

School of Economics and Finance

FINA 308 FINANCIAL INSTITUTIONS MANAGEMENT

Trimester 2 2013

COURSE OUTLINE (REVISED)

Names and Contact Details	Office	Telephone
<i>Course Coordinator & Lecturer</i> David Alexander David.Alexander@vuw.ac.nz Office Hours: Wednesdays 15:00-17:00.	RH 231	463 5125
<i>Course Administrator</i> Julie-Mary Boles de Boer Julie-Mary.BolesdeBoer@vuw.ac.nz Office hours: Monday-Friday 9:00-12:00 and 13:00-16:00	RH 321	463 5380

Trimester Dates

Teaching Period:	Monday 15 July – Friday 18 October
Mid-trimester Break:	Monday 26 August – Friday 6 September
Examination Period:	Tuesday 29 October – Sunday 17 November.
Labour Day:	Monday 28 October (University closed)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 26 July 2012.
2. The standard last date for withdrawal from this course is Friday 27 September. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an 'Application for Associate Dean's Permission to Withdraw Late' including supporting documentation.

The application form is available from either of the Faculty's Student Customer Service Desks.

Class Times and Room Numbers

Lectures: Tuesday, Thursday 8:30-9:20 in RHLT3

Tutorials: Tuesdays, Thursdays 9:30-10:20 in RWW102 or 10:30-11:20 in RWW202

Course Prescription

Issues involved in managing the risks associated with running financial institutions. Topics include the identification, measurement and management of credit risk, interest rate, liquidity and foreign exchange risk; capital adequacy regimes; other operational requirements for financial institutions.

Course Content

This course first surveys the variety and the intermediation functions of Financial Institutions (FI's) existing in today's financial markets. The course continues by examining in detail the dominant sources of risk FI's face in providing their services to borrowers and lenders. In particular, this course will discuss methods used by FI's to accurately quantify these dominant sources of risk and how to control them while simultaneously maintaining an acceptable level of profitability. The role of regulation of FI's is also examined, both before and after the 2007 Credit Crisis. The 2007 Credit Crisis and the unfolding European debt crisis will also be discussed to illustrate the issues involved in regulating FI's and ensuring the overall robustness of the global financial system.

Course Schedule

Week	Dates	Topic	Readings	Tutorials
1	16,18 Jul	Risk. Return. Risk Management. Banks.	Chapters 1,2	
2	30 Jul,1 Aug	Insurance. Pensions. Mutual Funds. Hedge Funds.	Chapters 3,4	
3	6,8 Aug	Trading in Financial Markets. 2007 Credit Crisis.	Chapters 5,6	
4	13,15 Aug	General Issues In Hedging. Interest Rate Risk.	Chapters 7,8	T1
5	20 Aug	TEST 1. Coverage: Chapters 1-8.		T2
5	22 Aug	Measuring Total Portfolio Risk With "VaR".	Chapter 9	T2
MID-TRIMESTER BREAK (Monday 26 August – Sunday 8 September)				
6	10,12 Sep	Measuring & Monitoring Variances & Covariances.	Chapters 10,11	T3
7	17,19 Sep	Regulation: Basel, Solvency, & Dodd-Frank.	Chapters 12,13	T4
8	24,26 Sep	Market Risk: Historical Simulation & Models of VaR.	Chapters 14,15	T5
9	1 Oct	TEST 2. Coverage: Chapters 1-15.		T6
9	3 Oct	Credit Risk: Default Probabilities	Chapters 16	T6
10	8,10 Oct	Counterparty Credit Risk. Credit VaR.	Chapters 17,18	T7
11	15,17 Oct	Scenario Analysis. Stress Testing. Operational Risk.	Chapters 19,20	T8
11	18 Oct	ASSIGNMENT DUE.		
12	22,24 Oct	Liquidity & Model Risk. Economic Capital. RAROC. Pitfalls.	Chapters 21,22,23,24	

Course Learning Objectives

Students who are successful in this course will be able to:

C1 : explain the nature, role, functioning and supervision of financial institutions

C2 : identify and measure risk in a financial institution and explain how it can be managed

