**Spring 2021 Final Exam Chapters and Documents**

Chapter 6: The Risk and Term Structure of Interest Rates

Risk Structure of Interest Rates

Default Risk

*FYI:* Conflicts of Interest – Credit Rating Agencies

*Application:* The Subprime Collapse and the Baa-Treasury   
 Spread

Liquidity

Income Tax Considerations

Summary

*Application:* Effects of the Obama Tax Increase on Bond Interest Rates

Term Structure of Interest Rates

3 Empirical Facts

Expectations Theory

Segmented Markets Theory

Liquidity Premium and Preferred Habitat Theories

Evidence on the Term Structure

Summary

*FYI:* The Yield Curve as a Forecasting Tool for Inflation and the Business Cycle

*Application:* Interpreting Yield Curves, 1980–2009

**Chapter 9: Banking and the Management of Financial Institutions**

**The Bank Balance Sheet**

Liabilities

Assets

Basic Banking

General Principles of Bank Management

Liquidity Management and the Role of Reserves

Asset Management

Liability Management

Capital Adequacy Management

Application: Strategies for Managing Bank Capital

Application: How a Capital Crunch Caused a Credit Crunch during the Global Financial Crisis

**Managing Credit Risk**

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Long-Term Customer Relationships

Loan Commitments

Collateral and Compensating Balances

Credit Rationing

**Managing Interest-Rate Risk**

Gap and Duration Analysis

**Off-Balance-Sheet Activities**

Loan Sales

Generation of Fee Income

Trading Activities and Risk Management Techniques

Barings, Daiwa, Sumitomo & Société Générale: Rogue Traders & Principal–Agent

**Chapter 10: Economic Analysis of Financial Regulation**

Asymmetric Information as a Rationale for Financial Regulation

Government Safety Net

**Global** The Spread of Government Deposit Insurance Throughout the World: Is This a Good Thing?

Drawbacks of the Government Safety Net

Types of Financial Regulation

Restrictions on Asset Holdings

Capital Requirements

Prompt Corrective Action

**Global** Where Is the Basel Accord Heading After the Global Financial Crisis?

Financial Supervision: Chartering and Examination

Assessment of Risk Management

Disclosure Requirements

**FYI** Mark-to-Market Accounting and the Global Financial Crisis

Consumer Protection

Restrictions on Competition

**Global** International Financial Regulation

**Chapter 11: Banking Industry: Structure and Competition**

**Historical Development of the Banking System**

**Multiple Regulatory Agencies**

~~Financial Innovation and the Growth of the “Shadow Banking System”~~

~~Responses to Changes in Demand Conditions: Interest-Rate Volatility~~

~~Responses to Changes in Supply Conditions: Information Technology~~

**~~FYI~~** ~~Will “Clicks” Dominate “Bricks” in the Banking Industry?~~

~~Securitization and the Shadow Banking System~~

~~Avoidance of Existing Regulations~~

**~~FYI~~** ~~Bruce Bent and the Money Market Mutual Fund Panic of 2008~~

~~Financial Innovation and the Decline of Traditional Banking~~

~~Structure of the U.S. Commercial Banking Industry~~

~~Restrictions on Branching~~

~~Response to Branching Restrictions~~

~~Bank Consolidation and Nationwide Banking~~

~~The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994~~

~~What Will the Structure of the US Banking Industry Look Like in the Future?~~

~~Are Bank Consolidation and Nationwide Banking Good Things?~~

**~~Global~~** ~~Comparison of Banking Structure in the United States and Abroad~~

**Separation of Banking and Other Financial Service Industries**

**Erosion of Glass-Steagall**

**The Gramm-Leach-Bliley Financial Services Modernization Act of 1999: Repeal of Glass-Steagall**

**Implications for Financial Consolidation**

**FYI The Global Financial Crisis and the Demise of Large, Free-Standing Investment Banks**

**Separation of Banking and Other Financial Services Industries Throughout the World**

~~Thrift Industry: Regulation and Structure~~

~~Savings and Loan Associations~~

~~Mutual Savings Banks~~

~~Credit Unions~~

~~International Banking~~

~~Eurodollar Market~~

**~~Global~~** ~~Ironic Birth of the Eurodollar Market~~

**Chapter 12: Financial Crisis**

What Is a Financial Crisis?

