

MGT3079 TSA: Management of Financial Institutions

Class Information

Instructor: **Sudheer Chava**

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Office Hours: **4:30-6:00pm on Tue and Thu or by appointment**

Class Room: **CoM Room 202**

Class timings: **Tuesday and Thursday 1:35-2:55pm**

Course overview

The objective of the course is to introduce students to the financial intermediation sector and the various risks that the financial institutions face. The course will aim to provide an understanding of various tools and methods to manage the risks faced by financial institutions. But many of the tools and topics discussed in this class may be applicable to non-financial companies also. Special emphasis would be placed on managing credit risk. Credit risk is the risk that a borrower or counterparty will fail to meet a contractual payment obligation. Most commonly, credit risk is the possibility that a borrower will declare bankruptcy.

Intended Audience

The course would be useful for students interested in a career in commercial banking, investment banking, corporate treasuries, corporate finance, energy sector, real estate and distressed investing.

Class Format

The class material would be covered mostly through lectures.

Topics Covered in the Class

Some of the topics that would be covered in the class are

- Why do Financial Institutions exist?
- Different types of Financial Institutions
- Various Risks faced by the Financial Institutions
- Current Credit Crisis and its affect on Financial Intermediaries and Firms
- Credit Ratings
- Loan Covenants
- Credit Scoring
- Predicting Financial Distress of public and private firms
- Modeling default using structural and reduced form models
- Modeling Recovery Rates
- Securitization, CDOs and other structures
- Credit Default Swaps and other Derivatives
- U.S. Bankruptcy Process (Chapter 11, Chapter 7, DIP, KERP, APR)

Required Material

There is no *required* text book for the class. I would try to distribute my lecture notes ahead of the class. There may be some assigned readings in addition to the class notes. All the material would be posted on t-square.

Recommended Textbook

Financial Institutions Management: A Risk Management Approach, by Anthony Saunders and Marcia Millon Cornett, McGraw-Hill Irwin 7e (This book would be useful for the *institutional details* especially if you are not familiar with the US financial sector). 6e also works.

Other Recommended Readings (may be available through the library)

Books

- Restoring Financial Stability: How to Repair a Failed System, by Viral Acharya and Matthew Richardson (editors), Wiley Finance.

- Balancing the Banks: Global Lessons from the Financial Crisis, by Mathias Dewatripont, Jean-Charles Rochet and Jean Tirole, Princeton University Press.
- Fault Lines: How Hidden Fractures Still Threaten the World Economy, by Raghuram Rajan

Other Material

- The students are strongly encouraged to read Wall Street Journal, Bloomberg Businessweek, Financial Times, Economist or some other source for financial information. This information would be helpful for class room discussions.
- I also will post a list of useful web sites, books and blogs on t-square that may be useful for the class discussion.
- The material posted on t-square would be divided into two parts. A small number of articles would be *required or mandatory* reading and a larger number of articles would be *recommended* reading.

Online Information

Course page is maintained on t-square <https://t-square.gatech.edu/portal> . All relevant information including but not limited to: readings, lectures, exam schedules and class schedules and any changes to the schedule would be posted on the website. I would strongly recommend that you check the course page on t-square website every week.

Grading

Grading would be done on a *relative* basis. What matters is how many students scored above or below you and NOT the absolute score that you get in the exam. The grade for the class is based on:

- **Quizzes:** There would be **three** *in-class* quizzes. Each would carry a weight of 20%. The tentative dates for the quizzes are 11-Sep, 9-Oct and 15-Nov. The dates may change but I will give adequate (at least two weeks) notice.
- **Class participation and current event discussions:** I would like to make the class as interactive as possible. Students are encouraged to ask questions and participate in the class discussion. In addition, we will devote around 10-15 min of each class for current events. I will *cold call* students to discuss relevant current events. Class participation and discussion will count 15% towards the final grade.

- There is a **term project** for the class. The term project is a group assignment (groups of three students). The groups are required to present the findings of the term project twice in the class. One intermediate report and a final report towards the end of the class. The groups also would need to submit a written final report for the term project. The schedule of the presentations would be announced later. The weight assigned to the term project and presentations is 25%
- More details about the term project would be announced in a couple of weeks after the students form the groups.

Regrade Policy:

If you wish to have a quiz regraded, return it to me with a note explaining why you want a regrade. This must be done no later than a week after the quiz has been returned. I will regrade the entire quiz.

Attendance Policy:

I will take attendance frequently during the term and attendance would count towards class participation and the overall course grade.

Course Rules

- You must display your name card throughout the term.
- No cell phone usage in class. Please turn your ringers off.
- Please do *not* use laptops or computers in the class room unless I ask you to do so.
- You are expected to be familiar with the Georgia Tech Honor Code <http://honor.gatech.edu>, and to conform to all its requirements.
- Be prepared when you come to class. There will be a lot of cold-calling.
- To ensure a prompt response to e-mail, please put **course number and class time** in the subject line, e.g. **MGT 3079 -1:35-2.55: Question about Quiz**
- I teach three large classes with the same course name but with very different material. So it is important for you to identify your section so that I can answer appropriately.