

## Commercial Bank Management

### FINN 3225 Section #001 Spring 2017

<b>Time:</b>	2:00 p.m. - 3:15 p.m. Tuesday and Thursday	<b>Instructor:</b>	Dr. Tony Plath Room #250-C Friday Building
<b>Location:</b>	#106 Friday Building	<b>Office Hours:</b>	
		UNCC:	6:15 - 7:00 p.m. Monday & Wednesday, (Friday Building)
		Uptown:	8:15 - 9:00 p.m. Wednesday, (Center City Bldg.) other times arranged by appointment.
		<b>Phone Numbers:</b>	
		UNCC:	704-687-7626 (voice) 704-687-6987 (fax)
		e-mail:	<a href="mailto:daplath@uncc.edu">daplath@uncc.edu</a>

### Texts

**Required:** Koch, Timothy W. and S. Scott MacDonald. *Bank Management*, 8th rev. ed. Orlando, FL: Thompson-South-Western Publishing, 2015.

Beals, Terry. *The Stanford Bank Game Executive Edition Players' Manual*, 11th rev. ed. San Francisco, CA: Human Resources West, 1995. This document is included in the Stanford Bank Game Course Packet available on the course Moodle site (in the section titled "Stanford Bank Game Reading Material") described below.

### Strongly

**Recommended:** *The Wall Street Journal* and/or *Business Week*.

### Accessing Course Resources and Supplemental Reading Material on the University's Canvas Web Site

As discussed in class, the supplemental readings that accompany the course are available for download and/or computer viewing from your password-protected Moodle account at UNC- Charlotte, accessible at <https://canvas.uncc.edu> for all students registered in the course. To make it easy to locate different assigned readings available on Canvas, the material is organized into a series of different topics, with each topic corresponding to the original source in which the reading was first published (i.e., the *Wall Street Journal*, *Business Week*, Federal Reserve Publications, and Other Publication Sources). Within each topical area of the Moodle site, each course reading is available in Adobe's Acrobat format as a PDF file. To make it easy to identify and locate each assigned article shown in Table 1 below, the title of each article represents the file name of the specific PDF file containing that particular article.

### Course Prerequisites

MATH 1101	College Algebra,
MATH 1120	College Calculus,
MATH 1220	Statistics I,
ECON 2101	Macroeconomics,
ECON 2102	Microeconomics,
ACCT 2121	Financial Accounting,
ACCT 2122	Managerial Accounting,
INFO 2130	Introduction to Business Computing, and
FINN 3120	Financial Management.

### Course Description

This course investigates sound and efficient techniques for the management of commercial banks. Topics of inquiry include industry structure and competition, regulation, administrative organization, and the management of asset and liability composition to achieve corporate objectives regarding profitability, liquidity, capital adequacy, asset quality, and sensitivity to market risk factors.

### Course Objectives

To provide students with an introduction to financial management within the commercial banking enterprise; and equip students with the technical, analytical, and strategic abilities necessary to assume an entry-level management career in the commercial banking industry. Our attention will focus on:

- (1) developing students' technical, analytical, communications, and decision-making skills in preparation for managerial responsibility within banking firms;
- (2) understanding how the economic and regulatory environments affect managerial decision-making, bank profitability, and firm value;
- (3) examining how and why the daily operations, strategic management, and corporate culture of many commercial banks have changed dramatically in the last decade;
- (4) identifying some of the major contemporary issues which challenge bank managers, and exploring how bankers are responding to these challenges;
- (5) acquiring a working knowledge of how the competitive, economic, and regulatory fabric surrounding the banking industry is likely to change in coming years, and formulating effective managerial responses to these anticipated changes; and
- (6) providing a foundation for advanced academic training and professional development in commercial bank management.