Dynamics of Financial Crises

Stage One: Initial Phase

Stage Two: Banking Crisis

Stage Three: Debt Deflation

**Application** The Great Depression

Stock Market Crash

Bank Panics

Continuing Decline in Stock Prices

Debt Deflation

International Dimensions

The Global Financial Crisis of 2007–2009

Causes of the 2007–2009 Financial Crisis

**FYI** Collateralized Debt Obligations (CDOs)

Effects of the 2007–2009 Financial Crisis

**Inside the Fed** Was the Fed to Blame for the Housing Price Bubble?

**Global** The European Sovereign Debt Crisis

Height of the 2007–2009 Financial Crisis

Government Intervention and the Recovery

**Global** Worldwide Government Bailouts During the 2007–2009 Financial Crisis

Response of Financial Regulation

Macroprudential Versus Microprudential Supervision

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

Too-Big-to-Fail and Future Regulation

What Can Be Done About the Too-Big-to-Fail Problem?

Other Issues for Future Regulation

**Chapter 13: Central Banks and the Federal Reserve System**

Origins of the Federal Reserve System

**Inside the Fed** The Political Genius of the Founders of the Federal Reserve System

Structure of the Federal Reserve System

Federal Reserve Banks

**Inside the Fed** The Special Role of the Federal Reserve Bank of New York

Member Banks

Board of Governors of the Federal Reserve System

Federal Open Market Committee (FOMC)

**Inside the Fed** The Role of the Research Staff

**Inside the Fed** The FOMC Meeting

**~~Inside the Fed~~** ~~Green, Blue, Teal, and Beige: What Do These Colors Mean at the Fed?~~

Why the Chair of the Board of Governors Really Runs the Show

**~~Inside the Fed~~** ~~Styles of Federal Reserve Chairs: Bernanke and Yellen Vs. Greenspan~~

How Independent Is the Fed?

Should the Fed Be Independent?

The Case for Independence

The Case Against Independence

Central Bank Independence and Macroeconomic Performance

Explaining Central Bank Behavior

**Inside the Fed** The Evolution of the Fed’s Communication Strategy

Structure and Independence of the European Central Bank

Differences Between the European System of Central Banks and the Federal Reserve System

Governing Council

How Independent Is the ECB?

Structure and Independence of Other Foreign Central Banks

Bank of Canada

Bank of England

Bank of Japan

The Trend Toward Greater Independence

**Chapter 14: The Money Supply Process**

Three Players in the Money Supply Process

The Fed’s Balance Sheet

Liabilities

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Control of the Monetary Base

Federal Reserve Open Market Operations

Shifts from Deposits into Currency

Loans to Financial Institutions

Other Factors That Affect the Monetary Base

Overview of the Fed’s Ability to Control the Monetary Base

Multiple Deposit Creation: A Simple Model

Deposit Creation: The Single Bank

Deposit Creation: The Banking System

Formula for Multiple Deposit Creation

Critique of the Simple Model

Factors that Determine the Money Supply

Changes in the Nonborrowed Monetary Base, *MB*n

Changes in Borrowed Reserves, *BR*,from the Fed

Changes in the Required Reserve Ratio, *rr*

Changes in Excess Reserves

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Overview of the Money Supply Process

The Money Multiplier

Deriving the Money Multiplier

Intuition behind the Money Multiplier

Money Supply Response to Changes in the Factors

**Application** Quantitative Easing and the Money Supply Summary

**Blackboard Documents**

**Summary Documents**

**1 Summary slides Fed Res Roles and Unconventional Policy tools**

**2 Ch 12 Financial Crisis – Participants and Contributing Factors**

**FOMC Meeting Statements**

**3 March 2021**

**4 April 2021**

**Ch 10 Capital/Stress Tests**

**5 Capital Ratio Min Req – SIFI, GSIB**

**6 Capital Surcharges**

**7 Basel III – Countercyclical**

**8 Summary Stress Test/CCAR Description 2019**

**9 Summary Results 2020**

**Federal Reserve Policy Updates**

**10 Ch 9 Liquidity Requirements**

**11 Dividend and Share Repurchase Restrictions**

**12 Fed Reserve Policy Statement on Longer Term Goals**

**13 Policy Normalization and Spindown Results**