



BUSINESS FINANCE 4265
Financial Institutions

Professor: Prof. Robert A Fuller

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Course Description

Financial Institutions play an extremely important role in the functioning of the global economy and in the operation of our firms. The financial crisis of 2007-2008 and recent global financial turbulence demonstrated both how important financial institutions are in the economy and how they are often times greatly misunderstood because of their complexity. Today, banks and other financial institutions are undergoing a great deal of change. The challenges they face are daunting and historic. Our goal is to examine financial institutions, these challenges and problems in depth. In doing so this class will not offer simple solutions to the complex problems financial institutions. Instead, this course will force you to think and engage in conversations so that you can gain insight into the problems and opportunities that await financial institutions and our global economy.

At the end of this course, students will be able to demonstrate that they understand

- The history and essential functions of banks in the economy.
- Important asset, liability and capital components in a bank balance sheet.
- How banks earn revenues and profits.
- The risks banks assume and how they are measured and manage.
- Key elements of the Financial Crisis and subsequent regulatory developments.
- The basic character of other types of Financial Institutions and roles they play in the Economy (including how they are regulated)
- Technological and other developments impacting the future of Financial Institutions.

Course Resources:

1. *Course lecture notes* are posted on the course website. Please bring your notes to class each day to participate in the class discussion.
2. *Required Readings* include sections from the *required textbook* (see #3) and other readings posted on the class website and in the course schedule.
3. *Required Textbook*: Brandl, Michael W. *Money, Banking, Financial Markets and Institutions*, Mason, OH: Cengage Learning, 2017. ISBN-10: 0538748575 | ISBN-13: 9780538748575. Please note that new and used versions of the textbook are available on www.amazon.com.

4. *Harvard Business School Course Packet*: Please follow this link <http://cb.hbsp.harvard.edu/cbmp/access/51582126> and follow the instructions below:
 - a. Click “Register Now.”
 - b. Enter name, email, and educational program, and create a username and password.
 - c. Click “Register.”
 - d. Login with the username and password you just created.
 - e. Purchase the course packet contents (Cases and Background Note)

5. *Additional Resources*: This course stresses the impact financial institutions have on business practices. Below are some national and international news resources that are relevant to the course and excellent sources of information for any serious business student.
 - The *Wall Street Journal* (WSJ) provides national and international news as well as detailed information on financial markets and institutions.
 - The *Financial Times* is a daily newspaper out of London with a US edition. The *Financial Times* offers a much more extensive coverage of economic and business activity outside of the United States, compared to mostly domestic news sources such as the WSJ.
 - The *Economist* is an outstanding weekly British newsmagazine that analyzes the week’s events and surveys financial market developments. Its target audience includes senior executives as well as high ranking government official.

Course Requirements:

The course requirement include the following components.

Component	% of total course grade
Cases	25%
Exams-2	40%
Assignments	15%
Class participation-cases	15%
Class participation-lecture/speakers	5%

1. **Cases:** The course has cases to be analyzed. Case briefs should NOT exceed two pages of text with no limit on exhibits. You must use the 12-point font, double-spaced paragraphs, and default Microsoft Word margins. Cases will either be done as group work or individual assignment as directed. Groups can have 3-4 members and you must give me a list of members by the start of the 3rd class on August 28th. If necessary, I will assign students to groups already formed. You will be given questions to answer for each case. Case briefs are due at the beginning of class and late submissions will not be accepted
2. **Assignments:** The assignments may include some cases, exam-style problems, questions related to assigned readings or videos, and completion of in-class exercises to be completed outside of class. All assignments are due at the beginning of class on the date indicated in the assignment.

Each assignment grade will contribute equally towards the Assignments component grade.

3. **Exam:** There will be a mid-term exam exams on the following dates.

Exams: October 11th and December 6th during class time.

4. **Class Attendance and Participation:** Students are expected to **attend class** and to **arrive on time**. To a significant extent, the value you get from the course depends on your presence in class, and your classmates' opportunities to learn from your insights depend on your presence in class. Each student is permitted to have NO MORE than two excused absences during the semester. Please notify me of your absence before the specific date by email. Exceptions can be made for serious circumstances.

As noted above, students are expected to have completed the assigned reading and exercise posted on the course content page before class. To encourage preparation and facilitate class discussion, students will be called on in class to share their insights. As is the case with real world work environments, you are judged not by what you know but by what you **contribute**. Even if you feel that you know the material, unless you share your insights with the class, we cannot adequately evaluate your preparedness and contribution. Students are never penalized for making comments which do not

appear to be the “right answer.” It is only through consideration of many diverse opinions and viewpoints that we will move toward a greater shared understanding of the multi-dimensional material which this course entails.

Please chose a seat for the entire term and always bring your nameplate. Class participation will be marked for each class by a student and also by myself. For each class, points will be given for comments- 0 for no comments, and up to 3 points for observations.

