



COURSE INFORMATION

Course Title:

FIN312 – Management of Financial Institutions

Semester:

Summer 2019

OVERVIEW

FIN312 provides an introduction to the theory and practice of financial institution management in a global context. This course builds on the fundamental finance theory and knowledge that students have learned in core courses and aims to enable students to analyze the management of assets and liabilities of financial institutions by applying concepts from Accounting, Finance, Economics, Law and Quantitative methods.

Besides the introduction of new knowledge, students develop their critical thinking skills through discussion about the special economic roles played by financial institutions in the economy, state-of-the-art risk measurement and management techniques, the management of asset, liability, and liquidity in different financial institutions, securitization, financial regulations, and other timely topics as time permits.

FIN312 includes questions, quiz's and exercises for students being able to think about the course content from different perspectives. Students are expected to actively participate in class discussions to contribute to and benefit from a challenging and engaging education experience. At the same time we include mini-tests and quiz's to accompany steady learning progress. It also requires students to communicate verbally and in writing in English at a level of effectiveness appropriate for business purposes and general conversation.

Students are expected to have taken the core courses in their university programs and have a basic working knowledge of statistics, accounting, derivatives, and portfolio theory. The course will prepare you to participate collaboratively and responsibly in teams for a wide range of careers in the financial industry.

LEARNING OUTCOME

After successful completion of the requirements for this course, students should be able to do if they participate fully in learning activities and successfully complete the assessment items:

- a) Graduates will be able to apply disciplinary knowledge to business situations in a local and global environment;
- b) Graduates will be critical thinkers and effective problem solvers able to identify and research issues in business situations, analyse the issues, and propose appropriate and well-justified solutions;
- c) Graduates will be able to prepare clear concise written documents and deliver oral presentations that are focused and well-structured;



- d) Graduates will participate collaboratively and responsibly in teams, reflect on team's processes and team ability to achieve outcomes;
- e) Graduates will have a sound awareness and be able to identify and assess ethical, environmental and/or sustainability considerations in business decision-making and practice and also identify social and cultural implications of business situations

PREREQUISITES

Graduates should have current disciplinary or interdisciplinary knowledge, critical thinking and problem-solving skills and be able produce written documents that communicate complex disciplinary ideas. Other skills should include the capacity to give professional oral presentations, be effective team participants and have a sound awareness of ethical, social, cultural and environmental issues and identify social and cultural implications of business and management practice.

CLASS HOURS

Class Times: Monday to Friday, 180 minutes each day, each week there will be a one-hour discussion session.

LEARNING RESOURCES

Textbook:

Anthony Saunders, Marcia Cornett, "*Financial Institutions Management – A Risk Management Approach*", 8th Edition, McGraw-Hill 2014 Other References:

Lange et al., "*Financial Institutions Management*", 4th edition, McGraw-Hill 2015. (This book provides some institutional details for Australian financial institutions but otherwise is the same as the prescribed textbook.)

Hull, "*Risk Management and Financial Institutions*", 3rd edition, Wiley, 2012

Greenbaum and Thakor, "*Contemporary Financial Intermediation*", 2nd edition, Academic Press, 2007

Additional reading:

- a) Rose, P.S. and Hudgins, S.C. (2008) *Bank Management & Financial Services*, 7/e, McGraw Hill.
- b) Gardner, M.J., Mills, D.L. and Cooperman, E.S. (2005) *Managing Financial Institutions*, 5/e, Thomson South-Western.
- c) Annual reports of various financial institutions. Articles from US Federal Reserve, Bank for International Settlement, Hong Kong Monetary Authority, and various newspapers such as Financial Times.



WEEKLY SCHEDULE			
Week	Day	Topic	Reading
1	1	<i>Introduction</i>	Chapters 1-4-7
	2	<i>Interest Rate Risk I</i>	Chapter 8
	3	<i>Interest Rate Risk II</i>	Chapter 9
	4	Mini Test - Quiz <i>Individual Loan Risk</i>	Chapter 10
	5	<i>Loan Portfolio Risk</i>	
2	1	<i>Foreign Exchange Risk</i>	Chapters 11, 13
	2	Project Selection <i>Market Risk</i> Mini Test - Quiz	Chapter 15
	3	Mid-Term Exam	
	4	<i>Sovereign Risk Liquidity Risk I</i>	Chapters 12, 14
	5	<i>Liquidity Risk II</i>	Chapters 18, 19
3	1	Mini Test - Quiz <i>Liquidity Risk II</i>	Chapter 20
	2	<i>Capital Adequacy</i>	Chapter 26
	3	Mini-Project Presentation and Submission	
	4	Course Review <i>Self-Study</i>	
	5	Final Exam	
ASSESSMENT			
Assessment Task			Weight
Class participation			10%
Quizzes and Tests			20%
Mid-term Exam			20%



Assignment(s), Mini-project	20%
Final Exam	30%
Total	100%

ASSESSMENT METHODS TO ACHIEVE LEARNING OUTCOMES:

The subject focuses on knowledge, skill and understanding of **financial decision-making and management of financial institutions**, thus, **Exam-based assessment** is the most appropriate assessment method, including 20% mini-test and quiz's and 50% examination including the project and presentation. Moreover, 20% worth of assignments/mini-project are included as a component of continuous assessment so as to keep students in progress.

