

<b>Course</b>	<b>FINC 5830 / JA / Institutions and Financial Markets</b>	
<b>Term</b>	Fall 1, 2009 – Wednesday – 6:00 pm – 10:00 pm 8/19, 8/26, 9/2, 9/9, 9/16, 9/23, 9/30, 10/7, 10/14	
<b>Instructor</b>	Name: Joe Howell Phone (H): 904-730-8699 Phone (C): 904-616-3474 Email: <a href="mailto:jaxowl@hotmail.com">jaxowl@hotmail.com</a>	
<b>Catalog Description</b>	Students develop a unified framework for understanding financial intermediaries and markets. They examine the structure, regulation, and operation of banking and non-banking financial institutions; analyze how central bank operations affect financial institutions; and develop an understanding of money and capital markets, the flow of funds through the economy, and the role of financial and futures markets.	
<b>Prerequisites</b>	FINC 5000	
<b>Course Level Learning Outcomes</b>	<b>Outcome</b>	<b>Expectation</b>
	1. Students can calculate the value of fixed income securities.	Students use equations and financial calculators to solve for all variables within the bond pricing equation, and can extend their TVM to other fixed income securities, such as installment and mortgage loans.
	2. Students know the basics of interest rate determination.	Students can describe theories interest rate determination, as well as how individual securities' required returns are affected.
	3. Students are able to discuss market functioning and the role of financial intermediaries	Students can discuss primary and secondary markets and the multiple intermediations facilitated by financial institutions.
	4. Students know instruments of the money and capital markets.	Students can identify characteristics of common money and capital market instruments used in financial institutions. Additionally, they can price selected instruments.
	5. Students understand the goals of regulation in the financial institution industry.	Students can describe the use of regulation of financial intermediaries to regulate activities and its impact on society.
	6. Students can identify risks	Students can discuss liquidity, credit, interest rate and insolvency risks, and possible effects on

	inherent in financial institutions.	financial institutions.																	
	7. Students can evaluate interest rate risk.	Students can perform gap and duration analysis.																	
	8. Students can identify off-balance sheet instruments and use in managing risks.	Students can describe the basics of financial derivatives used by financial institutions to manage risk.																	
<b>Materials</b>	<ul style="list-style-type: none"> <li>• Saunders, A. and Cornett, M. M. (2007). <b><i>Financial Institutions Management, a Risk Management Approach</i></b>. 6<sup>th</sup> Edition. McGraw-Hill/Irwin. 1221 Avenue of the Americas, New York, NY, 10020. ISBN# 9780077211332</li> <li>• Financial Calculator</li> <li>• <u>Wall Street Journal, Financial Times</u>: Required daily readings to ensure that the appropriate connections are made between the materials covered in class and the current business, market and economic developments. Reading other publications like <u>American Banker, Forbes, Money, Business Week, Fortune</u> etc., could also provide alternative viewpoints on current developments and enhance the class participation and learning.</li> <li>• <b><u>Research Paper Guidelines and Sample Paper</u></b> – See website @ <a href="http://www.webster.edu/jack">www.webster.edu/jack</a> and click on the Student Resources category.</li> </ul>																		
<b>Grading</b>	<b>Assignments</b> <ul style="list-style-type: none"> <li>◆ Pre assignment</li> <li>◆ Weekly Assignments – Homework</li> <li>◆ Topic Papers (3 @ 10 Points each)</li> <li>◆ Research Paper (Includes Passports Internet Research)</li> <li>◆ Presentation of Research Paper</li> <li>◆ Class Participation and Attendance</li> </ul> <b>TOTAL</b>	<b>Maximum Points</b> <ul style="list-style-type: none"> <li>5 Points</li> <li>20 Points</li> <li>30 Points</li> <li>25 Points</li> <li>10 Points</li> <li><u>10 Points</u></li> </ul> <b>100 Points</b>																	
	<table border="1"> <thead> <tr> <th>Percentage of Total Points</th> <th>Grade</th> </tr> </thead> <tbody> <tr> <td>95%-100%</td> <td>A</td> </tr> <tr> <td>90%-94%</td> <td>A-</td> </tr> <tr> <td>88%-89%</td> <td>B+</td> </tr> <tr> <td>84%-87%</td> <td>B</td> </tr> <tr> <td>80%-83%</td> <td>B-</td> </tr> <tr> <td>70%-79%</td> <td>C</td> </tr> <tr> <td>Below 70%</td> <td>F</td> </tr> </tbody> </table>			Percentage of Total Points	Grade	95%-100%	A	90%-94%	A-	88%-89%	B+	84%-87%	B	80%-83%	B-	70%-79%	C	Below 70%	F
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<b>Activities</b>	<b>Weekly Assignments</b>	<ul style="list-style-type: none"> <li>• Assignments will be given on a weekly basis and discussed in class.</li> <li>• Students are required to turn in their assignments at the end of class for grading.</li> </ul>
	<b>Topic Papers</b>	<ul style="list-style-type: none"> <li>• Policy papers will be developed and presented in class. (Paper should not exceed three pages).</li> <li>• The paper should follow the Webster University Publication Guidelines, and utilize at least two references.</li> <li>• Each student will present the paper and discuss in class.</li> </ul>
	<b>Research Paper</b>	<ul style="list-style-type: none"> <li>• The Research Paper topic will be selected by the student and is expected to be relevant to the course material, and may be related to the student's work.</li> <li>• The student is cautioned not to disclose any confidential information in the material.</li> <li>• The Research Paper is expected to be a minimum of five pages.</li> <li>• Presentation to the class using a PowerPoint format is required.</li> </ul>

