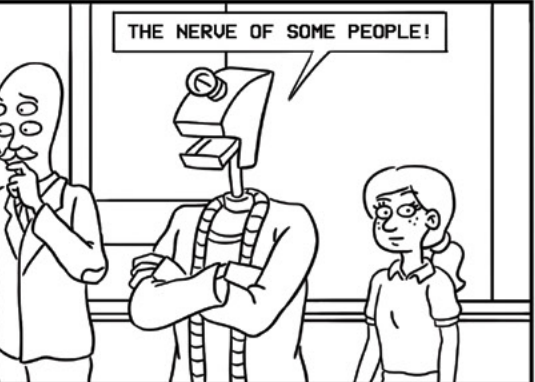
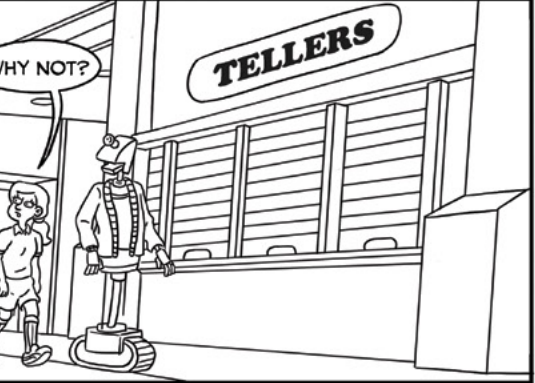
OKAY... HUJ. IT LOOKS LIKE YOU'RE CARRYING QUITE A BIT OF DEBT... AT A COMPOUND INTEREST RATE OF... YIKES!

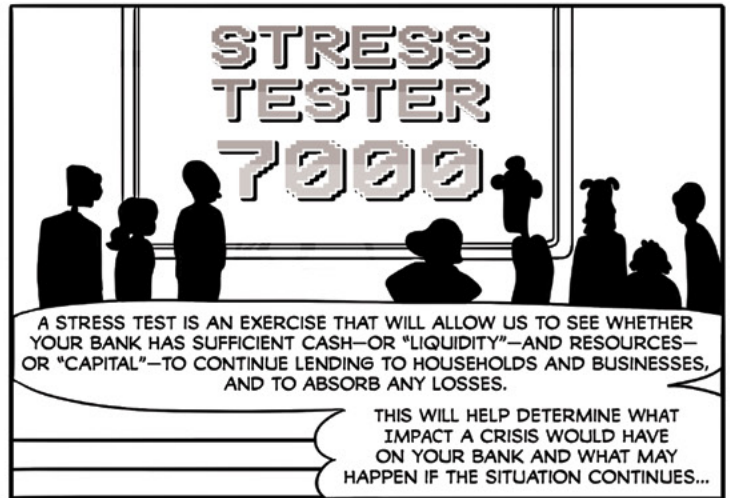
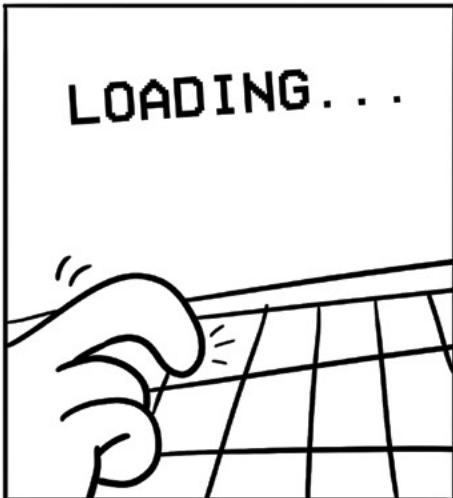
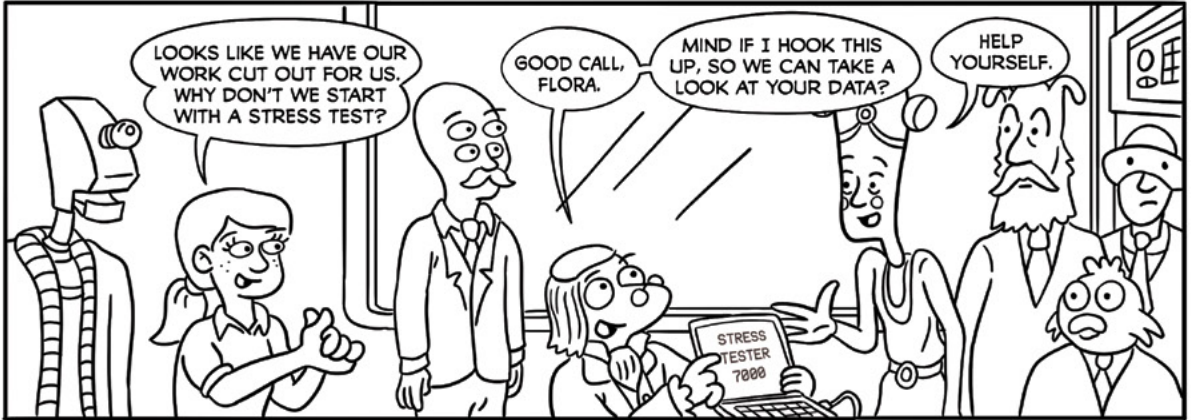
SO, IF WE PROJECTED THIS INTO THE NEXT COUPLE OF DECADES...

