



Course Outline

Accounting and Finance
School of Business & Economics

FNCE 4190 - **3.00** - Academic

Financial Institutions Management

Rationale

Annual update of standard course outlines.

Course description and requisites updated

Calendar Description

Students explore the different financial intermediaries in our economy, the financial risks they are exposed to, and how these risks are measured and managed. Topics include the types of financial institutions including deposit-taking institutions, insurance companies, securities firms, investment banks, mutual funds, hedge funds, pension funds, and finance companies; regulation of the financial industry; measuring risk including interest rate risk, market risk, credit risk, liquidity risk, off-balance sheet risk, foreign exchange risk, sovereign risk and technology and other operational risks; managing risk through the use of derivatives, loan sales and securitization; and managing risk through deposit insurance and other liability guarantees and capital adequacy standards.

Credits/Hours

Course Has Variable Hours: No

Credits: 3.00

Lecture Hours: 3.00

Seminar Hours: 0

Lab Hours: 0

Other Hours: 0

Clarify:

Total Hours: 3.00

Delivery Methods: (Face to Face)

Impact on Courses/Programs/Departments: No change

Repeat Types: A - Once for credit (default)

Grading Methods: (S - Academic, Career Tech, UPrep)

Educational Objectives/Outcomes

1. Discuss the characteristics of various financial institutions in the national and international economy.
2. Describe the regulations to which financial institutions are subject.
3. Calculate the risk exposure for each type of financial institution using appropriate methodology.
4. Design a risk management system that utilizes appropriate risk measurement and feedback systems tailored to aspecific type of financial institution.
5. Justify the use of various financial instruments in managing risk for each type of financial institution.
6. Propose improvements to existing regulations which will help financial institutions function efficiently whilebalancing the risk that society faces from market failures.

Prerequisites

FNCE 3150-Portfolio and Equity Analysis

with a minimum C- or equivalent

FNCE 3170-Fixed Income and Alternative Investments

with a minimum C- or equivalent FNCE 3180-

Derivative Securities with a minimum C- or equivalent

Co-Requisites

Recommended Requisites

Exclusion Requisites

BBUS 4190

Texts/Materials

Textbooks

1. **Required** Saunders, Cornett, and McGraw. *Financial Institutions Management, A Risk Management Approach*, 4th Canadian ed. McGraw-Hill Ryerson, 2010

Student Evaluation

The Course grade is based on the following course evaluations.

Tests/Quizzes 30-40%

Case Studies/Research Projects/Simulations 30%

Final Exam 30-40%

Students must pass the exam to pass the course.

Course Topics

1. Types of the Financial Services Industry

Deposit-taking institutions

Banks

Credit unions

Caisses populaires

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-
-
- Insurance companies
 - Life
 - Property and casualty
- Securities firms and investment banks
- Mutual funds
- Hedge funds
- Pension funds
- Finance companies

2. Regulation of the Financial Services Industry

- Deposit-taking institutions
- Insurance companies
- Securities firms and investment banks
- Mutual funds
- Hedge funds
- Pension funds
- Finance companies

3. Measuring Risk

Interest rate risk The

- repricing model
 - The duration model
- Market risk
 - Risk metrics model
 - Back simulation
 - The BIS standardized framework
- Credit risk Individual
 - loans
 - Loan portfolios
- Liquidity risk
 - Deposit taking institutions
 - Liability side
 - Asset side
 - Life insurance companies
 - Property and casualty companies
 - Investment and pension funds
- Other Risks Off-balance-
 - sheet risk
 - Foreign exchange risk
 - Sovereign risk
 - Technology and other operational risks

4. Managing Risk Through Internal Policies and Procedures

- Liability and liquidity management
 - Liquid asset management
 - Liability structure
- Product diversification
- Geographic expansion
 - Domestic expansion
 - International expansion

5. Managing Risk Through Financial Instruments

- Derivatives Futures
 - and forwards
 - Options, caps, floors, and collars
 - Swaps
- Loan sales and securitization
 - The bank loan sales market
 - The Canadian market for asset-backed securities
 - Government agencies and asset-backed securities

Collateralized mortgage obligations

Mortgage-backed bonds

6. Managing Risk Through Regulatory Action

- Deposit insurance and other liability guarantees
 - Panic prevention versus moral hazard
 - Lender of last resort
 - Other programs
- Capital adequacy
 - Insolvency risk
 - Capital standards for depository institutions
 - Basel II, II+, III
 - National standards
 - Capital standards for non-depository financial institutions

Methods for Prior Learning Assessment and Recognition

As per TRU Policy

Last Action Taken

Implement by Submission Preview Subcommittee Chair Joanne (Retired) Moores

Current Date: 28-Oct-20