**Class Participation and Attendance**

- Students are expected to attend all class sessions of every course for the full 36 contact hours. In the case of unavoidable absence, the student must contact the instructor. The student is subject to appropriate academic penalty for incomplete or unacceptable makeup work, or for excessive or unexcused absences. Generally, a student who misses more than one four-hour course period (per course) without a documented military or medical excuse and advanced permission of the instructor should withdraw from the class. The University reserves the right to involuntarily drop enrolled students from classes, which they do not attend. **PLEASE BE ADVISED: Students who do not attend the first class session, who have not made prior arrangements with the instructor for being absent, will be dropped from their courses.**
- Attendance the last day of class is mandatory to ensure that all work is completed and to be awarded a passing grade. An Incomplete will not be acceptable without documental proof (Death Notice, Doctor's Letter, etc.) as to absence relating to non-completion of class work. These must be faxed 904-262-1459 or dropped off to Webster University by the Monday after the term ends.
- Participants are expected to arrive on time and be actively involved in the learning experience. Each student should desire to learn, participate, and proactively contribute to the learning of others during each discussion and exercise.
- Students are to participate in classroom discussions. The discussions are an opportunity for students to reveal their understanding of the assignments made for the current and previous classes.
- Assignments are given to prepare the student to participate in class discussions; therefore, it is imperative that reading assignments and associated questions for discussion be completed prior to class.
- A maximum of 10 points will be awarded based on the level and quality of participation and preparation.
- Failure to turn in an assignment within one week will result in a grade of "0" for that assignment. In addition, failure to submit an assignment will lower the final grade by an additional two points.
- All assignments are due as detailed in the Course Schedule.
- Late assignments will be accepted, if they are turned in **no later** than one week later, but will be penalized one letter grade. Furthermore, late assignments will lower the student's final grade by an additional one point. (Late assignments will not be accepted for the final assignments the last week of the course to allow timely completion and grades to be submitted).

<p><b>Policy Statements:</b></p> <p><b>University Policies</b></p>	<p>University policies are provided in the current course catalog and course schedules. They are also available on the university website. This class is governed by the university's published policies. The following policies are of particular interest:</p> <p><b>Academic Honesty</b></p> <p>The university is committed to high standards of academic honesty. Students will be held responsible for violations of these standards. Please refer to the university's academic honesty policies for a definition of academic dishonesty and potential disciplinary actions associated with it.</p> <p><b>Drops and Withdrawals</b></p> <p>Please be aware that, should you choose to drop or withdraw from this course, the date on which you notify the university of your decision will determine the amount of tuition refund you receive. Please refer to the university policies on drops and withdrawals (published elsewhere) to find out what the deadlines are for dropping a course with a full refund and for withdrawing from a course with a partial refund.</p> <p><b>Special Services</b></p> <p>If you have registered as a student with a documented disability and are entitled to classroom or testing accommodations, please inform the instructor at the beginning of the course of the accommodations you will require in this class so that these can be provided.</p> <p><b>Disturbances</b></p> <p>Since every student is entitled to full participation in class without interruption, disruption of class by inconsiderate behavior is not acceptable. Students are expected to treat the instructor and other students with dignity and respect, especially in cases where a diversity of opinion arises. Students who engage in disruptive behavior are subject to disciplinary action, including removal from the course.</p> <p><b>Student Assignments Retained</b></p> <p>From time to time, student assignments or projects will be retained by The Department for the purpose of academic assessment. In every case, should the assignment or project be shared outside the academic Department, the student's name and all identifying information about that student will be redacted from the assignment or project.</p> <p><b>Contact Hours for this Course</b></p> <p>It is essential that all classes meet for the full instructional time as scheduled. A class cannot be shortened in length. If a class session is cancelled for any reason, it must be rescheduled.</p>
<p><b>Course</b></p>	<ul style="list-style-type: none"> <li>• Attend Class. Class attendance is expected.</li> <li>• Students are encouraged to participate actively in class in regard to analysis and</li> </ul>

