

FINS3630

BANK FINANCIAL MANAGEMENT

Session 1, 2005
School of Banking & Finance
Faculty of Commerce & Economics
University of NSW

Lecturers

Professor Fariborz Moshirian (FM) Consultation hours: Tue 1pm-2pm
(Lecturer-in-Charge)
QUAD. 3064
Email: F.Moshirian@unsw.edu.au

Dr Peter Pham (PP) Consultation hours: Tue 1pm-2pm
QUAD. 3040
Email: P.Pham@unsw.edu.au

Dr Eliza Wu (EW) Consultation hours: Mon 3pm-4pm
QUAD. 3060
Email: E.Wu@unsw.edu.au

Lecture Time

TUESDAY

11am-1pm

Room

Science Theatre

THE UNIVERSITY OF NEW SOUTH WALES
SCHOOL OF BANKING AND FINANCE

FINS3630 BANK FINANCIAL MANAGEMENT

Accreditation

The Australian Institute of Banking and Finance (AIBF) is the principal professional association for the banking and financial services industry in Australia. The AIBF has recently changed its policies concerning graduate and full-time student membership. For further information, contact:

Australian Institute of Banking and Finance
19/385 Bourke Street
Melbourne, Victoria 3000.
Tel (03) 9602-5811

Prerequisites

Prerequisite for this course is FINS1613 or FINS2613 Business Finance.

Course Objectives

The unifying theme in this subject is the application of modern finance theory to the financial decision making and management of banks and non-bank financial institutions. The subject of bank and financial institution decision-making is approached from a risk perspective. The course covers the major decision areas for financial institutional management within the framework of a regulatory and "corporate responsible" environment. The main topics covered are bank risk and its management including interest rate risk, off-balance-sheet risk, credit risk, liquidity risk and operating risk.

At the conclusion of the course students are expected to be able to:

1. Identify the main types of risk confronted by financial institutions;
2. Apply relevant techniques to measure and manage those risks; and
3. Engage in informed discussion of some of the contemporary issues in an international context, affecting financial institutions and their owners, managers, employees and customers.

Pedagogy

The text for the subject, Anthony Saunders and Marcia Cornett, Financial Institutions Management - A Risk Management Approach, 4th (international) Edition, McGraw-Hill, 2003.

The 2 hours of lectures each week will complement the compulsory text and readings for the course by reinforcing the analytical material in the required readings, by introducing relevant material not adequately covered in the text, and by drawing on recent developments in financial institutions and their management through newspaper clippings.

In addition to the lectures, beginning in week 2 of the course, students are required to attend a weekly tutorial. The tutorials will support the lecture program and involve working through the solutions of problems and questions to assist in understanding the risk management techniques. The tutorial problems/exercises as well as solutions can be downloaded from the School of Banking & Finance website (WebCT).

Students are required to register in one of the following tutorial options:

T01a	Mon	10:00	11:00	QUAD G054
T02a	Mon	11:00	12:00	EE 220
T03a	Mon	14:00	15:00	QUAD G026
T06b	Tue	10:00	11:00	QUAD G040
T07a	Tue	13:00	14:00	QUAD 1046
T08a	Tue	14:00	15:00	OMB 113
T09a	Wed	10:00	11:00	QUAD G053
T10a	Wed	14:00	15:00	QUAD 1042

Tutor in charge: Mr Lyndsen Kow (l.kow@unsw.edu.au) Room QUAD 3054

Assessment

The assessment for the course will take the form of a 2 hour exam in week 10 and a 3 hour final exam

All lecture material, tutorial material, and required reading will be examinable. Other compulsory reading may be advised in class.

WEEK 10 EXAM 40 marks

FINAL EXAM 60 marks

Note that students are able to drop courses without penalty (though fees are payable) prior to the end of Week 8.

Special Consideration

Attention is drawn to the following extract from the University of New South Wales Calendar "Procedures":

"Students who believe that their performance in a subject, either during session or in an examination, has been adversely affected by sickness or any other reason should inform the Registrar and apply for special consideration in the determination of their standing. The application must be made on the 'Application for Special Consideration' form

available from the Student Centre. This application explains the specific information the University requires in order to make a decision.

Such requests should be lodged as soon as practicable after the occurrence and in any event no more than seven days after the final examination in a subject."

A photocopy of all material supporting an application for special consideration, as lodged with the Registrar, must also be provided to the Lecturer-in-Charge within seven (7) days of any event for which special consideration is sought.

Students should be aware that 'minor' ailments are not eligible grounds for special consideration. Any unsubstantiated request for special consideration will be considered to be 'minor'.

Students are expected to complete their work in a timely manner so that an illness in the last few days will not jeopardise the submission of their assignment. Such illness will not constitute grounds for special consideration.

Supplementary Examinations

Please note the following policy of the Faculty of Commerce and Economics concerning supplementary examinations:

the lodging of applications for special consideration does not guarantee that supplementary assessments will be granted. ---- It is the responsibility of the students who apply for special consideration to be available for supplementary assessments during the specified period (holiday plans are not sufficient reason for non-availability).

Supplementary exams may involve an oral examination as well as the written exam. If a student is granted a supplementary examination but does not attend that supplementary examination, he/she will not be granted further assessment except in exceptional circumstances.

