



THE OHIO STATE UNIVERSITY

FISHER COLLEGE OF BUSINESS

BUSINESS FINANCE 4265
Financial Institutions
Fall 2021

Instructor

Name: Prof. Robert A Fuller

Office: 310 Fisher Hall

Department: Finance

Email: fuller.469@osu.edu

Phone: 415-244-1334

Office Hours: by appointment.

Class Meeting Schedule

MoWe 11:10 am- 12:30 pm, Ger 355

3:55-5:15 pm, Ger 265

5:30-6:50 pm, Sch 315

Course Description

Financial Institutions play an extremely important role in the functioning of the global economy and in the operation of our firms. The financial crisis of 2007-2008 and recent global financial turbulence demonstrated both how important financial institutions are in the economy and how they are often times greatly misunderstood because of their complexity. Today, banks and other financial institutions are undergoing a great deal of change. The challenges they face are daunting and historic. Our goal is to examine financial institutions, these challenges and problems in depth. In doing so this class will not offer simple solutions to the complex problems financial institutions. Instead, this course will force you to think and engage in conversations so that you can gain insight into the problems and opportunities that await financial institutions and our global economy.

Course Learning Outcomes

At the end of this course, students will be able to demonstrate that they understand

- The history and essential functions of banks in the economy.
- Important asset, liability and capital components in a bank balance sheet.
- How banks earn revenues and profits.
- The risks banks assume and how they are measured and managed.
- Key elements of the Financial Crisis and subsequent regulatory developments.
- The basic character of other types of Financial Institutions and roles they play in the Economy (including how they are regulated)
- Technological and other developments impacting the future of Financial Institutions.

Course Materials:

1. *Course lecture notes* are posted on the course website in Carmen. Please bring your notes to class each day to participate in the class discussion.
2. *Required Readings* include sections from the *required textbook* (see #3) and other readings posted on the class website and in the course schedule.

3. **Required Textbook:** Brandl, Michael W. *Money, Banking, Financial Markets and Institutions*, Mason, OH: Cengage Learning, 2017. ISBN-10: 0538748575 | ISBN-13: 9780538748575. I will be using the second edition for my lectures and it is recommended that you use this edition. The changes from the first edition or not significant. I will try to point out any updates in my lectures. However, please note that I will be testing you from the second edition.
4. **Harvard Business School Course Packet:** Please follow this link <http://hbsp.harvard.edu/import/845762> and follow the instructions below:
 - a. Click "Register Now."
 - b. Enter name, email, and educational program, and create a username and password.
 - c. Click "Register."
 - d. Login with the username and password you just created.
 - e. Purchase the course packet contents (Cases and Background Note)
5. **Additional Resources:** This course stresses the impact financial institutions have on business practices. Below are some national and international news resources that are relevant to the course and excellent sources of information for any serious business student.
 - The *Wall Street Journal* (WSJ) provides national and international news as well as detailed information on financial markets and institutions.
 - The *Financial Times* is a daily newspaper out of London with a US edition. The *Financial Times* offers a much more extensive coverage of economic and business activity outside of the United States, compared to mostly domestic news sources such as the WSJ.
 - The *Economist* is an outstanding weekly British newsmagazine that analyzes the week's events and surveys financial market developments. Its target audience includes senior executives as well as high ranking government official.

How the Course Works

Credit hours and work expectations: This is a **3-credit-hour course**. According to Ohio State policy, students should expect around an average of 3 hours per week of time spent on direct instruction in addition to 6 hours of homework

Attendance and participation requirements: Students are expected to attend class and to arrive on time. To a significant extent, the value you get from the course depends on your presence in class, and your classmates' opportunities to learn from your insights depend on your presence in class. Each student is permitted to have NO MORE than two excused absences during the semester. Please notify me of your absence before the specific date by email. Exceptions can be made for serious circumstances.

As noted above, students are expected to have completed the assigned reading and exercise posted on the course content page before class. To encourage preparation and facilitate class discussion, students will be called on in class to share their insights. As is the case with real world work environments, you are judged not by what you know but by what you **contribute**. Even if you feel that you know the material, unless you share your insights with the class, we cannot adequately evaluate your preparedness and contribution. Students are never penalized for making comments which do not appear to be the "right answer." It is only through consideration of many diverse opinions and viewpoints that we will move toward a greater shared understanding of the multi-dimensional material which this course entails.

