COURSE OBJECTIVE

The objective of this course is to understand the role played by financial intermediaries / institutions (FIs) in the global financial system. I will be focused on the aspects of risk measurement and risk management. We will study of the role of financial services companies in the money and capital markets, funds acquisitions, investment and credit extension.

AND, in addition I require...

Students to understand that there is rarely one clear-cut answer to any question, rather there are multiple ways of approaching a problem, and many solutions. It is important that students can develop strategies that incorporate these many answers.

The ability to communicate effectively orally, visually, and in writing. DEPENDING on the time available in the semester. To this end, I expect reports to be written in an effective business manner. I expect students to use visual means to communicate data. And if sufficient time is available, I will expect presentations to be delivered in a professional manner.

An understanding of the importance of ethics in the management of FI. And,

An understanding of the historical context of the topics in this subject.

COMMUNICATION

I will have office hours Wednesdays 3:30 till 4:30, and by appointment. Students are encouraged to communicate through email as much as possible. PowerPoint presentations, class notes and handouts, if any, will be posted on HuskyCT.
TEXTBOOK


COURSE HANDOUTS

I will post the PowerPoint presentation (if any) for each topic a few weeks prior to the class covering that topic on the HuskyCT site. My course notes (if any) can be found in the notes view. I will post certain articles I find interesting. The information contained in these articles is of course examinable.

COURSES REQUIREMENTS AND GRADING

Your grade for the course will be assessed based on two exams, homework and on in class cases and other in class activities. I have no requirements for attendance with the exception of the days we will have in class cases and activities. Although I am always happy to see you in class it is entirely up to you as to whether or not you attend classes (with the exception of the days we will have in class cases and activities).

I envisage that your grade will be based 50% (20% and 30%) on exams, 10% on homework and 40% for in class cases and activities.

Each assignment will be graded on this scale. Grades will be available through Blackboard.

Occasionally, I am asked to reconsider a grade on an assignment. While I am open to such requests assuming there is a compelling argument for review, please be aware that reconsidered grades can go down, as well as up. All requests should be made in person so that you can explain your concern. Do not email concerns related to grading; such matters must be discussed face-to-face. Furthermore, I will not entertain grading discussion within 48 hours of receiving a grade; you must wait 48 hours before talking with me about your grade.

Deadlines are important. Assignment should be turned in at the start of class unless otherwise indicated (e.g., submitted electronically). Late assignments will be reduced by a letter grade for example, a paper that scores a B would be reduced to a B-, and a paper with a score of A- would be reduced to a grade of B+.

At the end of the semester, I will assign a letter grade for each student base on the following rubric.

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<thead>
<tr>
<th>Grade</th>
<th>Evaluation</th>
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MPORTANT
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OPICS
There are a number of policies that I consider important across all of my classes
The policies governing the following topics can be found at the following links:

Absences from Final Examinations
People with Disabilities, Policy Statement
Policy Against Discrimination, Harassment, and Related Interpersonal Violence
The Student Code

IMPORTANT NOTE: You will notice that in the timetable below, there are certain
chapters I will not cover in class. I feel it is more important for me to cover the
more analytical topics. I will set out material that you will need to cover on your
own.

COURSE OUTLINE (TENTATIVE)

