

Syllabus

FI 421, Bank Administration, Fall 2008

INSTRUCTOR: Dr. Benton Gup

OFFICE: Room 229 Alston Hall

OFFICE HOURS: Tuesday and Thursday, 1:00 - 2:00 p.m. You may set up an appointment for some other time.

COURSE OBJECTIVES AND LEARNING OUTCOMES

This course is about banking services and the management of risk. The financial functions performed by financial institutions are more stable than the form of the institutions. The core financial functions include payments systems, financial intermediation, risk management, providing price information, and dealing with incentive problems. Both the functions and the form of banking have been changing in recent years. The changes are the result of changes in laws, financial and communications technology, and globalization. Particular emphasis is placed on current issues and trends.

The course covers selected aspects of the management of commercial banks and other types of financial institutions providing similar and related services. The emphasis in this course is the practical application of financial theories and tools to the management of the financial institutions.

The course material gives the students needed information and knowledge for careers in management of financial institutions. Equally important, it provides information and knowledge about how to deal with them as borrowers or lenders.

PREREQUISITES

Jr. level standing and basic finance is required. Although not required, courses in investments and financial/capital markets are helpful.

TEXTS

Gup, and Kolari, **COMMERCIAL BANKING: THE MANAGEMENT OF RISK**, 3rd Ed, 2005

The Wall Street Journal

COURSE PRESENTATION

Reading assignments, including assignments from internet sites, will be announced in class. Students are expected to be prepared by reading the text before coming to class, and working problems that may be assigned. Some students will be asked to present solutions to problems.

The topics covered include, but are not limited to banking structure, banking regulation, analysis and valuation of banks, asset liability management, lending, and other topics. In addition, guest speakers from banks and other

organizations will be invited to lecture on special topics (e.g., bank regulation, lender liability, international banking, banking trust depts.).

Class lectures will deviate significantly from the material covered in the text, but be on related subjects. Because of this, CLASS ATTENDANCE is strongly suggested. Students are expected to 'sign-in' for each class (name, ID number). You can earn up to 100 grade points toward your final grade for attending all of the classes. (See "General Information" for further details)

Students are responsible for the material covered in the text, class, and assigned readings from The Wall Street Journal, from other sources that will be put on reserve in the Business Library, and from internet sites.

EXAMS

The mid-term exam date will be announced in advance, but it is not practical to set it now.

The exams are essay/multiple choice and problems. The final exam will be comprehensive. Reading assignments, including articles from the WSJ or sources, and subjects covered by guest speakers will be covered in exams.

1. **EXAM BOOKLETS AND INK ARE REQUIRED** on all exams unless they are take-home exams or multiple choice exams. Take-home exams are to be typed, using the same format as term papers. Number 2 soft pencils are required for multiple choice exams. Ink is required for other exams.

2. You may bring two 8 1/2 x 11 sheets of paper with your handwritten notes into the exams, but notes may not be used for quizzes. The notes will be turned in with the exam.

3. There are **NO MAKE-UP EXAMS, TESTS, OR QUIZZES**. No credit is given for homework assigned and not turned in on time. If you miss an exam, additional weight will be placed on the final exam.

4. The final exam is comprehensive. It will count up to 200 points of the exam grades depending on your weighting of the mid-term exam.

The mid-term exam will count 100 points.

If you take the mid-term, you may count your grade as 0 percent or 50 percent of the final exam grade. For example, if you get a 95 on the mid-term, you may wish to count it as 50 percent of the final exam grade. On the other hand, if you get a 55 on the midterm, you may wish to disregard that grade and count the final exam as 100 percent of your exam grades. Thus, there is no grade penalty for missing the midterm exam. You make the decision when you submit your final exam.

5. If you miss the final exam, the University exam schedule lists the time for make-up final exams.

6. **There will be quizzes** from time to time. Quizzes count 10 points each. The quizzes cover the written material that was assigned for that day.

7. No cell phones, pagers, computers or other types of electronic communications devices are allowed to be used during exams.

8. Your answer to an exam/quiz question may be correct, and yet not receive full credit. For example, suppose that the question is who is George W. Bush? An answer that "He owns a ranch in Crawford Texas" is correct, but there is not

sufficient content to merit much credit. Explain your answers in detail. The devil is in the details.

TERM PAPER

Each student is required to write and submit an original term paper for this course. You are assigned one of three possible topics which are listed below: Your topic depends on your Student ID number. If the last digit of your student ID number is:

- 0 - 3 Mortgage frauds or identity theft.
- 4 - 7 Globalization of banks.
- 8 - 9 The subprime crises of 2007-2008.

You may select any topic dealing with the subject matter assigned to you. The choice is yours as long as it deals with the assigned subject. Hint: keep your topic as narrow as possible.

