SPECIFIC COURSE INFORMATION
Financial Institutions Management
Class Location: Enterprise Hall Room 277
Class Meeting Days and Time: Thursdays 4:30 – 7:10 p.m.

PROFESSOR’S CONTACT INFORMATION
David R. Gallay, D.Sc.
Enterprise Hall, Room 233
Telephone numbers: (703) 993-1869
E-mail address: dgallay@gmu.edu
Office hours: by appointment

COURSE INFORMATION
Course Blackboard Web Site: http://mymasonportal.gmu.edu. At this site, you can access course materials (e.g., lecture slides) and course assignments.

COURSE PREREQUISITE:
Grade of B- or higher in FNAN 301 or FNAN 303.

COURSE MATERIALS
Required:

Optional:
- A subscription to the Wall Street Journal is also encouraged (or another finance oriented publication like Business Week or the Financial Times).

COURSE DESCRIPTION
This course is an introduction to financial institutions, the key roles they play in the greater economy, and the main risks they face. We will begin with an overview of financial institutions – how major types of institutions are structured, how these structures relate to their functions and some industry trends. Next, we focus on managing different types of risks: interest-rate risk, credit risk, off-balance sheet risk, and liquidity risk; emphasizing basic ideas, tools, and business applications. We will also discuss the evolution of the financial services industry, causes and
consequences of the 2008 credit crisis, and the response of regulators. The course is essential to anyone planning a career in financial services or in an area such as consulting or corporate treasury that works closely with financial institutions.

**COURSE OBJECTIVE**
The purpose of this course is to acquaint students with the following subjects:

- The organization structures of major financial institutions and the key role of these financial institutions play in the economy
- The major risks facing financial institutions, such as interest rate risk, credit risk, liquidity risk, foreign exchange risk, and market risk
- The basic concepts of risk management and the tools used to manage those risks.

**COURSE SCHEDULE**

**Week 1**
Date: January 26, 2017
Lecture topics: Financial Institutions Overview and Depository Institutions
Required readings: Saunders, Chapters 1 and 2
Homework due: None
Homework assigned: Problems 1-5, 1-14, 1-19, 2-1, 2-6, and 2-9

**Week 2**
Date: February 2, 2017
Lecture topics: Finance Companies and Securities Brokerage and Investment Banking
Required readings: Saunders, Chapters 3 and 4
Homework due: Assignment from Chapters 1 and 2
Homework assigned: Problems: 3-1, 3-6, 3-8, 4-1, 4-4, and 4-7

**Week 3**
Date: February 9, 2017
Lecture topics: Mutual Funds, Hedge Funds, and Insurance
Required readings: Saunders, Chapters 5 and 6
Homework due: Assignment from Chapters 3 and 4
Homework assigned: Problems 5-2, 5-6, 5-7, 6-2, 6-3, and 6-7

**Week 4**
Date: February 16, 2017
Lecture topics: Risks of Financial Institutions and Interest Risk I
Required readings: Saunders, Chapters 7 and 8
Homework due: Assignment from Chapters 5 and 6
Homework assigned: Problems 7-2, 7-3, 7-6, 8-8, and 8-9
Week 5
Date: February 23, 2017
topics: Exam I (first hour) and Interest Risk II
Exam Covers: Saunders, Chapters 1 through 6
Required reading: Saunders, Chapter 9
Homework due: None
Homework assigned: Problem 9-4 and 9-5

Week 6
Date: March 2, 2017
Lecture Topic: Credit Risk
Required readings: Saunders, Chapters 10 and 11
Homework due: Assignment for Chapters 7, 8, and 9
Homework assigned: Problems 10-20, 10-22, 10-23, 11-5, 11-7, and 11-8

Week 7
Date: March 9, 2017
Lecture topics: Liquidity and FX Risks
Required readings: Saunders, Chapters 12, 13
Homework due: Assignment for Chapters 10 and 11
Homework assigned: Problems 12-2, 12-6, 12-10, 13-5, and 13-10

Week 8
Date: March 23, 2017
Lecture topics: Sovereign Risk and Market Risk
Required readings: Saunders, Chapters 14 and 15
Homework due: Assignment for Chapters 12 and 13
Homework assigned: Problems 14-5, 14-6, 14-7, 15-4, 15-6, and 15-9

Week 9
Date: March 30, 2017
Lecture topics: Off-Balance Sheet Risk and Technology Risk
Required readings: Saunders, Chapters 16 and 17
Homework due: Assignment for Chapters 14 and 15
Homework assigned: Problems 16-5, 16-7, 16-10, 17-5, and 17-6

