

Course Title	:	Management of Financial Institutions
Course Code	:	FIN3353
Recommended Study Year	:	3
No. of Credits/Term	:	3
Mode of Tuition	:	Sectional Approach
Class Contact Hours	:	3 hours per week
Category in Major Programme	:	Stream Elective - Finance Stream
Prerequisite	:	FIN2201 Hong Kong Monetary and Financial Systems

Brief Course Description

This course provides students with the insight into the products and services, goals and objectives, internal problems and strategic development, and financial risks faced by different types of financial institutions. The course accomplishes this insight by (i) profiling the financial, operating, and organizational characteristics of each type of financial institution, and (ii) examining the services and products offered by these firms to the public. (iii) introducing the basis tools for measuring and managing different kinds of financial risks. The emphasis of the course is placed on commercial bank management.

Aims

This course provides students with the understanding and the insights on the operation and risk management of various financial institutions, with a special focus on the commercial bank management.

Learning Outcomes (LOs)

Upon completion of this course, students should be able to:

1. Describe the nature, the operation and the unique problems of each financial institution in the financial system.
2. Estimate and control the risk exposures of various financial institutions and generally master the basic techniques adopted by financial institutions for managing financial risks.
3. Understand the importance of ethics, corporate governance and regulation compliance in management of financial institutions.

4. Apply the theoretical concepts learned from the course to understand current issues and the management of financial institutions in the real world.

Indicative Contents

The Financial Institutions and Regulatory Environment

The nature and role of financial institutions in a financial system

Ethics and social responsibility of financial institutions

Agency problem

Asymmetric information problem: adverse selection and moral hazard

Financial market regulations

Competition among financial institutions

Commercial Bank Management

The role of commercial banks in the economy

Sources and uses of funds of commercial banks

Risk management

Bank performance analysis

Banking structure and regulation

Off-balance sheet activities

Management of Other Financial Institutions

Other depositary institutions

Contractual financial institutions such as insurance companies and pension funds

Investment institutions such as mutual funds and hedge Funds

Investment banks and securities companies

Venture capital companies

Key issues in risk management

Interest rate risks management

Credit risks Management

Market risks management

Liquidity risk management

Capital management

Asset/Liability management

Performance Analysis

Teaching Method

Concepts and theories will be delivered and reinforced during class session. The class sessions will provide an opportunity for dealing with difficult topics and considerable emphasis will be placed on student participation, group discussion, cases studies and problem analysis.

Measurement of Learning Outcomes

Mid-term and financial examinations largely consist of multiple choice questions, open-end questions, short essay questions and workout problems. Student's ability to apply theoretical concepts to real world events will be evaluated by news presentation and team projects. .

1. Multiple choice questions, open-end questions and short essay questions in mid-term and final examinations assess students' understanding of theories and concepts. (LO1, LO2, LO3)
2. Workout problems gauge students' mastery of financial problem-solving techniques and skills. (LO3)
3. News presentation and term project measure students' understanding of relevant real world events and their critical comments and articulation of ideas. (LO4)

Assessment

Continuous Assessment: News Presentations 5%

In order to encourage students to foster a habit to following financial news, they are required to make one news presentations in groups. Students will form group to discuss one news articles of their choices in class. They will justify why the articles are chosen; explain how they are related to the course and supply their own critical comments as well as answer questions from their classmates and the instructor.

Continuous Assessment: Project 15%

Students will form groups to analyze a publicly listed financial institution. They are required to evaluate the risk exposure, profitability, and other important aspects of the institution and then provide constructive recommendations to the management of the institution.

Continuous Assessment: Mid-term examination 30%

Mid-term examination will use multiple choice questions and true/false questions to test students' mastery of basic skills and tools commonly used in solving financial problems. Open-end and short essay questions may also be given to test students' ability to articulate understanding of key concepts.

Examination: Final Examination 50%

Final examination tests will rely more heavily on workout problems, short essays, and open-end questions to gauge students' financial problem-solving skills. Multiple choice and true/false questions will also be used to measure students' ability to articulate their understanding of key financial concepts.

Required/Essential Reading

Saunders A. and M. Cornett, *Financial Institutions Management: A Risk Management Approach*, latest edition. Chicago: Irwin/McGraw-Hill.

Recommended/Supplementary Readings

Saunders, A. and M. Cornett, Financial Markets and Institution, latest edition, McGraw Hill

Articles

1. Bernanke Ben S. (2007). Financial regulation and Invisible hand, at the New York University Law School, on 11th April 2007
<http://www.federalreserve.gov/newsevents/speech/bernanke20070411a.htm>
2. Bernanke Ben S. (2008). Risk Management in Financial Institutions
<http://www.federalreserve.gov/newsevents/speech/bernanke20080515a.htm>
3. OECD, 2006. OECD Principle of Corporate Governance
www.oecd.org/daf/corporateaffairs/principles/text
4. OECD, 2008. Corporate Governance Lessons from Financial Crisis
<http://www.oecd.org/dataoecd/32/1/42229620.pdf>
5. HKMA, Supervisory Policy Manual: Corporate Governance of Locally Incorporated Authorized Institutions
<http://www.info.gov.hk/hkma/eng/bank/spma/attach/CG-1.pdf>
6. HKMA, Prevention of Money Laundering: A Guideline issued by the Monetary Authority under section 7(3) of the Banking Ordinance
http://www.info.gov.hk/hkma/eng/guide/guide_no/20001222e_index.htm
7. Partner Matthew Barnard and Daniel Yeo: Revised anti-money laundering guidelines
<http://www.aar.com.au/pubs/asia/fohkjul04.htm>
8. KPMG: Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFE) services, China and Hong Kong
<http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/anti-money-laundering-0902.pdf>
9. Moody's Analytics: Basel III New Capital and Liquidity Standards - FAQ
<http://www.moodyanalytics.com/~media/Insight/Regulatory/Basel-III/Thought-Leadership/2012/2012-19-01-MA-Basel-III-FAQs.ashx>
10. HKEx: Hedge Funds: Their Contribution to Securities Industries
<http://www.hkex.com.hk/research/rpapers/HF.pdf>

Some Useful Websites relevant to this course

www.hkma.gov.hk (Hong Kong Monetary Authority)

www.kpmg.com.hk (KPMG is a professional services firm that has survey data on the financial performance of Hong Kong banks)

www.financeasia.com (current news and other information about the financial

services industry

www.oecd.org/daf/corporateaffairs (OECD, issues related to corporate governance)

<http://www.hkiod.com/eng/main.html> (Hong Kong Institute of directors, issues related to corporate governance and excellence of directorship in HK)

Important Notes

- (1) Students are expected to spend a total of 10 hours (i.e. 3 hours of class contact and 7 hours of personal study) per week to achieve the course learning outcomes.
- (2) Students shall be aware of the University regulations about dishonest practice in course work, tests and examinations, and the possible consequences as stipulated in the Regulations Governing University Examinations. In particular, plagiarism, being a kind of dishonest practice, is “the presentation of another person’s work without proper acknowledgement of the source, including exact phrases, or summarised ideas, or even footnotes/citations, whether protected by copyright or not, as the student’s own work”. Students are required to strictly follow university regulations governing academic integrity and honesty.
- (3) Students are required to submit writing assignment(s) using Turnitin.
- (4) To enhance students’ understanding of plagiarism, a mini-course “Online Tutorial on Plagiarism Awareness” is available on <https://pla.ln.edu.hk/>.