

Nature of Course

An integral part of all healthy economic systems is a vibrant financial services industry. The most recent economic crash demonstrated what occurs when financial institutions stumble. Management of Financial Institutions, Fin 4320, covers the nuts and bolts of how banks and other financial institutions work.

Students will utilize a combination of individual and group study to develop an understanding of basic financial intermediation, balance sheet funding including deposit acquisition, lending practices and policies, investments, Asset Liability management and the six drivers of financial institutional profitability. Several interdisciplinary topics will be covered including Strategic Planning and Corporate Governance.

Commercial banking in the United States, as well as around the world, is undergoing rapid change due to changes in regulation, technology, and competitive pressures. Traditional banking focused on deposit taking and lending functions with fixed or regulated interest rates on these accounts. However, today's banking environment can be described by a wide menu of financial services and potentially volatile interest rates. This more challenging operating environment has motivated an emphasis on the management of risk, including credit risk, interest rate risk, investment risk, liquidity risk, payments risk, etc.

The main objectives of this course are as follows:

- (1) Overviewing the banking industry's history of change in American history, with particular attention to regulatory changes in recent years, including prices, products, and geographic regulations.
- (2) Understanding the different kinds of risk that banks manage and methods of controlling such risks.
- (3) Surveying the wide variety of financial services provided by banks, including payments services, deposit taking, commercial lending, real estate lending, consumer lending, trust services, securities investment services, financial expertise, insurance services, etc.
- (4) Covering recent developments affecting commercial banks within the context of news media, invited speakers, and classroom discussions.

Not all students will join the financial institutional industry. Many will choose other business careers or even pursue some entrepreneurial endeavor. These students will benefit from the course by dramatically improving their ability to interact with banks or other financial services providers. Their professional understanding of banking will allow them to be better users of financial products and services. They will be better able to better select and negotiate with firms to obtain the best value for their business enterprise.

Exams and Grading

Three major exams will be given on the dates shown on the "Schedule of Assignments." Each exam is worth 100 points. The total possible exam score for three tests will be 300 total points.

The students will prepare a 10-page, double-spaced report on a bank selected by them and approved by the instructor. The report will contain an overview of 5 years of financial bank data (separate tables and graphs in the appendix), history of the bank, its current organizational structure, and recent performance. A short PowerPoint presentation of the report will be made to class. This report (50 points) and presentation (50 points) is worth 100 points.

Students are expected to attend all class meetings and read chapter assignments before the date shown in the "Schedule of Assignments." Make-up exams can be arranged with the instructor in the event of a university-excused absence from class.

The final grade will be calculated on the basis of the average points earned out of 400 total points. Point totals correspond to the following grades: A - 360, B - 320, C - 280, D - 240, F - below 240.

Textbook and Readings

Peter S. Rose and Sylvia C. Hudgins, *Bank Management & Financial Services*, Ninth Edition (McGraw-Hill Irwin: U.S., 2013).

SCHEDULE OF ASSIGNMENTS:

Fall 2015

<u>Week</u>	<u>Assignment</u>
1	Orientation Chapter 1 – An Overview of Banking and the Changing Financial-Services Sector
2	Chapter 2 – The Impact of Government Policy and Regulation on the Financial-Services Industry Introduction of Bank Project A review of Bank History 1980-2015 Regulatory Guest Speaker
3	Chapter 5 – The Financial Statements and Financial-Firm Performance Chapter 6 – Measuring and Evaluating the Performance of Banks and Their Principal Competitors

- 4 Chapter 3 – The Organization and Structure of Banking and the Financial-Services Sector
Chapter 4 – Establishing New Banks, ATMs, Telephone Services, and Websites
Exam review
- 5 **Exam #1**
Chapter 7 – Risk Management for Changing Interest Rates: Asset Liability Management
- 6 Industry Panel
Chapter 9 – Risk Management: Asset-Backed Securities, Loan Sales Credit Standbys and Credit Derivatives
- 7 Chapter 10 – The Investment Function in Financial-Services Management
Chapter 11 – Liquidity and Reserves Management: Strategies and Policies
- 8 Chapter 12 – Managing and Pricing Deposit Services
Chapter 13 – Managing Non Deposit Liabilities
- 9 Chapter 15 – The Management of Capital and Capital Stress Test
Exam Review
- 10 **Exam #2**
Chapter 14 – Investment Banking, Insurance, and Other Sources of Fee Income
- 11 Chapter 16 – Lending Policies and Procedures Managing Credit Risk
Chapter 17 – Lending to Business Firms and Pricing Business Loans
- 12 Chapter 18 – Lending to Business Firms and Pricing Business Loan
- 13 Chapter 19 – Acquisitions and Mergers
Chapter 20 – International Banking and the future of Banking and Financial Services
- 14 Bank Presentations
- 15 Bank Presentations
Course Review
- 16 **Exam #3**