FNAN 321-002
Financial Institutions Management
Spring 2020

COURSE INFORMATION
Financial Institutions Management
Class Location: ENT 174
Class Meeting Time: Mondays, Jan. 28 – May 13, 2020, 4:30 p.m. – 7:10 p.m.

PROFESSOR’S CONTACT INFORMATION
David R. Gallay, D.Sc.
Enterprise Hall, Room 101
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.

SCHOOL OF BUSINESS LEARNING GOALS
1. Our students will demonstrate an understanding of the social, global, ethical, and legal contexts of business and will be able to reflect on the role of the individual in business.
2. Our students will demonstrate an understanding of and the ability to apply knowledge of professional skills necessary for success in business including effective business writing.
3. Our students will demonstrate technical and analytic skills appropriate for success in business.
4. Our students will demonstrate an understanding of and the ability to apply knowledge of core business disciplines including accounting, finance, information systems, management, marketing, and operations management.
5. Our students will demonstrate knowledge and skills appropriate for specialization in their majors.
6. Our students will demonstrate an understanding of how research in the business disciplines contributes to knowledge and how such research is conducted.

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

<table>
<thead>
<tr>
<th>Session 1</th>
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<tbody>
<tr>
<td>Date:</td>
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<tr>
<td>Lecture topic:</td>
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<tr>
<td>Required reading:</td>
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Session 2

Date: Feb. 3, 2020
Lecture topic: Finance Companies and Securities Brokerage and Investment Banking
Required reading: Saunders, Chapters 3 and 4
Homework Assignment
Sanders, Chap 3, Problems 1, 2, 6, and 8.
Sanders Chapter 4, Problems 3, 8, and 13.
Homework Due Chapters 1 and 2.
Session 3
Date: Feb. 10, 2020
Lecture topic: Mutual Funds, Hedge Funds and Insurance Companies
Required reading: Saunders, Chapters 5 and 6
Homework Assignment
Sanders, Chap 5, Problems 6, 12, and 15.
Sanders Chapter 6, Problems 7, 15, and 21.
Homework Due Chapters 3 and 4.

Session 4
Date: Feb. 17, 2020
Topic Exam I (first hour)
Focus: Saunders, Chapter 1 through 6
Lecture topic: Risks of Financial Institutions (second hour)
Required reading: Saunders, Chapter 7
Homework Assignment Sanders, Chap 7, Problems 8, 19, 21, and 26.
Homework Due Chapters 5 and 6.

Session 5
Date: Feb. 24, 2020
Lecture topic: Interest Risk
Required reading: Saunders, Chapters 8 and 9
Homework Assignment Sanders, Chap 8, Problems 9, 15, and 18.
Sanders Chapter 9, Problems 17, 21, and 24.
Homework Due Chapter 7.

Session 6
Date: Mar 2, 2020
Lecture Topic: Credit Risk
Required reading: Saunders, Chapters 10 and 11
Homework Assignment Sanders, Chap 10, Problems 27, 30, and 32.
Sanders Chapter 11, Problems 8, 13, 6, and 16.
Homework Due Chapters 8 and 9.

Session 7
Date: Mar. 16, 2020
Lecture topic Liquidity Risk and Foreign Exchange Risk
Required reading: Saunders, Chapter 12 and 13
Homework Assignment Sanders, Chap 1, Problems 1, 7, and 15.
Sanders Chapter 2, Problems 3, 18, and 24.
Homework Due Chapters 10 and 11.
Session 8  
Date: Mar. 23, 2020  
Topic: Exam II (first hour)  
Focus: Saunders, Chapters 7 through 1  
Lecture topic: Sovereign Risk  
Required reading: Saunders, Chapter 14  
Homework Assignment: Sanders, Chap 14, Problems 17, 22, and 25.  
Homework Due: Chapter 12 and 13.

Session 9  
Date: Mar. 30, 2020  
Lecture topic: Market Risk and Off-Balance Sheet Risk  
Required reading: Saunders, Chapters 15 and 16  
Homework Assignment: Sanders, Chap 1, Problems 1, 7, and 15.  
Sanders Chapter 2, Problems 3, 6, and 16.  
Homework Due: Chapter 14.

Session 10  
Date: Apr. 6, 2020  
Lecture topic: Technology Risk and Liquidity Management  
Required reading: Saunders, Chapters 17 and 18  
Homework Assignment: Sanders, Chap 17, Problems 9, 13, and 18.  
 Sanders Chapter 18, Problems 10, 11, and 18.  
Homework Due: Chapters 15 and 16.

