

Fayetteville State University
School of Business and Economics
Department of Finance, Economics, Entrepreneurship and Marketing
FINC 420-D1 Commercial Bank Management
Spring/2011

FSU Policy on Electronic Mail: Fayetteville State University provides to each student, free of charge, an electronic mail account (username@uncfsu.edu) that is easily accessible via the Internet. The university has established FSU email as the primary mode of correspondence between university officials and enrolled students. Inquiries and requests from students pertaining to academic records, grades, bills, financial aid, and other matters of a confidential nature must be submitted via FSU email. Inquiries or requests from personal email accounts are not assured a response. The university maintains open-use computer laboratories throughout the campus that can be used to access electronic mail.

Rules and regulations governing the use of FSU email may be found at
<http://www.uncfsu.edu/PDFs/EmailPolicyFinal.pdf>

II. Course Description: A study of the fundamental principles underlying the management of a commercial bank; capital funds; assets and liability management; value maximization; legal and operational constraints.

III. Disabled Student Services: In accordance with Section 504 of the 1973 Rehabilitation Act and the Americans with Disabilities Act (ACA) of 1990, if you have a disability or think you have a disability to please contact the Center for Personal Development in the Spaulding Building, Room 155 (1st Floor); 910-672-1203.

IV. Textbook and Financial Calculator:

1. Textbook

Bank Management & Financial Services 7th Edition by Peter S. Rose and Sylvia C. Hudgins,
McGraw-Hill, ISBN 0-07-304623-X

2. Financial Calculator

The recommended calculator for the class is the Texas Instruments BA-II Plus. It is one of the cheaper financial calculators on the market and is used in other finance courses. If you prefer, you can use Excel in place of the calculator, but some of you may find the calculator easier to use to take timed exams.

V. Student Learning Outcomes

Upon completion of this course the student should be able to:

1. Follow the central focus in describing the ways the managers of modern financial institutions can expand return with a managed level of risk to achieve the most favorable return-risk outcome for the financial institutions' owners.
2. Describe the fundamental principles underlying the management of a commercial bank; capital funds; assets and liability management; value maximization; legal and operational constraints.
3. Compare and contrast all types of regulation of the Commercial Banking Industry.
4. Distinguish and classify all aspects of Commercial Bank Loans.
5. Analyze Asset-Liability Management Techniques and related Hedging techniques.
6. Synthesize and integrate Commercial Bank Investment and Liquidity Issues.
7. Explain the changes in the Commercial Bank Industry and their effects on industry

VI. Course Requirements and Evaluation Criteria

A. Grading Scale

Grading symbols and numerical equivalents:

A	92 to 100%
B	83 to 91%
C	73 to 82%
D	64 to 72%
F	63% and below

B. Graded Assignments

EXAMS: 1. There will be three exams and an optional comprehensive final. Exams are designed to test your understanding of facts, concepts, and problem-solving methods. They are not designed to test your memorization skills.

2. Students will be given until 9:30 P.M. on the third day after the exam first appears on blackboard to take the exam. For example, if an exam is posted on Thursday, February 24th, it will be available until 9:30 P.M. on Saturday, February 26th. However, the instructor reserves the right to change this policy if necessary. An announcement will be posted on the discussion board if a change is necessary. Actual dates for all exams are posted below and exams will be posted under the “assignments” tab on blackboard.

3. The final exam is comprehensive and students may use the final exam to replace one of prior three semester exam grades. This policy eliminates the need for makeup exams. If a student misses an exam for any reason, the student will simply allocate the 15% that would go to the missed exam. The only circumstance in which makeup exams will be given is if an exam is missed due to an error or malfunction that is obviously the fault of the instructor or blackboard. Students who are satisfied with their scores on the first three exams are not required to take the final.

QUIZZES: There will be a total of four quizzes. Quiz problems are provided to help students master the material and to prepare them for exams. Each quiz is multiple choice questions and quizzes will count for 15% of the final grade. Students will be given until 09:30 P.M. on the third day after the quiz first appears on blackboard to take the quiz. For example, quiz 1 will be posted sometime on Thursday, January 27, and will be available until 09:30 P.M. on Saturday, January 29. However, the instructor reserves the right to change this policy if necessary. An announcement will be posted on the discussion board if a change is necessary. Quizzes will be posted under the “assignments” tab on blackboard. Students should also complete the each practice quiz posted at least once. Students aren’t penalized for low scores on practice quizzes, but may lose participation points for not attempting them. Practice quizzes are available under the assignments tab. Additional practice exercises are available on the textbook website and on the disk that is included with new versions of the textbook.