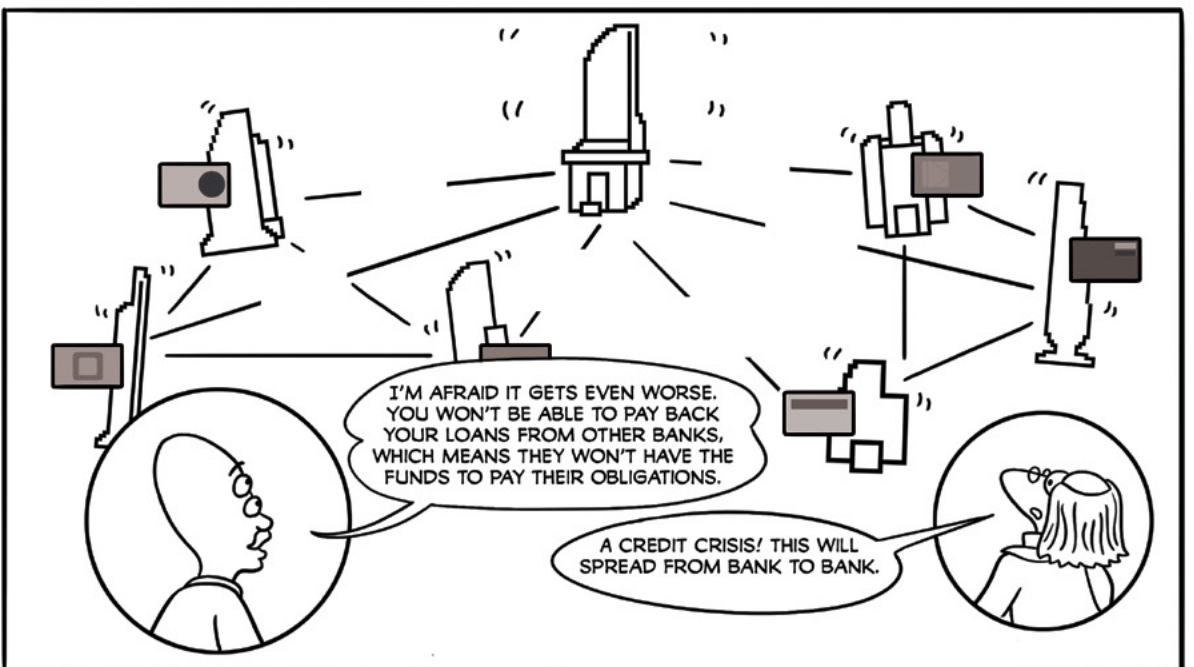
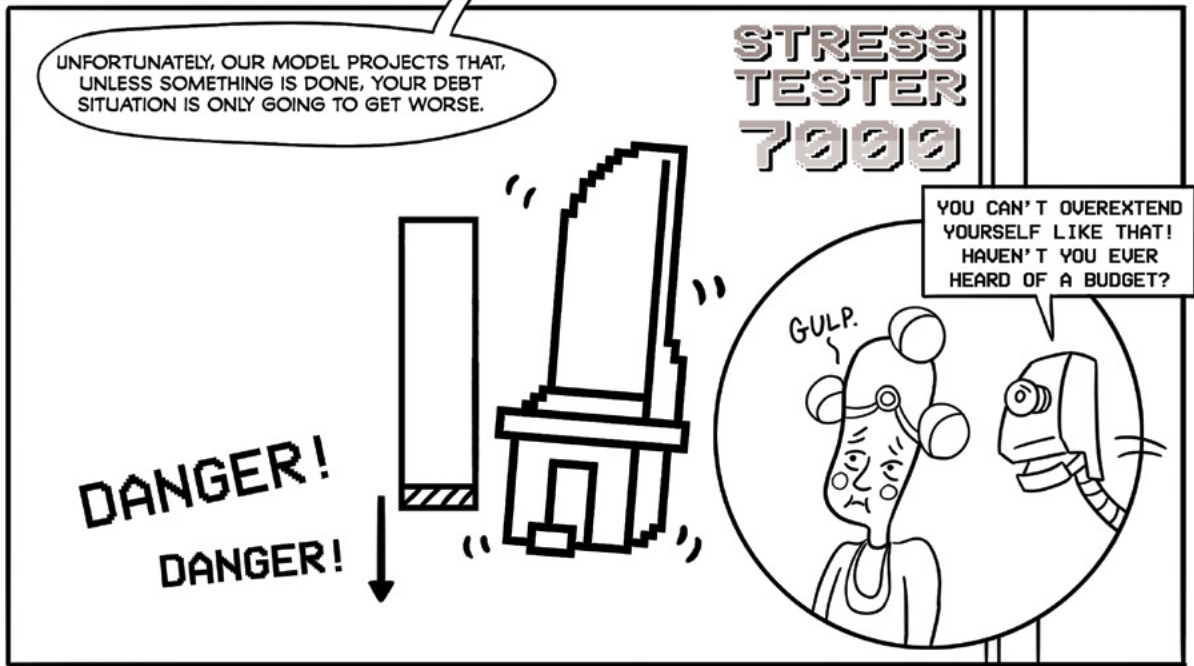
