

THE UNIVERSITY OF
NEW SOUTH WALES



Australian School of Business
School of Banking and Finance

FINS 5530
FINANCIAL INSTITUTIONS MANAGEMENT

COURSE OUTLINE
SESSION 2, 2007

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1. COURSE STAFF

Lecturers:

Dr Eliza Wu (lecturer-in-charge)

Room: 3060 in Quadrangle Building, 307 in Heffron Building

Tel no.: 9385 5889

Email: e.wu@unsw.edu.au

Consultation: Monday 5-6pm and Tuesday 5-6pm

Mr Vic Edwards

Room: Quad3047, Heffron353

Tel no.: 9385 5860

Email: v.edwards@unsw.edu.au

Consultation: Tuesday 11 – 12 noon and Wednesday 10 – 11a.m.

1.1 Communication with Staff

Students with queries regarding course administration or lecture contents should:

- Check WebCT Vista site and their UNSW student email accounts
- See lecturer responsible during his/her consultation times
- Email the lecturer using your UNSW student email address

2. INFORMATION ABOUT THE COURSE

2.1 Teaching times and Locations

Lectures:

Tuesday	2 – 5 pm	Room: Mathews D
Tuesday	6 – 9 pm	Room: CLB6

2.2 Units of Credit

This course has 6 units of credit and 3 contact hours per week.

2.3 Relationship of this course to other course offerings

This course provides students with an understanding of the role of financial institutions which is essential for those who will either be working for these financial institutions or dealing with them as the recipients of their services. The course provides a link between Finance and Banking and provides opportunities for students to understand the interaction between corporations, government, regulators and financial institutions. This course is essential for those who specialise in finance, international finance, funds management, banking and investment banking, as knowledge of the management and operations of financial institutions provides a deeper understanding of both local and international lending, credit and project financing.

2.4 Prerequisites

The PREREQUISITE or CO-REQUISITE for this course is FINS5513 Security Valuation and Portfolio Selection.

2.5 Approach to learning and teaching

As an M.Com course, independent learning from students is expected. The course will draw on concepts, issues and practical information from textbooks, academic and financial press articles, as well as websites of relevant financial services regulators. Students are therefore required to read and understand these materials and their relevance. Students are also expected to extend and apply their knowledge acquired in the lecture to current issues discussed in the financial press. It is essential that students actively participate in class and raise questions regarding areas where further reviews are necessary.

3. COURSE AIMS AND OUTCOMES

3.1 Course Aims

The unifying theme in this course 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, foreign exchange risk and operational risk.

3.2 Student Learning Outcomes

At the conclusion of the course students are expected to be able to within an Australian an international context:

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

3.3 Teaching Strategies

The 3 hours of lectures each week will complement the compulsory text and readings for the course by (1) outlining the main issues relevant to the topic, (2) reinforcing the analytical material in the required readings, (3) introducing relevant material not adequately covered in the text, and (4) drawing on recent developments in financial institutions and their management. Mr. Edwards (second half of the course) will also have Mock Business Presentations/Seminars on specific topics and a Group Assignment Project to reinforce (1) to (4) above.

Students are encouraged to attempt to answer the end-of-chapter questions for self-review.

4. STUDENT RESPONSIBILITIES AND CONDUCT

4.1 Workload

It is expected that you will spend at least **ten hours** per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to complete assignments or prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

4.2 Attendance

Lectures: your regular and punctual attendance at lectures is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.

4.3 General Conduct and Behaviour

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on a mobile phone, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: www.my.unsw.edu.au

4.4 Keeping informed

You should take note of all announcements made in lectures, tutorials or on the course web site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information.

5. LEARNING ASSESSMENT

5.1 Formal Requirements

In order to pass this course, you must:

- achieve a composite mark of at least 50.

5.2 Assessment Details

Assessments

Mid-session Examination	50%
Mock Boardroom Presentation and Participation	15% (Second half of course only)
Major Assignment	15% (Second half of course)
Final Examination	20%
Total Assessment	100%

The mid-session exam will be held in week 7 and will cover lecture material up to and including that covered in week 6.

The mid-session exam for both streams will be from 6pm (2 hours) in Week 7 (4 September 2007). **The Venue will be advertised later. There will not be any lecture in week 7.**

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

In both exams, students will be assessed with a mix of problem-based and conceptual questions.

A separate notice will be circulated to you on the format and evaluation of the Mock Boardroom Presentations and the Assignment.