DISCUSSION BOARD PARTICIPATION AND HOMEWORK: Students should check the discussion board regularly and participate in any ongoing discussions. Blackboard discussion board participation and homework will count for 16% of the final grade. The due date for posting your response to the topics can be shown in the Course Outline and Assignment Schedule. The board should also be used to post questions for the instructor or fellow students. The instructor will respond to the discussion board at least twice a week during the semester. Your first discussion board assignment is to log on, introduce yourself, and verify that you have read the syllabus and understand all course requirements and policies. If you don’t understand then continue to ask questions until you reach the point of understanding and then indicate so. Give your name, your geographical location, your background in education, business and finance, your current place of employment if applicable, and any other information you wish to share. Suggested homework problems and questions are provided to help students master the material and to prepare them for exams. Some assignments will also give students the opportunity to exercise and enhance their written communications skills. Each student is expected to work through all suggested problems. It is not possible for a student to obtain a passing grade in the course without having gained substantial understanding of the material contained in these problems and questions. To receive credit for an assignment, homework must be turned in through a digital drop box on time. Assignments will be posted on the course blackboard page with the due date indicated.

CHAPTER WRITE UPS: Students are required to read each chapter thoroughly and turn in typewritten solutions to assigned problems of each chapter. Students should submit their summaries to the assignments on Blackboard by 9:30 pm on the due date. Chapter summaries will count for 16 % of the final grade. Each summary will be graded on a scale of 0 to 100. The problems of assigned chapters are posted on blackboard system. Summaries should be in written in **your own words**. Copying directly from the textbook or other sources is not acceptable.

SPREADSHEET EXERCISE: Spreadsheet exercise gives students an opportunity to use Excel software to create one or more spreadsheets with which to analyze a financial problem. There will be 4 spreadsheet exercises and they count for 8 % of the final grade. The specific information about each spreadsheet problem is posted on blackboard and students should submit their spreadsheet problems to the assignments on Blackboard by 9:30 pm on due date.

File Name of Assignments: When you turn in your assignments through the digital drop box on Blackboard, please make your filename of one assignment distinguishable from others. For example, your filename for spreadsheet number one could look like spreadsheet01_yourname.doc.

C. Value of Each Assignment

Points toward the final letter grade will be allocated as follows:

<i>Requirements</i>	<i>Allocations</i>
First Exam	15%
Second Exam	15
Third Exam	15
Final Exam	15
Quizzes	15
Discussion Board Participation and Homework	16
Spreadsheet Exercises	8
Chapter Write-Ups	16
Total	100%

Due to the generous nature of the grading policies in the course, it is unlikely that there will be any “curve” applied to the final grades.

D. Policy on Missed or Late Assignments: **No makeup tests** or assignments will be given unless a student has a legitimate excuse for missing a test, in which case a special makeup will be given within one week from the original test date. Excuse for any missed test **MUST** be presented to the instructor before the student misses a test and then provide me **the official note of excused absence** in support of your excuse. Excused absences may be granted to students for university authorized activities, military obligations, serious illness and family emergencies.

E. Other

CHEATING: The procedure for dealing with cases of academic cheating will be consistent with the University catalog/student handbook. There will be no exceptions.

SPECIFIC COMPUTER REQUIREMENTS: Class assignments will require the use of a computer with spreadsheet, word processing, and internet browsing capabilities. As this is a web-enhanced course, students will be required to obtain a lot of course materials online through the Blackboard system. Access the Blackboard system through the link on the university web page, and follow the directions given there to log on. Make sure that your e-mail address in Blackboard is current so that you can be reached if necessary. Students should check for announcements on Blackboard regularly, and check the discussion board regularly. Submit some documents to the instructor through the “digital drop box” on Blackboard, except when instructed otherwise. Submit all documents in Microsoft Office format (i.e. Word, Excel, Access, PowerPoint). Do not send documents to the instructor as e-mail attachments.

