The course

Overview
This course is designed to provide students with a basic understanding of the structure and management of financial institutions. The main topics include (1) types of financial institutions, (2) analyzing interest-rate and credit risk, (3) risk-management techniques, and (4) derivatives.

Prerequisites
This is an intermediate level course. It assumes that students have a good working knowledge of the basic theoretical and practical concepts of financial management. That is, it assumes a successful completion of FNAN 301 or a comparable course.

Office Hours
TR from 1630 to 1715.

Course resources

I will send out slides and other material by email.

You will need a financial calculator! See below about its capabilities restrictions. Note that it is your responsibility to read the manual and learn how to use your calculator for your exams.

No classes dates
10/11, 10/20, 11/24
Course policies

Grades and exams
There will be 4 exams. Each of the first three is worth 80 points; the final exam is worth 160 points. Of the first three scores, I will drop the lowest score. The exams are cumulative but generally focus on the material covered since the previous exam. You need to take the final exam.
There are no make-up exams in this course!
All exams are closed-book and closed-notes, and no “cheat sheet” will be provided or allowed. You will be required to bring your own financial calculator to the exam. You are not allowed to share a calculator. You are also not permitted to use a calculator that allows for the storage of information, laptop, tablet, or smart phone.

Exam dates
9/27, 10/18, 11/22, 12/13

Group assignment
Changes in technology, the economic and political environment, and regulation constantly affect the operations of financial institutions. Especially, during the current financial crisis, the regulatory environment has changed dramatically. Since the textbook has been written prior to these adjustments, students are required to form four-member groups and each group will be required to make a short presentation and write a brief summary on a current financial-institutions issue. The presentations are scheduled at the end of the semester. I will offer before October 20th a final list of issues from which you can choose your topic. I will also issue specific guidelines for the presentation and summary formats. The group work will be worth up to 80 points.

Final grade
I will assign your letter grade based on your total score out of 400 at the end of the semester.

Attendance Policy
You are expected to attend class regularly. If you miss class, it is your responsibility to obtain notes on the material covered. While I understand that we all face tight time schedules, it is inconsiderate to your classmates for you to come to class late. Please, make every effort to be on time!

Other policies
Communications and BlackBoard
I will occasionally send out emails. Please make sure that your official GMU email account address is available. I sometimes also post relevant, non-copyright protected material on GMU’s BlackBoard at http://courses.gmu.edu.

Accommodation
Students who request help will be given reasonable accommodation through the advice and assistance of the University Office of Disability Services. Please make me aware of your circumstances as soon as possible.
Appeals
Grading errors should be corrected. Appeals must be in writing, within 1 week after the graded work is returned—not the date you first look at it. The appeal should include a written description of the question(s) that need to be reexamined as well as an explanation of why the original grade was incorrect. In general, the entire document will be checked for grading errors, and correcting these could either raise or lower the overall score.

Academic misconduct
It causes failing the course and triggers quite unpleasant university-mandated procedures which result in further sanctions. Academic misconduct includes, but is not limited to, giving or receiving information during an exam and submitting plagiarized work for academic requirements.

SCHEDULE*

Lecture 0 Review of Basic Financial Concepts
Lecture 1 Why Are Financial Intermediaries Important?
(Saunders and Cornett: Chapter 1)
Lecture 2 Depository Institutions
(Saunders and Cornett: Chapter 2)
Lecture 3 Non-depository Institutions
(Saunders and Cornett: Chapters 3, 4, 5, and 6)
Lecture 4 Risks of Financial Intermediaries
(Saunders and Cornett: Chapter 7)
Lecture 5 Interest Rate Risk (Part I)
(Saunders and Cornett: Chapter 8)
Lecture 6 Interest Rate Risk (Part II)
(Saunders and Cornett: Chapter 9)
Lecture 7 Hedging Interest-rate Risk with Futures/Forwards
(Saunders and Cornett: Chapter 24 (pp. 686-702))
Lecture 8 Hedging Interest-rate Risk with Options
(Saunders and Cornett: Chapter 25 (pp. 722-739))
Lecture 9 Hedging Interest-rate Risk with Swaps
(Saunders and Cornett: Chapter 26 (pp. 761-769))
Lecture 10 Credit Risk
(Saunders and Cornett: Chapters 11 and 12)
Lecture 11 Hedging Credit Risk
(Saunders and Cornett: Chapters 24 (710-713), 25 (741-743), and 26 (772-775))

* Adjustments are possible and, if necessary, will be announced during class. Problems and questions could be assigned as the course progresses and the instructor determines the number and kinds of questions the students need to address.