

NATIONAL UNIVERSITY OF SINGAPORE SCHOOL OF BUSINESS

SYLLABUS: FIN3117 Bank Management

Lecturer : D Dulani Jayasuriya
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Office Hours : By appointment.

Extra office hours will be available before each of the two tests.

Time and Location: Semester 2, 2014/15, 48/BIZ2-0118
Session 1 : Monday 11:00 a.m. – 2:00 p.m.
Session 2 : Monday 2:00 p.m. – 5:00 p.m.

Course Overview:

Banking is a highly profitable business except of course when the international banks fail. You will examine how banking institutions generate earnings and the nature of risks assumed in their operations. Topics to be covered: Why are financial intermediaries special? The role of depository institutions; financial crisis; risk of financial intermediation including interest rate risk, credit risk, off-balance sheet risk, liquidity risk; management of risks, including liquid asset management, liability management, deposit insurance, other liability guarantees, capital adequacy, product and geographic diversification, and loan sales. Objective of this course is to provide the student with the conceptual framework necessary to analyse and comprehend the current problems confronting managers of commercial banks and other depository institutions. The theme which underpins this course is how an international bank can operate profitably; while at the same time manage its risks consistent with both the appetite of shareholders and the requirements of regulatory systems. While this course does not constitute a course in banking regulation, we nonetheless refer extensively to the Basel Capital Accords (which by design apply to “internationally active banks”) to order our thoughts. The course materials do not dwell on the development of financial theories. It is assumed that the student comprehends the basic theoretical concepts of corporate finance, monetary theory, and financial accounting. Each class session will be structured to include lectures, assignments and discussion.

Prerequisites:

-FIN2004 Finance
-FIN3102 Investment Analysis and Portfolio Management
-Students are expected to have some background in basic finance & economic theory, calculus, statistics, and a disposition to keep themselves informed of current developments in the area of banking and finance.

Lecture Notes:

In order to reduce note taking, lecture notes will be available before class.

Reading Materials:

Required Text:

-*Financial Institution Management(FIM): Risk Management Approach*, Saunders, Anthony and Marcia Millon Cornett, 8th Edition, 2014. Chapters covered include: 1, 2, 7, 8, 9, and 11 (skip pages 353-358), 12, 13, 17, 18, 19, 20, 21, and 25. No appendices except Chapter 1 Appendix 1A are required. You may also skip descriptions of financial institutions other than depository institutions.

Additional Text:

- Risk Management and Financial Institutions*, Hull 3rd edition, Wiley, 2012
- Ng, Edward H. K., *Managing Credit Data: Toward Basel II*, manuscript
- Hempel and Simonson, *Bank Management: Text and Cases*, 5th ed., John Wiley, 1999
- MacDonald, S. Scott and Timothy W. Koch Rose, Peter S. and Sylvia C. Hudgins, *Bank Management and Financial Services*, 7th ed., 2008
- Tan, Chwee Hua, *Financial Markets and Institutions in Singapore*, 11th ed. Singapore University Press, 2005

Relevant Web Sites:

- Textbook Website: http://highered.mcgraw-hill.com/sites/0073530751/student_view0/index.html
- The Federal Reserve <http://www.federalreserve.gov/>
- Federal Deposit Insurance Corporation <http://www.fdic.gov/>
- Asiamoney <http://www.asiamoney.com>
- The Asian Wall Street Journal <http://www.awsj.com>
- The Banker <http://www.thebanker.com/>
- The Business Times <http://business-times.asia1.com.sg>
- The Economist <http://www.economist.com>
- Euromoney <http://www.euromoney.com>
- The Financial Times <http://www.ft.com>
- The Wall Street Journal <http://www.wsj.com>

Final Grade Computation/Assessment:

Assessment Task	Weight	Length
Participation	10	
Test 1	25	2 hrs
Test 2	30	3 hrs
Group Project	35	
Total	100	

Tests:

- Test 1 February 21st 2.00 p.m. -4.00 p.m. (tentative, subject to change)
- Test 2 April 18th 2.00 p.m. -5.00 p.m. (tentative, subject to change)
- Will cover materials in the lecture notes.
- Tests consist primarily of multiple choice, detailed calculations and short essay answer questions and students **are required to bring their own calculators**. All tests are closed book.

In-Class Assignments:

There will be 3 class assignments and a random project group will be required to present the answers in class.

Group Project:

- Students are advised to form a working group of not more than **8 students and not less than 6 students**. Each group should write a report and present it in the class. Each group should hand in a work break down log stating which part of the project was covered by which student. Group project work will be peer evaluated by group members as well.
- Each group will be randomly assigned two countries and in the macro analysis will be required to summarize key banking regulations for those countries from 1999-2014.
- For the micro analysis each group should pick a single bank failure or bank crisis or government intervention on a bank and write a report on the same.

-Each group should prepare to present the term paper in **20 minutes** with 3-5 minutes for Q&A. The presentation slides should be submitted before the presentation.

The term paper should be no more than 15 pages (excluding appendix and references) with 1.5 spaces and font no smaller than 11pt. The data source and references should be clearly and completely documented. Detailed description of the project will be provided once students are registered.

-A **“Best Presentation” prize** will be awarded to the group who does the best job in presentation. Each group needs to evaluate the performance of other groups and the Best Presentation prize will be awarded to the group with highest average score from group evaluation and lecture evaluation.

Warning: Plagiarism is taken very seriously.

-Students had been caught plagiarizing in class assignments, term paper, and/or quizzes in this module have been severely penalized. Any student caught cheating in any quizzes will be failed in this course and reported to the school for further penalty.

-If a student is absent from the quiz or late for more than 30 minutes without any medical certificate, there will be no make-up exam and the grade will be counted as zero.

Lecture Calendar(content and lesson order are subject to change):

Week	Lecture Topic	References	Assessment/ Due Date
Week 1	Introduction/2008 Crisis /Bank balance sheet	FIM Chapter 1	
Week 2	Financial Institutions & Monetary Policy	FIM Chapter 2	
Week 3	Interest rate Risk 1	FIM Chapter 8	Assignment 1 (in class group work)
Week 4	Interest rate Risk 2	FIM Chapter 9	
Week 5	Market Risk	FIM Chapter 10	
Week 6	Credit Risk 1	FIM Chapter 11	Test 1:February 21 st 2.00 p.m. - 4.00 p.m. (tentative, subject to change)
Recess Week			
Week 7	Credit Risk 2	FIM Chapter 11	
Week 8	Credit Risk 3	FIM Chapter 12	Assignment 2 (in class group work)
Week 9	Managing Credit Risk	FIM Chapter 23-27	
Week 10	Liquidity Risk	-Basel III Liquidity -FIM Chapter 17, 18	
Week 11	Bank Regulation & Capital adequacy	-Basel III capital -FIM Chapter 20	Assignment 3 (in class group work)
Week 12	Course Review		3 Project Presentations
Week 13	Practise Exam		2 Project Presentations Project Report Due
Week 14			Test 2: April 18 th 2.00 p.m. -5.00 p.m. (tentative, subject to change)