

**BUSFIN 4265 –FINANCIAL INSTITUTIONS**  
**Professor Thomas Flanagan**  
**Fall 2025**

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**Meeting Times:** *Section 1* (2489): TuTh 3:55PM – 5:15PM, SB 230; *Section 2* (2553): TuTh 12:45PM - 2:05PM, Gerlach 305; *Section 3* (2570): TuTh 2:20PM - 3:40PM, SB 230

**Professor:**

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**Office Hours:** By appointment. Additional open office hours will be held around exam dates. Date & time to be determined.

**Course Webpage:** on CarmenCanvas (*Note: you might be seeing a different section number than your registered one as both sections are combined on Carmen*).

**Course Description**

This course will introduce students to financial institutions and their important economic functions. The course will examine the structure and operation of financial institutions in the U.S., with particular attention paid to the various risks and complex challenges facing these institutions. While there are no easy solutions to the challenges and problems faced by financial institutions, we will cover these issues in depth, with the objective of developing a solid understanding of them.

**Required Readings**

1. Course Packet [*referred to as “CP” below*], available at HBS Publishing. Please follow this link <https://hbsp.harvard.edu/import/1320654> and follow the instructions to register, purchase, and download it.
2. Saunders, Cornett, and Erhemjamts [*referred to as “SCE” below*], *Financial Institutions Management: A Risk Management Approach*, 11<sup>th</sup> edition, McGraw-Hill. Please visit the McGraw Hill website below to view a selection of options available for rent or purchase:  
11<sup>th</sup> edition: [Financial Institutions Management: A Risk Management Approach, 11th Edition](#)  
10<sup>th</sup> edition: [Financial Institutions Management: A Risk Management Approach, 10th Edition](#)

**Supplemental Readings**

Articles are available on the course webpage, *referred to as “CW” in the tentative course outline below*. Also, note that these readings are OPTIONAL. Also, students are strongly encouraged to read financial press to reinforce the applicability of the topics that we cover in class.

### **Pedagogy**

The course will be structured as a combination of lectures, discussions, and cases. **All classes will be in person.**

I will post my PowerPoint slides on the course website on Canvas before each class to help you follow the lectures and take notes. Please remember that posted slides are not complete. For completeness, you should attend the lectures. Please also note that we will have a few guest lecturers throughout the semester. Please see the *tentative course outline* below for their names and affiliations.

Should in-person classes be canceled, I will notify you as to which alternative methods of teaching will be offered to ensure continuity of instruction for this class. Communication will be via email and Carmen.

### **Grading**

The final course grade will be allocated as follows:

Online Syllabus Quiz	5%
Individual Class Participation	10%
Two Individual Assignments	20% (10% each)
One Case Write-up	10%
Exam 1	25%
Exam 2 (Final)	30%

***Please, note that I will assign the final course grade based on the final class curve, including all sections.***

***Class Participation/Attendance:*** Students are expected to attend each class in a timely fashion and take part in discussions. Class participation will be graded based on my assessment of both the quantity and quality of an individual's contribution to in-class discussions. ***Participation grades will not be shared. I will use them only to increase the final course grade when appropriate.***

Any student who fails to attend without giving prior notification to the instructor will be dis-enrolled after the third instructional day of the term, the first Friday of the term, or the second scheduled class meeting of the course, whichever occurs first.

***Case Write-ups:*** Five cases ("GE and the Shadow Banking Landscape," "Deutsche Bank and the Road to Basel III," "Crypto Winter Buries Celsius Network and Batters Defi", and "JPMorgan Chase & Co.: Open Banking") are available in the course packet, and the last one, "JPMorgan Chase & Co.: Open Banking", will be assigned for formal case write-up. This project can optionally be completed in groups, and groups may be formed across sections. Detailed instructions on the case write-up will be available on the course website on Canvas.

***Individual Assignments:*** There will be two individual assignments. They will be posted on the course website on Canvas. **These assignments must be completed individually**, as they will help you prepare for the exams. I will also post sample problems from the textbook with solutions on Canvas.