Session 11  
Date: Apr. 13, 2020  
Topic: Exam III (first hour)  
Focus: Saunders, Chapter 12 through 17  
Lecture topic: Deposit Insurance (second hour)  
Required reading: Saunders, Chapter 19  
Homework Assignment: Sanders, Chap 19, Problems 18, 20, and 30.  
Homework Due: Chapter 17.

Session 12  
Date: Apr. 20, 2020  
Lecture topic: Capital Adequacy and Futures and Forward Contracts  
Required reading: Saunders, Chapters 20 and 22  
Homework Assignment: Sanders, Chap 20, Problems 5, 18, 18, and 21.  
 Sanders Chapter 22, Problems 16, 20, and 27.  
Homework Due: Chapters 18 and 19.
Session 13
Date: Apr. 27, 2020
Lecture topic: Options and Swaps
Required reading: Saunders, Chapters 23 and 24
Homework Assignment Sanders, Chapter 23. Problems 11, 18, and 21.
Sanders Chapter 24, Problems 6, 15, and 16.
Homework Due Chapters 20 and 22.

Session 14
Date: May 4, 2020
Lecture topic: Loan Sales and Asset Securitization
Homework Due None

Final Exam
Date and time: May 11, 2020; 4:30 p.m. to 7:10 p.m.
Topic: Exam IV
Focus: All previous sessions, with emphasis on Chapter 18 through 26
(except Chapter 21)

STUDENT RESPONSIBILITIES
I expect you to be prepared for class. Prepared means that you have completed the reading
assignment and are ready to discuss and ask questions about the lecture topic prior to coming
class.

HOMEWORK POLICY
Your homework assignments are due at the beginning of class. Late submissions will not be
accepted. I will make exceptions, but only for extraordinary circumstances, e.g., birth of your
child, military deployments, severe illness, death of an immediate family member. Please note
that I won’t accept claims of conflicts from other course requirements or excessive workloads
from your employer as justification for an extension.

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>
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<tbody>
<tr>
<td>Homework</td>
<td>10%</td>
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<tr>
<td>Exam I</td>
<td>15%</td>
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<tr>
<td>Exam II</td>
<td>25%</td>
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<tr>
<td>Exam III</td>
<td>20%</td>
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<tr>
<td>Exam IV</td>
<td>25%</td>
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<tr>
<td>Class participation</td>
<td>5%</td>
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These letter grades correspond to the following numerical scores:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage Range</th>
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<tbody>
<tr>
<td>A+</td>
<td>&gt; 100%</td>
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<tr>
<td>A</td>
<td>93% - 100%</td>
</tr>
<tr>
<td>A-</td>
<td>90% - 93%</td>
</tr>
<tr>
<td>B+</td>
<td>87% - 89.99%</td>
</tr>
<tr>
<td>B</td>
<td>83% - 87.99%</td>
</tr>
<tr>
<td>B-</td>
<td>80% - 82.99%</td>
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<td>C</td>
<td>70% - 79%</td>
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<tr>
<td>D</td>
<td>64% - 69.99%</td>
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<tr>
<td>F</td>
<td>&lt; 64%</td>
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I reserve the right to change the grading policy for the course.

**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>
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<tbody>
<tr>
<td>Plagiarism</td>
<td>An F in the class; referral to Writing Center; 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></td>
<td>1. Failure to cite/attribute sources</td>
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<td></td>
<td>2. Representing someone else’s work as the student’s own (e.g., copying and pasting)</td>
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<tr>
<td>Cheating</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>
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<td>1. On a minor assignment (e.g., homework, quizzes)</td>
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<td></td>
<td>2. Cheating on a major assignment or exam, submitting course work</td>
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<tr>
<td>Violation</td>
<td>Consequence</td>
<td>Consequence</td>
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<td>--------------------------------------------------------------------------</td>
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<tr>
<td>from another course as original work</td>
<td>and at least one semester suspension</td>
<td>An F in the class; Academic Integrity Seminar completion; termination from</td>
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<td></td>
<td></td>
<td>the School of Business; and at least one semester suspension</td>
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<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</td>
<td>An F in the class; Academic Integrity Seminar completion; termination from</td>
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<td></td>
<td>one semester suspension</td>
<td>the School of Business; and at least one semester suspension</td>
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<tr>
<td>Egregious Violation (e.g., stealing an exam; submitting coursework from</td>
<td>An F in the class, Academic Integrity Seminar completion; termination from</td>
<td>An F in the class; Academic Integrity Seminar completion; termination from</td>
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<td>another class as original work across multiple courses; lying to an</td>
<td>the School of Business; and at least one-year suspension</td>
<td>the School of Business; and expulsion</td>
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<td>employer about academic performance, false identification or posing as</td>
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<td>another, in person or online)</td>
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**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.
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/.

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.