Texas A&M University – Corpus Christi  
College of Business  
Course Syllabus  

FINA 4321 Financial Institutions Management  
Course Syllabus – Spring Semester 2012

Instructor: Thomas N. Matthews  
American Bank, Corpus Christi  
Email: tomm@americanbank.com  
Office: 653-5017 (Direct Line)  
Office Hours: By Appointment

Required Material:  
Bank Management & Financial Services  
Internet Access

Recommended Material:  
Wall Street Journal (WSJ);  
Barron’s American Banker

Course Prerequisites:  
FINA 3310, ECON 2302, ECON 3312  
Junior or higher standing

Course Description:

The primary focus of the course is risk management practices of financial institutions. However, we will also discuss major public policy issues, the concept of sub-prime lending (which triggered the mortgage crisis), actions by the Federal Reserve Bank and the U.S. Treasury to stabilize financial markets, various proposals for regulatory reform, and where we as a country might go from here.

A key discussion topic is the Wall Street Reform and Consumer Protection Act also known as the Dodd – Frank Act in deference to its Senate and Congressional sponsors. The Act is under full implementation and contains considerable new regulation for the banking industry.

This course is directed toward upper level students who wish to enhance their understanding of financial institutions and their roles in financial markets. Part of the reason for the current financial crises is that much of the financial services industry deviated dramatically from their traditional roles in the economy. The course is intended for students interested in careers in financial institutions, and also for students who wish to extend their institutional and industry specific knowledge.

Along the journey, we will address financial risk with particular attention to the following:

Credit Risk: The risk of loss resulting from a customer failing to perform as agreed on credit extended;

Market Risk: The risk of loss resulting from adverse movements in the market price of interest rate instruments, currencies, equities, or commodities;
Operational Risk: The risk of loss arising from inadequate or failed internal processes, people, and systems;

Legal Risk: The risks associated laws and regulations and compliance with these complicated matters.

Reputation Risk: The risk associated with damage to an institution’s reputation and status within its designated trade area.

Liquidity Risk: The current and prospective risk to earnings and capital arising from a financial institution's inability to meet its obligations when they are due; and

Capital Adequacy: The risk that a financial institution will be unable to absorb a reasonable level of losses without becoming insolvent.

The course will also focus on asset and liability management practices, and the role of financial institutions in the formation of capital.

Upon successful completion of the course, the student should be able to:

- Understand the impact and rationale of government regulation on the strategy and financial performance of institutions within the industry.
- Understand current events relating to financial markets and financial institutions.
- Conduct risk and financial performance analysis of commercial banks.
- Understand how interest rate movements affect strategy and profitability of financial institutions.
- Apply asset and liability management concepts to manage interest rate risk, credit risk, and liquidity risk.
- Understand loan policy, and how to evaluate credit requests.

Other: Students are encouraged to bookmark information from regulatory websites, trade association websites, and financial institution websites. Excellent sources include the American Bankers Association, Independent Bankers Association of Texas, National Credit Union Association, Federal Reserve Bank (Dallas), Federal Home Loan Bank (Dallas), FDIC, Office of the Comptroller of the Currency (OCC) and the U. S. Treasury.

Term Assignment: Over the course if the semester, there will be two major exams, approximately 4 pop quizzes, a term paper, and a final exam. Each of these is important and will collectively determine your grade in the course. Pop quizzes may be difficult if you do not remain current with reading assignments.

Evaluation:

- Pop Quizzes (4) 10%
- Attendance 10%
- Major Exams (2) 40%
- Term Paper 20%
- Final Exam 20%
Class attendance, assignments, and class participation are important. You are expected to attend all classes, to have read your reading assignments, and to have prepared answers for any assigned study questions.

Classroom Methodology: Classroom time will focus on current events, lecture, and case studies.

Students may work in groups for the Uniform Bank Performance Report analysis. Class participation is expected in the discussion of solutions.

Exams will include material from text assignments and lecture.

Outside articles from the financial press will be part of lecture and discussion. Students should be prepared to discuss assignments during class and expect exam questions from this material.

General Class Policy: You are expected to follow all rules of common courtesy during classroom lecture and discussion. The presence of cell phones, pagers, and any other disruptive items or actions is prohibited in the classroom. No food is allowed in the classroom.