***Exams:*** There will be two exams. All exams will be comprehensive in scope, including material from every part of the course. All exams will be closed-book! You can use non-programmable functions of a calculator, and you will have access to certain applications such as Excel. You will be provided one page of formulas.

Exams will be online (but proctored with Honorlock). You may request an in-person proctoring alternative to online proctoring tools by contacting the instructor as soon as possible to coordinate the accommodation.

You will not be permitted to take remotely proctored exams in your home or residence hall unless you are willing to conduct a room scan. By choosing to take the exam in your home or residence hall, you are consenting to the room scan of the area in which they take the exam.

### **Absences and Late Assignments**

*Absence from the exams will not be excused* except for the most serious circumstances. Such circumstances must be validated in writing by an appropriately accredited professional (e.g., a medical doctor). *Any unexcused absence from an exam will result in a grade of zero.* Late assignments will not be accepted for credit except for the most serious reasons as described above.

What you don't need to do:

Ask for permission to miss lectures. On occasion, you will miss a class because you have a commitment or individual circumstances you cannot move. Use your judgment about what is a valid reason for missing class. Although a few instances are fine, excessive class absences may reflect in your in-class participation grade.

### **Regrading Policy**

Grading errors will be corrected. All regrade appeals must be submitted within *one week after the graded test or assignment is returned.*

### **Use of AI Policy**

There has been a significant increase in the popularity and availability of a variety of generative artificial intelligence (AI) tools, including ChatGPT, Sudowrite and others. These tools will help shape the future of work, research and technology but when used in the wrong way, they can stand in conflict with academic integrity at Ohio State.

All students have important obligations under the Code of Student Conduct to complete all academic and scholarly activities with fairness and honesty. Specifically, students are not to use unauthorized assistance in the laboratory, on field work, in scholarship or on a course assignment unless such assistance has been authorized specifically by the course instructor. In addition, students are not to submit their work without acknowledging any word-for-word use and/or paraphrasing of writing, ideas or other work that is not your own without proper citation. These requirements apply to all students undergraduate, graduate, and professional.

In BUSFIN 4265, the use of generative AI on individual assignments and exams in the class is prohibited unless otherwise explicitly stated. The final case project, for instance, allows for the use of generative AI in specific questions. You are encouraged to use generative AI to help study concepts and prepare for exams if this aids you; however, you are responsible for any errors in factual content.

### **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](#).

### **Academic Integrity Policy**

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.

**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.** If COAM determines that you have violated the University's Code of Student Conduct (i.e., committed academic misconduct), the sanctions for the misconduct could include a failing grade in this course and suspension or dismissal from the University.

If you have any questions about the above policy or what constitutes academic misconduct in this course, please contact me. You can also review these resources:

[Committee on Academic Misconduct](http://go.osu.edu/coam) (go.osu.edu/coam)

[Ten Suggestions for Preserving Academic Integrity](http://go.osu.edu/ten-suggestions) (go.osu.edu/ten-suggestions)

[Eight Cardinal Rules of Academic Integrity](http://go.osu.edu/cardinal-rules) (go.osu.edu/cardinal-rules)

### **Copyright for Instructional Materials**

The materials used in connection with this course may be subject to copyright protection and are only for the use of students officially enrolled in the course for the educational purposes associated with the course. Copyright law must be considered before copying, retaining, or disseminating materials outside of the course.

### **Your Mental Health**

As a student you may experience a range of issues that can cause barriers to learning, such as strained relationships, increased anxiety, alcohol/drug problems, feeling down, difficulty concentrating and/or lack of motivation. These mental health concerns or stressful events may lead to diminished academic performance or reduce a student's ability to participate in daily activities. The Ohio State University's Student Life Counseling and Consultation Service (CCS) is here to support you. If you find yourself feeling isolated, anxious or overwhelmed, [on-demand mental health resources](http://go.osu.edu/ccsondemand) (go.osu.edu/ccsondemand) are available. You can reach an on-call counselor when CCS is closed at [614- 292-5766](tel:6142925766). **24-hour emergency help** is available through the [National Suicide Prevention Lifeline website](http://suicidepreventionlifeline.org) (suicidepreventionlifeline.org) or by calling [1-800-273-8255\(TALK\)](tel:18002738255). [The Ohio State Wellness app](http://go.osu.edu/wellnessapp) (go.osu.edu/wellnessapp) is also a great resource.

