Seminar in Financial Institutions
Finance 656

Fall 2015
College of Business Administration
San Diego State University

Instructor:
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Office Hours: W 17:30 – 18:45, and by appointment

Course Objective:
The primary objective of this course is to develop skills to manage financial institutions, including the mastery of techniques to measure and manage financial risks. A secondary objective is to appraise the impact of the evolving regulatory and technological environment on the management of financial institutions.

Primary Learning Outcomes:
MBA students will graduate with:
• A solid foundation in theoretical concepts and managerial skills needed to lead business organizations.
• The ability to analyze environments in which managers make and implement business decisions.
• The skills to formulate, communicate, and coordinate strategies to solve business problems and pursue opportunities.

Finance 656 (Seminar in Financial Institutions) contributes to these goals through its student learning outcomes. After completing this course, you should be able to:
• Calculate appropriate measures of key risks facing financial institutions.
• Describe and appraise alternative techniques to manage prevalent risks facing financial institutions.
• Create simple models to estimate value-at-risk.
• In the context of a bank management simulation, develop and implement lending, investments, deposits, capital, and risk management strategies to create value.
• Discuss the impact of evolving regulatory and technological environments on the management of financial institutions.

Course Prerequisites:
Business Administration 665 or equivalent.
Required Materials:

Blackboard: Course material, including supplemental readings and my lecture notes, will be provided on Blackboard, the course management system used by SDSU. In addition to posting material, we will use the assessment and grade book features of the system. To access Blackboard at SDSU, click here (http://blackboard.sdsu.edu).

Course Activities:
Text Readings: The Saunders/Cornett text describes the theory and practice of providing financial services from a risk management perspective. The listed reading assignments should be completed prior to class meetings. Solutions to the end-of-chapter questions should be prepared for the following class meeting.

Examination: The comprehensive final examination will cover material from the textbook and lectures and will consist of problems, short-answer, and essay questions. It will be in a closed-book and closed-notes format. Quiz: An in-class quiz will be administered and will be in a closed-book and closed-notes format.

Graded Homework Assignments: Three individual homework assignments will be graded. All consist of sets of end-of-chapter problems from the Saunders/Cornett text. They are due on the dates listed on the schedule. Late assignments will not be accepted.

Assignment 1-Chapter 7 #28; Chapter 8 #28, mini-case; Chapter 9 #24, #30
Assignment 2- Chapter 10 #32, #35; Chapter 13 #8; Chapter 16 #12;
Assignment 3- Chapter 15 #4, #16, #17; Chapter 20 #34; mini-case

Failed bank case: The risk exposures and operating strategies of a recently failed financial institution will be evaluated. Materials for the case will be distributed in class. This will be an individual assignment.

Financial reform case: This assignment focuses on the impact of the 'Dodd-Frank Wall Street Reform and Consumer Protection Act' on a financial institution. You may turn in a joint report with a classmate if the target of your analysis is a large and complex organization.

Participation: Every class member is expected to participate in a variety of course activities. Your grade for participation will be based on the quality and quantity of your contributions to classroom discussions.

Classroom etiquette: You may use laptops during class sessions for taking notes and viewing lecture notes. However, refrain from checking email and other activities unrelated to the class discussion.

Assessment: Course grades will be assigned in accordance with San Diego State University policy (see Graduate Bulletin, pp. 30-32). Your course grade will be based on six components with the following weights:

Final exam 30%
Two Quizes (10% each) 20%
Homework 15%
Failed bank case 15%
Financial reform case 10%
Participation 10%

Each grade component will be assigned a letter grade. The course grade will be based on the following distribution of the weighted average of the components.

A (3.80-4.00), A- (3.50-3.79), B+ (3.15-3.49), B (2.85-3.14), B- (2.50-2.84), C (1.85-2.14), C+ (2.15-2.49), C- (1.50-1.84), D+ (1.15-1.49), D (0.85-1.14), F (0.00-0.84).

Cheating and Plagiarism:

SDSU defines cheating and plagiarism in the following manner.¹

“Cheating shall be defined as the act of obtaining or attempting to obtain credit for academic work by the use of dishonest, deceptive, or fraudulent means. Examples of cheating include, but are not limited to (a) copying, in part or in whole, from another’s test or other examination; (b) discussing answers or ideas relating to the answers on a test or other examination without the permission of the instructor; (c) obtaining copies of a test, an examination, or other course material without the permission of the instructor; (d) using notes, cheat sheets, or other devices considered inappropriate under the prescribed testing condition; (e) collaborating with another or others in work to be presented without the permission of the instructor; (f) falsifying records, laboratory work, or other course data; (g) submitting work previously presented in another course, if contrary to the rules of the course; (h) altering or interfering with the grading procedures; (i) plagiarizing, as defined; and (j) knowingly and intentionally assisting another student in any of the above.”

