

DEPARTAMENT : Accounting and Finance (CFC)
 PROGRAM..... : CMCD
 COURSE..... : Banking and Financial Institutions
 PROFESSOR..... : Rafael F. Schiozer
 DAY/HOUR : Wednesdays – 8:00-11:40

2nd semester / 2019

SYLLABUS

OBJECTIVES AND CONTENTS

This courses aims at covering the banking literature as it relates to theory, empirical studies, and regulations. The first part discusses the microeconomic foundations of the banking firm. The second part presents the interactions of economic policy and banking (macrofinance). The third part is devoted to bank risk and regulations, and the fourth part focuses on empirical work in Industrial Organization and Banking.

I expect that students will be better prepared to do (especially empirical) research in banking and banking-related topics after taking this course.

I also expect students to develop their critical thinking and learn to make academic presentations and discussions in a professional manner, which is fundamental to researchers.

We will conduct the course in English.

AOL program objectives	Course objectives	Degree of contribution
Qualitative research methods	None	○ ○ ○
Quantitative research methods	Understanding the use of econometric methods is key in most of the readings in the course involve. The choice of method will often be discussed;	● ● ○
Knowledge of the research field	Understanding the classical and modern literature in the field is the main goal of the course;	● ● ●
Research procedure	Understanding data collection and data availability in the papers	● ○ ○
Research relevance	Discussing the relevance of recente research in the field is key to the course	● ● ●
Academic writing	Critical perspective contained in half page handouts and discussions will help students in the process of writing ther own papers	● ○ ○

FORMAT

Half lectures by the professor, half seminar-type.

In the lectures, I will be covering the basics of banking. Topics will include a basic understanding the balance sheets of banks, regulatory capital and other aspects relating to financial regulation. I may as well introduce or conclude the topic of each session with a short lecture on aspects related to the specific papers being studied.

Discussion of papers by Ph.D / MSc students.

The success of this course depends fundamentally on the effort and preparation of the students for the classes. First, by carefully reading the book chapters and the papers. Second, by bringing relevant comments on them. Third, by actively participating on the discussion of the topics, not only on the assigned papers, but also to the broader Finance literature relating to the subject being studied.

** This is not a course about empirical Finance. However, I may devote part of the lectures talking about empirical identification issues concerning the banking literature.*

ASSESSMENT CRITERIA

Presentation / discussion of papers:	20%
Half-page handouts:	10%
Quizzes:	30%
Final Exam:	40%

DESIRED BACKGROUND

- Topics covered in Corporate Finance (*Agency problems, Informational asymmetry, Capital structure, Cost of capital*); Knowledge of Econometrics may help, but is not mandatory.

COURSE SCHEDULE AND READING LIST

- Each session will cover 2 or 3 papers. All the students must read all the papers for each session. Students will form groups of their own choosing*, and we will assign each group their paper in the week ahead. One student will present the discussion prepared by his/her group**. Each group will need to make a 15-20 minute PowerPoint presentation that discusses the paper, and each presentation will be followed by in-class discussion. The purpose of the assignment is twofold: (1) Discussions are one key way people in academia will come to know (and assess) you. So, it's a good idea to get some practice now. And (2), this will help you apply and think critically about the papers. To ensure participation following each presentation, each non-presenting group must also type up one concern they had about each of the papers their group did NOT present and hand these in at the start of class (I call these half-page handouts). Your group will state this concern at the start of the discussion. The comments should be very short [2-3 sentences] and designed to do one of two things: (a) isolate what your group thought the biggest problem of the paper was, or (b) identify a concern you think the presenting group might overlook.

*The number of students per group will depend on the number of students enrolled for the course. It is possible that we end up with "groups of 1 person" each.

** I may randomly choose someone from the group to answer a specific question about the paper. If the answer is poor, this will damage the grade for the whole group. This is done to reduce moral hazard and avoid someone from the group to free-ride.

- Important note: I do not expect you to **PRESENT** the paper, I expect that you **DISCUSS** it. Guidelines for a good discussion (you do not have to strictly follow this order, but it may help you in preparing your presentation):
 - Briefly describe what the papers does and what it finds (or predicts, if theoretical), and why it is important for the literature;
 - Make your point about the assumptions;
 - Suggest improvements;
 - Identify eventual gaps or defects. Be critical. You may use your own judgement or the following literature. In this case, make explicit mention to the papers you are referring to.

Course schedule (tentative and subject to change)

Session	Date	Topics	Papers [pre-class readings]	Chapters [pre-class readings]
1	07/Aug	Course presentation Why are banks special?	TBD	TBD
2	14/Aug	The monitoring role of banks and the liquidity transformation role	TBD	TBD
3	21/Aug	Economic Policy, Economic cycles and the bank lending channel	TBD	TBD
4	28/Aug	Bank risk and regulation (credit)	TBD	TBD
5	4/Sep	Bank risk and regulation (cont.)	TBD	TBD
6	11/Sep	Deposit insurance, bank runs and liquidity hoarding	TBD	TBD
7	18/Sep	Relationship banking & Bank competition	TBD	TBD
8	25/Sep	FINAL EXAM	TBD	TBD

MAIN TEXTBOOKS:

[SC] Saunders, Anthony and Cornett, Marcia, *Financial Institutions Management: A Risk management Approach*, 9th edition, 2018

[M] Mishkin, Frederic B., *The Economics of Money, Banking and Financial Markets*, 11th edition (Global edition), 2016.

Recommended chapters of both books are **pre-class readings**

Other Books

Allen, F., and D.Gale, Understanding Financial Crises, Oxford University Press, (2009).

Bhattacharya, S., Boot, A. and A.Thakor, Credit, Intermediation, and the Macroeconomy, Oxford University Press, (2004).

Boot, A. and A.Thakor, Handbook of Financial Intermediation and Banking, Elsevier, (2008).

Dewatripont, M., and J.Tirole, The Prudential Regulation of Banks," MIT Press, (1994).

Freixas, X., and J.C.Rochet, Microeconomics of Banking," MIT Press, 2nd edition (2008).

PAPERS:

To Be Determined