### **Creating an Environment Free from Harassment, Discrimination, and Sexual Misconduct**

The Ohio State University is committed to building and maintaining a community to reflect diversity and to improve opportunities for all. All Buckeyes have the right to be free from harassment, discrimination, and sexual misconduct. Ohio State does not discriminate on the basis of age, ancestry, color, disability, ethnicity, gender, gender identity or expression, genetic information, HIV/AIDS status, military status, national origin, pregnancy (childbirth, false pregnancy, termination of pregnancy, or recovery therefrom), race, religion, sex, sexual orientation, or protected veteran status, or any other bases under the law, in its

activities, academic programs, admission, and employment. Members of the university community also have the right to be free from all forms of sexual misconduct: sexual harassment, sexual assault, relationship violence, stalking, and sexual exploitation.

To report harassment, discrimination, sexual misconduct, or retaliation and/or seek confidential and non-confidential resources and supportive measures, contact the Civil Rights Compliance Office:

Online reporting form at <http://civilrights.osu.edu/>,

Call 614-247-5838 or TTY 614-688-8605,

Or Email [equity@osu.edu](mailto:equity@osu.edu)

The university is committed to stopping sexual misconduct, preventing its recurrence, eliminating any hostile environment, and remedying its discriminatory effects. All university employees have reporting responsibilities to the Civil Rights Compliance Office to ensure the university can take appropriate action:

- All university employees, except those exempted by legal privilege of confidentiality or expressly identified as a confidential reporter, have an obligation to report incidents of sexual assault immediately.
- The following employees have an obligation to report all other forms of sexual misconduct as soon as practicable but at most within five workdays of becoming aware of such information: 1. Any human resource professional (HRP); 2. Anyone who supervises faculty, staff, students, or volunteers; 3. Chair/director; and 4. Faculty member.

### **Religious Accommodations Policy:**

Ohio State has had a longstanding practice of making reasonable academic accommodations for students' religious beliefs and practices in accordance with applicable law. In 2023, Ohio State updated its practice to align with new state legislation. Under this new provision, students must be in early communication with their instructors regarding any known accommodation requests for religious beliefs and practices, providing notice of specific dates for which they request alternative accommodations within 14 days after the first instructional day of the course. Instructors in turn shall not question the sincerity of a student's religious or spiritual belief system in reviewing such requests and shall keep requests for accommodations confidential.

With sufficient notice, instructors will provide students with reasonable alternative accommodations with regard to examinations and other academic requirements with respect to students' sincerely held religious beliefs and practices by allowing up to three absences each semester for the student to attend or participate in religious activities. Examples of religious accommodations can include, but are not limited to, rescheduling an exam, altering the time of a student's presentation, allowing make-up assignments to substitute for missed class work, or flexibility in due dates or research responsibilities. If concerns arise about a requested accommodation, instructors are to consult their tenure initiating unit head for assistance.

A student's request for time off shall be provided if the student's sincerely held religious belief or practice severely affects the student's ability to take an exam or meet an academic requirement and the student has notified their instructor, in writing during the first 14 days after the course begins, of the date of each absence. Although students are required to provide notice within the first 14 days after a course begins, instructors are strongly encouraged to work with the student to provide a reasonable accommodation if a request is made outside the notice period. A student may not be penalized for an absence approved under this policy.

If students have questions or disputes related to academic accommodations, they should contact their course instructor, and then their department or college office. For questions or to report discrimination or harassment based on religion, individuals should contact the Office of Institutional Equity.

**COVID Policy:**

The university strives to maintain a healthy and accessible environment to support student learning in and out of the classroom. 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.

If you are isolating while waiting for a COVID-19 test result, please let me know immediately. Those testing positive for COVID-19 should refer to the [Safe and Healthy Buckeyes site](#) for resources. Beyond five days of the required COVID-19 isolation period, I may rely on Student Life Disability Services to establish further reasonable accommodations. You can connect with them at [slds@osu.edu](mailto:slds@osu.edu); 614-292-3307; or [slds.osu.edu](https://slds.osu.edu).