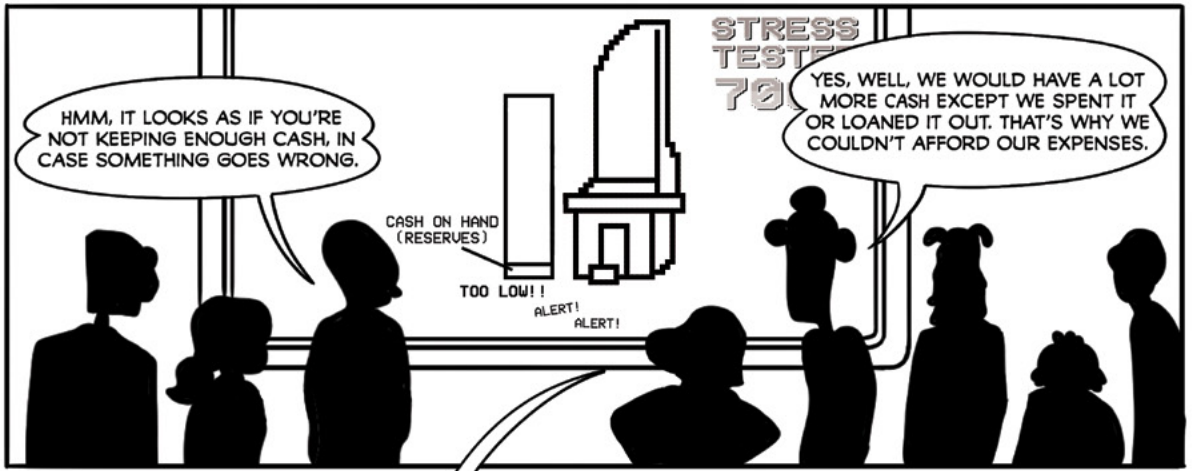


