

**GEORGIA INSTITUTE OF TECHNOLOGY
COLLEGE OF MANAGEMENT
MANAGEMENT OF FINANCIAL INSTITUTIONS
MGT 6090 FALL 2008**

Instructor: Barry M. Marchman, Ph.D.

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Office: COM 407 **Hours:** TR 9:00 AM to 10:00 AM; 6:00 PM to 6:30 PM or by appointment

Web Support: <http://t-square.gatech.edu>

REQUIRED MATERIALS

Textbook: *Financial Institutions Management: A Risk Management Approach*, Anthony Saunders and Marcia Millon Cornett, Irwing McGraw-Hill (6th Edition) ISBN: 978-0-07-340514-8 or 978-0-07-721133-2

Harvard Business School Cases: There is a case pack (20 cases) available in the HAO office on the 4th floor. Links to the cases are also posted on t2.gatech.edu

Other Reading Material: *Wall Street Journal*, additional readings and handouts (including short case studies or article from various academic and practitioner journals).

COURSE OBJECTIVES AND DESCRIPTION

Objectives: The objective of this course is to introduce the students to the role of bank and non-bank financial intermediaries and the management of their operations. The course will provide an introduction to the various kinds of financial institutions, discuss their operations, and highlight their differences from other forms of corporations. The focus of the course is to provide a detailed analysis of the various tools and instruments used to manage the unique risks of the financial institution.

Primary Learning Method: The participant centered learning method will be used extensively in this class. Students will analyze, discuss, and debate at least 20 real life situations that financial institutions and their customers have faced. It is hoped that the cases chosen will provide material for lively and challenging class discussions. Current events will also be the subject of discussion.

Research: In addition to the class discussions on cases or current events, there is also a research component to this class. Each learning group will research a specific area of institutional finance that the group finds especially appealing. A research paper will be prepared and the paper will be presented the last weeks of the semester.

EVALUATION

Weights: Please read the following very carefully. In the interest of being fair to all students, no exceptions will be made to the grading policy discussed below. Your grade in this course will be determined by your class participation, homework assignments, a term project, and two quizzes which will be weighted as follows:

Class participation and assignments	45%
Term project	25%
Quiz 1 - Midterm	15%
Quiz 2 – Finals week	15%

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Attendance: Attendance is mandatory. The inability to attend class for any personal or other reason needs to be brought to my attention. In case of an emergency, please leave a message on my voice mail at the number given above.

Quizzes: Both of the quizzes will be taken by the students as per the course schedule. No make-up quiz will be given. A grade of zero will be assigned for each quiz that is missed without the instructor's prior permission. There will be absolutely no exceptions to this rule. Each quiz will consist of a case study in which each individual must write an analysis. Any violations of the Georgia Tech Honor Code system will be reported and appropriate disciplinary action will be taken. <http://deanofstudents.gatech.edu/Honor/>

Extra Credit: No Extra credit assignments will be given.

Grading Scale: A: 90% and higher, B: 80% to 89.9%, C: 70% to 79.9%, D: 60% to 69.9%, F: Below 59.9%.

Grade disclosure: All grades will be posted on the course web site. Legally, grades cannot be given out via phone or email.

COMMUNITY

Name Tent: Please have your name tent clearly displayed at all times. Write the name you preferred to be called.

Website: Course syllabus, notes, reading materials, and grades will be posted to the class web site. The student is responsible to monitor the web site for class announcements and postings.

Please be courteous: Arriving late for class, getting up during class, or leaving early is disruptive to others. To minimize such disruptions, please be on time for class, stay for the entire class, and refrain from talking unnecessarily in class. Cell phones are not allowed on during class. You will be asked to leave if your phone rings or vibrates and 5 points will be deducted from your next exam grade. Please dress in a manner that does not distract from the environment of learning and professionalism. This is the minimum courtesy that you should offer your fellow students. Thank you in advance for your cooperation.

Academic Honesty: Academic dishonesty shall include stealing, buying, selling, or referring to a copy of an examination before it is administered and referring to written information not specifically condoned by the instructor. It shall further include receiving unauthorized written or oral information from a fellow student. In the instance of papers written outside of class, academic dishonesty shall include plagiarism. Plagiarism shall include failure to use quotation marks or other conventional markings around material quoted from any source. Plagiarism shall also include paraphrasing a specific passage from a specific source without indicating accurately what that source is. Plagiarism shall further include letting another person compose or rewrite a written assignment. Academic dishonesty of any kind will result in a failing grade in this course. For more information refer to www.honor.gatech.edu.

Special Circumstances: It is the student's responsibility to make arrangements with the instructor during the first week about any special needs relating to campus activities, athletics, or disabilities.

Learning Groups: Students will be assigned learning groups for the semester. Equal contribution from each member of the group is crucial to the successful completion of the project and other assignments. Group members will have the opportunity to evaluate each other at the end of the semester.

