Instructor: Michael Barnes MBA
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Class Location:
Office Hours: Office hours by appointments
Class Meeting Time: Tuesday and Thursday 5:30-6:45p

NOTE: It is your responsibility to read, understand and abide by all of the course information and policies listed below. Failure to do so could result in you failing this course or being withdrawn from this course by your instructor or by the Finance Department. The course syllabus provides a general plan for the course; deviations may be necessary.

Course Overview

The financial crisis that appeared in 2007 has dramatically altered global financial institutions and markets. It continues to create macroeconomic problems despite the regulatory reforms that have been implemented. Economic growth is slow and unemployment is high. While the largest institutions have survived and are regaining profitability, many smaller institutions are struggling, in part, because they haven’t had the same access to government guarantees. What does the future hold for consumers and commercial businesses?

This course is structured to help students master established management principles and to confront the perplexing issues of risk, regulation, technology, and competition that bankers and other financial-service managers see as their greatest challenges for the present and future. Students will be exposed to key trends and changes in the financial-services sector. In addition, student will learn about various career opportunities in the banking and financial institution field. With this relevant information students are able to grasp the rapid changes that are happening in this course area and in the real world. Content and discussion will cover both domestic and international banking activities.

The objective of this course is to also provide the student with the conceptual framework necessary to analyze and comprehend the current problems confronting managers in banking and other financial institutions. The course material does not dwell on the development of financial theories. It is assumed that the student comprehends the basic theoretical concepts of corporate finance, monetary theory, and financial accounting. Each class session will be structured to
include lecture, class discussion and problem/case analysis. Text reading assignments are described in the attached material. Specific dates at which assignments are due will be indicted in the syllabus.

Course Description

This course provides a comprehensive synthesis of the financial theories and concepts learned in previous finance courses. This course should provide a broad and specific analysis of banking/financial institutions domestically and globally. The student will develop a quantitative and qualitative understanding of bank management and how decisions are made. The course will present the importance of ROE (return on equity), APY (average percentage yield), ICGR (internal capital growth rate) and other equations in determining the success of financial institution.

Specific Course Objectives, Competencies and Measurable Outcomes:

1. To learn the many roles and responsibilities of financial services in the economy.
2. To grasp the importance and possible detriment of the regulatory environment provided by domestic and global governments.
3. To understand the different types of organizations used in the banking and financial service industries and the competition that is involved.
4. To explore how banks are chartered by state and federal authorities. Including, the concepts of branch expansion and targeting markets for bank growth.
5. To delve into bank financial statements and how those statements are used by managers in determining bank performance.
6. To analyze varying tools applied to the financial statements used by bank management and the public to uncover inside problems and how to deal with those problems.
7. To point out options bankers have in regards to dealing with risk. What risk due banks face and how do they offset that reset with acceptable assets.
8. To examine how financial futures, options and swap contracts can be used to combat bank losses in a changing market.
9. To expand on the concept of liquidity and methods to stay on top cash needs.
10. To understand the management of pricing of deposit services and non-deposit liabilities.
11. To discover the why capital, particularly equity capital, is important to a bank’s health. Will also delve into international sanctions from Basel I, II, III, and how they impact domestic institutions.
12. To explore the different type international institutions and the services they provide.

AACSB

Course Prerequisite

FIN 303 Before taking this course: all School of Business majors must earn a C- or better in ACCT 203, ACCT 204, ECON 200, ECON 201, DSCI 232, and MATH 104 or 250 to continue with a major in the School of Business.
**Student Responsibility**

Textbook chapters are to read *before* the day that topic is covered in class, are listed in the course outline. Be sure to refer to the outline that corresponds to the class days for the course you attend. The Textbook has been designed as a self-directed learning guide. It is the responsibility of each student to know and understand the subject matter covered in each Textbook chapter whether or not the specific material is covered in class. Additionally, each student is responsibility to know how to solve, before each scheduled exam, all the assignments and problems listed in the course outline for all of the chapters covered in that exam.