**Important Dates**

Day	Date	Event
-----CourseDates-----		
Monday	March 20th	Last Drop Day
Tuesday	May 9th	Final Exam: 2:00 - 4:30 p.m.
-----Stanford Bank Game Project Dates-----		
Thursday	January 26	Group Organizational Chart Due
Thursday	March 16	Practice Input Form Due
Thursday	March 23	Decision Input Form #1 Due
Thursday	March 30	Decision Input Form #2 Due
Thursday	April 6	Decision Input Form #3 Due
Thursday	April 13	Decision Input Form #4 Due
Thursday	April 20	Decision Input Form #5 Due

**Other Valuable Information**

- The dates shown below in Table 1 are subject to modest change, depending on the pace at which the class is able to cover material. This schedule, however, should serve as a guide so that you can maintain an appropriate reading pace. Students are expected to read the assigned material and be prepared to discuss it PRIOR to the date each topic is covered in class. In addition, students are expected to review on a regular basis current business events which involve financial markets and commercial banking. The best way to develop an awareness of current financial events is by reading *The American Banker*, *The Wall Street Journal*, and/or *Business Week*.
- This course is an applications-oriented course. Lectures are based on the material in the text, the assigned articles, and current events drawn from *The American Banker*, *The Wall Street Journal* and *Business Week*. Throughout the semester we will relate the textbook material to real financial problems in an effort to understand and evaluate current events occurring within financial markets and the commercial banking industry. Exams are based on the assigned reading materials and lecture notes (including current events and Stanford Bank Game material).
- Given the limited number of hours allocated for class meetings, class time is not sufficient to cover all of the material presented in the assigned readings. However, students are responsible for all assigned material, whether or not it is discussed in class. We will devote class time to (1) discussion of the more difficult conceptual material contained in the readings, and (2) analysis of current events. The more descriptive material contained in the course readings can be assimilated easily by students outside the classroom, and therefore, this material will be frequently discussed in class in a cursory fashion.

**Important University and/or College Policies**

- ACADEMIC INTEGRITY.** "All UNCC students have the responsibility to be familiar with and to observe the requirements of *The UNCC Code of Student Academic Integrity* (see the *Catalog*). This code forbids cheating, fabrication or falsification of information, multiple submission of academic work, plagiarism, abuse of academic materials (such as Library books on reserve), and complicity in academic dishonesty (helping others to violate the code). Any further specific requirements or permission regarding academic integrity in this course will be stated by the instructor, and are also binding on the students in this course. Students who violate the code can be punished to the extent of being permanently expelled from UNCC and having this fact recorded on their official transcripts. The normal penalty is zero credit on the work involving dishonesty and further substantial reduction of the course grade. In almost all cases, the course grade is reduced to "F". If you do not have a copy of the code, you can obtain one from the Dean of Students Office. Standards of academic integrity will be enforced in this course. Students are expected to report cases of academic dishonesty they become aware of to the course instructor who is responsible for dealing with them."
- ATTENDANCE.** Students are expected to attend punctually all scheduled sessions in the courses for which they are registered and are responsible for completing the work from all of the class meetings. Absences from class may be excused by the instructor for such reasons as personal illness, religious holidays, participating as an authorized University representative in an out-of-town event, or unavoidable professional responsibilities that require missing a class. Whenever possible, students are expected to seek the permission of the instructor prior to absences.
- DISENROLLMENT.** At the discretion of the department offering a course, a student may be disenrolled from a course section if he or she does not attend the first scheduled meeting of the section. The department chair has the responsibility for providing timely notification to the student who is disenrolled.
- COURSE WITHDRAWAL.** Under the UNCC Course Withdrawal Policy, students may withdraw from a course until the withdrawal deadline and the mark of "W" will be assigned. No withdrawals will be permitted after the course withdrawal deadline. It is the student's responsibility to determine by the withdrawal deadline whether to withdraw from the course or stay in for a grade. Students are expected to complete all courses for which they are registered at the close of the add/drop period. If you are concerned about your ability to succeed in this course, it is important to make an appointment to speak with me as soon as possible. *Because University policy on withdrawal allows students only a limited number of opportunities available to withdraw from courses, it is important for you to understand the financial and academic consequences that may result from course withdrawal.* The last day to withdraw is Monday, March 20th.
- ELECTRONIC DEVICES IN CLASS.** The use of cell phones, smart phones, or other mobile communication devices during class time is disruptive, and is therefore prohibited during class. Except in emergencies, those using such devices must leave the classroom for the remainder of the class period. Students are permitted to use computers during class for note-taking and other class-related work. Those using computers during class for activities not related to class must leave the classroom for the remainder of the class period.
- 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.

