



B.E. International Program

Faculty of Economics, Thammasat University



Course Outline

FN331 Financial Institutions Management

Semester: 2/2011 (January 9 – May 20, 2012)

Instructor: Supreeya Nicola Cloe Pipatmanomai
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Lecture Time: Saturdays, 13.00 – 16.00 hrs.

Lecture Venue: Room 303, Faculty of Economics

Prerequisites

(Curriculum 2004) FN211

(Curriculum 2009) FN211 and FN312

Objectives and Course Description:

The objective of this course is to provide a rigorous introduction to the world of Financial Institutions. The students will learn how to analyze modern financial institutions management from a risk perspective. The students will look into an overview of the industry sector by sector, concentrating on balance sheet presentations, and also look into a risk management approach to analyzing modern financial institutions.

The course takes innovative approach and focuses on managing return and risk in modern financial institutions (FIs). The student will learn different type of risks faced by FI managers and the methods and markets through which these risks are managed are similar whether an institution is chartered as a commercial bank, a savings bank, an investment bank, or an insurance company.

The course features a discussion of modern FIs in the risk-management business. As in a world of perfect and frictionless capital markets, FIs would not exist and individuals would manage their own financial assets and portfolios. However, since real world financial markets are not perfect, FIs provide the positive function of bearing and managing risk on behalf of their customers through the pooling of risks and the sale of their services as risk specialists.

The course also covers dramatic changes and other recent major events, including innovations that have come about because of the technological advances such as structured financing, Internet banking, and the role of financial institutions in E-commerce. The course adds a greater coverage of financial institutions as risk-takers including strategic considerations and other financial innovations, such as credit derivatives, catastrophic insurance futures, and project financing. The Basel II Accord and the development of a two-pronged banking system with different capital regulations for a very large international banks and community banks is also discussed, as is the growing trend for financial institutions to be diversified originators and sellers of loans, transferring risk to the capital markets and investors. The growth and management of mutual funds, trading scandals, and regulatory reforms are also examined, along with ethical considerations for financial institution managers. The course also captures the major forces that are changing the financial landscape for financial institutions.

Ultimately the course will bring real world issues to life for students including challenges that financial institution managers face to meet often conflicting goals to satisfy stockholders, meet regulations, and serve customers, employees, and the community well. Reputation is an essential asset for financial institutions, so ethical considerations should be a key concern for financial institution managers.

The course is divided into the 5 parts:

1. **Part I** explores the environment in which financial institutions operate, including the changes financial institutions face today, the role of financial institutions as risk-taking intermediaries, and the impact of regulation, technology, and financial innovation.
2. **Part II** provides background and a performance analysis of depository institutions, including coverage of credit unions and savings institutions, capital management and the Basel I and II requirements, and changes with technology, including securitizations, structured financing, Internet Banking, and E-Commerce.
3. **Part III** covers interest rate risk management, including theories of exchange rates, the theory of interest rates and interest rate measurement and immunization using duration, and interest rate and foreign exchange rate risk management and hedging with derivatives.
4. **Part IV** covers managing credit risk, liquidity, and liability management focusing on depository institutions, including an overview of new risk models and a sample bank credit analysis.
5. **Part V** examines different aspects of management for non-depository institutions, including insurance companies, investment banks, securities firms, and venture capitalist; mutual fund and pension fund management, securities firms; and finance companies, mortgage banks, and diversified service firms, along with merger and international management issues.

Textbooks:

Saunders, Anthony, and Cornett, Marcia M. *Financial Institutions Management: A Risk Management Approach, 7th Edition*. McGraw-Hill, International Edition 2011

Evaluation Methods:

1. Mid-term examination	30%	(March 3, 2012, 13.00 – 14.30 hrs.)
2. Final examination	30%	(May 12, 2012, 09.00 – 12.00 hrs.)
3. Group Presentation	15%	
4. Quiz I	10%	
5. Quiz II	10%	
4. Attendance & Participation	5%	

Remarks:

- ◆ Second semester begins Jan. 9, 2012
 - ◆ Period of withdrawal without “W” Jan. 9-23, 2012
 - ◆ Mid-Term Examination Feb. 27 – March 3, 2012
 - ◆ Last day of withdrawal with “W” March 21, 2012
 - ◆ Last day of class Apr. 29, 2012
 - ◆ Final Examination May 4 - 20, 2012
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