There are two types of class participation- cases, and speakers.

1. *For the 10 cases), students can receive up to 3 observations per case. This is 20% of your grade. I do grade on a scale and, in the past, student median is about 2 comments per class. Please chose a seat by 9/8 for the entire term and bring your nameplate to class. Class participation will be marked for each case by two volunteers (who will receive 2 marks for that day).*

2. *There are 4 speakers and attendance is important as these are very influential and respected persons. You will get 1 point for attendance for each speaker, and if you make one comment for any speaker, you get 2 points for a total of 6 points.*
3. *If you are not able to attend class for an excused reason (illness, job interview, family or personal emergency), please email me before class. If I determine that the absence is excused, participation for that class will not be counted. I may also grant extensions for submitting assignments.*

Course Technology

For help with password, email, Carmen or other technology issues, contact the Ohio State service desk at ocio.osu.edu/help, phone 614-688-4357, servicedesk@osu.edu

Required software: Microsoft Office 365. Students eligible for free through Microsoft's Student Advantage Program. go.osu.edu/office365help

Carmen access

Students need to use BuckeyePass multi-factor authentication to access your courses in Carmen. It is suggested you register multiple devices as a backup. Consult help desk with Questions.

For IT assistance, ocio.osu.edu/help, 614-688-4357 (help), servicedesk@osu.edu

Course Grading and Evaluation:

The course requirement include the following components.

Component	% of total course grade
Exams-2	50%
Cases & Assignments	24%
Class participation-cases	20%
Class participation-speakers	6%

1. *Cases-10 Case briefs can be 1-2 pages, but should NOT exceed two pages of text with no limit on exhibits. You must use the 12-point font, double-spaced paragraphs, and default Microsoft Word margins. You will be given questions to answer for each case in Carmen. Case briefs are due at the beginning of class and submitted in Carmen and late submissions will not be accepted. Bullet points are ok. Each case brief is worth 2 points. You may form study groups for cases and turn in one report for the group. Please list all names for the group, maximum 5 members.*
2. *Other Assignments (4): The assignments may include some exam-style problems, questions related to assigned readings or videos, and completion of in-class exercises to be completed outside of class. All assignments will be shown in the Module section in Carmen, are due at the beginning of class on the date due and submitted in the Assignment section in Carmen. 1 point for each assignment*
3. *Exam: There will be exams on the following dates.*

Exams: October 18th during class time and December 8th during class.

4. *Class Participation: # components as described above.*

Grading Policy

I grade on a curve of all three sections.

Exam Policy:

Everyone will take the exams on assigned dates.

Extra Credit/Grade Change Policy:

Extra credit will not be offered unless it is available to the entire class. For example, if a student wishes to improve his grade at the end of the course, extra credit will not be available for this purpose, as it unfairly penalizes students who have consistently worked hard throughout the course.

Electronic Devices Policy:

Electronic devices are allowed in class for note taking and review of course material.

Please do not use your cell phone in class.

Office hours and reviews:

Unless announced otherwise, I am available to meet with students on an individual basis by appointment. Please email me to make an appointment for an office visit. Please give me a general idea of the topic you'd like to discuss so that I can be as prepared as possible for your visit.

Course website:

I will maintain a website through Carmen (using the University's new Canvas system). The URL is <https://carmen.osu.edu>. I will use the website to post course slides, readings, and assignments. Please check it on a regular basis.

Communication:

The quickest way to contact me is by email. I will try to respond promptly within a day.

ACADEMIC INTEGRITY

Academic integrity is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. Thus, The Ohio State University and the Committee on Academic Misconduct (COAM) expect that all students have read and understand the University's *Code of Student Conduct*, and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University's *Code of Student Conduct* and this syllabus may constitute "Academic Misconduct."

The Ohio State University's *Code of Student Conduct* (Section 3335-23-04) defines academic misconduct as: "Any activity that tends to compromise the academic integrity of the University, or subvert the educational process." Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University's *Code of Student Conduct* is never considered an "excuse" for academic misconduct, so I recommend that you review the *Code of Student Conduct* and, specifically, the sections dealing with academic misconduct. (You can find the full Code at http://studentlife.osu.edu/pdfs/csc_12-31-07.pdf)

If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct.