**Disability Services:**

The university strives to make all learning experiences as accessible as possible. 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, you should register with Student Life Disability Services (<https://slds.osu.edu>). After registration, please contact me as soon as possible to discuss your accommodations so that they may be implemented in a timely fashion.

**Accessibility of Course Technology**

This online course requires use of CarmenCanvas (Ohio State's learning management system) and other online communication and multimedia tools. If you need additional services to use these technologies, please request accommodations as early as possible (<https://it.osu.edu/help>)

## **Tentative Course Outline**

This outline is tentative and subject to changes. Please refer to the course website on Carmen for updates on readings, sample problems, and case assignments. This document is NOT updated after the beginning of the course, so please use the Canvas website to keep track of the (updated) course schedule.

Class 1                      Course Overview

***Aug 26***

**Topics:**                      Course Organization and Requirements

**Note: Please complete the online syllabus quiz by September 2!**

Classes 2,3,4              Introduction to Financial Institutions / Commercial Banks

***Aug 28, Sept 2 & Sept 4***

**Topics:**                      Introduction to Financial Institutions  
                                    Functioning of the Commercial Banks  
                                    Financial Statements and Analysis  
                                    Governance of Commercial Banks

**Readings:**

SCE Chapters 1-2

SCE Appendix 2A, and Appendix 2B

**Supplemental Readings:**

Corporate Governance and Banks: What Have We Learned from the Financial Crisis? (Hamid Mehran Alan Morrison Joel Shapiro), 2011, Working Paper. [CW]

Classes 5&6              Bank Regulation (Deposit Insurance & Capital Requirements)

***Sept 9 & Sept 11***

**Topics:**                      Creation of FDIC  
                                    Moral Hazard due to Deposit Insurance  
                                    Savings and Loan Crisis  
                                    Capital Requirements (Basel Capital Accords)

**Required Readings:**

SCE Ch. 20 and Ch. 21

**Supplemental Readings:**

“Regulators announce ‘Basel III endgame’ rules for large US banks”, Financial Times [CW]

Class 7                      In-class activity: Bank Run Game

***Sept 16***

**Supplemental Readings:**

FINANCIAL INTERMEDIATION AND THE ECONOMY, Scientific Background on the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2022 [CW]

Class 8                      A Case on Basel III

**Sept 18**

**Note: The Case “Deutsche Bank and the Road to Basel III” is a must-read before class (no write-up necessary)!**

**Required Readings:**

Case: Deutsche Bank and the Road to Basel III [CP]

**Supplemental Readings:**

Deutsche Bank: Still Struggling on Capital, *WSJ* [CW]

Deutsche Bank: What to Know, *WSJ* [CW]

Gropp, R., Mosk, T., Ongena, S., & Wix, C. (2019). Banks response to higher capital requirements: Evidence from a quasi-natural experiment. *The Review of Financial Studies*, 32(1), 266-299. [CW]

Classes 9&10    Off-Balance-Sheet Banking & Loan Securitization

**Sept 23 & Sept 25**

**Topics:**                      Off-Balance-Sheet Assets/Liabilities  
                                    Loan Commitments  
                                    Securitization of Mortgages  
                                    Fannie Mae and Freddie Mac

**Required Readings:**

SCE Ch. 16 and Ch. 26-27 (*skim through*)

**Supplemental Readings:**

How do Banks Manage Liquidity Risk? [CW]

The Economics of Structured Finance (Coval, Jurek, and Stafford), 2009 [CW]

Understanding the Securitization of Subprime Mortgage Credit (Ashcraft and Schuermann), 2008 [CW]

Class 11                      Other Lending Institutions

**Sept 30**

**Topics:**                      Saving Institutions  
                                    Credit Unions  
                                    Finance Companies

**Required Readings:**

SCE Ch. 2 and Ch.3

**Supplemental Readings:**

Savings and Loan Crisis (Ely), *The Concise Encyclopedia of Economics* [CW]