**AACSB Assessment Criteria**

Porter and Mckibben (1988) argue that a disconnect exists between business school education and the practices that are used in corporate America. This same concern is given in a report by the AACSB according to Olian, Griffen, Liverpool and Thomas (2002). They state that “business education is inadequate for preparing future business leaders…(p 20). AACSB argues that “The most effective learning takes place when students are involved in the educational experiences. Passive learning is ineffective and of short duration. Faculty members should develop techniques and styles that engage students and make students responsible for meeting learning goals. Many pedagogical approaches are suitable for challenging students in this way-problem based learning (Scherperreel and Bowers, 2006), projects, simulations, etc. (p 57).”

This criteria is a response to the AACSB’s call for innovation. The goals of College of Charleston’s bank management and financial institution course are provided below.

**The School of Business learning goals**

**Goal 1: Global and Civic Responsibility:**

**Objective:** Students will be able to identify and define social, ethical, and economic challenges at local, national and international levels. Students will also be able to integrate knowledge and skills in addressing these issues.

**Implementation:** Students will have to analyze case studies of community and commercial banking systems to determine strengths, weaknesses, opportunities, and threats from a management perspective. The students will review why a bank or financial institutional makes necessary policy changes that effect their commercial and retail clients domestically and globally.

**Demonstration of Achievement:** Each student will display an understanding through a written report that provides a trend analysis of specific community, thrift and money market banks.

**Goal 2: Intellectual Innovation and Creativity:**

**Objective:** Students will recognize and examine the global implications of business decisions while evaluating and integrating innovative applications of these implications utilizing relevant discipline specific knowledge. In order for the students to complete this component students will
have to learn the varying laws and regulations that govern the banking industry. The creativity the students will learn encompasses how banks will be profitable for their stockholders and clients within the confines of domestic and international oversight.

Implementation: Each student will be able to identify a company’s existing and potential international and domestic competition in the comparables approach of valuation analysis. The bank valuation report will engage the students learning a institution’s products and services, market share, and global competition.

Demonstration of Achievement: The course syllabus has a book report component that centers on the bank system. The book report will allow the students to see banking decisions from a “C” management level and understand ways to help a bank avoid pitfalls that plagued the banking industry.

Goal 3: Quantitative Fluency

Objective: Students will demonstrate critical thinking skills in identifying and evaluating problems and opportunities in the banking environment and apply analytical techniques to formulate creative solutions utilizing relevant discipline specific knowledge.

Implementation: The valuation project requires the design of multiple spreadsheets to estimate firm value. The inputs for the spreadsheets depend upon the assumptions derived from financial statements, corporate market information and published industry data.

Demonstration of Achievement: The student is expected to attain 70% or higher on the written and oral portions of the completed bank valuation project. Essay and advanced level quantitative problems will test the student’s knowledge of ratio analysis, cash flow projection, return on equity calculations, and other financial areas. Each student is required to pass the introductory accounting and economic courses as prerequisites for this course.

Goal 4: Effective Writing and Oral Communication: Practical Application

Objective: Students will be able to convey ideas through effective oral and written communication. The objective is to force the student to write a technical analysis that goes beyond the simplified valuation methodology presented in instruction to financial management text book.

Implementation: The student will complete a research valuation paper based upon a private or publically traded financial institution that is rapidly growing or in financial distress. Individual and team assignments are part of the class.

Demonstration of Achievement: They will write and present professional documents that are technically correct and concise as well as utilizing relevant discipline specific knowledge.
Students will evaluate the performance of other students within the class. Each student will also receive a grade for the written and oral component.

Goal 5: Technological Sophistication

Objective: Students should be technologically proficient within the finance discipline.

Implementation: Students will be required to estimate the weighted average cost of capital using regression analysis over different time periods. They will use excel and other applications to design spreadsheets for the different valuation methodologies.