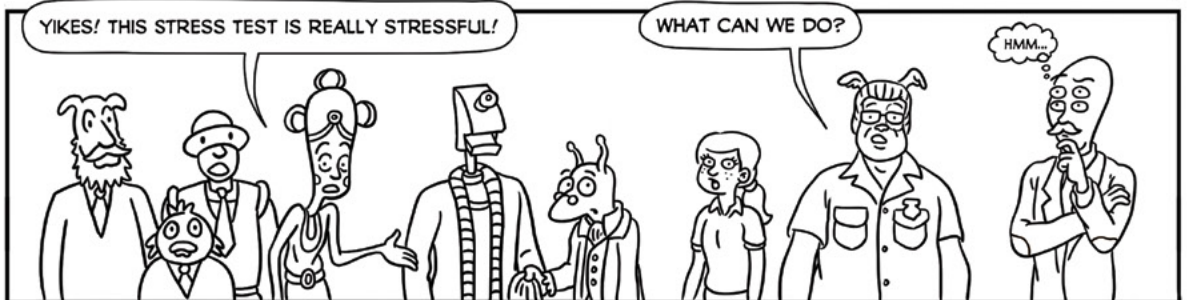
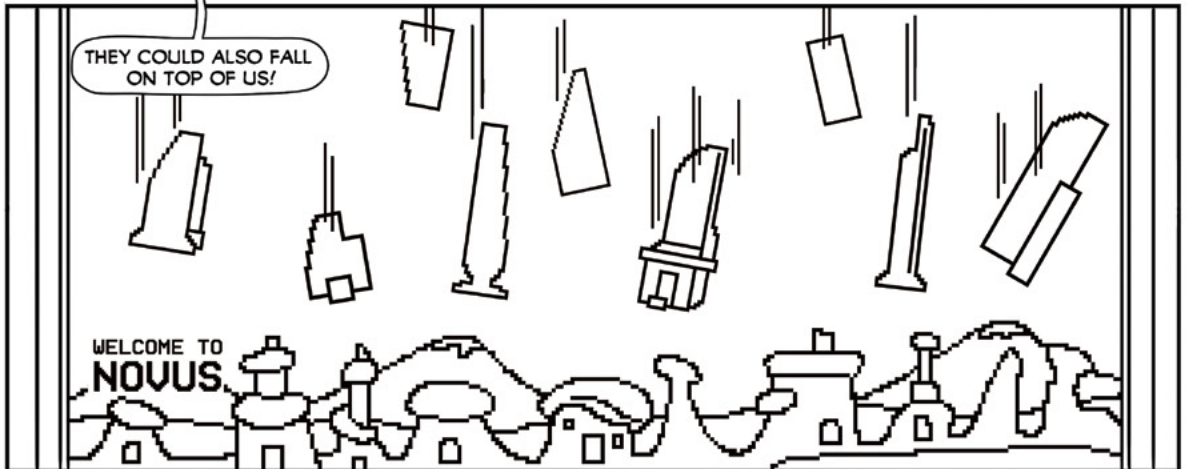
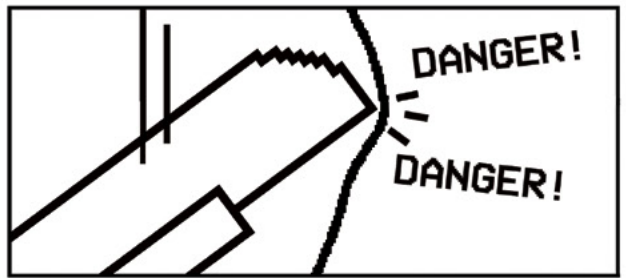
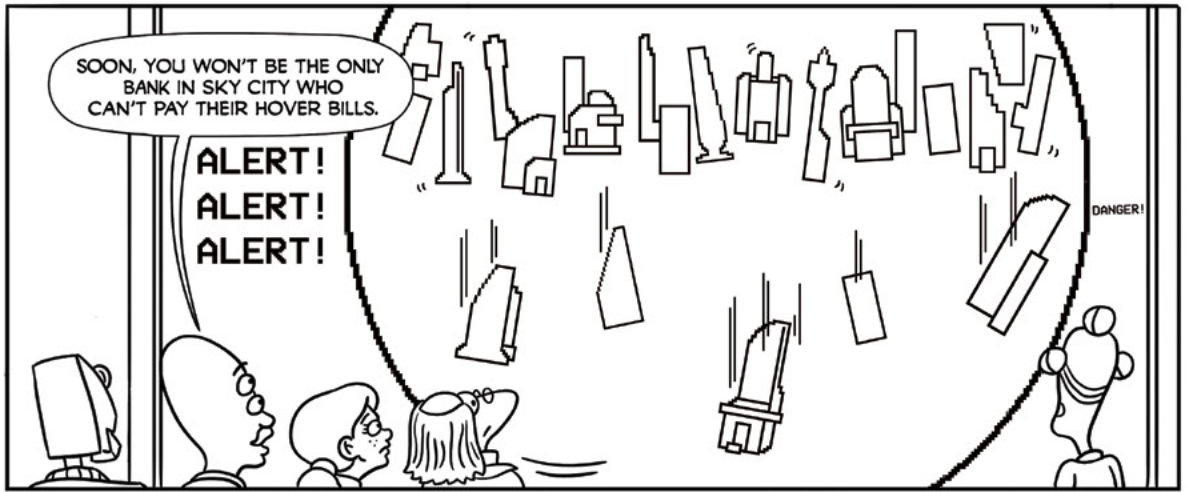








