

Course Outline

Department of Accounting and Finance
School of Business and Economics

FNCE 4190-3
Financial Institutions Management (3,0,0)

Calendar Description

Students explore the different financial intermediaries in our economy, the financial risks they are exposed to, and how these risks are measured and managed. Topics include the types of financial institutions, including deposit-taking institutions, insurance companies, securities firms, investment banks, mutual funds, hedge funds, pension funds, and finance companies; regulation of the financial industry; measuring risk, including interest rate risk, market risk, credit risk, liquidity risk, off-balance sheet risk, foreign exchange risk, sovereign risk, and technology and other operational risks; managing risk through the use of derivatives, loan sales, and securitization; and managing risk through deposit insurance and other liability guarantees and capital adequacy standards.

Educational Objectives/Outcomes

Upon completing this course, students will be able to:

1. Discuss the characteristics of various financial institutions in the national and international economy.
2. Describe the regulations to which financial institutions are subject.
3. Calculate the risk exposure for each type of financial institution using appropriate methodology.
4. Design a risk management system that utilizes appropriate risk measurement and feedback systems tailored to a specific type of financial institution.
5. Justify the use of various financial instruments in managing risk for each type of financial institution.
6. Propose improvements to existing regulations which will help financial institutions function efficiently while balancing the risk that society faces from market failures.

Prerequisites

FNCE 3170, FNCE 3180

Co-requisites

None

Texts/Materials

Saunders, Cornett, and McGraw, Financial Institutions Management, A Risk Management Approach, 4th Canadian Edition, McGraw-Hill Ryerson, 2010.

Student Evaluation

Tests/Quizzes	30-40%
Case Studies/Research Projects/Simulations	30%
Final Exam	30-40%

Students must pass the exam to pass the course.

Course Topics

1. Types of the Financial Services Industry

- Deposit-taking institutions
 - Banks
 - Credit unions
 - Caisses populaires
- Insurance companies
 - Life
 - Property and casualty
- Securities firms and investment banks
- Mutual funds
- Hedge funds
- Pension funds
- Finance companies

2. Regulation of the Financial Services Industry

- Deposit-taking institutions
- Insurance companies
- Securities firms and investment banks
- Mutual funds
- Hedge funds
- Pension funds
- Finance companies

3. Measuring Risk

- Interest rate risk
 - The repricing model
 - The duration model
- Market risk
 - Risk metrics model
 - Back simulation
 - The BIS standardized framework
- Credit risk
 - Individual loans
 - Loan portfolios
- Liquidity risk

- Deposit taking institutions
 - Liability side
 - Asset side
- Life insurance companies
- Property and casualty companies
- Investment and pension funds
- Other Risks
 - Off-balance-sheet risk
 - Foreign exchange risk
 - Sovereign risk
 - Technology and other operational risks

4. Managing Risk Through Internal Policies and Procedures

- Liability and liquidity management
 - Liquid asset management
 - Liability structure
- Product diversification
- Geographic expansion
 - Domestic expansion
 - International expansion

5. Managing Risk Through Financial Instruments

- Derivatives
 - Futures and forwards
 - Options, caps, floors, and collars
 - Swaps
- Loan sales and securitization
 - The bank loan sales market
 - The Canadian market for asset-backed securities
 - Government agencies and asset-backed securities
 - Collateralized mortgage obligations
 - Mortgage-backed bonds

6. Managing Risk Through Regulatory Action

- Deposit insurance and other liability guarantees
 - Panic prevention versus moral hazard
 - Lender of last resort
 - Other programs
- Capital adequacy
 - Insolvency risk
 - Capital standards for depository institutions
 - Basel II, II+, III
 - National standards
 - Capital standards for non-depository financial institutions

Methods for Prior Learning Assessment and Recognition

As per TRU policy

Attendance Requirements – Include if different from TRU Policy

As per TRU policy

Special Course Activities – Optional

Use of Technology – Optional