<table>
<thead>
<tr>
<th>WEEKS</th>
<th>TOPIC AND CHAPTERS</th>
<th>CHAPS</th>
<th>COMMENT</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction and The Role of Financial Intermediation PowerPoints “Why are Financial Institutions Special”</td>
<td>1</td>
<td>Read “Current theories of financial intermediation”</td>
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<tr>
<td>Weeks</td>
<td>Topic and Chapters</td>
<td>Chaps</td>
<td>Comment</td>
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<tr>
<td>2</td>
<td>Types of Financial Institutions</td>
<td>2 to 6</td>
<td>I do not wish to spend a great deal of time covering this topic. Although it is important, the diligent student can cover this topic by simply reading chapters 2 through 6 of the textbook. To ensure that you are diligent, there will be an in class project at beginning of week 3. Read “Roaring ahead; Investment funds”, “The Differences Between Mutual Funds, Closed-End Funds, and ETFs”, “How hedge funds work”, “The Evolution of Banks and Financial Intermediation: Framing the Analysis” &amp; “Law of averages” “Cutting through the noise around financial technology”</td>
</tr>
<tr>
<td>3</td>
<td>Financial Markets and Products</td>
<td>n/a</td>
<td>There will be an in class project on previous topic. The textbook does not adequately cover this topic &quot;Financial Markets and Products&quot;.</td>
</tr>
<tr>
<td>4</td>
<td>Monetary Policy</td>
<td>n/a</td>
<td>The textbook does not adequately cover this topic. Read “Opportunistic overheating; Federal Reserve”</td>
</tr>
<tr>
<td>5</td>
<td>Risks of Financial Intermediation</td>
<td>7</td>
<td>Read chapter 7 before class</td>
</tr>
<tr>
<td>Weeks</td>
<td>Topic and Chapters</td>
<td>Chaps</td>
<td>Comment</td>
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| 6-7   | Interest Rates     | 8-9   | Read chapters 8 & 9 before class  
Read appendix 8A before class  
Read “Understanding the Term Structure of Interest Rates”  
Read “Risk and Uncertainty in Monetary Policy” |
| 8     | Risks Associated with Interest Rates  
PowerPoint: “Risks Associated with Interest Rates”  
Spreadsheet: “Bond Price Changes” |       | Read “Everything You Need to Know About Bonds” |
| 8     | Interest Rate Risk and FIs  
PowerPoint: “Interest Rate Risk and FIs” |       | Read “The Role of the Federal Funds Market” |
| 9     | Exam 1              |       | This exam will cover material covered so far including articles I suggested that you read |
| 9-10  | Market Risk  
PowerPoint: “Market Risk”  
PowerPoint: “Technological Risk”  
Spreadsheet: “Rates for Market Risk Example” |       | Read chapter 10 before class  
Read “How Accurate Are Value at Risk Models” |
| 10    | In class project    |       | See Word document: “In class work on market risk”  
See Excel document: “In class market risk” |
| 11    | Credit Risk        | 11 and 12 | Read chapters 11 and 12 before class  
Read “Bank Loan Losses”;  
“Estimating Loan Loss Exposure” |
<table>
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</table>
| 12    | In class project   |       | See Word document: “In class work on credit risk”  
      |                    |       | See Excel documents: “Credit risk” and “Option Pricer” |
| 12-13 | Deposit Insurance  | 19    | Read chapter 19 before class  
      | PowerPoint: “Deposit Insurance”  
      |        | Read "You want 5 million in Deposits to be FDIC Insured";  
      | Spreadsheet: “Peoples Deposit Analysis”  
      |        | “Contagion and Bank Failures during the Great Depression”; "A Guide to Deposit Insurance Reform" |
| 14    | Capital Adequacy   | 20    | Read chapter 20 before class  
      | PowerPoint: “Capital Adequacy”  
      |        | Read "U S Banks Crises and Bailouts"; “International Financial Crises” |
| 14    | Off-Balance Sheet  | 13    | Read chapter 13 before class  
      | Risk PowerPoint: “Off Balance Sheet Risk”  
      |        | |
| 15    | Derivative Contracts and Hedging  
      | PowerPoint: “Hedging Interest Rate Risk Using Treasury Futures Contracts”  
      | 24    | Read chapter 24 before class  
      | PowerPoint: “Hedging Interest Rate Risk Using Forward Rate Agreements”  
      |        | Read “Over the Counter Interest Rate Derivatives”  
      | PowerPoint: “Options Caps Floors and Collars”  
      |        | Read “Base line solutions for managing interest rate risks”  
      | PowerPoint: “Credit Derivatives”  
      |        | |
      | PowerPoint “Swaps”  
      |        | |
      | PowerPoint “Other Hedging Issues”  
|       | q                  |       | |

The final exam (or exam 2) will cover material since exam 1.