Week 10
Date: April 6, 2017
Lecture topics: Liability Management and Review
Required reading: Saunders, Chapter 18
Homework due: Assignment for Chapters 16 and 17
Homework assigned: Problems 18-3, 18-8, and 18-10
**Week 11**
Date: April 13, 2017  
Topic: Exam 2  
Exam Covers: Saunders, Chapters 7 through 17  
Homework due: None  
Homework assigned: None

**Week 12**
Date: April 20, 2017  
Lecture topics: Deposit Insurance and Capital Adequacy  
Required readings: Saunders, Chapters 19 and 20  
Homework due: Assignment for Chapter 18  

**Week 13**
Date: April 27, 2017  
Lecture topics: Forwards, Futures, and Options  
Required readings: Saunders, Chapters 22 and 23  
Homework due: Assignment for Chapters 19 and 20  
Homework assigned: Problems 22-4, 22-9, 23-6, and 23-11

**Week 14**
Date: May 4, 2017  
Lecture topic: Swaps and Loan Sales  
Required readings: Saunders, Chapters 24 and 25  
Homework due: Assignment for Chapters 22 and 23  
Homework assigned: None

**Week 15**
Date: May 11, 2017  
Topic: Exam 3  
Scope: All previous sessions, with emphasis on Chapters 18 through 25 (less Chapter 21)
STUDENT RESPONSIBILITIES
Students are expected to be prepared for class, do their homework, and participate in class discussions.

CLASS POLICY
There will be three exams and weekly homework assignments. The homework assignments are listed in this syllabus. Students may work together on the homework assignments. However, each student must submit his or her assignment individually via the drop-box in Blackboard prior to class on the assignment’s due date. Late submissions will not be accepted unless the student has obtained permission from the professor prior to the submission date.

There will also be periodic spot quizzes. The quizzes will typically address questions from material in the previous week’s lecture and reading assignments.

GRADING STANDARDS
Grades will be awarded based on your exam scores, homework, and your contribution in class.

<table>
<thead>
<tr>
<th>Graded Material or Activity</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student participation</td>
<td>5%</td>
</tr>
<tr>
<td>Quiz and homework</td>
<td>20%</td>
</tr>
<tr>
<td>Exam I</td>
<td>15%</td>
</tr>
<tr>
<td>Exam II</td>
<td>30%</td>
</tr>
<tr>
<td>Exam III</td>
<td>30%</td>
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</tbody>
</table>

Homework Grading Criteria
All homework and quizzes will be graded. However, the lowest quiz score and the bottom two homework scores will not be factored in the overall course grade.

Letter grades are: A, A-, B+, B, B-, C, or F. These letter grades correspond to the following numerical scores:

<table>
<thead>
<tr>
<th>A+</th>
<th>&gt; 100%</th>
<th>B+</th>
<th>87% - 89.99%</th>
<th>C</th>
<th>79% - 70%</th>
<th>D</th>
<th>64% - 69.99%</th>
<th>F</th>
<th>below 64%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>93% - 100%</td>
<td>B</td>
<td>83% - 87.99%</td>
<td>C</td>
<td>79% - 70%</td>
<td>D</td>
<td>64% - 69.99%</td>
<td>F</td>
<td>below 64%</td>
</tr>
<tr>
<td>A-</td>
<td>90% - 93%</td>
<td>B-</td>
<td>80% - 82.99%</td>
<td>C</td>
<td>79% - 70%</td>
<td>D</td>
<td>64% - 69.99%</td>
<td>F</td>
<td>below 64%</td>
</tr>
</tbody>
</table>

The professor reserves the right to change the grading policy for the course.
SCHOOL OF BUSINESS STANDARDS OF BEHAVIOR

The mission of the School of Business at George Mason University is to create and deliver high-quality educational programs and research. Students, faculty, staff, and alumni who participate in these educational programs contribute to the well-being of society. High-quality educational programs require an environment of trust and mutual respect, free expression and inquiry, and a commitment to truth, excellence, and lifelong learning. Students, program participants, faculty, staff, and alumni accept these principles when they join the School of Business community. In doing so, they agree to abide by the following standards of behavior:

• Respect for the rights, differences, and dignity of others
• Honesty and integrity in dealing with all members of the community
• Accountability for personal behavior

Integrity is an essential ingredient of a successful learning community. Ethical standards of behavior help promote a safe and productive community environment, and ensure every member the opportunity to pursue excellence. School of Business can and should be a living model of these behavioral standards. To this end, community members have a personal responsibility to integrate these standards into every aspect of their experience at the School of Business. Through our personal commitment to these Community Standards of Behavior, we can create an environment in which all can achieve their full potential.

