

Standard Course Outline

I. General Information

- Course Title:** Seminar in Financial Institutions
- Course Number:** FIN 660
- Prerequisites:** Graduate business standing
- SCO Prepared by:** Professors Jasmine Yur-Austin and Laura Gonzalez
- SCO Revised by:** Professors Laura Gonzalez (April 2016)

II. Catalog Description

This seminar explores several important topics: (1) The Federal Reserve System and Monetary Policy, (2) Mortgage Markets, (3) Structures, Compositions, Regulations and Risk Assessments of various financial institutions, (4) Securitization and Loan Sales, and (5) Credit Risk and Liquidity Risk. Letter grade only (A-F).

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III. Recommended Textbook

Financial Markets and Institutions by Anthony Saunders and Marcia Million Cornett, 6th Edition, McGraw-Hill Irwin, 2015.

IV. Curriculum Justifications

The curriculum intends to give graduate students the necessary finance skills to be able to:

- (1) understand how each type of financial institution works as a financial intermediary,
- (2) comprehend the extensive risk measurement and management frameworks faced by investors and savers interacting through both financial institutions and financial markets, and
- (3) analyze how top-level managers make strategic decisions to balance economic goals and regulatory constraints of financial institutions.

The course uses three mechanisms to allow each individual's analytic talents to emerge: (1) problem-solving exercises and (2) case analyses using HBR or others, and (3) group assignments based on actual financial reports and other information derived from Internet-based search. Class participants will consider a variety of professional positions

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to maximize their learning experience, including Chief Financial Officer, Corporate and Divisional Controllers, Financial Service Agents and Financial Analysts.

V. Course Objectives

Skill- and Content-specific Goals of this course are:

Critical Thinking:

1. Students will recognize that domestic and foreign financial markets are becoming more integrated and that financial intermediaries are evolving toward a single financial services industry.
2. Students will learn practical tools such as how to issue and trade financial securities and how to analyze financial statements. By doing so, the students will be armed with essential skills to manage the financial market and institution risks in the dynamic environment.

Business Functions:

1. Students will demonstrate understanding of the role of Federal Reserve System as well as the impact of Monetary Policy within the environment where financial institutions are operating.
2. Students will demonstrate that they understand the structures and comprehensive views of regulations associated with different institutions.
3. Student will exhibit the knowledge of changes in interest rates, inflation, and foreign exchange rates impact a financial manager's decisions to hedge risk.

Quantitative and Technical Skills:

1. Students will possess quantitative and technological skills enabling them to identify risks incurred by financial institutions and to also effectively manage credit risk and liquidity risk.
2. Students will explore ways of removing credit risk from the loan portfolio through assets sales and securitization.
3. Students will demonstrate that they can make decisions based on quantitative analysis using the principles, concepts, and techniques through their performance on exams, assignments, and cases.

Interpersonal, Leadership Skill and Team Skills:

1. In addition to communication skills, facilitating skills, mentoring skills, negotiation skills, and planning skills, an important quality of effective interpersonal leadership involves seeing through multifaceted perceptions. Students will actively work together in diverse groups to tackle issues and to steer the dynamics of the team toward goal reaching.
2. Students will collaborate with their peers and nurture their aspirations, while working on case studies, before they submit their ultimate recommendations.

VI. Outline of Subject Matter

This is a listing of the subject matters that must be covered in this course. It does not preclude other topics that are part of the Finance area or the depth of some topics. As this class is a seminar class, all the materials used are case studies for class participation and discussion as well as examples/problems from the chosen textbooks.

The topical outline for the course is the following:

Week	Concept	Possible Active Learning Tools
1	Introduction and Determinants of Interest Rates: Why study financial markets and institutions; overview of financial institutions globalization of financial markets and institutions	
2	Determinants of Interest Rates: Loanable funds theory; movement of interest rates over times; determinants of interest rates for individual securities; term structure of interest rates; forecasting interest rates	Textbook problems
3	Interest Rates and Security Valuation: various interest rate measures; Impact of interest rates on security values; duration	Textbook problems
4	The Federal Reserve System, Money Policy and Interest Rates: Structure of Federal Reserve System; monetary policy tools; international monetary policies and strategies	Textbook problems
5	Mortgage Markets: Primary mortgage market and secondary mortgage markets; International trends in securitization	Textbook problems
6	Commercial Banks: Industry Overview: Balance sheets and recent trends; size, structure and composition of industry; industry performance; regulations and global issues	Textbook problems
7	Commercial Banks' Financial Statements and Analysis: Financial statement analysis using Return on Equity framework; Impact of market niche and bank size on financials statement analysis	HBR Case
8	Regulations of Commercial Banks: Types of regulations and the Regulations; regulations of product and geographic expansion; bank and saving institution guarantee funds	Textbook problems
9	Other Lending Institutions: Savings Institutions, Credit Union and Finance Companies: Studying size, structure and composition of each industry	
10	Insurance Companies: Life insurance companies; property-casualty insurance companies and global issues	