There are a total of 9 cases in the course, some will require case briefs and some are assignments. Class participation for all cases will make up the case portion of class participation.

Exam Policy:

Everyone will take the exams on assigned dates.

Extra Credit/Grade Change Policy:

Extra credit will not be offered unless it is available to the entire class. For example, if a student wishes to improve his grade at the end of the course, extra credit will not be available for this purpose, as it unfairly penalizes students who have consistently worked hard throughout the course.

Electronic Devices Policy:

Electronic devices are allowed in class for note taking and review of course material.

However, in some classes, this has led to some distraction and this policy may be amended if necessary.

Office hours and reviews:

Unless announced otherwise, I am available to meet with students on an individual basis by appointment. Please speak to me before class or email me to make an appointment for an office visit. Please give me a general idea of the topic you'd like to discuss so that I can be as prepared as possible for your visit.

Course website:

I will maintain a website through Carmen (using the University's new Canvas system). The URL is <https://carmen.osu.edu>. I will use the website to post course slides, readings, and assignments. Please check it on a regular basis.

Communication:

The quickest way to contact me is by email. I will try to respond promptly within a day.

ACADEMIC INTEGRITY

Academic integrity is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. Thus, The Ohio State University and the Committee on Academic Misconduct (COAM) expect that all students have

read and understand the University's *Code of Student Conduct*, and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University's *Code of Student Conduct* and this syllabus may constitute "Academic Misconduct."

The Ohio State University's *Code of Student Conduct* (Section 3335-23-04) defines academic misconduct as: "Any activity that tends to compromise the academic integrity of the University, or subvert the educational process." Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University's *Code of Student Conduct* is never considered an "excuse" for academic misconduct, so I recommend that you review the *Code of Student Conduct* and, specifically, the sections dealing with academic misconduct. (You can find the full Code at http://studentlife.osu.edu/pdfs/csc_12-31-07.pdf)

If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct.

DISABILITY SERVICES

The Student Life Disability Services (SLDS) (www.ods.ohio-state.edu) verifies students with specific disabilities and develops strategies to meet their needs. Students requiring accommodations based on identified disabilities should contact the instructor at the beginning of the term to discuss their particular needs. Students with a specific disability are encouraged to contact SLDS to explore potential accommodations available to them.

COURSE SCHEDULE

PART 1: THE BIG PICTURE: Financial Institutions, The What, How and Why We Care		
Week	Dates	Topic, Readings, and Assignments
1	Wed, 8/23 Fri, 8/25	<p style="text-align: center;">Topics Overview of Syllabus and Class Financial Institutions (FI) through Time</p> <p>Required Readings: 1. Textbook: Chapters 1, 2, and 5</p> <p>8/23: Syllabus, class overview, introductions 8/25: Chapter 1,2,5</p>
2	Mon, 8/28 Wed, 8/30 Fri, 9/1	<p style="text-align: center;">Topic: <i>Changing Landscape of the Financial Services Industry:</i> Banks fundamentals</p> <p>Required Readings: 1. Textbook, Chapter 7, 12. 2. Bank of America (in 2010) and the New Financial Landscape Case (<i>HBS Course Packet</i>), team case brief</p> <p>8/28: Chap 7 8/30: Chap 12 9/1 : No class- prep for BoA case</p>
3	Mon, 9/4 Wed, 9/6 Fri, 9/8	<p style="text-align: center;">Topic: <i>Bank fundamentals continued</i></p> <p style="text-align: center;">SEP 8: Guest Speaker: Derek Meyer, EVP financial planning and analysis, Huntington Bank</p> <p>Case brief: Bank of America</p> <p>9/4: No Class Labor Day 9/6 : Case discussion Bank of America 9/8 : guest speaker</p>

PART 2: BANKS: Their OPERATIONS, BALANCE SHEET and RELATED RISKS

Week	Dates	Topic, Readings, and Assignments
4	Mon, 9/11 Wed, 9/13 Fri, 9/15	<p>Topic <i>Credit Risk</i></p> <p>Required Reading: Textbook, Chapter 13.1</p> <p>Assignment: Lending Tree Assignment due SEP 18</p> <p>9/11: Credit Risk lecture 9/13: Credit Risk 2 lecture 9/15: No Class, Lending tree assignment due 9/18</p>
5	Mon, 9/18 Wed, 9/20 Fri, 9/22	<p>Topic <i>Managing Related Risks</i> Credit Risk, Interest Rate Risk</p> <p>Required Readings:</p> <ol style="list-style-type: none"> 1. Textbook, Chapter 13.1, 13.2 2. Chase and Hong Kong Disney case, team case brief 3. Commercial Bank case as assignment <p>9/18: Chase Hong Kong Disneyland loan Syndication Case discussion 9/20: Commercial loan assignment discussion 9/22: Interest Rate Risk lecture</p>
6	Mon, 9/25 Wed, 9/27 Fri, 9/29	<p>Topics <i>Managing Related Risks – Part 2</i></p> <p>Liquidity, and Operational Risk Bank Regulation</p> <p>Required Readings:</p> <ol style="list-style-type: none"> 1. Textbook, Chapter 13.3-13.6, 14 <p>Case brief : Deutsche Bank and the Road to Basel III</p> <p>9/25: Liquidity and Operational Risk 9/27: Bank Regulation 9/29: Deutsche Bank case discussion</p>