Continuous Assessment comprises of assignments and/or mini-project, and tests.

The **mid-term exam** will be closed-book, no notes. You should bring a basic calculator (not a programmable calculator). The exam will contain a mix of theoretical questions and applied questions.

The **Final exam** will be closed-book, no notes. You should bring a basic calculator (not a programmable calculator). The final exam covers materials from week 1 through week 3. It will be 2 hours long, closed book with a mixture of multiple choice (MC) and open questions.

To pass this subject, students are required to obtain Grade D or above in **both** the Continuous Assessment and Examination components in order to satisfy all the intended learning outcomes.

HOMEWORK, CLASS ATTENDANCE, AND PARTICIPATION

Students are required to attend all classes and participate actively. Students should treat their classroom obligations as they would treat any serious professional engagement. Your participation grade (10% of the total course grade) will be based on the instructor's assessment of how well you contribute to classroom dynamics relative to your class peers; each class member is expected and encouraged to contribute to the dialogue or discussion. It is important that you read the assigned readings as background information on the issue/topic *before* each class session. The classroom will provide you with an opportunity to present your views and opinions on the topics under discussion, and to help you refine your knowledge and perspective of cross-border management based on these interactions.

Please note the following: In case of an absence, the student is responsible for the materials and assignments for that class; it is the student's responsibility to contact the course Teaching Assistant regarding absences and assignments that are missed. Students must submit a one-page write-up summarizing any assigned textbook chapter reading for each missed session; this will be due within one week of the missed session. Unexcused absence from five or more scheduled class sessions (which is a total of 33% of this course) will be *grounds for failure*. If you do have to miss class due to a personal



emergency, please let the Teaching Assistant know as soon as possible. Such emergencies will be dealt with on a case-by-case basis.

Participation grades will be based on quality (an in-class performance that reflects intellectual depth, insightfulness, and contribution to class learning) and quantity (consistency and regularity of performance). Quality counts more. However, one cannot make quality comments without at least some degree of participation, so in this respect quantity will have some weight. But do keep in mind the following when considering your participation in class discussions: sometimes it's better to remain silent and have others think you are unprepared or a bit dim, rather than speaking out and confirming those suspicions.

Accordingly, you are expected to come fully prepared and ready to participate in every class. Be prepared to be called upon to “open” a class discussion by presenting your full analysis and thoughts on the assigned topic at the start of class, or to be asked through a “cold call” for comment in the midst of the discussion.

The grading of class participation is necessarily a subjective exercise. However, high-quality comments have one or more of the following characteristics: **(1) insightfulness, (2) appropriate application of course concepts, and (3) advancement of the in-class discussion at hand.** Some specific criteria for evaluating discussion contributions are:

- Does the student demonstrate an eagerness to participate?
- Is the student a good listener? Does he/she build on others’ comments?
- Is the student willing to interact with other class members?
- Are the points made relevant to the discussion? Are they linked to others’ comments?
- Do comments demonstrate evidence of in-depth analysis of the case?
- Do comments add to our understanding of the situation?
- Do comments make a substantive contribution to the advancement of our analysis?
- Is there a willingness to test new ideas, or are the comments “safe?”
- Do comments show an understanding of concepts or analytical techniques properly applied to the current situation?
- Is the student presenting insightful quantitative analysis (when required)?
- Is the student demonstrating ethical considerations and insights?

ONE-PAGE WRITTEN PAPERS

Each student must submit a one-page written paper at the end of each of the first two weeks, on a given question (drawn from a set of alternatives) provided by the instructor. The questions for the paper will be provided on the first day of class; the second weekly questions will be provided at the end of the prior week.

TWO CASE STUDIES

Students will be assigned to a small group and each of these group will make an in-class presentation of a case related to the application of Cost-Benefit Analysis in a discussion session. Details of the topic to be examined and expectations of the presentation (e.g., duration and format) will be provided in class.



MID-TERM AND FINAL EXAMINATION

There will be one in-class mid-term examination and an in-class final examination, each of which accounts for 30% of the total course grade. The mid-term examination will be administered during the middle of the second week, and the final examination at the end of the course. Details of exam contents and format etc. will be announced in class well before the examination date.

***Deferred Examinations:** If students are unable to attend a scheduled exam (e.g. due to illness or other unavoidable circumstances which can be proved – e.g. medical certificate), they may be eligible to take a deferred examination at a later time.

COURSE GRADING

Upon completion of this course, you receive a final grade. A final grade is a letter grade that carries with it a numerical value, as outlined below.

	Grade	Percentage	
	A	80-100	
	B	70-79	
	C	60-69	
	D	50-59	
	E	0-49	

ACADEMIC INTEGRITY

The academic ethics codes of the school are applied in this class. Any egregious violations of the code, such as cheating on examinations or submitting written work that is not original with the student, will be grounds for failure in this course. You may consult with appropriate university officials for details regarding the code.

DISABILITY ACCOMMODATION

Any student who needs special accommodation due to the impact of a disability should contact the instructor and/or the university within the first week of the class.