

SYLLABUS: FI323 BANK MANAGEMENT

Time and Location:

- Thursdays 2:00 pm – 3:40pm in Xin Shang Yuan (新上院) S410
- Thursdays 4:00 pm – 5:40pm in Xin Shang Yuan (新上院) S410

Office Hour and Contact:

- Office Hour: Fridays 13:00-16:00 pm or by appointment.
 - The most efficient way to contact me is by email or wechat group, and I will usually reply in 24 hours.
 - Email: nanli@sjtu.edu.cn
- Office Location: ACEM, B705
- Course Website:
 - <http://www.nanlifinance.org/fi323-bank-management.html>
 - BlackBoard: <https://bbacem.sjtu.edu.cn/> (wait for the manager to enroll you)
 - Wechat group
- Teaching Assistants:
 - Mr. Haibo Wu, haibowu@sjtu.edu.cn
 - Ms. Yingwei Xu, ivy_yingwei@163.com



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 foundation underlying 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:

- FI100 Finance
- FI005 Money and Banking
- 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.
- Note: Please make sure you have adequate background in analytics, linear algebra, statistics, economics and finance. This is a course in finance, with focus on the risk management and quantitative analysis. This course is NOT suitable for students without any training in economics, statistics, analytics or linear algebra.

Textbooks and References:

Textbook:

- Saunders and Cornett, *Financial Institutions Management: A Risk Management Approach*, 8th edition/International Edition, McGraw Hill, 2014 (FIM)
- Peter S. Rose and Sylvia C. Hudgins, *Bank Management and Financial Services*, 9th Edition, International Edition, McGraw-Hill, 2013 (BMFS)
 - Peter S. Rose and Sylvia C. Hudgins, *Bank Management and Financial Services*, 9th Edition (英文缩减影印版), 中国人民大学出版社
 - Peter S. Rose and Sylvia C. Hudgins, *Bank Management and Financial Services* (中文版), 9th Edition, 机械工业出版社, 2016

Reference book:

- John C. Hull, *Risk Management and Financial Institutions*, Second Edition, Pearson, 2010

Weight of Assessment:

- Final Exam : 40%
- Class Assignments : 30%

- Presentation and Term Paper : 20%
- Class Participation : 10%

Warning:

- *Plagiarism is taken very seriously. Students caught plagiarizing in class assignments, term paper, and/or exams in this course have been severely penalized. Any student caught cheating in the final exam will be failed in this course and reported to the school for further penalty.*

Class Assignment:

There will be 3-4 class assignments. Students are encouraged to 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. Each group can choose to write a paper on a case study from the list given in the syllabus or a topic related to bank risk management. However, the topic chosen by each group is subject to the approval of the lecturer.

Note: I expect each group to apply the methods/theory learned in the class to analyze the case or topic of your choice. Simple review of the case or literature review of a topic will result in low score.

The following questions should be addressed in your term paper if a case study is chosen,

- a. What has happened and how did it happen?
- b. To your opinion, what are the specific risks involved? You need to present arguments based on data or facts to support your opinion.
- c. As a bank manager, what lesson in can we learn from this case?

The following questions should be addressed in your term paper if self-selected topic is chosen,

- a. What is the question or problem?
- b. Why this question is important or interesting?
- c. How do you address this question, i.e. empirical analysis or theoretical analysis?

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

Timeline for term paper and presentation(subject to change)

1. Week 3-5: Form group and decide on term paper topic
2. Week 7: Bid for the case study and allocation of the topic.
3. Week 9-16: Presentation of term paper
4. On the day of Final Exam: 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.

Class Participation:

Students are encouraged to actively participate in the class discussion. 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.

List of the Case Study and Research Topics:

- AIG, Allied Irish Bank, Bankers Trust, Barings Bank, China Aviation Oil, Continental Illinois, Daiwa Bank, Lehman Brothers, LTCM, Soci ́ G ́ n ́ rale, Washington Mutual Fund, Norther Rock, UBS Rogue Trader (2011), Citibank in 2008
- Online Banking, Mobile Payment, Micro Finance, Bitcoin, FinTech, and etc.

Suggested Periodicals:

- Asiamoney www.asiamoney.com
- The Asian Wall Street Journal www.awsj.com
- The Banker www.thebanker.com/
- The Business Times business-times.asia1.com.sg
- The Economist www.economist.com
- Euromoney www.euromoney.com
- The Financial Times www.ft.com
- The Financial Times Chinese www.ftchinese.com
- The Wall Street Journal www.wsj.com

Useful Links:

- Federal Reserve
- Federal Deposit Insurance Corporation
- Monetary Authority of Singapore
- China Bank Regulatory Commission
- China Bank Regulatory Commission (English)
- The People's Bank of China
- The People's Bank of China (English)
- China Security Regulatory Commission
- China Security Regulatory Commission(English)
- Data Library of ACEM: <http://202.120.22.10:8080/antai/index>
- Data subscription of ACEM: <http://202.120.22.10:8080/en-antai/resource/0506>

Course Outlines (subject to revision):

Week 1-2: Why are Financial Institutions Special?

Ref: FIM Chapter 1, 7; BMFS Chapter 1

Case: *Saving and Loan Debacles*

Week 3: Organization, Structure and Changing Dynamics of Banking Industry

Ref: FIM Chapter 1, 2, Appendix 1A; BMFS Chapter 3,

Case: **Credit Crisis**

Week 4: Regulations and Performance Evaluation of Banks

Ref: FIM Chapter 1, 2, 1A 2A-2D; BMFS Chapter 2, 5, 6

Week 5: Monetary Policy and Liquidity Management

Ref: FIM Chapter 1B, 12, 18, 19; BMFS Chapter 11, 12, 13

Week 6: April 5, No Class, Public Holiday

Week 7-8: Interest Rate Risk

Ref: FIM Chapter 8, 8B, 9, 9A; BMFS Chapter 7, 10

Case: *Orange County*

Week 9: Market Risk

Ref: FIM Chapter 15

Case: *Orange County*

Week 10-13: Credit Risk

Ref: FIM Chapter 10, 11, 10A, 10B, 11A, 11B; BSFM Chapter 16, 17, 18;

Case Study: *Credit Analysis*

Case: *Student Presentation*

Week 14-15: Hedging Risk with Derivatives

Ref: FIM Chapter 22-26; BSFM Chapter 8, 9; 23, 24, 25, 26

Case: *Student Presentation*

Week 16: Capital Adequacy

Ref: FIM Chapter 20; BSFM Chapter 15

Case: *Student Presentation*