### The Stanford Bank Game Commercial Bank Simulation Project

The Stanford Bank Game represents a microcomputer-based commercial bank simulator used to train bankers since 1964. We will use this simulation program in a variety of ways as we study commercial bank management this semester, including (1) as the basis for class presentations, and (2) to conduct an extended simulation exercise in which student teams of bank managers will operate a competitive community of commercial banks. A separate handout, entitled *The Stanford Bank Game Version 11 Commercial Bank Management Course Packet*, that describes the objectives and structure of the SBG Project is available from the University's FTP site (see access information on Page 1 above). Each course examination after the first exam (i.e., Exam #2 and the Final Exam) will include a question or two derived from SBG Project material introduced in class during the normal course of the semester.

### Examinations and Grading

#### I. Examinations

- Exams will cover the assigned reading materials (including the *Stanford Bank Game Players' Manual*), lecture notes, and current events topics discussed in class. Exam questions will include essay questions, short answer questions, and problem-solving opportunities; and the final exam will include a series of extended answer and/or more lengthy problem-solving exercises. Because many questions will require arithmetic computations, you should bring a calculator on exam days.
- Three examinations will be given in this course: Two midterm exams covering the material indicated in the course outline, and a comprehensive final exam. Each midterm exam includes ten short answer and/or problem-solving questions, and students are required to complete all of the questions/problems on these midterm exams. The final exam includes (1) ten short answer and/or brief problem-solving questions, and (2) a single, longer-answer comprehensive question covering multiple learning objectives introduced over the course of the semester. Sample hypothetical examination questions will be introduced in class lectures throughout the semester so that students will have the opportunity to become familiar with the structure and content of examination questions prior to each exam.
- Students will be permitted to bring ONE 8½"-by-11" sheet of paper containing notes, formulae, etc. into each examination session during the semester. Note that this "cheat sheet" may not be prepared mechanically using the compressed print mode available on most binary printers; it must be handwritten. Given the use of a cheat sheet, it is not necessary for students to memorize equations, names, dates, places, etc. when preparing for course examinations. Rather, students should emphasize understanding financial concepts and relationships when preparing for exams.
- Students who are unable to attend a scheduled examination must (1) notify the instructor in advance of the examination date that will be missed and arrange to take the exam early; or (2) present the instructor with documentation of a valid medical, family, or personal emergency to obtain permission to make-up the missed examination. In this circumstance, all make-up exams will be given on Tuesday evening, May 2nd at 6:15 p.m. Note that this is AFTER the last drop day for the semester. Students who fail to make-up a missed examination, or fail to attend the scheduled final exam, will receive a score of zero for all missed work.

#### II. Grading

Final course grades will be determined according to the following schedule. While the point-grade assignment may be subject to downward revision, it will never be increased.

<b>Assignment</b>	<b>Possible Points</b>	<b>Assignment Weight</b>	<b>Weighted Total Points</b>	<b>Course Grade</b>
Midterm Exam #1	100	30%	90 - 100	A
Midterm Exam #2	100	30	80 - 89	B
Final Examination	<u>100</u>	<u>40</u>	70 - 79	C
<b>Course Total</b>	300	100%	60 - 69	D
			below 60	F