VII. Academic Support Resources – Smarthinking, Turnitin, University College Learning Center

VIII. Course Outline and Assignment Schedule

COURSE OUTLINE		
WEEK	CHAPTER AND TOPIC	ASSIGNMENT
Jan 8	<p>CHAPTER 1: AN OVERVIEW OF BANKS AND THE FINANCIAL-SERVICES SECTOR</p> <p>Key Topics in Chapter 1</p> <ul style="list-style-type: none"> • Powerful Forces Reshaping the Industry • What is a Bank? • Competing Financial-Service Institutions • Old and New Services Offered • Different Types of Banks • Are Traditional Banks Dead? 	<p>Discussion Forum #01: Due Date January 12, 2011</p> <p>Chapter Write-Up #01: Due Date January 14, 2011</p>
Jan 16	<p>CHAPTER 1: AN OVERVIEW OF BANKS AND THE FINANCIAL-SERVICES SECTOR</p> <p>CHAPTER 2: THE IMPACT OF GOVERNMENT POLICY AND REGULATION ON BANKING AND THE FINANCIAL SERVICES INDUSTRY</p> <p>Key Topics Presented in Chapter 2</p> <ul style="list-style-type: none"> • The Principal Reasons for Bank and Nonbank Financial-Services Regulation • Major Bank and Nonbank Regulators and Laws • The Riegle-Neal and Gramm-Leach-Bliley Acts • Deregulation and Key Issues Left Unresolved • The Central Banking System • Organization and Structure of the Federal Reserve System • The Central Bank's Principal Task: Making and Implementing Monetary Policy 	<p>Chapter Write-Up #02: Due Date Jan 21, 2011</p> <p>Discussion Forum #02: Due Date January 21, 2011</p>
Jan 23	<p>CHAPTER 3: THE ORGANIZATION AND STRUCTURE OF BANKING AND THE FINANCIAL SERVICES INDUSTRY</p> <p>Key Topics in Chapter 3</p> <ul style="list-style-type: none"> • The Organization and Structure of the Commercial Banking Industry • Internal Organization of the Banking Firm: Smaller Community and Larger Money-Center Banks • Interstate Banking and The Riegel-Neal Act • Two Alternative Types of Banking Organizations as the 21st Century Opened: The Financial Holding Company and Bank Subsidiaries Model • The Changing Organization and Structure of Banking's Principal Competitors • Efficiency and Size 	<p>Chapter Write-Up #03: Due Date Jan 28, 2011</p> <p>Quiz #01: Due Date Jan 29, 2011</p>
Jan 30	<p>Chapter 4: Establishing New Banks, Branches, ATMs, Telephone Services, and Web Sites</p> <p>Key Topics in Chapter 4</p>	<p>Discussion Forum #03: Due Date Feb 4, 2011</p>

	<ul style="list-style-type: none"> • Chartering New Financial-Service Institutions • The Performance of New Banks • Establishing Full-Service Branches • In-Store Branching • Establishing Limited-Service Facilities • ATMs and Telephone Centers • The Internet and Online Banking 	
Feb 6	<p>CHAPTER 5: THE FINANCIAL STATEMENTS OF BANKS AND SOME OF THEIR CLOSEST COMPETITORS</p> <p>Key Topics in Chapter 5</p> <ul style="list-style-type: none"> • An Overview of Bank Balance Sheets and Income Statements • The Bank's Balance Sheet • Bank Assets • Bank Liabilities • Recent Expansion of Off-Balance Sheet Items • The Problem of Book-Value Accounting • Components of the Income Statement 	<p>Spreadsheet Exercise #1: Due Date Feb 11, 2011</p> <p>Chapter Write-Up #04: Due Date Feb 11, 2011</p>
Feb 13	<p>CHAPTER 6: MEASURING AND EVALUATING THE PERFORMANCE OF BANKS AND THEIR PRINCIPAL COMPETITORS</p> <p>Key Topics in Chapter 6</p> <ul style="list-style-type: none"> • Stock Values and Profitability Ratios • Measuring Credit, Liquidity, and Other Risks • Measuring Operating Efficiency • Performance of Competing Financial Firms • Size and Location Effects • The UBPR and Comparing Performance 	<p>Homework #1: Due Feb 18</p> <p>Chapter Write-Up #05: Due Feb 18</p> <p>Quiz #02: Due Date Feb 19, 2011</p>
Feb 20		EXAM I : Due Date Feb 26
Feb 27	<p>CHAPTER 7: ASSET-LIABILITY MANAGEMENT: DETERMINING AND MEASURING INTEREST RATES AND CONTROLLING INTEREST-SENSITIVE AND DURATION GAPS</p> <p>Key Topic In Chapter 7</p> <ul style="list-style-type: none"> • Asset, Liability, and Funds Management • Market Rates and Interest Rate Risk • The Goals of Interest Rate Hedging • Interest Sensitive Gap Management • Duration Gap Management • Limitations of Hedging Techniques 	<p>Chapter Write-Up #06: Due Date Mar 4, 2011</p> <p>Discussion Forum #04: Due Date Mar 4, 2010</p>
Mar 6	Mid Break	Chapter Write-Up #07: Due Date Mar 11, 2010