5.5 Special Consideration and Supplementary examinations

Information and policy about special consideration and supplementary examinations – it is recommended that there is a standard School policy, which is available on the School website and referred to in the course outline. UNSW Policy and information on special consideration, including supplementary exams can be found at: <https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>

An *example* of words about special consideration for course outlines follows. These words could be used and/or modified to suit the policies/processes within your School:

UNSW policy and process for Special Consideration applies (see <https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>). Specifically:

- Applications for special consideration (including supplementary examinations) must go through UNSW Central administration (within 3 working days of the assessment to which it refers) – applications will **not** be accepted by teaching staff;
- Applying for special consideration does not automatically mean that you will be granted additional assessment or that you will be awarded an amended result;
- If you are making an application for special consideration (through UNSW Central Administration) please notify your Lecturer in Charge;
- Please note: a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

6. STUDENT RESOURCES

6.1 Course Resources

- Prescribed text: Anthony Saunders and Marcia Cornett, Financial Institutions Management - A Risk Management Approach, 5th (international) Edition, McGraw-Hill, 2005
- Supplementary texts:

- Helen Lange, Anthony Saunders, John Anderson, Dianne Thomson and Marcia Millon Cornett, *Financial Institutions Management*, 2nd Edition, McGraw-Hill Irwin, 2007
- Tom Valentine, Guy Ford et al., *Financial Markets & Institutions*, 2nd Edition Pearson Education/Prentice Hall, 2006
- Suggested additional textbooks:
 - 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.
 - J.F. Sinkey, Jr. *International Bank Financial Management in the Financial Services Industry*, 6th Edition, Macmillan Publishing, New York, 2004.
- Resources available in WebCT Vista include:
 - Course outline
 - Lecture notes (ie Power-Points)
 - Solutions to the Problems found at the end of each relevant chapter in the Prescribed Textbook
 - Important notices, a message board and other forms of communication
 - Mid session Exam results (when available)

7.2 Other Resources, Support and Information

The University and the Faculty provide a wide range of support services for students, including:

- **Learning and study support**
 - FCE Education Development Unit (<http://education.fce.unsw.edu.au>)
 - UNSW Learning Centre (<http://www.lc.unsw.edu.au>)
 - EdTec – WebCT information (<http://www.edtec.unsw.edu.au>)
- **Counselling support** - <http://www.counselling.unsw.edu.au>
- **Library training and support services** - <http://info.library.unsw.edu.au>
- **Disability Support Services** – Those students who have a disability that requires some adjustment in their teaching or learning environment are encouraged to discuss their study needs with the Course Coordinator or the Equity Officer (<http://www.equity.unsw.edu.au/disabil.html>). Early notification is essential to enable any necessary adjustments to be made.

In addition, it is important that all students are familiar with University policies and procedures in relation to such issues as:

- **Examination procedures** and advice concerning illness or misadventure
<https://my.unsw.edu.au/student/academiclife/assessment/examinations/examinationrules.html>
- **Occupational Health and Safety** policies and student responsibilities;
<http://www.riskman.unsw.edu.au/ohs/Policies%20&%20Procedures/UNSW%20OHS%20Accountability.pdf>

8. CONTINUAL COURSE IMPROVEMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process (http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm) is one of the ways in which student evaluative feedback is gathered. Significant changes to courses and programs within the School are communicated to subsequent cohorts of students.

9. COURSE SCHEDULE

Lecture 1 (EW)	Introduction and overview of the international financial system including the depository institutions <i>Saunders Chapter 2.</i> Uniqueness of international Financial Institutions <i>Saunders, Chapter 1</i>
Lecture 2 (EW)	The international financial services industry: Securities Firms and Investment Banks, Funds Management <i>Saunders, Chapters 4 & 5</i>
Lecture 3 (EW)	The international financial services industry: Finance Companies Risk of Financial Intermediation <i>Saunders, Chapters 6 & 7</i>

Measuring Financial Institution International Risk

Lecture 4 (EW)	Interest Rate Risk Measurement I <i>Saunders, Chapters 8 & 9</i>
Lecture 5 (EW)	Interest Rate Risk Measurement II <i>Saunders Chapter 9 cont.</i>

- Lecture 6 (EW) Market Risk Measurement,
Saunders, Chapter 10
- International Sovereign Risk
Saunders, Chapter, 16
- Lecture 7 (EW) MID SESSION EXAM (4th Sept. 2007)
- Lecture 8 (VE) Individual Loan Risk Measurement, Credit Risk: Loan
Portfolios and Concentration Risk Measurement
Saunders, Chapter, 11
- Credit Risk Management
Saunders Ch 12

Managing Financial Institution International Risk

- Lecture 9 (VE) Off Balance Sheet Activities
International Operational and Technology Risk
Saunders Chapters 13 and 14
- Mid-Session Break
- Lecture 10 (VE) Foreign Exchange Risk Measurement
Saunders, Chapters 15
- Lecture 11 (VE) Liquidity Risk and International Liability and Liquidity
Management
Hogan Ch 6 and Saunders Chapters 17 & 18
- Lecture 12 (VE) Deposit Insurance and other Liability Guarantees
Capital Adequacy,
Saunders, chapters 19 & 20
- Lecture 13 (VE) International Securitisation and Loan Sales and other
Credit Risk Management Techniques - Domestic and
International Implications
Saunders, Chapters 27 & 28
- Lecture 14 (VE) Review