



School of Management

Syllabus
FNAN 321: Financial Institutions
Dr. S. Nikolova
Fall 2006

Office: 237 Enterprise Hall
Phone: (703) 993-4866
Email: snikolov@gmu.edu

Lecture Time and Room:

Section 001 MW 9:00 – 10:15 A.M. (ENT 277)

Section 002 MW 12:00 – 1:15 P.M. (ENT 277)

Section 004 MW 7:20 – 8:35 P.M. (ENT 277)

Office Hours: MW 10:15 -11:30 A.M. or by appointment

Class Website: <http://WebCT41.gmu.edu>

Course Overview and Objectives

This course is designed to provide students with a basic understanding of the structure and management of financial institutions. The main topics include (1) types of financial institutions, (2) analyzing interest-rate and credit risk, (3) risk-management techniques, and (4) derivatives.

Prerequisites

This is an intermediate level course. It assumes that students have a good working knowledge of the basic theoretical and practical concepts of financial management. That is, it assumes a successful completion of FNAN 301 or a comparable course.

Textbooks and Materials

It is recommended that you read Saunders, A. and M. Cornett, *Financial Institutions Management: A Risk Management Approach*, 5th edition, McGraw-Hill, 2005. In addition, lecture noteshells and supplemental handouts will be available on the class website. You will be required to purchase a financial calculator, but note that it is your responsibility to read the manual and learn how to use your calculator.

Grading

Your final grade will be based on the following components:

Exam 1	20%
Exam 2	20%
Final (cumulative)	35%
Quizzes	15%
Current-issue summary/presentation	5%
Class participation	5%

All available grades, including pluses and minuses, may be used.

Exams

The exam schedule for this class is as follows:

Exam 1 Monday, 9/25

Exam 2 Monday, 10/23

Final Exam:

Section 001 Monday, 12/18 8:15 – 10:15 A.M.

Section 002 Monday, 12/18 10:30 – 12:30 P.M.

Section 004 Wednesday, 12/13 7:30 – 9:30 P.M.

No make-up exams will be offered. In the case of Exam 1 or Exam 2, students with a documented university-approved excuse will have the weight of the final increased accordingly. In all other cases, a grade of zero will be recorded for that portion of the material. In the event that a student has missed a preponderance of the material from important subject areas, the proportion of material on the final exam from that section may be increased (at my discretion) for the individual in question in lieu of a make-up exam. While I realize that some of you work, the exam schedule for this class is being provided today. Please, do not miss an exam as a result of work-related issues.

All exams are closed-book and closed-notes, and no “cheat sheet” will be provided or allowed. You will be required to bring your own financial calculator to the exam. The sharing of calculators or the use of graphing calculators, any other calculators that allow for the storage of information, or laptop computers will not be permitted.

Quizzes

You should expect no more than four quizzes during the course of the semester. The tentative schedule for these is as follows:

Quiz 1 September 11

Quiz 2 October 10

Quiz 3 November 6

Quiz 4 November 20

If I need to change a quiz date I will typically tell you no later than a week prior to the quiz; however, I reserve the right to give unannounced quizzes should it be necessary. No make-up quizzes will be offered but you will be allowed to drop your lowest quiz grade.

Homework

There is provided homework for each topic covered in class lectures. It is your responsibility to do your homework, check the posted solutions, and talk to me during office hours if there is any part of the homework that you do not understand. Although you will not be given explicit credit for doing your homework, you should realize that homework is an integral part of your learning experience in this class. Your best strategy for success is to do your homework consistently and conscientiously on a weekly basis. Quiz and exam questions are likely to be similar to those that you see in the homework assignments.

Current-Issue Summary/Presentation

Changes in technology, the economic and political environment, and regulation constantly affect the operations of financial institutions. By discussing these on-going events and their impact on financial institutions, we can gain a better understanding and appreciation of the principles covered in this course. With this in mind, students will be required to form four-member groups and each group will be required to make a short presentation and write a brief summary on a current financial-institutions issue. Please, see the Current Issue Assignment Checklist for more details and deadlines associated with this assignment.

Re-grade Policy

If I incorrectly summed-up your quiz/exam points or gave you insufficient credit for a portion of your quiz/exam, please do the following:

1. Within two weeks of receiving back your quiz/exam turn in all of the graded material in question.

2. In addition, turn in a written explanation of why you believe that a grading mistake occurred. Note that you will be given only one opportunity to argue your case, so make your argument as clear and strong as possible. Also, please note that if I agree with you in that a mistake occurred in grading a portion of your quiz/exam, I will re-grade all of the submitted material in order to ensure that no other mistakes are made. This may result in a lower quiz/exam grade once the submitted material has been re-evaluated.

3. Provide me with your contact information (phone/email) so I can reach you once I have re-graded your quiz/exam.

Honor Code

Unless I specifically give you permission to work on something together, you are expected to work on your own. On all materials submitted for grading, the following Honor Code pledge is implied: *“Student members of the George Mason University community pledge not to cheat, plagiarize, steal, or lie in matters related to academic work.”* Any student submitting plagiarized material for grading or cheating on an exam/quiz will receive an “F” for the class.

Attendance Policy

You are expected to attend class regularly. If you miss class, it is your responsibility to obtain notes on the material covered. While I understand that we all face tight time schedules, it is inconsiderate to your classmates for you to come to class late. Please, make every effort to be on time!

Students with Disabilities

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at (703) 993-2474. All academic accommodations must be arranged through the DRC.

Tentative Lecture Schedule

- Lecture 0 Review of Basic Financial Concepts
- Lecture 1 Why Are Financial Intermediaries Important?
(Saunders and Cornett: Chapter 1)
- Lecture 2 Depository Institutions
(Saunders and Cornett: Chapter 2)
- Lecture 3 Non-depository Institutions
(Saunders and Cornett: Chapters 3, 4, 5, and 6)
- Lecture 4 Risks of Financial Intermediaries
(Saunders and Cornett: Chapter 7)
- Lecture 5 Interest Rate Risk (Part I)
(Saunders and Cornett: Chapter 8)
- Lecture 6 Interest Rate Risk (Part II)
(Saunders and Cornett: Chapter 9)
- Lecture 7 Hedging Interest-rate Risk with Futures/Forwards
(Saunders and Cornett: Chapter 24 (pp. 686-702))
- Lecture 8 Hedging Interest-rate Risk with Options
(Saunders and Cornett: Chapter 25 (pp. 722-739))
- Lecture 9 Hedging Interest-rate Risk with Swaps
(Saunders and Cornett: Chapter 26 (pp. 761-769))
- Lecture 10 Credit Risk
(Saunders and Cornett: Chapters 11 and 12)
- Lecture 11 Hedging Credit Risk
(Saunders and Cornett: Chapters 24 (pp. 710-713), 25 (pp. 741-743), and 26 (pp. 772-775))