Students are advised that if they are intending to travel overseas at the end of the session/year, they should consider taking out travel insurance which allows supplementary examinations as valid circumstances for canceling travel.

Academic Misconduct

Attention is drawn to the following extract from the University of New South Wales Calendar "Procedures":

Academic Misconduct

Students are reminded that the University regards academic misconduct as a very serious matter. Students found guilty of academic misconduct are usually excluded from the University for two (2) years. Because of the circumstances in individual cases, the period of exclusion can range from one session to permanent exclusion from the University.

The following are some of the actions which have resulted in students being found guilty of academic misconduct in recent years:

1. taking unauthorised materials into an examination;
2. submitting work for assessment knowing it to be the work of another person;
3. improperly obtaining prior knowledge of an examination paper and using that knowledge in the examination;
4. failing to acknowledge the source of material in an assignment.

Code of Conduct

While casual conversation related to class material is acceptable, continued distractions caused by one or a group of students will not be tolerated. Such distractions reduce the ability of the lecturer to deliver material and, furthermore, reduce the ability of students to comprehend the material. This provides for a less-than-optimal learning environment, which is not acceptable.

The Educational development Unit (EDU)

Additional learning and language support is available from the Education Development Unit (EDU) in the Faculty. The EDU provides individual and small group consultations, academic skills workshops, discipline-specific support workshops and a range of study skills resource materials and handouts. Students requiring advice and assistance with assignment writing, academic reading and note-taking, oral presentation, study skills or other learning needs are advised to drop in or contact the learning advisers in the Unit which is located in Level 2 of the Quadrangle Building.

The service is free and available only to students in this Faculty. Students are encouraged to take full advantage of this extra support.

Text

Anthony Saunders and Marcia Cornett, Financial Institutions Management - A Risk Management Approach, 4th (international) Edition, McGraw-Hill, 2003.

References

S.J. Geenbaum and A.V. Thakor, Contemporary Financial Intermediation, The Dryden Press, 1995.

W. Hogan et al., Management of Financial Institutions, John Wiley and Sons Australia, 2001.

LECTURE OUTLINE & REQUIRED READING

Topics and reading guides

In order to download **a free copy** of the following articles, you should first go to the Library website (Periodicals, Sirius and then go to E-Journals and then search for the name of the relevant journal).

International Financial Stability

Elements of Global Financial Stability, Journal of Multinational Financial Management, Vol 14, nos 4 and 5, 2004

Markets and Institutions: Global Perspectives,

F. Moshirian, Financial Services: Global Perspectives, The Journal of Banking and Finance, Vol 28, no 2, pp 269-276, 2004

Mid-session and Final examinations

The mid-session exam will be held in week 10 and will cover lecture material up to and including that covered in week 6.

The mid session exam will be held in the same main lecture room (ie, Science Theatre) that the class is held in.

The mid-session exam will from 11am to 1pm on 10 May.

The final examination will cover the material not included in the mid-session examination.

Week 1 (FM) Introduction and overview of the international financial system including the depository Institutions
Saunders Chapter 2.

Uniqueness of international Financial Institutions and a Framework for Risk Analysis.
Saunders, chapter 1

Week 2 (FM) The international financial services industry: Securities Firms and Investment Banks, Funds Management and Finance Companies I
Saunders, chapters 4, 5, and 6.

Week 3 (FM) Moshirian, F, ***Financial Services: Global Perspectives***, the Journal of Banking and Finance, no, 2, pp- 269-276, 2004
Funds Management and Finance Companies II
Risk of Financial Intermediation
Saunders, Chapters 5, 6 & 7

Measuring International Risk

Week 4 (FM) Interest Rate Risk Measurement I
Saunders, chapters 8 & 9

Week 5 (FM) Interest Rate Risk Measurement II
Chapter 9
Market Risk Measurement,
Saunders, Chapters 10

Week 6 (FM) Individual Loan Risk Measurement, Credit Risk: Loan Portfolios and Concentration Risk Measurement
Saunders, Chapters, 11 and 12

Week 7 (FM) Credit Risk Management
Saunders Ch 12

Managing International Risk

Week 8 (FM) Off Balance Sheet Activities
International Operational and Technology Risk
Saunders Chapters 13 and 14

Week 9 (FM)	Foreign Exchange Risk Measurement International Sovereign Risk Saunders, Chapters 15, 16, 17 Moshirian, F, <i>Elements of Global Financial Stability</i>, Journal of Multinational Financial Management, Vol 14, nos 4 and 5, 2004
Week 10 (FM)	MID SESSION EXAM 10 May 2005 Science Tht Tue 11am-1pm
Week 11 (PP)	Liquidity Risk and International Liability and Liquidity Management as well as Deposit insurance Saunders chapters 17, 18 and 19
Week 12 (PP)	Deposit Insurance and other Liability Guarantees Capital Adequacy, Saunders, chapters 19 & 20 Product Diversification and International Diversification Saunders, Chapter 23
Week 13 (EW)	International Securitisation and Loan Sales and other Credit Risk Management Techniques Saunders, chapters 27 & 28
Week 14 (EW)	Review