7	Mon, 10/2 Wed, 10/4 Fri, 10/6	<p style="text-align: center;">Topics <i>S&L's, Finance companies, Credit Unions, Community Banks</i></p> 10/2: Credit Suisse case as assignment 10/4: Chapter 21, S&L's, Finance companies, Credit Unions, Community Banks 10/6: No Class , assignment
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8	Mon, 10/9 Wed, 10/11 Fri, 10/13	<p style="text-align: center;">Topic <i>Review and Exam 1</i></p> <p style="text-align: center;">Oct 13: FALL BREAK – No Class</p> <p>10/9: Review 10/11: Exam 1 10/13: No Class, fall break</p>
9	Mon, 10/16 Wed, 10/18 Fri, 10/20	<p style="text-align: center;">Topics <i>Bank Governance</i></p> <p>Required Readings:</p> <ol style="list-style-type: none"> 1. Merrill Lynch case 2. Bank of America case pages <p>Assignment:</p> <ol style="list-style-type: none"> 1. Answer questions about BoA/ML cases due 10/18 2. Answer questions re video, due 10/23 <p>10/16: Bank Governance Lecture 10/18: Discussion of BoA/ ML cases 10/20: No Class, watch “Inside the Meltdown”, PBS Frontline http://www.pbs.org/wgbh/frontline/film/meltdown</p>
Week	Dates	Topic, Readings, and Assignments
10	Mon, 10/23 Wed, 10/25 Fri, 10/27	<p style="text-align: center;">Topics <i>Governance and Financial Crises</i></p> <p>Required Readings:</p> <ol style="list-style-type: none"> 1. Blackstone at age 30 Case as assignment due 10/25 2. Watch video “The Smartest Guys in the Room”, answers due 10/30 <p>10/23: Guest speaker, David Berson, SVP & Chief Economist Nationwide 10/25: Blackstone case discussion 10/27: No Class, Watch video</p>
11	Mon, 10/30 Wed, 11/1 Fri, 11/3	<p style="text-align: center;">Topic <i>Governance</i></p> <p>10/30: Enron case discussion 11/1: Guest Speaker, James Kunk, retired Central Ohio President, Huntington 11/3: No Class, Group paper on governance</p>

12	<p>Mon, 11/6 Wed, 11/8 Fri, 11/10</p>	<p style="text-align: center;">Topics <i>FinTech, Federal Reserve</i></p> <p>11/6: Guest Speaker on FinTech, Hal King, King Brown Partners 11/8: Federal Reserve lecture, read chapter 11/10: No Class-Veterans Day</p>
13	<p>Mon, 11/13 Wed, 11/15 Fri, 11/17</p>	<p style="text-align: center;">Topics <i>Investment Companies and Shadow Banking</i></p> <p>Required Reading:</p> <ol style="list-style-type: none"> 1. Chapter 23, read Warren Buffet letter to shareholders, "The Bet" 2. GE and the Shadow Banking Landscape , case due 11/15 3. Video, " Pirates of Silicon Valley" <p>11/13: lecture on Investment companies 11/15: GE case discussion 11/17: No Class, watch video and submit answers 11/20</p>
14	<p>Mon, 11/20 Wed, 11/22 Fri, 11/24</p>	<p style="text-align: center;">Topics <i>Insurance Companies</i> Overview of Activities Insurance and Pensions: Asset & Liability (A&L) Management</p> <p>Required Readings:</p> <ol style="list-style-type: none"> 1. Textbook, Chapter 22 2. Read Warren Buffet letter to shareholders, insurance section <p>11/20: lecture on Insurance 11/22 & 11/24: No Class. Thanksgiving break</p>

PART 4: NON-BANK INSTITUTIONS/SHADOW BANKING

Week	Dates	Topic, Readings, and Assignments
15	Mon, 11/27 Wed, 11/29 Fri, 12/1	<p align="center">Topics <i>Insurance, Investment Banking, Private equity</i></p> <p>Required Readings</p> 1. Textbook, Chapter 24 11/27: Guest Speaker, Ian Czaja, Nationwide 11/29: lecture in Investment Banking and Private Equity 12/1 : Guest Speaker, Matt McDonough, Drive Capital
16	Mon, 12/4	REVIEW FOR EXAM 2
	Wed, 12/6	EXAM 2