C3 : explain credit risk, interest rate risk, and foreign exchange risk

C4 : analyse capital adequacy regimes and other operational requirements for banks and other financial institutions

Course Assessment

Item	Specifications	%	Date	Course Learning Objectives Covered
Test 1	50 mins, closed book	20%	Tuesday 20 August.	C1
Test 2	50 mins, closed book	20%	Tuesday 1 October.	C2,C3
Assignment	Excel based problems.	10%	Due: Friday 18 October. 5pm	C2,C3,C4
Exam	2 hours, closed book	50%	TBA (see 'Examinations' below)	C1,C2,C3,C4

- **Test 1:** 50 minutes, in class, closed-book, multiple-choice on **Tuesday 20 August**.
- **Test 2:** 50 minutes, in class, closed-book, multiple-choice on **Tuesday 1 October**.
- **Assignment:** 10% of grade, due **Friday 18 October at 5PM**.
- **Final Examination:** 2 hours, closed-book, approximately 40% multiple-choice and 60% written answers/calculations. **Date to be advised**.

Course Delivery

The course will consist of Lectures and Tutorials. Lectures will be used to summarize all assigned textbook readings, which are examinable. The suggested approach is to quickly scan the assigned readings before the associated lecture, attend the lecture to identify what information and ideas are most relevant for student assessment, and then, after the Lecture, read and study the highlighted information and ideas very carefully. As it is not possible during Lectures to cover material at the same level of detail as in the text, Tutorials will be used to expand upon important points raised in Lectures and to demonstrate solutions to numerical examples, often using Excel. Tutorials will also provide time for students to ask for individual help with text readings and the assignment, due at the end of term.

Expected Workload

This course is a 15-point course. One point is equated to 10 hours of work, which means a total of 150 hours is expected for this course, spread over the 12 teaching weeks, mid-trimester break, study week and the examination period. This involves attending the lectures and tutorials every week, completing all assigned reading, the assignment, and preparations for all tests and the final exam. Specifically, we shall be covering the entire text and so students are expected to read approximately 25 pages of the text per Lecture.

Readings

The prescribed text for this course is ***Risk Management and Financial Institutions, 3th Edition, 2012, by John C. Hull*** which is available in the Commerce Library for 2 hour loans as well as in the Victoria book store. Since we shall be covering all of the prescribed text in this course, it is important to have convenient access to it and to not fall behind with the assigned readings.

Materials and Equipment

Students will be permitted to use electronic calculators during tests and final exam. For all tests and the final exam, these calculators must be non-programmable and cleared of memory in advance. Any formulas needed for the tests and final exam will be provided in advance. Excel will be used for the assignment and in Tutorials. Lecture slides, handouts, and assignment information will all be posted on Blackboard.

Examinations

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period.

The final examination for this course will be scheduled at some time during the period from Tuesday 29 October – Sunday 17 November.

Penalties

A late assignment submission will result in a 10% per day deduction for each day it is late, unless prior permission has been granted or evidence of exceptional circumstances (e.g. a medical issue) is provided. Unjustifiable absences from any of the tests or final exam will result in a grade of zero for that assessment item.

Mandatory Course Requirements

The only mandatory course requirement is to obtain an **overall course mark of 50% or more** according to the assessment scheme outlined in Course Assessment.

If you cannot complete an assignment or sit a test or examination, refer to www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat

Class Representative

A class representative will be elected in the first class, and that person's name and contact details made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

Communication of Additional Information

Additional information concerning this course will be posted on Blackboard: <http://blackboard.vuw.ac.nz>.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://www.turnitin.com>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

Student feedback

Both an evaluation of teaching and an evaluation of the course will be conducted during the trimester. Any suggestions from students regarding the delivery of the course material, on the quantity and difficulty of assessments, or on any other aspect of their course experience, is considered carefully and appropriate adjustments to the course structure will be made.

Student feedback on University courses may be found at www.cad.vuw.ac.nz/feedback/feedback_display.php

Link to general information

For general information about course-related matters, go to <http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

Quality Assurance Note

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCom programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.