SYLLABUS

COMMERCIAL BANK MANAGEMENT
FINN 3225-001
Fall 2013

I. General Information

Time: Monday & Wednesday, 11:00 am –12:15 pm

Class Location: Friday Bldg. Room 116

Instructor: C. William Sealey, PhD
The Torrence E. Hemby, Sr., Distinguished Professor in Banking
Department of Finance
University of North Carolina at Charlotte
Friday Building, Room 209-A

Office Hours: Monday & Tuesday, 12:30 pm - 2:00 pm in Room 209A, Friday Bldg.
For those unable to see me during regularly scheduled office hours, I can be available at other times by appointment.

Phone Numbers: UNC Charlotte: 704.687.7613
e-mail cwsealey@uncc.edu
Home: 704.366.3652

II. Course Materials

III. Course Description: FINN 3225

FINN 3225. Commercial Bank Management. (3) Prerequisite\(^1\): FINN 3120. A study of sound and efficient techniques for the management of commercial banks. Topics include: industry structure, administrative organization, and management of assets, liabilities and capital.\(^2\)

IV. College Mission

The vision of the Belk College of Business is to be a leading urban research business school. We are committed to creating an inclusive culture that inspires a passion for knowledge and intellectual growth as well as dedication to service. We engage in research that fosters innovative business theory, policy, and practice. In strategic partnership with the Greater Charlotte region, we educate our students to become leaders who are critical thinkers, ethically informed, and globally aware. In carrying out our mission, the Belk College of Business is committed to the following shared values:

- **Integrity:** We embrace integrity as the fundamental basis for trust, leadership, and organizational culture.

- **Knowledge and Innovation:** We are dedicated to encouraging intellectual curiosity, advancing knowledge, and promoting innovation.

- **Excellence:** We have a passion for excellence in business, research, and education.

- **Diversity and Inclusion:** We foster an environment that is based on mutual respect, broadens understanding, and builds trust.

- **Global Citizenship:** We promote ethically principled and sustainable global practices that foster economic and social value.\(^3\)

IV. Course Objectives

The objectives of this course are: (1) to provide students with an introduction to the financial management of the commercial banking enterprise, (2) to afford students with an understanding of the basic issues involved in value creation and risk management for banking firms, and (3) to equip students with the technical and analytical tools, and strategic abilities necessary to understand the evolution and workings of the commercial banking industry.

\(^1\) Although only FINN 3120 is required as a prerequisite for this class, FINN3222, Investments, and FINN3226, Financial Theory and Practice, are useful courses to have had as preparation for the present course.


\(^3\) *Ibid.*
Our main attention will focus on managing risk and return in the modern banking firm. Specifically, we will focus on the following areas:

1. identifying the distinguishing features of banks as financial intermediaries, their unique characteristics as businesses in our economy, and their sources of value-added in the economy;

2. identifying and understanding the sources of risk in banking and how these risks interact to understand the overall risk level that banks face in today’s economic, financial, and regulatory environment;

3. understanding how banks manage their risk exposure and the relationship of risk management to the creation of value for the bank;

4. understanding how the economic and regulatory environments of the banks impact banks’ decision-making;

5. developing technical, analytical and decision making skills in order to help understand managerial responsibility in the financial management of the banking firm; and finally,

6. providing students with a foundation for more advanced academic and professional training and development in bank management.

V. Outline of Topics, Readings, and Method of Coverage

In keeping with the main outline of the textbook, the topics covered will be divided into three major categories. These categories are in turn divided into a number of chapters. The outline of topics for class coverage, and the corresponding readings, is shown below. Although I have retained the three-section approach of the textbook authors, note that I have changed the names and order of the sections in places. Also, please note that additional readings may be assigned from time to time to cover relevant current topics and events.

Your textbook is composed of twenty-six chapters and a number of appendices. Although all the materials in the text are included for a purpose and all are important, it is not possible to give attention to all chapters equally. Hence, I have divided the chapters into three groups corresponding to the attention that will be given to these chapters in class. The three groups will be designated as follows:

- Topics marked with a triple asterisk, ***, indicates those topics that I believe are of utmost importance in a course on bank financial management. You should read and study these chapters thoroughly!
• Topics marked with a double asterisk, **, are topics of importance but are largely descriptive and self-explanatory. In class, they will be covered only briefly if time permits; however, students should peruse these chapters.

• Topics marked with a single asterisk, *, are topics that are of secondary importance and will not likely be covered in class except in passing. Students should at least skim these materials.