11	Securities Firms and Investment Banks: Services offered by securities firms vs. investment banks	HBR Case
12	Mutual Funds and Hedge Funds: Size, structure and composition of each industry, mutual funds; regulations and recent trends	
13	Pension Funds: Size, structure and composition of the industry, regulations and global issues	Textbook problems
14	Types of Risk Incurred by Financial Institutions: Identify various types of risk	Textbook problems
15	Managing Risks on the Balance Sheet: Managing credit risk, liquidity risk and interest rate risk.	HBR Case
16	Managing Risks off the Balance Sheet: Managing risk off the balance sheet with the derivative securities/ with loan sales and securitization	HBR Case
17	Final examination/presentation/etc	

VII. Methods of Instruction

When reading the book in preparation for class it is essential that the students take an *active* approach. This means that the students implement the examples discussed in the book using spreadsheet models and work through them as they read. *The best-prepared student is often the one who comes to class with questions about how the concepts and methods can be applied.* Finally, the students should expect to return to the book after class or while reviewing, in order to refine and consolidate their knowledge.

A recommendation for a pedagogical tool to apply the concepts that have been taught in FIN 600 Seminar in Business Finance, FIN 610 Financial Analysis and Ethics and FIN 630 Seminar in Financial Forecasting. This learning tool provides the student with opportunities to apply and practice the skills and concepts that they have learned in the first part of the course. Another active learning approach is the use of HBR-level case discussion and written analysis. **At this level of instruction, MSF students must have some type of pedagogical tools for active learning that are beyond the undergraduate level of lecture and multiple choice examinations.**

Instructors in planning the exams, and other grading procedures, should adhere to the relevant University Policy on “Grades, Grading Procedures, and Final Assessments, Final Course.”

The textbooks for this course should be chosen in accordance with the University Policy on textbooks. There are many appropriate textbooks for this course; it is generally agreed that none of them is perfect. The following suggestion is based on the special nature of this core MSF course:

- Students will arrive at this course with extraordinary range of backgrounds; and therefore prior knowledge will be highly variable, however,
- Students will have a level of maturity that will enable them to look at a broader picture via more advanced cases, simulations, group projects and
- Any textbook used for this course **must** be a MBA/MS-level, graduate textbook.
- Examinations **must** be essay-type and/or problem solving questions and avoid the use

of multiple-choice questions.

Some possible textbooks include the following:

Main Textbook:

See Recommended Textbook above.

Cases:

Harvard Business School cases, Ivey Business School cases, or other advanced level cases that focus on a business problem from multiple perspectives.

VIII. Instructional Policy Requirements

The students are expected to comply with the universally accepted norms of considerate and courteous behavior, and with all University rules and policies found in the current University Catalog, including the Withdrawal Policy and Policy on Cheating and Plagiarism. It will be assumed that the students will adhere to the tenets of *academic integrity* as articulated in Dean's Letter on Academic Integrity throughout this course. Instructors may specify their own policies with regard to plagiarism, withdrawal, absences, etc. as long as these policies are consistent with the above mentioned University polices.

It is expected that all students to attend classes regularly and to be responsible from all materials covered in class, regardless of their attendance. Make-up exams are strongly discouraged and will only be given with documented proof of an excused absence. Acceptability of the excuse will be determined based on the appropriateness of the documents. It is important that the student provides all documentation without special prompting from the instructor. The student should give earliest possible notification of an anticipated excused absence. The students refer to the specific university policy on these issues.

Occasionally adjustments in the course assignments become necessary. The students should be notified about changes, if any, and, whenever possible, they should be consulted in advance about any changes.

Students with Disabilities: Students with disabilities are responsible for notifying their instructor as early as possible of their needs for an accommodation of a verified disability. A student with a disability is urged to consult with Disabled Student Services as soon as possible in order to identify possible accommodations to enhance academic success.