

Bank Management

Academic Year: **2013-2014**

Semester: **Spring**

Instructor(s): *João Gouveia Carvalho*

Course Description:

The course aims to present a general overview of the banking industry, from the most traditional lending activities to the innovative financial derivatives markets.

It is expected that students will develop critical skills in assessing the relevance of the principles of financial intermediation to real world situations and to better understand the role that financial institutions play on global economy.

Course Content:

Section I: Financial System

- Financial Assets
- Financial system indicators
- Financial services

Section II: Banks

- Origins of the banking activity
- Legal framework
- Banking businesses | financial intermediaries

Section III: Performance

- Bank's financial statements
- Financial performance indicators

Section IV: Interest Rate Determination

Section V: Risk Management

- Asset Liability Management
- Liquidity risk
- Interest rate risk
- Market risk
- Solvency ratio, Basel and Economic capital
- Rating agencies' approach

Section VI: Globalization and Financial Innovation

- Derivatives (forwards, swaps and options)
 - Trade finance
 - Securitizations
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Course Objectives:

The purpose of the course is to provide a comprehensive understanding of retail banking management and the types of activities performed by financial institutions.

The focus will initially rely on understanding the financial system and the nature and economic functions provided by each of its players.

A greater part of the course will then be devoted to specific risks (liquidity, interest rate, market and credit risks) and regulations faced by banks and the strategies and instruments used to manage them (Asset Liability Management, securitizations, derivatives, etc). Particular emphasis will also be made on capital allocation and pricing.

The course will also cover the financial derivatives transactions – students will be able to understand its risks and benefits, its cash flows and how to price and value the basic types of these financial instruments.

Grading:

The course grade will be based on contribution to class discussion, quizzes, an intermediate test and a final exam. In determining the final course grade the weights are the following:

Contribution to class discussion	5%
Quizzes/Individual work *	15%
Intermediate exam **	40%
Final exam	40%

* Quizzes – Optional (decision is individual)

Student may decide to do quizzes (15%); quizzes plus individual work (7,5% each); or individual work (15%). If none are chosen, the weight will be transferred to the Final exam.

If student decides to undertake the quizzes, there will be three quizzes given. They will be solved individually by students during the first or last 30 minutes of the class selected for each one. Students will be informed about the quiz date in the class before each assignment. A missed quiz cannot be made afterwards.

** Intermediate examination – Optional (decision is individual)

If student decides not to perform the test, its weight will be transferred to the final exam (30%), to the Quizzes/Individual work (5%) and to the class participation (5%).

There will be only one final exam, which will include all the course materials, whether or not the student decided to undertake the intermediate exam.

Bibliography:

- PowerPoint slides will be available at the course web page
- Harvard study cases will be made available to students

Recommended text books:

- Saunders, Anthony, sixth edition, Financial Institutions Management – A Modern Perspective
- Frank J. Fabozzi, Franco Modigliani, Capital Markets: Institutions and Instruments”, (3rd edition).



Biography:

João Gouveia Carvalho, Master in Finance from Católica Lisbon School of Business & Economics and Chartered Financial Analyst (CFA) since 2009, undergraduate degree in Economics from Universidade Nova de Lisboa. João has been responsible for several courses at Católica Lisbon School of Business & Economics since 2008.

He is currently assistant manager at the finance department of EDP – Energias de Portugal, being responsible for raising financial debt for the group through capital and bank markets; for the management of interest rate and foreign exchange risks and for the relationship with the rating agencies. Before, he worked as external consultant to the Bank of Portugal and as a consultant at the financial services division of PricewaterhouseCoopers.

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