

Syllabus

BT 3XX – Introduction to Banking and Credit

Fall, 2011	Day of Week/Time
Instructor name and contact information Jan Klein Executive in Residence Tel : 201-216-5612 Email : janklein@stevens.edu	<u>Office Hours: T.B.D.</u> <u>Class Website:</u> http://webct.setvens.edu/webct/public/home.pl

Overview

This is an intermediate level course that addresses the major money market institutions, including the banks, bank holding companies and the “shadow banking” system. The course is designed to provide a theoretical and practical understanding of why these markets exist, who are the players; how they work; what are the rules and how they are evolving. We will spend considerable time in discussing in detail the nature of the principal financial instruments or securities that are being bought and sold in these institutions.

As a finance course the economic material that will be covered in class will focus on the macro aspects of monetary supply and demand pertaining to the banking industry. We will review the risks and returns that can be expected over the longer term in these markets, as well as how the participants create new products to manage risk and how regulators will need to oversee this industry.

The course is designed to provide a thorough quantitative treatment of the financial theories, instruments and trading approaches used by money managers to optimize their risk/reward position.

Prerequisites: BT321

Learning Goals

Desired Outcomes

1. Understand the history, evolution and direction of the banking industry and their impact on global investment and savings
2. Appreciation of how various economic theories (i.e. interest rate, present value, capital asset pricing and securitization models) are used in asset allocation and investments
3. Comprehension of how the broad markets work – their objectives; buyers and sellers; investment vehicles (or security instruments); key players and exchanges; and market operations
4. Develop a deep understanding of how a specific market or sub-market operates that is of particular interest to the student.
5. Prepare Stevens students to compete in the NYFRB “Fed Challenge”

Pedagogy

The format for the course will be structured into three (3) modules that will encompass – first an comprehensive economic analysis; followed by professor and guest lectures on the banking system; with the final module devoted to developing an in-depth understanding of products/markets. An examination for each module will be provided for the student to demonstrate their grasp of the learning objectives.

Classroom Etiquette

You are required to read the material before the day on which it is discussed in class and participate in classroom discussion. You are expected to arrive on time and stay for the entire class. Each week we will review the current activities associated with the different capital markets and you should keep abreast of events that are associated with the topics we will be discussing. You will be held responsible for the material and all reading assignments regardless of whether or not they are covered in lecture.

Required Text(s)

Economics of Money, Banking and Financial Markets; Fredrick Mushkin; Prentice Hall 2007 ISBN-10: 0321427807

Assignments

Numer	Date	Topic	Reading Assignment	Homework	Activity
1	30-Aug	Class Introduction			
2	1-Sep	Intro to Money and Banking	Chapter 1+2		
3	6-Sep	Payment System	Chapter 3	Compare M1+M2	
4	8-Sep	Interest Rate Basics and Behavior	Chapter 4+5	Short term note pricing	
5	13-Sep	Term Structure of Interest Rates	Chapter 6	Determine Forward Rates	
6	15-Sep	Rationale Expectations and Efficient Market Theory	Chapter 7	Corelate MS and int rates	
7	9-Feb	Foreign Exchange	Chapter 17	Chart USD - Euro	
8	20-Sep	Exam One			Exam One - Economics
	22-Sep	Banking Industry: Structure and Competition	Chapter 8+12	8.7 + 12.2	
9	27-Sep	Economic Analysis of Banking	Chapter 11	11.4	
10	29-Sep	Banking and Financial Firm Management	Chapter 10	10.5; 10.6	
11	4-Oct	Financial Crisis	Chapter 9	Cite causes for Ireland '08 crisis	
12	6-Oct	Central Baking and Federal Reserve System	Chapter 13+15	13.15 + 14.4; 14.6	
13	11-Oct	No Class	Monday Schedule		
14	13-Oct	Money Supply Process + Monetary Policy	Chapter 15+16	Compare Fed Funds to Unemploy	
15	18-Oct	Nonbank Finance + Derivatives	Selected Readings		
16	20-Oct	Current Monetary Policy Directions	FMOC Policy Statement		
17	25-Oct	Exam 2			Exam Two - Banking System
18	27-Oct	Savings - Deposits/loans	ABA Paper	Compare bank spreads	
19	1-Nov	Letters of Credit and Vendor financing	JP Morgan LC template	Determine fees	
20	3-Nov	Treasuries	Treasury Direct	Price acrued interest	
21	8-Nov	Money Markets	MorningStar	Identify highest rates	
22	15-Nov	Commercial Paper	GE Credit Paper	Determine fin vs non fin	
23	17-Nov	Asset Backed Securities	TBD	Price a CMO	
24	22-Nov	Interest rate swaps	TBD	Gain/loss on swaps	
	24-Nov	Thanksgiving			
25	29-Nov	Insurance products	AIG readings		
26	1-Dec	Banking Derivatives	S+L Trust Preferreds		
27	6-Dec	Exam 3			Exam Three - Products
28	8-Dec	Wrap-up Speaker			

Course Grading

Grading will be based upon your performance on three short exams; a optional final exam, as well as homework and attendance:

Exams: 3 tests – 25% each or 75% total;

Homework: 15%

Attendance/participation: 10%

Total Points 100 points

Percentage	Class Grade
93 – 100%	A
90 - 92%	A -
87 – 89%	B+
80 – 86%	B
77 – 79%	B-
74 – 76%	C+
70 – 73%	C
67 – 69%	C-
60 – 66%	D
Below 60%	F

D. Exams

Exams may include multiple choice, essay, and problem-style questions, although I will include current events questions that may not be found in the readings – therefore making class attendance and participation important. Students with special testing needs or disabilities should inform me as soon as possible.

E. Make-up Policy

You are expected to take all exams when scheduled. If for some extraordinary reason you are not able to do so, contact me as soon as possible. Make-up exams are a privilege not a right, and will be given at my discretion.

Ethical Conduct

Enrollment into the undergraduate class of Stevens signifies a student's commitment to the Honor System. It is the responsibility of each student to become acquainted with and to uphold the ideals set forth in the Honor System Constitution. All students are reminded that, as a condition of being admitted to Stevens, they will uphold and adhere to the standards of the Stevens Honor System. Specific Student responsibilities include:

1. Maintaining honesty and fair play in all aspects of academic life at Stevens
2. Writing and signing the pledge, in full, on all submitted academic work
3. Reporting any suspected violations to an Honor Board member or to the Dean of Undergraduate Academics
4. Cooperating with the Honor Board during investigations and hearings