GUIDELINES

Current Event Guidelines:

- Each learning group should be continually prepared to give a 3 to 5 minute update on a current event that is relevant to the course material. The *Wall Street Journal* is a good source of interesting articles. Any visual aids that the group plans to use should be quickly available. For example, the document camera is quicker to set up than a Power Point presentation.
- Each group will make 2 to 3 of these presentations through out the semester.
- Cite your source (or sources) when presenting.

Individual “Elevator Pitch” Guidelines:

- Each individual should be continually prepared to give a 2 to 3 minute talk.
- You will do this only once.
- Pretend you are on an elevator and you only have a short time to tell someone about yourself.
- You can pitch your personal attributes (why you are interesting), your professional attributes (why you should be hired), or a combination of the two.
- The purpose of this exercise is to give you confidence in speaking to the group. You cannot be wrong or disputed in this exercise.

Case Discussion Guidelines:

- Each student is expected to come to class prepared to discuss the assigned case. This may involve preparing outlines, spreadsheets, maps, calculations, etc.
- One student will be “cold called” to begin the discussion by summarizing the main issues of the case.
- You must raise your hand and be recognized to speak.
- Only one person may speak at a time.
- At the end of the discussion, one student will be called upon to summarize.
- To help guide you in your preparation, check t2.gatech.edu to see if any questions have been posted for that case. Not all cases will have questions posted.
- Do not limit you discussion or preparation to these questions.
- An interesting contribution, especially if the case is several years old, is to update the case. What happened since this case was written?

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Term Project Guidelines

- Students will be assigned learning groups for this project. . Groups are encouraged to search a topic that is interesting all members.
- Each group is required to submit a research report, 15 written pages (1.5 spacing, 12 pt font, 1” margins). Exhibits do not count towards page length.
- The research report will describe a new development/innovation in the financial institutions area and it will include a quantitative and qualitative analysis of the topic.
- The research topic will force the group to learn more about a particular area of interest. The topic can be a related to a topic discussed in class *only* if it will extend the knowledge base in that area. Students are encouraged to pick a topic not covered in class. The report will be original scholarship and not a regurgitation of class discussions.
- The paper will be written in the form of a professional management report. The report will be evaluated based on the breadth and depth of the analysis, the quality of writing, and the overall presentation. Students are encouraged to refer to the report rubrics at the end of the syllabus.
- A one page executive summary should precede the report.
- Each group will give a mid-term presentation that explains their topic and puts the topic in the context of academic literature. Each group must demonstrate that their topic area has received coverage in an “A-level” finance journal.
- A polished professional presentation of the topic will be given at the end of the semester. Three to five class sessions will be devoted exclusively to a discussion of all the research topics where each group will provide a brief (20 to 25 minute) summary of the research findings. Students are encouraged to refer to the presentation rubrics at the end of the syllabus.
- Each group needs to obtain my consent regarding the appropriateness of the project before they begin. Each group’s topic must be unique. There will be no duplicate topics.
- Attending these presentations is an integral part of the content of this class. Your participation grade on these days will be based on your interaction with the presenters.
- Any violations of the Georgia Tech Honor Code system will be reported and appropriate disciplinary action will be taken. <http://deanofstudents.gatech.edu/Honor/>

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Class Schedule (subject to change)