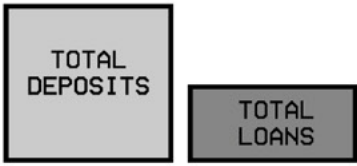






THERE ARE A FEW STEPS WE CAN TAKE.

YOU SEE, BANKS PROVIDE TWO MAIN SERVICES. THEY ACCEPT DEPOSITS AND THEY MAKE LOANS.

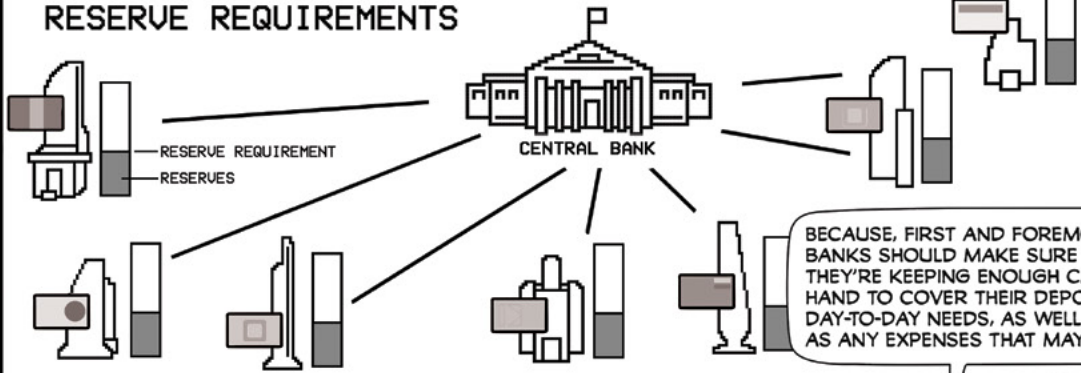


BUT, THEY HAVE TO BE CAREFUL NOT TO LOAN OUT MORE MONEY THAN IS NEEDED TO BACK UP THE DEPOSITS.

ONE GOAL WE SUPERVISORS HAVE IS TO PROMOTE SAFETY AND SOUNDNESS IN THE OPERATION OF FINANCIAL INSTITUTIONS.

AND ONE MEASURE THAT CAN BE IMPLEMENTED TO ENSURE THAT A BANK CONTINUES TO OPERATE SAFELY AND SOUNDLY IS SOMETHING CALLED "RESERVE REQUIREMENTS." THAT IS WHEN A CENTRAL BANK SETS THE MINIMUM AMOUNT OF MONEY, OR RESERVES, THAT A COMMERCIAL BANK MUST HOLD.

### RESERVE REQUIREMENTS



BECAUSE, FIRST AND FOREMOST, BANKS SHOULD MAKE SURE THAT THEY'RE KEEPING ENOUGH CASH ON HAND TO COVER THEIR DEPOSITORS' DAY-TO-DAY NEEDS, AS WELL AS ANY EXPENSES THAT MAY ARISE.

WHAT ABOUT A BANK'S SOLVENCY?

YES! THAT'S IMPORTANT, TOO. BANKS NEED TO ENSURE THAT THEY CAN ABSORB ANY LOSSES THAT WILL OCCUR IF SOME PEOPLE DON'T PAY BACK THEIR LOANS — OR WORSE, IF A CRISIS ARISES.

HAD WE ONLY KEPT MORE CASH IN RESERVE, ALL OF THIS COULD HAVE BEEN AVOIDED!

THAT MAY BE TRUE...

...BUT I WOULDN'T RECOMMEND RESERVE REQUIREMENTS AS YOUR ONLY SAFEGUARD. I WOULD ALSO ADVISE MEETING REGULARLY WITH BANK SUPERVISORS, LIKE RALLO HERE...



GALAXY'S GREATEST!

BANK SUPERVISORS CAN HELP CONDUCT STRESS TESTS, LIKE THE ONE WE JUST DID, TO HELP SEE HOW A BANK WILL STAND IN A CRISIS.

AND THEY CAN ALSO EXAMINE YOUR DATA AND ASSESS HOW WELL YOU'RE MANAGING YOUR RISKS.

BECAUSE, YOU SEE, ANOTHER GOAL OF SUPERVISION IS STABILITY IN THE FINANCIAL MARKETS...

NOW, FINANCIAL STABILITY REQUIRES MANY THINGS, ONE OF WHICH IS A SMOOTH FLOW OF FUNDS BETWEEN BANKS AND THE PEOPLE WHO RELY ON THE SERVICES BANKS PROVIDE.

