Southern Illinois University
College of Business
BA 532: Financial Institutions and Markets
Spring 2015

Section: Mondays and Wednesdays, 11AM~12:15PM, Rehn 326
Professor: Dr. Saiying Deng
Office: Rehn 126A
Office Hours: Mondays and Wednesdays, 9:30~10:50AM or by appointment
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Course Description
The course objective is to develop an understanding of the management of financial institutions from a risk perspective. We will introduce specific models and techniques to measure and manage various risks, including credit risk, market risk, interest rate risk, off-balance-sheet risk, and liquidity risk, etc., exposed to financial institutions—particularly commercial banks.

Course Prerequisite
FIN 341 Financial Markets with a grade of C or better.

Required Text

Desire2Learn
The course web site is on Desire2Learn (D2L) at https://online.siu.edu/. This is the central location where all course related materials, including lecture notes, homework assignments and solutions, practice exams and solutions, etc., are posted. Please check the course web site often for updates.

Financial Calculator
Financial calculator is required for this course, which will make your life much easier. I recommend using TI-BA II Plus, and will demonstrate how to use this model in class. If you use a different financial calculator, you need to learn how to use it by yourself. Calculator tutorials for various models such as HP 10B, TI-BA II Plus, Sharp EL-733A, etc. are available at the following website: http://www.tvmcaics.com/calculator_index.

Grading Policy
Weights are as follows: Grades will be assigned as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
<th>Bonus</th>
<th>Total</th>
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<tbody>
<tr>
<td>Exam I</td>
<td>100</td>
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<tr>
<td>Exam II</td>
<td>120</td>
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<td>Exam III</td>
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<tr>
<td>Group Project</td>
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<tr>
<td>Quizzes</td>
<td>80 + 10 bonus</td>
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<td>90</td>
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<tr>
<td>Homework</td>
<td>40 + 10 bonus</td>
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<tr>
<td>Attendance &amp; Participation</td>
<td>30 + 10 bonus</td>
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<td><strong>Total</strong></td>
<td>500 + 30 bonus</td>
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Exams
Three exams will be given for this course, and all exams are closed books, closed notes, and in class exams. The exams usually contain multiple choice questions and/or problems. Each exam covers approximately one third of the course. There will be no makeup exam, unless you have a compelling reason (i.e., illness, etc.) for missing an exam, in which case valid documentation (i.e., doctor’s notes in the case of illness) needs to be presented, and approved by the professor at least 48 hours before the exam date. An unexcused absence from an exam will result in a grade of zero. Laptops, cell phones, smart phones, iPads, or other electronic devices with wireless connections are NOT allowed on the exams.

Quizzes
There will be 5 quizzes throughout the semester. No make-up quiz will be given. One quiz with the lowest score will be dropped, and the other four quizzes with better scores will be counted toward your final grade.

Homework
There are 5 sets of homework over the course of semester. Each homework is due at the beginning of the class when it is due. Late homework will not be accepted. You will receive full credit as long as you complete the homework, i.e., the grading of homework is not based on right or wrong, instead it is based on the completeness.

Attendance & Participation
You are required to attend all classes. Please be advised that class attendance may greatly help you understand the logic behind the course material, and thus improve your grade. Excessive absences will adversely affect your course grade. I expect students to help creating a positive learning environment by being prepared and participating in class discussion.

Group Project
In the first class, you will have the opportunity to form a group of 2-3 people for the group project. Each group will pick a commercial bank, and conduct performance and risk analysis before, during, and after the recent financial crisis for the target bank. Write a report (about 15 pages) on the findings about your target bank. At the end of semester, each group will present your findings (10-15 minutes) to the class. Grade is based on both the write-up and presentation.

Extra Credit
You will receive up to 30 bonus points if you do not miss any of the classes, quizzes, or homework assignments.

University Policies
You can find important university policies, including withdrawal, incomplete, repeat, disability policies, student conduct code, emergency procedures, etc., in the link below:
Tentative Course Outline*

Part 1: January 21, 26, 28, February 4
  Chapter 1. Why Are Financial Institutions Special
  Chapter 2: Depository Institutions
  Form group and pick target bank

Part 2: February 9, 11, 16, 18, 23, 25
  Chapter 8: Interest Rate Risk I
  Chapter 9: Interest Rate Risk II
  Collect bank-specific information for the target bank

MARCH 2: EXAM 1

Part 3: March 4, 16, 18
  Chapter 10: Market Risk
  Performance analysis

March 9 and March 11 No Class (Spring Break)

Part 4: March 23, 25, 30
  Chapter 22: Futures and Forwards
  Risk analysis

Part 5: April 1, 6, 8, 13
  Chapter 11: Credit Risk: Individual Loan Risk
  Chapter 12: Credit Risk: Loan Portfolio and Concentration Risk
  Preliminary report due April 13

APRIL 15: EXAM 2

Part 6: April 20, 22
  Chapter 13: Off-Balance-Sheet Risk

Part 7: April 27, 29
  Chapter 17: Liquidity Risk

Part 8: May 4, 6
  Group project presentation
  Final report due May 4

MAY 13 (10:15AM~12:15PM): EXAM 3

*The professor reserves the right of any change when deemed necessary.