Mar 13	<p>CHAPTER 7: ASSET-LIABILITY MANAGEMENT: DETERMINING AND MEASURING INTEREST RATES AND CONTROLLING INTEREST-SENSITIVE AND DURATION GAPS</p>	<p>Homework #2: Due Date Mar 18</p> <p>Discussion Forum #05: Due Date Mar 18</p> <p>Spreadsheet Exercise #2: Due Date Mar 18</p>
Mar 20	<p>CHAPTER 8: USING FINANCIAL FUTURES AND OPTIONS, SWAPS, AND OTHER HEDGING TOOLS IN ASSET-LIABILITY MANAGEMENT</p> <p>Key Topics in this Chapter</p> <ul style="list-style-type: none"> • Use of Derivatives by Commercial Banks • Financial Futures Contracts: Purpose and Mechanics • Short and Long Hedges • Interest-Rate Options: Nature and Types of Contracts • Interest-Rate Swaps • Regulations and Accounting Rules • Caps, Floor, and Collars 	<p>Quiz #03: Due Date Mar 26</p>
Mar 27		<p>EXAM II: Due Date Apr 2</p> <p>Homework #3: Due Date Apr 2</p>
April 3	<p>CHAPTER 9: ASSET-BACKED SECURITIES, LOAN SALES, CREDIT STANDBYS, AND CREDIT DERIVATIVES: IMPORTANT RISK-MANAGEMENT TOOLS FOR BANKS AND COMPETING FINANCIAL SERVICE FIRMS</p> <p>Key Topics in This Chapter</p> <ul style="list-style-type: none"> • The Securitization Process • Securitization's Impact and Risks • Sales of Loans: Nature and Risks • Standby Credits: Pricing and Risks • Credit Derivatives and CDOs • Benefits and Risks of Credit Derivatives 	<p>Spreadsheet Exercise #3: Due Date Apr 8</p> <p>Chapter Write-Up #08: Due Date Apr 8</p>
Apr 10	<p>CHAPTER 10: THE INVESTMENT FUNCTION IN BANKING AND FINANCIAL SERVICES MANAGEMENT</p> <p>Key Topics in This Chapter</p> <ul style="list-style-type: none"> • Nature and Functions of Investments • Investment Securities Available: Advantages and Disadvantages • Measuring Expected Returns • Taxes, Credit, and Interest Rate Risks • Liquidity, Prepayment, and Other Risks 	<p>Discussion Forum #06: Due Date Apr 15</p> <p>Homework #4: Due Date Apr 15</p>

	<ul style="list-style-type: none"> • Investment Maturity Strategies • Maturity Management Tools 	
Apr 17	<p>CHAPTER 13: SOURCES OF FEE INCOME: INVESTMENT BANKING, SECURITY TRADING, INSURANCE, TRUST, AND OTHER REVENUE-PRODUCING SERVICES</p> <p>Key Topics in This Chapter</p> <ul style="list-style-type: none"> • The Ongoing Search for Fee Income • Investment Banking Services • Mutual Funds and Other Investment Products • Trust Services and Insurance Products • Benefits of Product-Line Diversification • Information Flows and Customer Privacy 	<p>Discussion Forum #07: Due Date Apr 22</p> <p>Quiz #04: Due Date Apr 23</p>
Apr 24		EXAM III: Due Date April 30
May 1		Optional Final Examination: Due Date May 4

IX. Teaching Strategies: Several teaching strategies will be employed in the course, including lecture notes, class discussions, problem solving demonstrations and discussion of material drawn from the financial press. Students are expected to take an active role in class discussions and problem solving sessions.

X. Bibliography

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Mishkin, F., and S. Eakins, *Financial Markets and Institutions*, 3rd Edition, Addison-Wesley Publishing, (1999).