“Plagiarism shall be defined as the act of incorporating ideas, words, or specific substance of another, whether purchased, borrowed, or otherwise obtained, and submitting same to the university as one’s own work to fulfill academic requirements without giving credit to the appropriate source. Plagiarism shall include but not be limited to (a) submitting work, either in part or in whole, completed by another; (b) omitting footnotes for ideas, statements, facts, or conclusions that belong to another; (c) omitting quotation marks when quoting directly from another, whether it be a paragraph, sentence, or part thereof; (d) close and lengthy paraphrasing of the writings of another; (e) submitting another person’s artistic works, such as musical compositions, photographs, paintings, drawings, or sculptures; and (f) submitting as one’s own work papers purchased from research companies.”

Policies on sanctions and due process in review of alleged violations are available at: http://newscenter.sdsu.edu/universitysenate/index.aspx The penalty for academic dishonesty in this course is an F grade. Cases of academic dishonesty will be reported to the Center for Student Rights and Responsibilities.

¹ San Diego State University Policy File. pp. 18.
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<th>Date</th>
<th>Activity</th>
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| August 26    | Topics: Economic Functions of Financial Institutions –Why Are Financial Institutions Special?  
End-of-chapter (EOC) Questions: Chapter 1: 4, 5, 6, 14, 16, 21 |
|              | Readings: Chapters 1, 1a                                                   |
| September 2  | Topics: Introduction to Financial Services—Depository Institutions and Finance Companies  
EOC Questions: Chapter 2: 1, 3, 4, 5, 12, 19, 20, 22; Chapter 3: 2, 8, 10 |
|              | Reading: Chapters 2, 2a, 2b, 2c, 3                                         |
| September 9  | Topics: Introduction to Financial Services—Securities Brokerage / Investment Banking and Mutual Funds / Hedge Funds  
EOC Questions: Chapter 4: 4, 7, 11, 26, 27; Chapter 5: 7, 13, 19, 20 |
|              | Reading: Chapters 4, 5                                                      |
| September 16 | Topics: Introduction to Financial Services—Insurance Companies and Overview of Risks of FIs; Financial Reform  
EOC Questions: Chapter 6: 2, 10, 19, 22, 28; Chapter 7: 1, 2, 3, 7, 16, 24, 25, 26, 32, 36 |
<p>|              | Reading: Chapters 6, 7, 7a                                                  |
| September 23 | Topic: Interest-Rate Risk                                                   |
|              | Readings: Chapters 8, 8a, 8b                                               |
| September 30 | Topic: Interest-Rate Risk—continued                                         |
|              | Readings: Chapters 8, 8a, 8b                                               |
|              | In class Quiz (chapters 1 through 6)                                       |
| October 7    | Topic: Interest-Rate Risk—continued                                         |
|              | Readings: Chapters 9, 9a                                                   |
|              | EOC Questions: Chapter 9: 4, 21, 23, 24, 26                                 |
|              | Financial reform case due                                                  |
| October 14   | Topic: Credit Risk—Individual Loans                                         |</p>
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<tr>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
<th>EOC Questions</th>
<th>Homework Assignment Due</th>
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<td>October 21</td>
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<td>October 28</td>
<td>Topics: Foreign Exchange Risk, Off-Balance-Sheet Risk</td>
<td>Readings: Chapter 13, 16, 16a  Suggested Questions: Chapter 13: 10, 11, 31  Chapter 16: 8, 15, 20</td>
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<td>November 4</td>
<td>Topic: Market Risk</td>
<td>Readings: Chapter 15  EOC Questions: Chapter 15: 3, 4, 7, 18, 20</td>
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<td>Homework assignment 2 due</td>
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<td>November 11</td>
<td>Topic: Capital, Futures and Forwards</td>
<td>Readings: Chapter 20, 22  EOC Questions: Chapter 20: 6, 8</td>
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<td>In class Quiz (chapters 7 through 10)</td>
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<td>November 18</td>
<td>Topics: Futures and Forwards - continued</td>
<td>Readings: Chapter 22  EOC Questions: Chapter 22: 4, 8, 9, 16, 18, 33</td>
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<td>Homework assignment 3 due</td>
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<td>November 25</td>
<td>No class—Thanksgiving holiday</td>
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<td>December 2</td>
<td>Topic: Swaps</td>
<td>Readings: Chapter 24  EOC Questions: Chapter 24: 5, 9, 14, 16</td>
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<td>December 9</td>
<td>Topic: Securitization, Preparation for Upcoming Final Exam</td>
<td>Readings: Chapter 26  EOC Questions: Chapter 26: To-be-determined</td>
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<td>Failed bank case due</td>
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<td>December 16</td>
<td>Final Exam 7 - 9 pm</td>
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* Changes, if any, will be announced in class.