



MANAGEMENT OF FINANCIAL INSTITUTIONS (MFI)

TERM PGP II, Slot XI-XII, in the academic session 2016-2017

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OBJECTIVES This course is meant to provide an understanding of the issues involved in managing banks and financial institutions, keeping in mind the evolving context in India.

The material has been designed keeping in mind the requirements of two types of constituents:

1. Those who intend to take up a career at banks and financial institutions.

2. Those who might want to become analysts at securities firms and would need to assess the relative strengths and weaknesses of banks/financial institutions that happen to be investment propositions. The course attempts to combine a macro- and policy perspective on banking with the nitty-gritty of bank management.

While many of the concepts have wider applicability in the financial sector, the focus is on commercial banks.

RECOMMENDED BOOKS/READINGS:

Sr. No.	Reading	Author(s)	Title
1	Text	Anthony Saunders & Marcia Cornett	Financial Institutions Management: a modern perspective, Sixth edition (All

			chapter references below pertain to this book)
2	Reference	Philippe Jorion	Value at Risk (Available in the reference section of the library)
3	Journals	a. The Economist (Banking and Finance section) b. Financial Times , London (www.ft.com), paper available in issue section of library c. Euromoney d. The Banker	
4	Business dailies	The Economic Times, Business Standard	Please go through the banking sections and feel free to raise issues in class. We will typically spend the first 10 minutes (after case presentations) going through items of interest.
5	Blog	ttrammohan.blogspot.com	Contains a number of entries on banking and the financial sector

NB: - Additional hard copy readings are indicated against the respective sessions. Soft copy readings will be sent as required.

SESSION OUTLINE:

Session No.	Module/Topic	Reading
	Module-I: The macro-setting, regulation and bank strategy	
1/2	The Indian banking sector: changes, threats, opportunities	<ul style="list-style-type: none"> The Indian Banking system: challenges ahead: C. Rangarajan Reforming India's financial sector: Y V Reddy Banking sector reforms in India: charting a unique course- T T Ram Mohan
3	Financial intermediation: rationale and structure	<ul style="list-style-type: none"> Chapter 1
4	Regulation of financial institutions	<ul style="list-style-type: none"> Chapter 1
5	Case: HDFC Bank-A (IIMA case)	<ul style="list-style-type: none"> Who's the banking king? ICICI or HDFC- Business Standard, June 14, 2005
6/7	Capital	<ul style="list-style-type: none"> Chapter 20

	adequacy	<ul style="list-style-type: none"> • Implementation of Basel II: An Indian Perspective- KJ Udeshi • RBI roadmap for implementation of Basel II (<i>Soft copy</i>)
8	Case: ICICI's global expansion, HBS case	
	Module-II: Risk management-I	
9/10	Interest rate risk	<ul style="list-style-type: none"> • Chapter 8 and 9 • Asset-Liability management system, RBI, February 9, 1999
11/12	Market risk	<ul style="list-style-type: none"> • Chapter 10 • Jorion, Chapter 5, 6 • The World according to Nassim Taleb • In defense of Var, Philippe Jorion • Against Value at Risk, Nassim Taleb • Var, the next 10 disasters, Aaron Brown
13/14	Case: Long term Capital Management, L P (A)	
	Module III: Risk Management- II	
15/16/17	Credit Risk	<ul style="list-style-type: none"> • Chapter 11 and 12 • Credit risk rating at large US banks- US Federal Reserve Board • Credit risk modelling- BIS (<i>soft copy</i>) • Crouhy Michel, Dan Galai and Robert Mark (2000), "A Comparative Analysis of Current Credit Risk Models," Journal of Banking and Finance
19	Case: Basel II: Assessing the default and loss characteristics of project loans	
20	Securitisation Case: American Express TRS Charge-Card Receivables Case: Lehman Brothers and the Securitization of American Express Charge-Card Receivables	<ul style="list-style-type: none"> • Note on securitization: JR Varma • Update on Indian Structured Finance Market- ICRA (2005)
21/22	Case: Subprime meltdown and	

	global Financial turmoil	
	Module-IV: Pricing and Profitability	
23	Loan pricing/transfer pricing	<ul style="list-style-type: none"> • Chapter 11 • Transfer pricing systems design- Kamakura Corporation
24	Case: Pilgrim Bank (A) - Customer profitability	
	Module-V: Bank restructuring	
25	Case: Phatra Bank	

EVALUATION:

1. Surprise quizzes: - 20%.
These will be based on readings assigned in the course material (including cases) as well as readings handed out in class in advance. **The surprise quizzes will be held in the first 5-10 minutes of any class.**
2. Class participation –15%
3. Group presentations on cases- 25%.

The class will be divided into groups and one of the cases listed above will be assigned to each group. Any member of the group may be called upon to present an analysis for the first 20 minutes of the class. **Those not present at the presentation of their group will lose their grade.** Soft copies of the presentation to be emailed to me.

Questions for the cases will be circulated by email.

4. End term examination- 40%