

DEREE COLLEGE SYLLABUS FOR: FN 4451 COMMERCIAL BANK MANAGEMENT

(Previously FN 4351 Commercial Bank Management)

UK LEVEL: 6**UK CREDITS: 15**

(Updated Fall 2021)

US CREDITS: 3/0/3**PREREQUISITES:**

AF 2007 Financial accounting
 FN 2128 Principles of Finance
 EC/FN 3046 Investment Analysis and Management I
 FN 3213 Corporate Finance

CATALOG DESCRIPTION:

The special role of financial institutions in the market, and how it relates to the regulatory framework under which commercial and investment banks operate.

RATIONALE:

The course examines the key risks of financial institutions (market, credit, liquidity, pre-payment risks) and the importance of Asset-Liability management. Students will be exposed to key trends and changes that take place in the banking sector, the current problems confronting managers in banking, and become familiar with the various career opportunities in the industry.

LEARNING OUTCOMES:

As a result of taking this course, the student should be able to:

1. Critically evaluate the role of financial institutions in the economy, their structure, and the regulatory environment in which they operate, as well as the implication of regulations in the structure of capital.
2. Discuss the analytical foundations related to the asset-liability management (ALM) of financial institutions, the risks involved, and the impact on the valuation of financial institutions.
3. Analyse and evaluate the management of the lending, investment, and trading activities of financial institutions, the related risks and the management of these risks. Understand the role and the risks of off-balance sheet activities.
4. Assess the role of capital in financial institutions and the importance of capital management.

METHOD OF TEACHING AND LEARNING:

In congruence with the teaching and learning strategy of the college, the following tools are used:

- In class exercises and real-life examples that help lecturer to illustrate basic concepts, and techniques and involve the use of spreadsheet application
- In class discussion using interactive cases that aim to enhance students' analytical and critical capabilities as well as their communication skills. Students are expected to be prepared and they are encouraged to present their views and answers to their peers
- Use of concept maps to provide an overview of topics discussed
- Group discussion - students are divided into groups to perform short research activities that involve the use of web search or the use of financial data bases
- Blackboard - use of material made available online
- Access to Bloomberg terminals and use of news functions and analytics during class presentations.

ASSESSMENT:**Summative:**

1 st assessment: Individual Coursework (2,600-2,800 words)	50%
2 nd assessment: Written Examination (2-hour written close book examination)	50%

Formative:

1 Written assessment	0%
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The formative assessment aims to prepare students for the examination.

The 1st assessment tests all Learning Outcomes with emphasis in developing research skills.

The 2nd assessment tests all Learning Outcomes with emphasis on Learning Outcome 2 and 4.

The final grade for this module will be determined by averaging all summative assessment grades, based on the predetermined weights for each assessment. If students pass the comprehensive assessment that tests all Learning Outcomes for this module and the average grade for the module is 40 or higher, students are not required to resit any failed assessments.

INDICATIVE READING:**REQUIRED READING:**

Sounders, A. and Cornett, M. M. (2014). Financial Institutions Management. McGraw Hill

RECOMMENDED READING:

Acharya, V and O Merrouche (2013). Precautionary hoarding of liquidity and interbank markets: evidence from the sub-prime crisis. *Review of Finance*, Vol., 17, (1), pp 107-160.

Acharya, V. and Mora, N. (2012). Are banks passive liquidity backstops? Deposit rates and flows during the 2007–2009 crisis. NYU Working Paper, no FIN-11-031.

Afonso, G, Kovner, A. and Schoar, A. (2010). Stressed, not frozen: the Federal Funds market in the financial crisis. NBER Working Paper, no 15806.

Allen, F. Carletti, E. and Gale, D. (2009). Interbank market liquidity and central bank intervention. *Journal of Monetary Economics*, Vol., 56, (5), pp 639–52.

Angelini, P and P Nobili (2012). The interbank market after August 2007: what has changed, and why?. *Journal of Money, Credit and Banking*, Vol., 43, (5), pp 923–58.

Cornett, M, J. McNutt, Strahan, P. and Tehranian, H. (2011). Liquidity risk management and credit supply in the financial crisis. *Journal of Financial Economics*, Vol., 101, (2), pp 297–312.

	<p>Freixas, X. and Holthausen, C. (2005). Interbank market integration under asymmetric information. <i>Review of Financial Studies</i>, Vol., 18, (2), pp 459–90.</p> <p>Gatev, E. Schuermann, T. and Strahan, P. (2009). Managing bank liquidity risk: how deposit-loan synergies vary with market conditions. <i>Review of Financial Studies</i>, Vol., 22, (3), pp 995–1020.</p> <p>Goldsmith-Pinkham, P. and Yorulmazer, T. (2010). Liquidity, bank runs, and bailouts: spillover effects during the Northern Rock episode. <i>Journal of Financial Services Research</i>, Vol., 37, (2), pp 83–98.</p> <p>Gup B. E. and Kolari, W. (2005) <i>Commercial Banking: The Management of risk</i>, Wiley.</p> <p>Holmström, B. and Tirole, J. (1998). Private and public supply of liquidity. <i>Journal of Political Economy</i>, Vol., 106, (1), pp 1–40.</p> <p>Huang, R. Ratnovski, L. (2011). The dark side of wholesale funding. <i>Journal of Financial Intermediation</i>, Vol., 20, (2), pp 248–63.</p> <p>James, C. (1991). The losses realized in bank failures. <i>Journal of Finance</i>, Vol., 46, (4), pp 1223–42.</p> <p>Pennacchi, G. (2006). Deposit insurance, bank regulation, and financial system risks. <i>Journal of Monetary Economics</i>, Vol., 53, (1), pp 1–30.</p> <p>Shin, H. S. (2009). Reflections on Northern Rock: the bank run that heralded the global financial crisis. <i>Journal of Economic Perspectives</i>, Vol., 23, (1), pp 101–19.</p>
<p>INDICATIVE MATERIAL: (e.g. audiovisual, digital material, etc.)</p>	<p>REQUIRED MATERIAL: N/A</p> <p>RECOMMENDED MATERIAL: N/A</p>
<p>COMMUNICATION REQUIREMENTS:</p>	<p>Research proposal and a pilot study for a given topic submitted in Word.</p> <p>Participation in class discussions should be delivered in a professional manner, using appropriate terminology and communication skills and techniques.</p>
<p>SOFTWARE REQUIREMENTS:</p>	<p>MS Office, Internet, Blackboard, Financial Data Bases</p>
<p>WWW RESOURCES:</p>	<p>www.bloomberg.com</p> <p>www.bis.org</p> <p>www.ecb.europa.eu</p> <p>www.eba.europa.eu</p> <p>www.federalreserve.gov</p>
<p>INDICATIVE CONTENT:</p>	<ul style="list-style-type: none"> • History of banks and depository institutions. Functions and forms of banking. The bank regulatory environment and the implications on the banking business model. • Evaluation of bank performance and valuation issues related to banks.

	<ul style="list-style-type: none">• Asset-Liability management of financial institutions and management of the risks involved.• Management of lending and investment activities, and the related risks.• Securitisations and off-balance sheet activities.
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