DISABILITY SERVICES

The Student Life Disability Services (SLDS) (www.ods.ohio-state.edu) verifies students with specific disabilities and develops strategies to meet their needs. Students requiring accommodations based on identified disabilities should contact the instructor at the beginning of the term to discuss their particular needs. Students with a specific disability are encouraged to contact SLDS to explore potential accommodations available to them.

COURSE SCHEDULE

The course schedule shown below is tentative and may be changed, especially if speakers need to change their dates. I will update any changes in the module section in Carmen, so closely monitor that as I will not update the dates on the syllabus.

Safety and health requirements

All teaching staff and students are required to comply with and stay up to date on all University safety and health guidance, which includes wearing a face mask in indoor space and maintaining a safe physical distance at all times. Non-compliance will be warned first and disciplinary actions will be taken for repeated offences.

Student COVID-related Accommodation Process

The university is committed to supporting students and program participants with COVID-19 based risk factors. Student Life Disability Services, in conjunction with the Office of Institutional Equity, will work with students who are vulnerable to complications from COVID-19 to ensure that they have the necessary resources to participate in university life as safely as possible. Ohio State students from any campus may submit a [COVID-related accommodation request](#). Students registered with Student Life Disability Services can work directly with their [assigned Access Specialist](#) to modify their accommodations or make additional COVID-based accommodation requests.

Disability Services:

The university strives to make all learning experiences as accessible as possible. In light of the current pandemic, students seeking to request COVID-related accommodations may do so through the university's [request process](#), managed by Student Life Disability Services. If you anticipate or experience academic barriers based on your disability (including mental health, chronic, or temporary medical conditions), please let me know immediately so that we can privately discuss options. To establish reasonable accommodations, I may request that you register with Student Life Disability Services. After registration, make arrangements with me as soon as possible to discuss your accommodations so that they may be implemented in a timely fashion. **SLDS contact information:** slds@osu.edu; 614-292-3307; [slds.osu.edu](#); 098 Baker Hall, 113 W. 12th Avenue.

Accommodated Exams - COVID-19 Operational Adjustments

In order to promote the health and safety of students, Student Life Disability Services will only proctor exams for students with accommodations that necessitate in-person testing for autumn 2020. Modified exam hours for autumn 2020 are 9 AM – 5 PM.

Students with the following exam accommodations may schedule to take their exams at SLDS:

- Accessible formats (e.g. braille, large print, screen-free)
- Assistive technology (e.g. JAWS, CCTV)
- Private testing room accommodation
- Test assistant (reader or scribe)

Students requesting exam accommodations not listed above, such as extended time or a small-group testing space, will need to take their exam off-site utilizing Carmen or other virtual assessment method. For more information on operational changes, visit the [SLDS website](#).

COURSE SCHEDULE

PART 1: THE BIG PICTURE: Financial Institutions, The What, How and Why We Care		
Week	Dates	Topic, Readings, and Assignments
1	Wed, 8/25	<p style="text-align: center;">Topics Overview of Syllabus and Class</p> <p>Required Readings: 1. Textbook: Chapters 1, 2</p> <p>8/25: Syllabus, class overview, introductions Chapter 1,2</p>
2	Mon, 8/30 Wed, 9/1	<p style="text-align: center;">Topic: <i>Changing Landscape of the Financial Services Industry:</i> Financial Institutions Through Time Banks fundamentals</p> <p>Required Readings: 1. Textbook, Chapter 5 2. Chapter 7</p> <p>8/30: Chap 5 9/1: Chap 7</p>
3	Mon, 9/6 Wed, 9/8	<p style="text-align: center;">Topic: <i>Bank fundamentals continued</i></p> <p>Read: 1. Chapter 12</p> <p>9/6: No Class-Labor Day 9/8: Chapter 12</p>