<p><b>Policies</b></p>	<p>discussion of reading material, lecture material, problems, and cases.</p> <ul style="list-style-type: none"> <li>• Students should expect to spend substantial amounts of time, in and out of class, to keep up with readings and assignments. Frequently, there will not be sufficient time to review all assigned work &amp; topics in the classroom. However, it is an important learning tool to attempt all tasks, and ask questions on any unclear concepts and problems.</li> </ul> <p><b>Make-Up Requirements</b></p> <ul style="list-style-type: none"> <li>• For each class hour missed, a one (1) page, double-spaced, typed paper, with one (1) reference will be submitted by beginning of the next class day. The instructor will assign the topic. A four (4) hour class will require four (4) pages supported with (4) references from popular or academic press.</li> <li>• This paper will be graded and incorporated in the class participation grade. If the make-up work is not submitted, the student's final grade will be reduced one (1) letter grade.</li> </ul> <p>➤ Students are responsible for any class material presented during their absence, and any assignments due should be submitted prior to the absence, if possible.</p>
<p><b>Weekly Schedule</b></p>	<p><b>Pre-Assignment for Session 1:</b></p> <ul style="list-style-type: none"> <li>○ Prior to Session 1, Students are required to read Part 1: Chapters 1, 2 and 3 and be prepared to discuss and hand in study problems from the chapters, as follows: <b>(Pg. 22) 1 and 2; (Pg. 61) 4 and 5; (Pg. 89) 1 and 3;</b> There will be a minimum of lecture. Students are expected to come to class prepared to discuss assigned end of chapter questions and problems.</li> <li>○ Prepare a 2-page paper with references and citations discussing the following question: <b>Who is responsible for stimulating the American economy?</b> Please use Passports/Internet sources to back up your policy decision.</li> </ul> <hr/> <p><b>Session 1</b></p> <p><b>THEME: Why are Financial Intermediaries Special?</b></p> <p><b>Topics:</b></p> <ul style="list-style-type: none"> <li>◆ Introduction &amp; discussion of pre-assignment</li> <li>◆ FI activities and regulation</li> <li>◆ Depository institutions</li> <li>◆ Insurance companies</li> </ul> <p><b>Assignments for Session 2:</b></p> <ul style="list-style-type: none"> <li>◆ Read Chapters 4, 5 and 6 and be prepared to discuss and hand in study problems from the chapters, as follows: <b>(Pg. 114) 1 and 11; (Pg 150) 1 and 6; and (Pg. 165) 1 and 7.</b></li> <li>◆ Prepare Topic Paper #1 on a banking or insurance issue</li> </ul> <hr/> <p><b>Session 2</b></p> <p><b>THEME: Investment Intermediaries</b></p> <p><b>Topics:</b></p> <ul style="list-style-type: none"> <li>◆ Homework discussion Chapters 4-6 (led by students)</li> <li>◆ Securities Firms &amp; Investment Banks</li> </ul>

