NATIONAL UNIVERSITY OF SINGAPORE
SCHOOL OF BUSINESS

SYLLABUS: FIN3117 BANK MANAGEMENT

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Time and Location Semester 2, 2010/11
Session 1: TBA
Session 2: TBA

Course Objectives
This course builds on basic financial theory and the principles courses in economics. It addresses topics that are important for managing financial institutions in a rapidly changing international environment. Upon successful completion of the course, student should be able to understand the role of financial institutions in the economy; explain why banks are unique, and therefore merit special attention; to understand the analytical foundations underling financial institutions management, and be able to use them to analyze important financial issues, including financial crisis; be familiar with risk management techniques to deal with the various risks banks and other financial institutions face.

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

Weight of Assessment:
Quizzes: 60%
Class Assignments: 15%
Presentation and Term Paper: 15%
Class Participation: 10%

Quizzes:
- Quiz 1: Week 7, 5 Mar 2011, Saturday
- Quiz 2: Week 12, 9 Apr 2011, Saturday
- Some random in-class quizzes

Warning:
- Students should take these quizzes seriously, and 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 exam or late for more than 30 minutes without any medical certificate or other verifiable excuses (subject to the proof of lecturer), there will be no make-up exam and the grade will be counted as zero.
Class Assignment
There are three class assignments. Students may discuss on assignments, but each student should finish the assignment on her or him own and hand in separate answers.

Term Paper and Class Presentation
Students are advised to form a working group of no more than 5 students. Each group should write a term paper and present it in the class. The term paper can be on any topic related to risk management of banking which includes financial crises, online banking, credit derivatives, bank role in economic crises and etc. It can be on any country or region. In addition, a group can also choose to write a paper on a case study related to bank risk management. However, the topic chosen by each group is subject to the approval of the lecturer.

Each group should submit a one-page proposal, which gives the outline the term paper and address the following questions:
   a. What question you would like to answer in this paper?
   b. Why it is interesting?
   c. How would you address this question? That is, the approaches and methods and the source of the data.

If you are writing on a case study, then the following questions should be addresses in your term paper,
   a. What has happened?
   b. How did it happen?
   c. As a bank manager, what can we learn from this case?

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 after the presentation.

The term paper should be no more than 20 pages with double spaces and font no smaller than 10pt. The data source and references should be clearly and completely documented.

Timeline for term paper and presentation
   1. Week 1-3: Form group and choose term paper topic
   2. Week 4: Deadline for sign up a project group and send email with the topic of term paper for approval
   3. Week 5-6: Allocating the presentation slots according to the topics through emails
   4. Week 7: Deadline for submitting term paper proposal
   5. Week 8-13: Presentation of term paper
   6. Week 13: Due date for term paper.

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.

Class Participation
Students are encouraged to actively participate in the class discussion and the Discussion Forum on the course website. Such activities include good comments, questions, articles and even pointing out flaws and typos in class material.
A “Best Question” prize will be awarded to the student who raises interesting questions and/or makes good comments in the class or on the forum.

**Contact**

The most efficient way to contact me is by email, and I will usually reply in 24 hours. Office hour is available by appointment.

**References**

**Required Text:**

**Supplementary Text:**
MacDonald, S. Scott and Timothy W. Koch
Ng, Edward H. K., *Managing Credit Data: Toward Basel II*, manuscript

**Suggested Periodicals:**
Asiamoney [http://www.asiamoney.com](http://www.asiamoney.com)
The Economist [http://www.economist.com](http://www.economist.com)
Euromoney [http://www.euromoney.com](http://www.euromoney.com)
The Financial Times [http://www.ft.com](http://www.ft.com)
Course Outlines

Week 1: Introduction

a. History of Banks
b. Specialness of Financial Institutions
c. Risks of Financial Intermediation
d. Financial Statements and Analysis
Ref: FIM Chapter 1, 7; RMFI Chapter 2
Case Study: Specialness of Financial Institutions

Week 2: Depository Institution and Monetary Policy

a. Monetary Policy
b. Depository Institutions
Ref: FIM Chapter 2, RMFI Chapter 2

Week 3: Interest Rate Risk I, Class Assignment 1 due

a. Factors affect Interest Rate
b. The Repricing Model
Ref: FIM Chapter 8, RMFI Chapter 7
Case Study: Savings and Loans Debacle

Week 4: Interest Rate Risk II,

a. Term Structure and Bond Valuation
b. Book Value vs Market Value Accounting
Ref: FIM Chapter 8B, 9A RMFI Chapter 7, appendix A,B

Week 5: Interest Rate Risk III,

a. The Duration Model
Ref: FIM Chapter 9, 23, 24, 25, 25A, RMFI Chapter 7

Week 6: Interest Rate Risk IV, Class Assignment 2 due

Hedging Interest Risk Using Derivatives
Ref: FIM Chapter 23, 24, 25, 25A

Recess Week: February 19-February 27

Week 7, Mar 5: Market Risk, Term Paper Proposal Due

a. Investment Book vs. Trading book of the Banks
b. Riskmetrics (VaR) Model
c. Historic Simulation
d. Regulatory Model
Ref: FIM Chapter 10, RMFI Chapter 12

Mar 5, Saturday, Quiz 1

Week 8: Credit Risk I, E-Learning Week, course conducted through Webex.

a. Credit Quality Problems in the World
b. Types of Loans and Return on a Loan
c. OBS Activities of Credit
Week 9: Credit Risk II
a. Credit Analysis and Credit Scoring Models
Case study: Credit Analysis
Ref: FIM Chapter 11, RMFI Chapter 14, 15

Week 10: Credit Risks III
Credit Risk of Individual Loans, Quantitative Approaches
Credit Risk of Loan Portfolios
a. Simple Models of Loan Concentration Risk
b. Credit Risk+ Model
c. Loan Portfolio Diversification and Modern Portfolio Theory
Ref: FIM Chapter 12

Week 11: Credit Risks IV, Class Assignment 3 due
Credit Risk of Loan Portfolios
a. Simple Models of Loan Concentration Risk
b. Credit Risk+ Model
c. Loan Portfolio Diversification and Modern Portfolio Theory
Managing Credit Risk:
a. Credit Derivatives
b. ABSs, CDOs and Credit Crunch of 2007
Ref: FIM Chapter 12, 23-27, RMFI Chapter 16

Week 12: Liquidity Risk and Bank Runs,
a. Causes of Liquidity Risk
b. Measure and Management of Liquidity Risk
c. Bank Runs and Current Financial Crisis
Ref: FIM Chapter 17, 18, RMFI Chapter 19

April 16, Saturday, Quiz 2,

Week 13: Capital Adequacy and Basel Accord II
a. Regulatory Models of Market Risk
b. Credit Risk and New Basel Accord II
c. Capital Adequacy Requirement by BIS
d. Scenario Analysis and Stress Testing
Ref: FIM Chapter 20, RMFI Chapter 11, 17, 21

April 22, Friday, Due Date for Term Paper and Class Assignment 4