Also note the following:

• The sections within chapters that deal specifically with non-depository institutions, e.g., insurance companies, finance companies, etc., fall into the latter category, i.e., single asterisk.

• Unless otherwise noted in the outline below, material in the appendices can be skipped.

The primary method of instruction in this course will be lectures. If there is something you don’t understand in my lectures, please interrupt (politely as possible) to ask for further explanation. If I cannot fully explain the issue to your satisfaction or if it will take too long to provide a complete explanation, I may ask you to hold off until the end of the lecture or come to see me at my office hours.

Students will be expected to actively participate in classroom discussions, and reading and solving problems out of class. It is expected that you come to class prepared – that is, you have read the assigned chapter(s) prior to class. It is also expected that you to keep up with current financial events related to banking. It is difficult for anyone to be informed about every detail that is relevant to our topics; however, students should regularly review current business events, especially those that involve financial markets and the financial services industry. The best way to develop an awareness of current financial events is by reading The Wall Street Journal, The Economist, Barons, etc., as well as similar publications. Checking finance/business websites (such as Yahoo Finance) can also be very helpful.

It would be of great help if you bring a financial calculator to class to help solve problems. PLEASE, I ask that you turn off your cell phone and any other electronic device before the start of class.

Finally, specific dates for coverage of specific materials are not given in the outline because I have found that the specific dates are either seldom followed, or they force important material into an arbitrary time period that presents a hindrance to learning. For example, important material may take longer in one class as opposed to another. In my view, learning does not take place on a precise time table. This is my own opinion and is by no means the opinion of all professors, or the policy of the College or University.
I will always try to briefly mention the materials to be covered in the next class. If a student wants to read ahead, which is a very good idea, the outline shows the topics I deem most important. In my view, the most important goal of this class is to cover the most important material thoroughly, and we will pace our class to achieve this goal. Any extra class time will be devoted to material that is important, but its importance may not be of the first-order. Please remember that materials covered in this class are cumulative, i.e., material covered in earlier parts of the class will be used as the basis of our studies later. Thus, please strive not to get behind.

1. **Introduction to the Characteristic and Sources of Value-Added in Commercial Banking**

   *** (a) Why are Financial Institutions Special
   Saunders and Cornett, Chapter 1

   *** (b) Depository Financial Institutions
   Saunders and Cornett, Chapter 2,

   * (c) Non-Depository Financial Institutions
   Saunders and Cornett, Chapters 3, 4, 5 & 6

2. **The Sources of Risk in Banking**

   *** (a) Overview of Sources of Risk
   Saunders and Cornett, Chapter 7

   ** (b) Interest Rate Risk: Part I
   Saunders and Cornett, Chapters 8

   *** 
   Chapter 8: Appendix 8B, Term Structure of Interest Rates

   *** (c) Interest Rate Risk: Part II
   Saunders and Cornett, Chapters 9
3. Managing Bank Risks

** (a) Managing Liability and Liquidity Risk
Saunders and Cornett, Chapter 18

*** (b) Deposit Insurance, Bank Capital, and Capital Regulation
Saunders and Cornett, Chapters 19 & 20

* (c) Managing Risk via Products and Markets
Saunders and Cornett, Chapters 21

*** (d) Managing Risk with Derivative Products
Saunders and Cornett, Chapter 22, 23, & 24
VI. University Catalogue (2013—2014): University Regulation of Student Conduct and Other Important Issues

1. Academic Integrity

All students are required to be familiar with and conduct themselves in accordance with the following codes defined in the 2007-2009 Undergraduate Catalog (University Regulation of Student Conduct (2013-2014 UNC-Charlotte Graduate Catalogue) and to conduct themselves in accordance with those standards:

A. The UNC-Charlotte code of Student Responsibility (Policy Statement 104, which can be found at www.legal.uncc.edu/policies/#student); and

B. The UNC-Charlotte code of Student Academic Integrity (Policy Statement 105, which can be found at www.legal.uncc.edu/policies/#student).

2. Diversity

The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to, ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

3. Adverse Weather

If the University is closed, there will be no class. If the Charlotte-Mecklenburg School system is closed, there will be no class. If you commute in from outside the county and there is adverse weather there (but not in Mecklenburg County), make your own decision to attend or not, but remember I do not want you to endanger your life just to get to class. If adverse weather closes the University or shuts down CMS on a scheduled examination date, I will reschedule the examination for the next class meeting.
4. Attendance

I do not take attendance. You are adults and can evaluate the costs and benefits of attendance vs. non-attendance. I strongly believe that attendance has a large benefit for students who attend class regularly. My experience has indicated that the more successful students attend class regularly. The material presented in class and the input of other students cannot but further your understanding of the material covered in this class.

