



**BUSINESS FINANCE 4265**  
**Financial Institutions**  
**Spring 2019**

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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 managed.
- 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](http://www.amazon.com).
4. *Harvard Business School Course Packet*: Please follow this link <http://hbsp.harvard.edu/import/588217> 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.

<b>Component</b>	<b>% of total course grade</b>
Cases	20%
Exams-2	50%
Assignments	10%
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 class on January 16th. 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 exams on the following dates.

***Exams: February 27<sup>th</sup> and April 22<sup>nd</sup> 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 two students. 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 8 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](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](http://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**

**The course schedule shown below is tentative and may be changed**, especially if speakers need to change their dates. I will update any changes **in the module section in Carmen**, so closely monitor that, as **I will not update the dates on the syllabus.**

## COURSE SCHEDULE

<b>PART 1: THE BIG PICTURE: Financial Institutions, The What, How and Why We Care</b>		
<b>Week</b>	<b>Dates</b>	<b>Topic, Readings, and Assignments</b>
1	Mon, 1/7 Wed, 1/9	<p style="text-align: center;"><b>Topics</b> Overview of Syllabus and Class Financial Institutions (FI) through Time</p> <p><b>Required Readings:</b> 1. Textbook: Chapters 1, 2, and 5</p> <p>1/7: Syllabus, class overview, introductions, Chapter 1 1/9: Chapter 2,5</p>
2	Mon, 1/14 Wed, 1/16	<p style="text-align: center;"><b>Topic:</b> <i>Changing Landscape of the Financial Services Industry:</i> Banks fundamentals</p> <p><b>Required Readings:</b> 1. Textbook, Chapter 7</p> <p>1/14: Chapter 7 1/16: Chapter 12</p>
3	Mon, 1/21 Wed, 1/23	<p style="text-align: center;"><b>Topic:</b> <i>Bank fundamentals continued</i></p> <p><b>Read: 1. Bank of America (in2010) and the New Financial Landscape (HBS Course packet)- team case brief</b></p> <p>1/21 : <b>No Class- holiday</b> 1/23 : Case discussion Bank of America</p>

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

<b>Week</b>	<b>Dates</b>	<b>Topic, Readings, and Assignments</b>
4	Mon, 1/28 Wed, 1/30	<p align="center"><b>Topic</b> <i>Credit Risk</i></p> <p><b>Required Reading:</b> Textbook, Chapter 13.1</p> <p><b>Assignment:</b> MATS case as individual assignment</p> <p>1/28: Credit Risk lecture 1/30: MATS case discussion</p>
5	Mon, 2/4 Wed, 2/6	<p align="center"><b>Topic</b> <i>Managing Related Risks</i> Interest Rate Risk, Liquidity, Operational Risk</p> <p><b>Required Readings:</b></p> <ol style="list-style-type: none"> <li>1. Textbook, Chapter 13.2-6</li> <li>2. Chase and Hong Kong Disney case, team case brief</li> </ol> <p>2/4: Chase Hong Kong Disneyland loan Syndication Case discussion</p> <p>2/6: Interest Rate, Liquidity, and Operational Risk lecture</p>
6	Mon, 2/11 Wed, 2/13	<p align="center"><b>Topics</b> <i>Bank Regulation</i></p> <p><b>Required Readings:</b></p> <ol style="list-style-type: none"> <li>1. Textbook, Chapter 14</li> <li>2. Deutsche Bank and the Road to Basel III, team case</li> </ol> <p>2/11: Bank Regulation lecture 2/13: Deutsche Bank case discussion</p>

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

<b>Week</b>	<b>Dates</b>	<b>Topic, Readings, and Assignments</b>
7	Mon, 2/18 Wed, 2/20	<p align="center"><b>Topics</b> <i>S&amp;L's, Finance companies, Credit Unions, Community Bank; Federal Reserve</i></p> <p><b>Required reading: Chapter 21, 8</b></p> <p>2/18: <b>No Class</b> 2/20: Chapter 21, S&amp;L's, Finance companies, Credit Unions, Community Banks; Federal Reserve</p>
8	Mon, 2/25 Wed, 2/27	<p align="center"><b>Topic</b> <i>Exam 1</i></p> <p>2/25: <b>Review for Exam 1</b> 2/27: <b>Exam 1</b></p>
9	Mon, 3/4 Wed, 3/6	<p align="center"><b>Topic</b> <i>Bank Governance, The economy</i></p> <p>3/4: Governance Lecture 3/6: Guest Speaker, David Berson, Chief Economist, Nationwide</p>

<b>Week</b>	<b>Dates</b>	<b>Topic, Readings, and Assignments</b>
10	3/11& 13: <b>Spring Break</b>  Mon, 3/18 Wed, 3/20	<p style="text-align: center;"><b>Topics</b> <i>Governance</i></p> <p><b>Required Readings:</b></p> <ol style="list-style-type: none"> <li><b>Case: Sales Misconduct at Wells Fargo</b>, individual assignment</li> <li><b>Case: Innovation Corrupted: The Rise and Fall of Enron (A)</b>, individual assignment</li> </ol> <p>3/18: Wells Fargo case discussion 3/20: Enron case discussion</p>
11	Mon, 3/25 Wed, 3/27	<p style="text-align: center;"><b>Topic</b> <i>Governance, Investment Companies, Investment banking, Private equity</i></p> <p><b>Required Reading:</b></p> <ol style="list-style-type: none"> <li><b>Blackstone at age 30, team assignment</b></li> <li><b>Chapter 23,24, Warren Buffet “The Bet”</b></li> </ol> <p><b>3/25: Blackstone case discussion</b> 3/27: Lecture on Investment Companies, Investment Banking, Private Equity; Shadow Banking</p>
12	Mon, 4/1 Wed, 4/3	<p style="text-align: center;"><b>Topics</b> <i>FinTech ,Capital Markets</i></p> <p><b>Readings:</b></p> <p>4/1 : Guest Speaker on FinTech, Hal King, King Brown Partners 4/3 : Guest Speaker, Matthew Milcetic, Sr Managing Director, Huntington Capital Markets</p>

<b>Week</b>	<b>Dates</b>	<b>Topic, Readings, and Assignments</b>
13	Mon, 4/8 Wed, 4/10	<p style="text-align: center;"><b>Topics</b> <i>Insurance</i></p> <p><b>Required Reading:</b> Chapter 22, read Warren Buffet letter to shareholders, Insurance section</p> <p>4/8: lecture on Insurance 4/10: Guest Lecturer- Ian Czaja, strategic planning, Nationwide</p>
14	Mon, 4/15 Wed, 4/17	<p style="text-align: center;"><b>Topic</b> <i>Private Equity, Exam review</i></p> <p><b>Required Readings:</b></p> <ol style="list-style-type: none"> <li>1. Textbook, Chapter 24</li> <li>2. Read Venture Capital article</li> </ol> <p>4/15: Guest Speaker- Matt McDonough, Drive Capital 4/17: Review Exam 2</p>
15	Mon, 4/22	4/22: <b>Exam 2</b>