EXCESSIVE RISK-TAKING ON THE PART OF BANKS CAN COMPLICATE THIS FLOW AND CAUSE THE PUBLIC TO LOSE CONFIDENCE – WHICH IN TURN CAN HAVE NEGATIVE EFFECTS ON THE ECONOMY AS A WHOLE.

WHICH REMINDS ME OF OUR THIRD GOAL...

### GOALS OF BANK SUPERVISION

1. SAFETY AND SOUNDNESS IN THE OPERATION OF FINANCIAL INSTITUTIONS
2. STABILITY IN THE FINANCIAL MARKETS
3. FAIR AND EQUITABLE TREATMENT OF CONSUMERS IN THEIR FINANCIAL TRANSACTIONS

WE SUPERVISORS ALSO PROMOTE THE FAIR AND EQUITABLE TREATMENT OF CONSUMERS.

AM I A CONSUMER?

WE ALL ARE! LET'S SAY, FOR INSTANCE, BEN FRANKLIN HERE WANTS TO DEPOSIT HIS SAVINGS IN A BANK...

I, BEN FRANKLIN, WOULD LIKE TO MAKE A DEPOSIT! CAN YOU HELP ME?

NOW, THERE CAN BE DIFFERENCES IN WHAT INFORMATION YOU FOLKS AT THE BANK KNOW ABOUT THE CIRCUMSTANCES SURROUNDING THIS TRANSACTION AND WHAT INFORMATION THE POTENTIAL DEPOSITOR KNOWS...

DEPOSITORS AND BANKS AREN'T ALWAYS ON THE SAME PAGE, SO TO SPEAK. NOT ALL OF THEIR INFORMATION IS ON THE TABLE.

EXACTLY.

PEOPLE ARE BUSY. THEY HAVE A LOT GOING ON. WHEN PEOPLE MAKE A DEPOSIT, THEY CAN'T BE EXPECTED TO KNOW EVERYTHING ABOUT THEIR BANK'S ACTIVITIES.

THAT'S WHY MANY FINANCIAL SYSTEMS HAVE A SAFETY MEASURE IN PLACE CALLED "DEPOSIT INSURANCE." DEPOSIT INSURANCE GUARANTEES THAT DEPOSITORS WILL BE PROTECTED FROM LOSING THEIR MONEY EVEN IF A BANK IS UNABLE TO PAY THEM BACK.

THAT SOUNDS GOOD. BUT WHAT ABOUT THE BANK? WHAT PREVENTS A BANK FROM TAKING ADVANTAGE OF DEPOSIT INSURANCE? IF THE DEPOSIT IS GUARANTEED TO BE PAID BACK NO MATTER WHAT, WHAT DIFFERENCE DOES IT MAKE HOW MUCH THE BANKS LOAN OUT OR TO WHOM THEY LEND IT?

ALL GOOD QUESTIONS.

IT MAKES A DIFFERENCE BECAUSE RISKY BEHAVIOR, LIKE LOANING TOO MUCH MONEY, CAN LEAD TO CRASHES AND CRISES. NOBODY WANTS THAT.

SO, WHEN SUPERVISORS LIKE ME EXAMINE BANKS ON BEHALF OF THE DEPOSITORS, WE HELP IDENTIFY AND CONSTRAIN ANY EXCESSIVE RISK-TAKING BY THE BANK.

LASTLY...

AND I'M SORRY TO SAY THIS, MY ROBOT FRIEND...

...BUT Y'ALL PROBABLY SHOULDN'T HAVE LENT SO MUCH MONEY TO CYBOB IN THE FIRST PLACE — HIS SPENDING HABITS WERE OUT OF CONTROL!

UNDERSTOOD! NO MORE LOANS FOR ROBOTS!

HEY!

OH, NO NO NO! — THAT'S NOT WHAT I MEANT! YOU CAN'T FAVOR ONE GROUP OVER ANOTHER. YOU MUST HAVE NON-DISCRIMINATORY LENDING POLICIES AND PROCEDURES IN PLACE. BUT... JUST BE WISE ABOUT HOW MUCH YOU LEND SO THAT YOU'LL BE PAID BACK.

THERE IT IS. "FAIR AND EQUITABLE TREATMENT OF CONSUMERS."

OKAY. THAT SEEMS REASONABLE. WE WON'T DISCRIMINATE AGAINST ANY ONE GROUP, BUT WE'LL BE CAUTIOUS OF CONSUMERS WHO DON'T HAVE GOOD CREDIT HISTORIES.