PART 2: BANKS: Their OPERATIONS, BALANCE SHEET and RELATED RISKS

Week	Dates	Topic, Readings, and Assignments
4	Mon, 9/13 Wed, 9/15	<p>Topic <i>Credit Risk</i></p> <p>Read: 1. Bank of America (in 2010) and the New Financial Landscape, HBS</p> <p>Required Reading: Textbook, Chapter 13.1</p> <p>9/13: Case discussion Bank of America case 9/15: Credit Risk Lecture</p>
5	Mon, 9/20 Wed, 9/22	<p>Topic <i>Credit risk case2</i></p> <p>Required Readings:</p> <ol style="list-style-type: none"> 1. Case MATS: see Carmen for Case and questions 2. Case: Chase's Strategy for Syndicating the Hong Kong Disneyland Loan (A), case brief <p>9/20: MATS case discussion 9/22: Chase Hong Kong Disneyland loan Syndication Case discussion</p>
6	Mon, 9/27 Wed, 9/29	<p>Topics <i>Other Risks</i> <i>Bank Regulation</i></p> <p>Required Readings:</p> <ol style="list-style-type: none"> 1. Chapter 13:2-6, other risks 2. Chapter 14, Reading on Bank Regulatory Capital <p>9/27: Lecture on Interest Rate Risk, Liquidity, and Operational Risk 9/29: Lecture on Bank Regulation</p>

PART 2: BANKS: Their OPERATIONS, BALANCE SHEET and RELATED RISKS

Week	Dates	Topic, Readings, and Assignments
7	Mon, 10/4 Wed, 10/6	<p align="center">Topics <i>Bank Merger , scale and risk issues</i></p> <p>Required readings 1 .Case : Deutsche Bank and the Road to Basel III 2. Case: Chase Manhattan Corp: The Making of America's Largest Bank</p> <p>10/4: Deutsche Bank case discussion 10/6: Chase case discussion</p>
8	Mon, 10/11 Wed, 10/13	<p align="center">Topic <i>Exam 1 review</i></p> <p>Case: JP Morgan Chase after the Financial Crises: What is the Optimal Scope of the Largest Bank in the US?</p> <p>10/12: JP Morgan case discussion 10/14: Review for Exam 1</p>
9	Mon, 10/18 Wed, 10/20	<p align="center">Topics <i>Other Financial Institutions, Federal Reserve</i></p> <p align="center">1.Chapter 21,8</p> <p>10/18; Exam 1 10/20: Lecture on S&L's, Community Banks: Federal Reserve</p>

Week	Dates	Topic, Readings, and Assignments
10	Mon, 10/25 Wed, 10/27	<p>Topics <i>Governance</i></p> <p>Required Readings:</p> <ol style="list-style-type: none"> 1. Is Business Bluffing Ethical? HBR 2. Case: Conflict on the Trading Floor (A) <p>10/25: Lecture on Governance 10/27: Conflict case</p>
11	Mon, 11/1 Wed, 11/3	<p>Topic <i>Governance cases</i></p> <ol style="list-style-type: none"> 1. Case: Sales Misconduct at Wells Fargo, Individual assignment Watch video “ Inside the Meltdown”, PBS Frontline, http://www.pbs.org/wgbh/frontline/meltdown, Due 11/3 <p>11/1: Wells case discussion 11/3: Guest speaker: David Berson, Chief Economist Nationwide</p>
12	Mon, 11/8 Wed, 11/10	<p>Topics <i>Governance/ Culture</i></p> <ol style="list-style-type: none"> 1. Case: Case: Innovation Corrupted: the Rise and fall of Enron(A) 2. Case: Blackstone at age 30 <p>11/8: Enron case discussion 11/10: Blackstone case discussion</p>

Week	Dates	Topic, Readings, and Assignments
13	Mon, 11/15 Wed, 11/17	<p style="text-align: center;">Topics <i>Investment Companies, Capital Markets</i></p> <p>Required Reading: Chapter 23-24, Warren Buffet letter to Shareholders, 2/25/17 & 2/24/18 “the Bet” section, assignment questions (letter from Google)</p> <p>11/15: Lecture on Investment Companies, assignment due 11/17: Guest lecturer: Matthew Milcetic, Sr. Managing Dir., Huntington capital Markets</p>
14	Mon, 11/22 Wed, 11/24	<p>11/23: No Class 11/25: No Class- Thanksgiving break</p>
15	Mon, 11/29 Wed, 12/1	<p>Reading: “How venture capital works”, by Bob Zider, assignment questions, due 11/29</p> <p>11/29: Guest speaker, Ian Czaja, Strategic Planning, Nationwide 12/1: Guest Speaker, Private Equity: Matt McDonough, Drive Capital, assignment due</p>
16	Mon, 12/6 Wed, 12/8	<p style="text-align: center;">Topic Insurance, Review</p> <p>Reading: Chapter 22, Read Warren Buffet letter to shareholders, insurance section and answer assigned questions</p> <p>12/6: Lecture on Insurance, Review for Exam 2 12/8: Exam 2</p>