I. COURSE DESCRIPTION: The course examines the role of financial intermediation in business and society. In addition to the management of financial institutions, the course will focus on the impact of global economic forces and technological change on the financial services industry. Three graduate credit hours.

II. PREREQUISITES: Admission to the MBA program or permission of MBA Director

III. PURPOSE AND OBJECTIVES OF THE COURSE: Upon completion of this course the MBA student should have a good understanding of the forces impacting the financial services environment as well as how financial institutions serve the private and public sectors of the economy.

IV. Student Learning Outcomes

Upon completion of this course, students should be able to:

A. Students will identify and explain risks faced by financial institutions including interest rate risk, individual credit risk, foreign exchange risk, portfolio risk, market risk, liquidity risk, off-balance sheet risk, sovereign risk, and event risk.

V. EXPECTATIONS OF STUDENTS AND LEARNING GOALS: Students are expected to participate in class discussion, team projects, and individual assignments. Students are also expected to conduct themselves in a professional manner consistent with graduate education. Specific requirements for the course will be detailed in a syllabus that the instructor will provide to all students the first class of the semester.

LEARNING GOALS FOR HARRISON MBA STUDENTS

The Harrison business faculty has identified five critically important learning goals for those pursuing the Masters of Business Administration degree offered by the Donald L. Harrison College of Business. A student receiving the Harrison MBA degree should:

1. Demonstrate proficiency in effective communication and team work by writing a clearly focused, organized and mechanically correct business document, creating and delivering a professional presentation on a relevant business problem with substantive content, organization and delivery; recalling work related information and exhibiting effective team work.

2. Demonstrate advanced knowledge of accounting, finance, business law, management, marketing, management information systems, and economics by using business related terms, concepts, theories and principles appropriately.

3. Demonstrate the ability to apply critical thinking skills and advanced research skills to business problems and ethical dilemmas by identifying a problem or ethical
issue, presenting and evaluating relevant information; evaluating alternatives; and resolving the problem or ethical dilemma with a justification based on general principles, discipline-specific understanding and professional judgment.

4. **Demonstrate upper-level management and leadership skills in a diverse environment** by providing evidence of understanding of individual management styles, evidence of adapting to a diverse environment and other cultures.

5. **Demonstrate executive management level knowledge (mastery) of technology** by using the Internet, business computer applications, statistical software, and presentation software when creating and making presentations.

**VI. COURSE CONTENT AND OUTLINE:**

The class will consist of lecture, discussion, problem solving, and case presentations. Grades will be determined on the basis of a midterm and final exam, a term paper, cases and project grades.

**Class Hours**

I. The Financial Services Industry: Depository Institutions
   A. Commercial Banks-Size, Structure, and Composition
   B. Savings and Loans-Size, Structure, and Composition
   C. Credit Unions-Size, Structure, and Composition

II. Other Financial Institutions-Potential Competition and Technological Change
   A. Life Insurance Companies
   B. Property-Casualty Insurance
   C. Investment Banking
   D. Mutual Funds
   E. Pension Funds

III. The Special Role of Financial Intermediaries
   A. The Transmission of Monetary Policy
   B. Information costs, adverse selection, and community development lending
   C. Brief History of Commercial Bank Regulation
      1. Glass-Steagall Law
      2. State Branching Laws
      3. Regulation Q and DIDMCA
      4. Riegle-Neal Interstate Banking and Branching Efficiency Act
      5. Community Reinvestment Act

IV. Risk Management
   A. Risks of Financial Intermediation
      1. Interest rate risk and the term structure of interest rates
         a. Maturity Model
         b. Duration Model
         c. Repricing Model
      2. Credit Risk and Monitoring Costs
         a. Commercial Loans
b. Agricultural Loans
c. Personal Loans
d. Real Estate Loans
e. Securities

3. Off-balance sheet risk
4. Operating and technology risk
5. Currency and Sovereign risk

B. Capital Adequacy
1. Risk-based capital standards
2. Deposit insurance
3. Economies of scale and scope
4. Geographic diversification

C. Other Tools of Risk Management
1. Options
2. Futures
3. Swaps
4. Securitization and Secondary Markets

VII. TEXTBOOK(S) and/or Other Required Materials or Equipment

VIII. BASIS FOR EVALUATION:

Midterm Exam
Final Exam
Case Analysis/Presentation
Paper & Projects

IX. GRADING POLICY:

100%--90% A
89.9%--80% B
79.9%--70% C
Below 70% F

The weight of the evaluation criteria may vary according to each instructor and will be communicated at the beginning of the course.

X. ACADEMIC POLICY STATEMENT:
Students will be expected to abide by the University Policy for Academic Honesty regarding plagiarism and academic honesty. Refer to:
http://www6.semo.edu/judaffairs/code.html

XI. STUDENT WITH DISABILITIES STATEMENT:
If a student has a special need addressed by the Americans with Disabilities Act (ADA) and requires materials in an alternative format, please notify the instructor at the beginning of the course. Reasonable efforts will be made to accommodate special needs.
Tentative Bibliography:

Board of Governors of the Federal Reserve System. 1993. Report to the Congress on Community Development Lending by Depository Institutions, October.


Reich, C. "Inside the Fed" Institutional Investor, Best of Business Series.