Table 1

## FINN 3225 -- Course Outline

Week Number	Week of ...	Reading	Topic
<b>I. Introduction to the Business of Commercial Banking within the Financial Services Industry</b>			
1	January 9	None <b>Chapter 1</b> American Banker	Introduction to course and the business of banking Fundamental Forces of Change in Banking "She's Your Daughter... Do You Want Her to Become a Banker?"
2	January 16	Rortybomb.Wordpress Wall Street Journal Wall Street Journal Wall Street Journal	"Foreclosure Fraud for Dummies ..." "Merrill Lynch, Pushing Into Many New Lines ..." "Two Big Rival Banks ..." "Commercial Banks Are Emerging as Underwriting Force"
3	January 23	ABA Journal Charlotte Business Journal FRB St. Louis American Banker Wall Street Journal Wall Street Journal	"Always Aggressive, Always Wal-Mart" Wal-Mart has Texas Bank Waltzing..." "Industrial Loan Companies Come Out of the Shadows" "Tarp's Toll Expected to be Felt for Years" "Banks Keep Failing; No End in Sight" "Dublin Gambles on Strategy for Bank Bailout"
4	January 30	None	<b>Exam #1</b>
<b>II. The Basic Business Model of Banking: Evaluating Financial Condition and Corporate Strategy</b>			
<b>A. Industry Regulation and Supervision</b>			
5	February 6	<b>Chapter 2</b> ABA Journal FRB St. Louis FDIC Outlook ABA Journal	Trends in Federal Legislation and Regulation "The 'Big One' Becomes Law" (4 ABA articles in series within single computer file) "The Door Is Open, but Banks are Slow to Enter Insurance and Investment Arenas" "The Stroke-of-the-Pen" "Federal Deposit Insurance Reform Act of 2005"
6	February 13	PowerPoint Presentation American Banker Wall Street Journal American Banker	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 "Get Ready for 1,500 More Tiny Cuts from D/F" "Bow Down to Your Regulator" "How to Stop Bailouts for Good"
<b>B. The Emergence of Charlotte, North Carolina as the Nation's Second-Largest Banking Center</b>			
7	February 20	Business Week Business North Carolina Investment Dealers' Digest FRB Richmond	"Super Banker" "Buy, Sell, Yell" "All that Glitters ..." "A New Financial Center Emerges"
<b>C. Linking Corporate Strategy and Financial Performance within a Commercial Bank</b>			
8	February 27	<b>Chapter 3</b> Wikipedia American Banker American Banker	<b>Analyzing Commercial Bank Financial Performance</b> "Check Clearing for the 21st Century Act" (Summary) "Deferred Tax Assets May Be Next Bottom-Line Hit" "Write-Downs on Deferred Tax Assets Raise Red Flag"
9	March 6	None	Spring Break Week
10	March 13	Jefferson-Wells Group Wall Street Argus CFO Magazine US Banker Wall Street Journal	"FASB Issues Statement on Fair Value Measures" "FASB Provides Guidance on Fair Value" "FAS 157 Could Cause Huge Write-Offs" "It's Thumbs Down on FASB Fair Value Proposal" "Banks Face a Mark-to-Market Challenge"
11	March 20	None	<b>Exam #2</b>
12	March 27	SBG - Decomposition Handout FR Bulletin FDIC FDIC  SBG - Project Handout SBG - Players' Manual	Decomposition Analysis in Banking "Profits and Balance Sheet Developments at U.S. Commercial Banks" (most recent year available) "Quarterly Banking Profile" (most recent quarter available) "State Profile: North Carolina"  Overview of Bank Simulation and Bank Organizational Chart Overview of Output Report (Quarter 2.1)
13	April 3	SBG Players' Manual	Overview of Instructor's Report (Quarter 2.1) Equity Price Determination of the Simulated Bank Financial Statement Analysis of the Simulated Bank's Performance (Quarters 1.4 and 2.1) The Economic Environment Surrounding the Simulated Bank (Quarters 1.4 and 2.1) Corporate Strategy of the Simulated Bank (Quarters 1.3 through 2.1)
<b>III. Managing Risk within the Contemporary Banking Enterprise</b>			
<b>A. Managing Operating Risk</b>			
14	April 10	<b>Chapter 4</b> <b>Chapter 6</b>	Managing Noninterest Income and Expense Duration and Price Volatility
<b>B. Managing Interest Rate Risk</b>			
15	April 17	<b>Chapter 7</b> <b>Chapter 8</b>	Introduction to Interest Rate Risk Management and Gap Management Duration Gapping
16	April 24	<b>Chapter 9</b> FRB - Cleveland Wall Street Journal	Managing Interest Rate Risk with Financial Futures and Swaps "Credit Default Swaps and Their Market Function" "A Deeper Look at Synthetic CDOs"
<b>C. Managing Liquidity Risk</b>			
		<b>Chapter 11</b>	Managing Liquidity
<b>D. Managing Capital Risk</b>			
17	May 2	<b>Chapter 12</b> FDIC Supervisory Insights American Banker	Managing Bank Capital Letter from the Director "Think Basel III Rules Are All Sewn Up?"
<b>E. Managing Credit (Default) Risk</b>			
		<b>Chapter 13</b>	Overview of Credit Policy and General Loan Characteristics
<b>IV. The Future of Banking within the Financial Services Industry</b>			
		FDIC Outlook FR Bulletin	"The Globalization of the U.S. Banking Industry" "U.S. Consumers and Electronic Banking"
18	May 8	None	<b>Final Examination</b> Tuesday, May 9th; 2:00 - 4:30 p.m.