SO WE'VE GOT OUR EYE ON YOU, CYBOB!

AND HE'S GOT HIS EYES ON YOU!

BY BRINGING THE COMMUNITY OF SKY CITY TOGETHER AND IMPLEMENTING THESE CHANGES...

...THE BANK WAS ABLE TO REMAIN SOLVENT AND RESTORE CONFIDENCE.



THE NEXT DAY...

IT'S A NICE PLACE TO VISIT, BUT A LITTLE ON THE FANCY SIDE FOR MY TASTES.



I JUST FEEL A LOT BETTER NOW THAT SKY CITY'S ECONOMY IS STABILIZING. A BANK SUPERVISOR'S WORK IS NEVER DONE, BUT I MUCH PREFER THE GOOD TIMES.



HEY, CYBOB'S BACK!

MOM? DAD?

THAT'S NOT CYBOB...



HEY SWEETIE!

GET A LOAD OF OUR NEW RIDE!



WHAT ARE YOU DOING IN CYBOB'S CAR?

HE SOLD IT TO US. IT'S BASICALLY BRAND NEW!

YEAH, HE'S SET UP A YARD SALE AT THE EDGE OF TOWN — HE'S GOT LOTS OF STUFF FOR SALE.



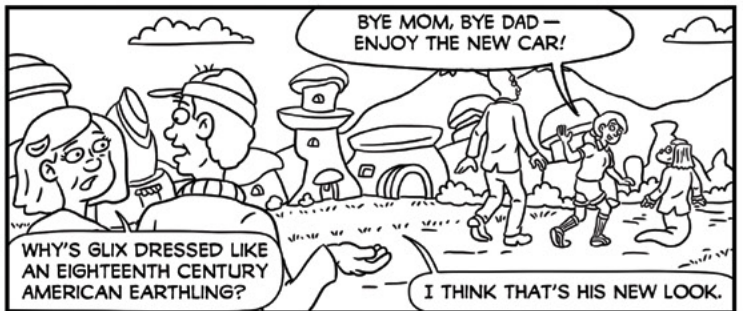
IN ADDITION TO THE CAR, I GOT A GREAT DEAL ON GOLF SHOES AND THIS DESIGNER SWEATER.

AND I GOT THIS VINTAGE CARL SAGAN ALBUM!



HMM... WANNA GO SEE THE YARD SALE?