	Meeting	Format	pg	Topic/Case	Text Book Reading
Week 1	1 T	8/19/08 Lecture		Introduction to Financial Institutions	Ch 1-3
	2 R	8/21/08 Lecture		Introduction to Financial Institutions	Ch 4-6
Week 2	3 T	8/26/08 Case 1	22	<i>The U.S. Banking Panic of 1933 and Federal Deposit Insurance</i>	Ch 1
	4 R	8/28/08 Case 2	15	<i>A Rogue Trader at Daiwa Bank (A):</i>	Ch 1
Week 3	5 T	9/2/08 Case 3	31	<i>Chase Manhattan Corp.: The Making of America's Largest Bank</i>	Ch 2
	6 R	9/4/08 Case 4	23	<i>National Insurance Corp.</i>	Ch 3
Week 4	7 T	9/9/08 Case 5	17	<i>The Barings Collapse (A): Breakdowns in Organizational Culture & Management</i>	Ch 4
	8 R	9/11/08 Case 6	5	<i>Conflict on a Trading Floor (A)</i>	Ch 7
Week 5	9 T	9/16/08 Case 7a	4	<i>Walt Disney Co.'s Sleeping Beauty Bonds</i>	Ch 9
		Case 7b	4	<i>Walt Disney Co.'s Sleeping Beauty Bonds, Duration Analysis</i>	Ch 9
Week 6	10 R	9/18/08 Case 8	11	<i>Interest Rate Derivatives</i>	Ch 9
	11 T	9/23/08 Case 9	7	<i>Deutsche Bank: Finding Relative Value Trades</i>	Yield Curve
Week 7	12 R	9/25/08 Case 10	3	<i>Citibank Hong Kong: Capital Arbitrage in the Emerging Markets</i>	Ch 11
	13 T	9/30/08 Case 11	18	<i>First American Bank: Credit Default Swaps</i>	Ch 12
Week 8	14 R	10/2/08 Present		Nine-Minute Project presentations. Hand out Midterm Case	
	15 T	10/7/08 Present		Nine-Minute Project presentations.	
Week 9	16 R	10/9/08		No class - Midterm Case write up due by midnight.	
		10/10/08		Drop Day	
Week 10	17 R	10/14/08		FALL RECESS	
	18 T	10/16/08 Case 12	17	<i>Hedging Currency Risks at AIFS</i>	Ch 14
Week 11	19 R	10/21/08 Case 13	20	<i>The 2001 Crisis in Argentina: An IMF-Sponsored Default? (A)</i>	Ch 15
	20 T	10/23/08 Case 14	10	<i>Citibank Indonesia</i>	Ch 2, 15
Week 12	21 R	10/28/08 Case 15	20	<i>Leland O'Brien Rubenstein Associates, Inc.: SuperTrust</i>	Ch 18
	22 T	10/30/08 Case 16	7	<i>Accounting for Asset-Backed Securitization</i>	Ch 27
Week 13	23 R	11/4/08 Case 17	11	<i>Nexgen: Structuring Collateralized Debt Obligations (CDOs)</i>	Ch 27
	24 T	11/6/08 Case 18	21	<i>Subprime Meltdown: American Housing and Global Financial Turmoil</i>	Ch 27
Week 14	25 R	11/11/08 Case 19	11	<i>Value-At-Risk</i>	VAR
	26 T	11/13/08 Case 20	16	<i>Understanding Corporate-Value-at-Risk Through a Comprehensive and Simple Example</i>	VAR
Week 15	27 R	11/18/08		Project Writeup Due	
		Present		20 Minute Presentations	
Week 16	28 T	11/20/08 Present		20 Minute Presentations	
	R	11/25/08 Present		20 Minute Presentations	
Week 17	29 T	11/27/08		HOLIDAY	
	30 R	12/2/08 Present		20 Minute Presentations	
Finals Week	12/4/08 Present	12/2/08 Present		20 Minute Presentations	
		12/4/08 Present		20 Minute Presentations	
Finals Week	12/11/08			Final Case Writeup due at 2:20 PM	

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Presentation Rubrics

Name: _____

Teacher: Dr. Marchman

Date of Presentation: _____

Title of Work: _____

	Criteria				Points
	1	2	3	4	
Organization	Audience cannot understand presentation because there is no sequence of information.	Audience has difficulty following presentation because student jumps around.	Student presents information in logical sequence which audience can follow.	Student presents information in logical, interesting sequence which audience can follow.	_____
Content Knowledge	Student does not have grasp of information; student cannot answer questions about subject.	Student is uncomfortable with information and is able to answer only rudimentary questions.	Student is at ease with content, but fails to elaborate.	Student demonstrates full knowledge (more than required) with explanations and elaboration.	_____
Visuals	Student used no visuals.	Student occasional used visuals that rarely support text and presentation.	Visuals related to text and presentation.	Student used visuals to reinforce screen text and presentation.	_____
Mechanics	Student's presentation had four or more spelling errors and/or grammatical errors.	Presentation had three misspellings and/or grammatical errors.	Presentation has no more than two misspellings and/or grammatical errors.	Presentation has no misspellings or grammatical errors.	_____
Delivery	Student mumbles, incorrectly pronounces terms, and speaks too quietly for students in the back of class to hear.	Student incorrectly pronounces terms. Audience members have difficulty hearing presentation.	Student's voice is clear. Student pronounces most words correctly.	Student used a clear voice and correct, precise pronunciation of terms.	_____
				Total---->	_____

Report Rubrics

Name: _____

Teacher: Dr. Marchman

Date of Presentation: _____

Title of Work: _____

	Criteria				Points
	1	2	3	4	
Introduction/ Topic	Questions or problems are teacher generated .	Student(s) require prompts to generate questions and or problems.	Student(s) generate questions and or problems.	Student(s) properly generate questions and or problems around a topic .	_____
Conclusions Reached	A conclusion is made from the evidence offered.	Some detailed conclusions are reached from the evidence offered.	Several detailed conclusions are reached from the evidence offered.	Numerous detailed conclusions are reached from the evidence offered.	_____
Information Gathering	Information is gathered from electronic sources only .	Information is gathered from limited electronic and non-electronic sources.	Information is gathered from multiple electronic and non-electronic sources.	Information is gathered from multiple electronic and non-electronic sources and cited properly .	_____
Summary Paragraph	Weakly organized.	Well organized, but demonstrates illogical sequencing and sentence structure.	Well organized, but demonstrates illogical sequencing or sentence structure.	Well organized, demonstrates logical sequencing and sentence structure.	_____
Punctuation, Capitalization, & Spelling	There are four or more errors in punctuation and/or capitalization.	There are two or three errors in punctuation and/or capitalization.	There is one error in punctuation and/or capitalization.	Punctuation and capitalization are correct .	_____
				Total---->	_____