The emphasis in the papers must be on what is happening NOW or in the very recent past. Accordingly, make extensive use of up-to-date sources that are readily available on the internet, or from our library.

Term papers must be typed, double spaced, and they may not exceed 25 pages in length. They must follow the standard format for term papers. This includes citing all sources used. See *The Chicago Manual of Style*, or some similar source dealing with writing term papers, formats, citations, etc. Such sources are available in the library and book stores. All sources must be cited. Use standard citations such as those that appear in *The Chicago Manual of Style*, or some similar source. Internet sources must be cited, including the most recent date the site was visited. For example, www.frbchi.org/rcricri_database.html, August 6, 2012.

Plagiarizing and/or having someone else write your paper constitutes academic misconduct which is discussed below.

Term papers must be submitted on or before class on **Tuesday, October, 21, 2008** to receive a maximum grade of A. Papers submitted after that time will receive a maximum grade of C until the following week at the same time. Papers submitted after that time will receive a maximum grade of D-/F+ which is 60% (A+ = 97%, A = 95%, A- = 92%, A-/B+ = 90%, etc.). **Failure to submit the term paper will result in a zero (0) grade for the paper, and you will flunk the course.**

The subject content of the papers can vary widely within the scope of their assigned topics. Information about these topics is available in the library. I suggest that you make extensive use of data bases, current publications, foreign publications, and other sources. This paper will require time and effort on your part. The time to start is now!

I pay particular attention to the bibliography when grading papers.
Do a thorough job searching the literature! Emphasis should be placed on **recent articles** when they are appropriate for the subject. Begin with the data bases in the library and Google. A search of any of these topics on the search engines will reveal hundreds of sources. I expect you to **do a thorough job** of researching your topic. Having only a few citations is a red flag that your research may not be adequate.

I may ask you to supply me with copies of the sources/references/drafts that you used in the preparation of this paper.

GENERAL INFORMATION

1. The emphasis in this course is on current and future events, so be sure to read the WSJ on a daily basis.
2. Changes in the financial system are occurring daily, so it is impossible to keep text books up to date. This is why the WSJ is so important. Important issues that are discussed in the WSJ are fair game for exam questions.
3. Academic Misconduct: All acts of dishonesty in any work constitute academic misconduct. The Academic Misconduct Disciplinary Policy will be followed in the event of academic misconduct. Cheating on exams and **plagiarizing** are strictly prohibited and may result in an F grade for the course.
5. All students with **disabilities** seeking reasonable accommodation must register with the Office of Disability Services, 348-4285. Thereafter, you may discuss with me reasonable accommodation requests verified by the Office of Disability Services.
6. **Class Attendance.** Attending class is an important part of this course. Attendance can account for up to 100 points in calculating the course grade. Students attending all classes will receive 100 points. Students attending 90% of the classes will receive 90 points. Those attending 80% of the classes will receive 80 points, and so on. By way of illustration, if attendance is taken 20 times during the semester, each class counts 5 points. Thus, a student missing 7 classes will get 65 points for attendance.

GRADES

The final grade will be an average of the test grades, home work if assigned, the term paper, and my judgment.

The test grades will be given the following weights: Exams = 100 pts. If the midterm exam is dropped, the final exam will count 200 pts.

Exams = 200 points

Attendance = 100 points

Quizzes = 10 points; points. assigned to homework may vary.

Term paper = 100 points.

The final grade is based on the sum of all points earned. Assume that the maximum number of points that can be earned is 430, and you earned 366. Your score is 85% (B).

EMPLOYMENT

Students who are interested in working for a bank when they graduate should give a resume to me no later than **Tuesday, November 4, 2008**. I will send them to the Alabama Bankers Association, to individual banks, and to bank regulatory agencies.

SELECTED SOURCES OF INFORMATION FROM THE WWW.

- 1) FDIC www.fdic.gov
- 2) BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
www.federalreserve.gov
Links to Federal Reserve banks and central banks.
- 3) COMPTROLLER OF THE CURRENCY
www.occ.treas.gov
- 4) INTERNATIONAL MONETARY FUND
www.imf.org
- 5) 100 Largest bank's web sites
www.onlinebankingreport.com
- 6) Bank rates on mortgages, car loans, CDs, etc.
www.bankrate.com
- 7) The National Information Center (NIC) provides comprehensive information on banks and other institutions for which the Federal Reserve has a supervisory, regulatory, or research interest including both domestic and foreign banking organizations operating in the U.S. The NIC includes the organizational structure of financial institutions and financial information for some of those institutions. Historical information is available on the structure of all the institutions. Financial information is available for selected time periods.
www.ffiec.gov/NIC
- 8) Bank for International Settlements (BIS)/Basel Committee on Banking Supervision
www.bis.org