	<ul style="list-style-type: none"> <li>◆ Mutual Funds</li> <li>◆ Finance Companies</li> </ul> <p><b>Assignments for Session 3:</b></p> <ul style="list-style-type: none"> <li>◆ Read Chapters 7, 8, 9 and 10</li> <li>◆ Do Questions (Pg. 185) 3, 9 (Pg. 205) 4 &amp; 10 (Pg. 248) 4 (Pg. 291) 3</li> <li>◆</li> </ul> <hr/> <p><b>Session 3</b></p> <p><b>THEME: Interest Rate Risk and Market Risk</b></p> <p><b>Topics:</b></p> <ul style="list-style-type: none"> <li>◆ Homework discussion Chapters 7-10 (led by students)</li> <li>◆ Risks inherent in financial intermediation</li> <li>◆ Interest Rate Risk</li> <li>◆ Market Risk</li> <li>◆ Discussion of Final Research Paper outlines</li> </ul> <p><b>Assignments for Session 4:</b></p> <ul style="list-style-type: none"> <li>◆ Read Chapters 11, 12, 13 and 14</li> <li>◆ Do Questions (Pg. 338) 2, 5 (Pg. 361) 1 &amp; 3 (Pg. 395) 1 (Pg. 420) 4</li> <li>◆ Prepare Topic Paper #1 on a banking or securities/mutual fund issue</li> </ul> <hr/> <p><b>Session 4</b></p> <p><b>THEME: Credit Risk, OBS activities, Operational Risks</b></p> <p><b>Topics:</b></p> <ul style="list-style-type: none"> <li>◆ Homework discussion Chapters 11-14 (led by students)</li> <li>◆ Credit Risk – individual loans</li> <li>◆ Credit Risk – portfolio and concentration</li> <li>◆ Off-Balance-Sheet activities</li> <li>◆ Technology and operational risks</li> <li>◆ Presentation of Topic Paper #1</li> </ul> <p><b>Assignments for Session 5:</b></p> <ul style="list-style-type: none"> <li>◆ Read Chapters 15, 16 and 17</li> <li>◆ Do Questions, (Pg. 449) 6 (pg. 489) 1 &amp; 2 (Pg. 514) 2</li> </ul> <hr/> <p><b>Session 5</b></p> <p><b>THEME: FX Risk, Sovereign Risk and Liquidity Risk</b></p> <p><b>Topics:</b></p> <ul style="list-style-type: none"> <li>◆ Homework discussion Chapters 15-17 (led by students)</li> <li>◆ Foreign exchange risk</li> <li>◆ Sovereign risk</li> <li>◆ Liquidity risk</li> <li>◆ Finalize Final Research Paper topics/outlines</li> </ul>
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	<p><b>Assignments for Session 6:</b></p> <ul style="list-style-type: none"> <li>◆ Read Chapters 18, 19 and 20</li> <li>◆ Do questions (Pg. 545) 1, 3 (pg. 577) 4 (Pg. 620) 1 &amp; 2</li> <li>◆ Prepare Topic Paper #2 on FX, sovereign or liquidity risk</li> </ul>
<p><b>Session 6</b></p>	<p><b>THEME: Liability &amp; Liquidity Mgt., Deposit Insurance, Capital Adequacy</b></p> <p><b>Topics:</b></p> <ul style="list-style-type: none"> <li>◆ Homework discussion Chapters 18-20 (led by students)</li> <li>◆ Liability management</li> <li>◆ Liquidity management</li> <li>◆ Deposit insurance &amp; other guarantees</li> <li>◆ Present Financial Topic Paper #2</li> </ul> <p><b>Assignments for Session 7:</b></p> <ul style="list-style-type: none"> <li>◆ Read Chapters 24, 25 and 26</li> <li>◆ Do questions (Pg. 760) 1, 3 (Pg. 788) 2, 3, 4 &amp; 5; (Pg. 811) 1, 2</li> </ul>
<p><b>Session 7</b></p>	<p><b>THEME: Derivatives and their use in managing FI risk</b></p> <p><b>Topics:</b></p> <ul style="list-style-type: none"> <li>◆ Homework discussion Chapters 24-26 (led by students)</li> <li>◆ Futures and forwards</li> <li>◆ Options, Caps, Floors, and Collars</li> <li>◆ Swaps</li> </ul> <p><b>Assignments for Session 8:</b></p> <ul style="list-style-type: none"> <li>◆ Read Chapters 21-23 to prepare for discussion</li> <li>◆ Prepare Topic Paper #3 on a liquidity management or capital adequacy issue using a real company as an example (see Passports)</li> </ul>
<p><b>Session 8</b></p>	<p><b>THEME: Product &amp; Geographic Diversification of Risk</b></p> <p><b>Topics:</b></p> <ul style="list-style-type: none"> <li>◆ Brief summary of Chapters 21, 22 and 23 by instructor with input by students</li> <li>◆ Presentation of Topic Paper #3</li> <li>◆ Workshop on Final Presentations</li> </ul> <p><b>Assignments for Session 9:</b></p> <ul style="list-style-type: none"> <li>◆ Complete Final Research Paper &amp; Presentation</li> </ul>
<p><b>Session 9</b></p>	<p><b>THEME: Final Course Summary and Presentation of Research Projects</b></p> <ul style="list-style-type: none"> <li>◆ Wrap-up</li> </ul>

<b>Additional Information</b>	None
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Revised 4/20/2008