HONOR CODE STATEMENT

Honor System and Code: The Honor System and Code adopted by George Mason University will be enforced for this class: http://oai.gmu.edu/the-mason-honor-code/

In your work on all written assignments, keep in mind that you may not present as your own the words, the work, or the opinions of someone else without proper acknowledgement. You also may not borrow the sequence of ideas, the arrangement of material, or the pattern of thought of someone else without proper acknowledgement. Please note: Faculty are obligated to submit any Honor Code violations or suspected violations to the Honor Committee without exception.
## School of Business Recommendations for Honor Code Violations

*Approved May 2016*

### UG-Non-Freshman Students (including transfer students)

<table>
<thead>
<tr>
<th>Type of Violation</th>
<th>First Offense</th>
<th>Second Offense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plagiarism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Failure to cite/attribute sources</td>
<td>An F in the class; referral to Writing Center; and Academic Integrity Seminar completion</td>
<td>An F in the class; referral to the Writing Center; Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion</td>
</tr>
<tr>
<td>2. Representing someone else’s work as the student’s own (e.g., copying and pasting)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. On a minor assignment (e.g., homework, quizzes)</td>
<td>An F in the class; and Academic Integrity Seminar completion</td>
<td>An F in the class, Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion</td>
</tr>
<tr>
<td>2. Cheating on a major assignment or exam, submitting course work from another course as original work</td>
<td>An F in the class; and Academic Integrity Seminar completion, and at least one semester suspension</td>
<td></td>
</tr>
<tr>
<td>Lying (e.g., providing fraudulent excuse documents, falsifying data)</td>
<td>An F in the class; and Academic Integrity Seminar completion, and at least one semester suspension</td>
<td>An F in the class; Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion</td>
</tr>
<tr>
<td>Egregious Violation (e.g., stealing an exam; submitting coursework from another class as original work across multiple courses; lying to an employer about academic performance, false identification or posing as another, in person or online)</td>
<td>An F in the class, Academic Integrity Seminar completion; termination from the School of Business; and at least one-year suspension</td>
<td>An F in the class; Academic Integrity Seminar completion; termination from the School of Business; and expulsion</td>
</tr>
</tbody>
</table>
BUSINESS LIBRARY LIAISON INFORMATION
Jo Ann J. Henson, MLIS Business and Economics Liaison Librarian
Fenwick Library Fairfax Campus: http://infoguides.gmu.edu/business

DISABILITY
If you have a disability and you need academic accommodations, please see me and contact the Office of Disability Services (ODS) at 703-993-2474. All academic accommodations must be arranged through the ODS. Please take care of this during the first two weeks of the semester. More information about ODS is available at http://www.gmu.edu/student/drc

RELIGION
Students who will miss class for religious reasons should inform me of their anticipated absences as soon as possible.

COUNSELING CENTER
George Mason University has a counseling center that can provide assistance if you find yourself overwhelmed by life, want training in academic or life skills, or the like. More information is available at http://www.gmu.edu/departments/csdc/

WRITING ASSIGNMENT STANDARDS
All writing assignments should be formatted as follows: double-spaced, Times New Roman, 12-point font, and 1-inch margins. To cite and reference professional or academic sources, please use Chicago style. Specific instructions for in-text citations and referencing are found at https://owl.english.purdue.edu/owl/resource/717/01/

To help manage the citations and seamlessly create reference lists, Mason supports a free software called Zotero. Please go to https://www.zotero.org/. This program offers:

• Centralized bibliography management
• Ability to sync across computers
• Ability for teams to combine contributions to the references
• Word plug-in that allows citation management within MS word

George Mason University has a writing center that can help you improve your English writing skills. More information is available at http://writingcenter.gmu.edu/

INCLEMENT WEATHER AND CAMPUS EMERGENCIES
Information regarding weather related changes in the University’s schedule (e.g., closing or late opening) will be provided on the GMU website and via MasonAlert. Students sign up for the Mason Alert system to provide emergency information of various sorts at https://alert.gmu.edu.
In the event the Fairfax campus closes, the professor will post on Blackboard a video version of the regularly scheduled class lecture later in the day. Students will be alerted by e-mail once the video is available for viewing. (This approach will eliminate the need for a make-up class session later in the semester.)

An emergency poster exists in each classroom explaining what to do in the event of crises and that further information about emergency procedures exists on http://www.gmu.edu/service/cert