VII. Helpful Notes

1. This course is an applications-oriented course. Lectures are based on the material in the text, and other material if assigned, and will be related to current events as much as possible where appropriate. Throughout the semester we will relate the textbook material to real financial problems in banking in an effort to understand and evaluate current events occurring with financial markets and the financial services industry. As we all know, financial markets, and banking in particular, have been experiencing a deep and prolonged period of disruption. One need only look at the deeply disruptive impact that financial panics can bring about to see the importance of financial markets and banking to our own economy and that of the world.

2. As noted above, given the limited number of hours allocated for class meetings, class time is not sufficient to cover all of the material in the assigned readings. However, students should prioritize their reading according to level of importance as indicated in the outline above. Class time will be devoted to discussions of the more difficult conceptual material contained in the readings, and its applications. The more descriptive material contained in the course readings can be assimilated easily by students outside the classroom; therefore, this material may be discussed in class in a cursory fashion.

VII. Examinations and Grading

1. Examinations

Students arriving late for an examination will be permitted to sit for the test only if no student has turned in a paper before the late arrival. As soon as the first student turns in her/his test and leaves the room, no student arriving later than this will be permitted into the examination room. Students arriving late for an examination receive no extra time. If you leave the room during an examination, you will not be allowed to reenter, so plan your activities accordingly.

Students will be allowed to bring a 5” x 8” card with any formulae or information you wish to include and a financial calculator into each examination. No other materials will be permitted.
a) Examinations will cover the assigned reading materials, lectures, and topics discussed in class. Exam questions may take a variety of forms including, but not limited to, various types of objective questions, short answer questions, and problem solving opportunities.

b) Three examinations will be given in this course: two in-class exams, tentatively scheduled as shown in the table below, and a comprehensive final exam at the regularly scheduled exam time and date.

2. Grading

The course examinations will be given on the following dates, and final course grades will be determined according to the following weighting scheme:

<table>
<thead>
<tr>
<th>Examination</th>
<th>Possible Points</th>
<th>Weight</th>
<th>Tentative Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examination I</td>
<td>100</td>
<td>30%</td>
<td>Sept 25, 2013</td>
</tr>
<tr>
<td>Examination II</td>
<td>100</td>
<td>30%</td>
<td>Oct 223, 2013</td>
</tr>
<tr>
<td>Final Examination</td>
<td>100</td>
<td>40%</td>
<td>Dec 9, 2013</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Final grades will be assigned on the basis of the following point ranges. While the point ranges may be subject to downward revision, they will not be increased.

<table>
<thead>
<tr>
<th>Weighted Total Points</th>
<th>Course Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-100</td>
<td>A</td>
</tr>
<tr>
<td>80-89</td>
<td>B</td>
</tr>
<tr>
<td>70-79</td>
<td>C</td>
</tr>
<tr>
<td>60-69</td>
<td>D</td>
</tr>
<tr>
<td>0-59</td>
<td>F</td>
</tr>
</tbody>
</table>

3. Make-Ups & Early Examinations

There will be no make-up examinations or early examinations. Please carefully check the dates scheduled for the three examinations (September 26, October 24, and December 13). If you have a conflict on any of these days, I would suggest that you either reschedule your other commitment or consider dropping this course.

The only exception to the policy of no make-up or early examinations would occur if you are absent from the university on the examination day because you are on **official university business**. For example, if you are a student athlete and you have a scheduled away game/meet
on one of the scheduled examinations days, you will need to provide me with a signed note from your head coach and an official team schedule in order to be granted an exemption to take the examination at some other (mutually acceptable) time. You will need to do this at least two weeks prior to the examination.

If you miss one in-semester test, your final examination will have a 70 percent weighting. If you miss both in-semester tests, you will fail the course. Lastly, if you miss the final examination for a documented medical reason, you will receive an incomplete grade (“I”) and will have to make arrangements to complete the course requirements in a later semester.

4. Communication

To repeat the information shown earlier in this Syllabus, my email address is cwsealey@uncc.edu. If you email me, please include "FINN 3225 student question" in the subject line to ensure a prompt reply. If the question is such that all students could benefit from my reply, please understand that I may reply to all students in the class.

When I email an individual or the entire class, your email will be addressed to your official university email address. You are responsible for monitoring this address: I will not use your private address.

5. Disability Services

Students seeking accommodation for disabilities must first consult with the Office of Disability Services and follow the instructions from that office for obtaining any accommodation.