Class 12                      Shadow Banking

**Oct 2**

**Note: The Case “GE and the Shadow Banking Landscape Case” is a must-read before class (no write-up necessary)!**

**Required Readings:**

Case: GE and the Shadow Banking Landscape [CP]

SCE Ch. 18

**Supplemental Readings:**

Thinking Critically about Nonbank Financial Intermediation, The Brookings Institution, 2015 [CW]



Why Do Firms Borrow Directly from Nonbanks? [CW]

**Note: First Individual Assignment is due!**

Class 13                  Review Session

**Oct 7**

**Topics:**                  Review Past Midterms

**Class 14                  Exam 1**

**Oct 9 – ONLINE (you will pick a 1.5 hr. window between 9am-9pm)**

Class 15                  Guest Speaker – TBD

**Oct 14**

**Guest Lecturer: TBD**

**Oct 16                  No class – Autumn Break**

Classes 16 & 17 Measuring Interest Rate Risk

**Oct 21 & Oct 23**

**Topics:**                  Interest Rate Risk  
                                Repricing GAP  
                                Duration and Convexity

**Required Readings:**

SCE Ch. 8&9

**Supplemental Readings:**

Re: Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank [CW]

Monetary Tightening and U.S. Bank Fragility in 2023: Mark-to-Market Losses and Uninsured Depositor Runs? [CW]

Classes 18&19 Measuring Credit Risk

**Oct 28 & Oct 30**

**Topics:**                  Calculating Return on a Loan  
                                CreditMetrics of JP Morgan (VaR)  
                                RAROC Models

**Required Readings:**

SCE Ch. 10 and Chapter 11 (only the VaR calculation)

**Supplemental Readings:**

If you want to learn about Moody's KMV, which is not covered in this class: Modeling Default Risk (Crosbie and Bohn), *Moody's KMV*, 2003 [CW]

Class 20      Investment Banks & IPOs  
**Nov 4**

**Topics:**      Investment Banks and Securities Firms  
                 Securities Underwriting  
                 Book building  
                 Underpricing of IPOs

**Required Readings:**  
SCE Ch. 4

**Supplement Readings:**  
Role of the Investment Bank (Connelly, Fox, and Klausner), UBS, 2005 [CW] ) Initial Public Offerings:  
Going by the Book (Benveniste and Wilhelm), *Journal of Applied Corporate Finance*, 1997 [CW]  
IPO Statistics (Ritter) [CW]

Class 21      Mutual Funds, Pension Funds  
**Nov 6**

**Required Readings:**  
SCE Ch. 5

**Supplemental Readings:**  
Investment Company Fact Book, *Investment Company Institute* [CW]

**Nov 11**      **No class – Veterans Day**

Class 22      Insurance Companies  
**Nov 13**

**Topics:**      Risk and Insurance

**Required Readings:**  
SCE Ch. 6

**Supplemental Readings:**  
A Lively Market in ‘Death Bonds’ (Pleven and McDonald), *WSJ*, 2007 [CW]  
**Note: Second Individual Assignment is due!**

Class 23      Review Session  
**Nov 18**

**Topics:**      Review of the past exams

**Class 24      Exam 2**  
**Nov 20 – ONLINE (you will pick a 1.5 hr. window between 9am-9pm)**

Class 25      Discussion of Final Project  
**Nov 25**

We will discuss expectations for the final project, which is due on **Dec 9**

**Nov 27      No class – Thanksgiving Break**

Class 26      Stablecoins & Decentralized Intermediation  
**Dec 2**

**Required Readings:**

*Case: Crypto Winter Buries Celsius Network and Batters Defi [CP]*

**Supplemental Readings:**

"Anatomy of a Run: The Terra Luna Crash" Schoar, Liu and Makarov, NBER Working Paper 31160, April 2023 [CW]

Class 27      Private Credit Funds  
**Dec 4**

**Supplemental Readings:**

TBD

Class 28      Case Discussion: JP Morgan Chase & Co.: Open Banking (Last day of Class)  
**Dec 9**

***Note: Case write-up is due at the beginning of the class!***

**Topics:**      Open Banking  
                 LLMs in Banking  
                 Valuation

**Required Reading:**

*Case: JP Morgan Chase & Co.: Open Banking [CP]*