Oral and Written Communication Requirements: Effective written communication is necessary for exams. Students are expected to participate actively in class discussion and will be rewarded through their class participation grade for doing so.

Attendance Policy: You are expected to attend all classes. Legitimate absences require an excuse and prior notification if possible.

Technological Applications: Students are required to use computer applications, computer data bases, and online services for this class.

Ethical Perspective: The difficulty of assigning financial values to human welfare, moral and ethical concepts in a cost/benefit or risk/return analysis is stressed.

Global Perspective: The global nature of current enterprise is reviewed. The concepts of exchange rate risk and government risk is discussed in as much detail as possible given class size and time constraints.

Demographic Diversity Perspective: The diversity within and among this country and other countries is discussed as it affect numeric input into financial analysis. The financial goal of a corporation and the impact on demographic diversity is reviewed.
Political, Legal, Social, Regulatory, and Environmental Perspective:

The interaction of the economic, legal, and financial goals is considered. The contrast of accounting goals in a legal environment is presented and contrasted as to their time dimension, discipline, and function. The interrelation of the various disciplines is considered from the integrated approach.

Academic Honesty:

This course, and all other courses offered by the College of Business (COB), requires all of its students to abide by the COB Student College of Ethics which is available online at www.coc.tamucc.edu. Provisions and stipulations in the code are applicable to all students taking College of Business courses regardless of whether or not they are pursuing a degree awarded by the COB.

Americans with Disabilities Act Compliance:

The American with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, the legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation, please call or visit Disability Services at (361) 825-5816 in Driftwood 101.

If you are a returning veteran and are experiencing cognitive and/or physical issues in the classroom, or on campus, please contact the Disability Services office for assistance (361) 825-5816.

Class Contribution: Students are required to act in a professional manner during class.

NO FOOD IS PERMITTED IN THE CLASSROOM DURING CLASS TIME
Course Topics*

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<thead>
<tr>
<th>Chapters</th>
<th>Topic</th>
<th>Date</th>
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<tbody>
<tr>
<td>1&amp; 2</td>
<td>Current Issues Affecting Financial Institutions and Markets</td>
<td>01/23/12</td>
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<tr>
<td>3&amp;4</td>
<td>Organization and Structure of Financial Institutions</td>
<td>01/30/12</td>
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<td>De Novo Banks, Branches, Other Delivery Systems</td>
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Term Paper Assignment

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<tr>
<th>Chapter</th>
<th>Topic</th>
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<tr>
<td>5</td>
<td>Financial Statements of Banks and Principal Competitors</td>
<td>02/06/12</td>
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<tr>
<td>6</td>
<td>Uniform Bank Performance Report</td>
<td>02/13/12</td>
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**EXAM 1: CHAPTERS 1 - 6**

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<thead>
<tr>
<th>Chapter</th>
<th>Topic</th>
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<tbody>
<tr>
<td>7</td>
<td>Asset Liability Management</td>
<td>02/27/12</td>
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Spring Break: March 12 – 16

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<tr>
<th>Chapter</th>
<th>Topic</th>
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<tr>
<td>10</td>
<td>Managing the Investment Portfolio</td>
<td>03/19/12</td>
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<td>11</td>
<td>Liquidity and Reserves Management</td>
<td>03/26/12</td>
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**EXAM 2: CHAPTERS 7 - 11**

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<thead>
<tr>
<th>Chapters 12 &amp; 13</th>
<th>Topic</th>
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<tr>
<td>12 &amp; 13</td>
<td>Pricing Assets and Liabilities</td>
<td>04/09/12</td>
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<tr>
<td>15</td>
<td>The Management of Capital</td>
<td>04/16/12</td>
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<td>16</td>
<td>Overview of Credit Policy</td>
<td>04/23/12</td>
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<td>17 &amp; 18</td>
<td>Evaluating Loan Requests</td>
<td>04/30/12</td>
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**FINAL EXAM: CHAPTERS 12 & 13; 15 – 18plus material from exams 1 & 2**

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<td>05/07/12</td>
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**TERM PAPER DUE – Tuesday, April 16, 2012**

*Unannounced Pop Quizzes covering assigned reading material may occur on any given class date. All assignments are due at the beginning of class. Scheduled topics will be covered in class but dates may be changed by the instructor in order to facilitate the flow of information. Exams will be given on dates scheduled. Term papers will not be accepted after due