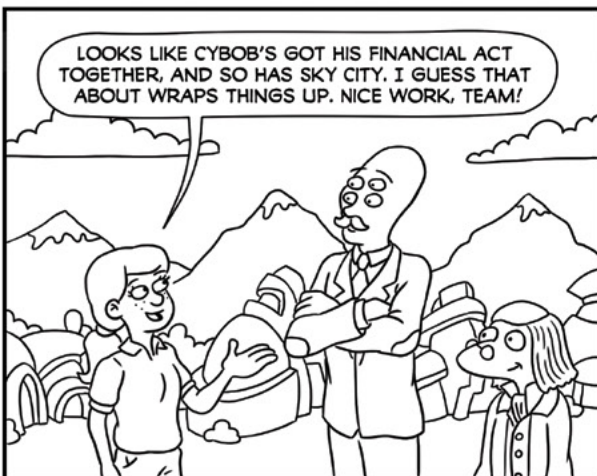
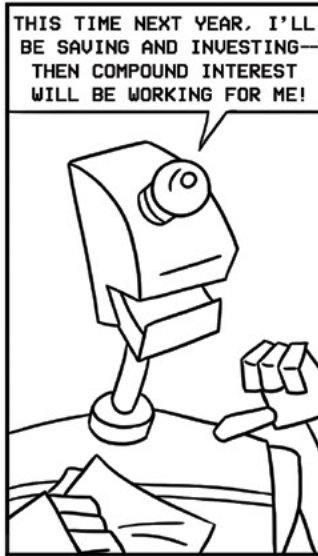
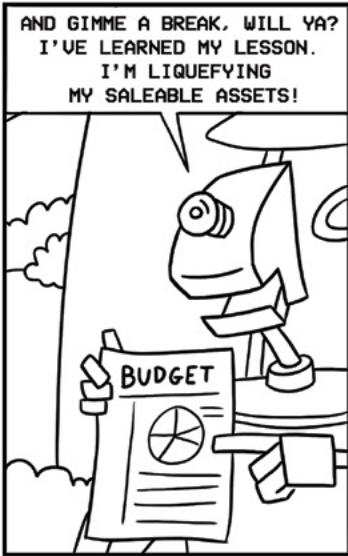
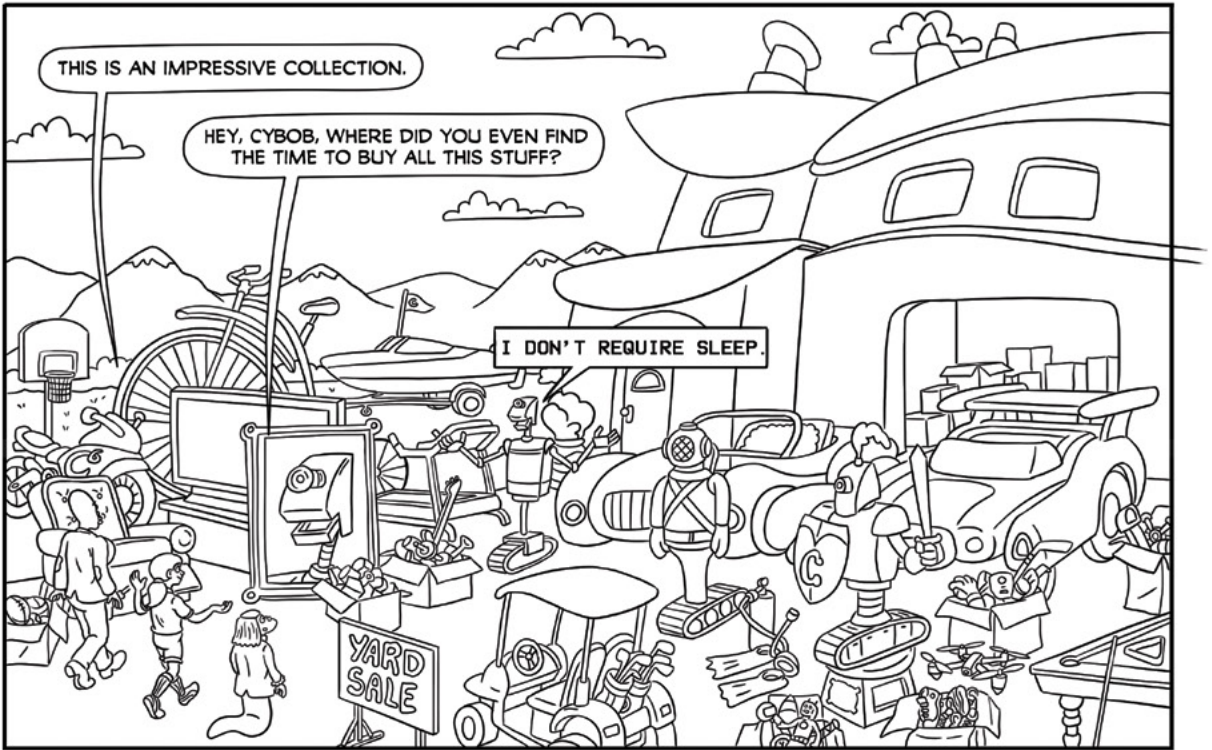
SURE!



BYE MOM, BYE DAD — ENJOY THE NEW CAR!

WHY'S GLIX DRESSED LIKE AN EIGHTEENTH CENTURY AMERICAN EARTHLING?

I THINK THAT'S HIS NEW LOOK.



Gather 'round, ye one and all...

Hear ye, hear ye. I once famously said, "Money makes money. And the money that money makes, makes money." Now, as a way of illustrating that point, let me relay to you a tale...

'Twas in the year 1790. On Planet Earth, in a young country called the United States of America. I, Benjamin Franklin, bequeathed a gift of £1,000 to each of my two favorite cities, Boston and Philadelphia.

I stipulated that the money was to be invested, and much of it could not be withdrawn until two specific dates. The first, 100 years after the date of the gift... And the second, 200 years after the date of the gift.

And after 200 years, in 1990, they received the remaining balance — which had compounded in that time to approximately **\$6.5 million in total!**\*

HEY, THAT'S COMPOUND INTEREST IN ACTION!

\*SOURCE: THE NEW YORK TIMES, APRIL 21, 1990

Precisely, Mr. Cybob! Wise money practices worked for me, and they can work for you too!

THANKS A LOT, GLIX. THAT WAS WORTH THE WAIT!

I DO WHAT I CAN.

**STAY TUNED...**  
**MORE**  
**ECONOMIC**  
**ADVENTURES**  
**ARE ON THE WAY!**




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