Demonstration of Achievement: The course outline will require the proficiency of certain technological skills in order to complete the bank valuation report. Discussions during class will require the student to demonstrate technical skills in solving problems related to liquidity, annual percentage yields, available funds gap and other financial analysis equations.

Goal 6: Synthesis: Improved Knowledge and Retention

Objective: Students should be able to understand and analyze complex business issues with quantitative and qualitative models. They will be able to recommend solutions within a practical corporate setting both oral and written formats.

Implementation: The student will be tested with embedded question on exams and valuation assignments.

Demonstration of Achievement: Students are expected to attain a 70% or higher on the comprehensive final exam.

Goal 7: Cross Disciplinary Knowledge and Application: Marketing, Management, and Finance

Objective: Students will develop an understanding of the theories, concepts, and skills relevant to finance, marketing and management and how these subjects interrelate within a valuation project. Active learning will replace passive learning.

Implementation: Students will be able to apply financial theoretical knowledge such as sustainable growth’s link to marketing/management sales objective within an interdisciplinary framework.

Demonstration of Achievement: The students will conduct an informational interview of a retail branch manager. In the interview the students will approach managers with questions regarding marketing techniques, products and services and how they impact the balance sheet, and how does the manager coach the team in executing the bank’s mission on a daily basis.

Goal 8: Interpersonal Skills
Objective: Each student will develop the ability to work in teams and have leadership, time management, conflict management and multitasking skills. The intent is to make sure that students can work within an organizational culture that values high expectations and requires respect for diverse talents and learning styles.

Implementation: The student will be required to collaborate with a teacher selected group for at least one assignment.

Demonstration of Achievement: Each student and the teacher will grade an individual person on leadership, team work, time management, creativity, conflict management and multitasking. The evaluations will be based on written assignments, oral presentations, bank valuation project and information interview. Students take on a significant self-management role in the class.

Attendance

Each student is expected to attend **ALL scheduled class meetings for the entire duration of the class meeting**. An attendance sign-up sheet will be circulated each class period. It is your responsibility to sign the attendance sheet. If you do not sign the list, you will be considered absent. The attendance sheet may be circulated at any time during the class period (at the beginning of class, middle of class or at the end of the class) and may be circulated twice during the same class period. If you do not sign the attendance sheet when circulated or if you do not sign the attendance sheet both times it may be circulated during a given class period, you will be considered absent. Students arriving late may be permitted to sign the sheet only at the discretion of the instructor.

An absence from class for any reason (job conflict, illness, appearance in court, transportation problems, travel, athletic event, etc.), even if permitted and/or excused by your instructor, will count as one of the class absences against the three-week equivalent cumulative limit specified above. **If a student is withdrawn for excessive absences, a final grade of WF will be assigned.** There will be no exception to this policy.

**College of Charleston Honor Code and Academic Integrity**

Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when identified, are investigated. Each incident will be examined to determine the degree of deception involved.

Incidents where the instructor determines the student’s actions are related more to a misunderstanding will handled by the instructor. A written intervention designed to help prevent the student from repeating the error will be given to the student. The intervention, submitted by form and signed both by the instructor and the student, will be forwarded to the Dean of Students and placed in the student’s file.

Cases of suspected academic dishonesty will be reported directly by the instructor and/or others having knowledge of the incident to the Dean of Students. A student found responsible by the
Honor Board for academic dishonesty will receive a XF in the course, indicating failure of the course due to academic dishonesty. This grade will appear on the student’s transcript for two years after which the student may petition for the X to be expunged. The student may also be placed on disciplinary probation, suspended (temporary removal) or expelled (permanent removal) from the College by the Honor Board.

Students should be aware that unauthorized collaboration—working together without permission—is a form of cheating. Unless the instructor specifies that students can work together on an assignment, quiz and/or test, no collaboration during the completion of the assignment is permitted. Other forms of cheating include possessing or using an unauthorized study aid (which could include accessing information via a cell phone or computer), copying from others’ exams, fabricating data, and giving unauthorized assistance.

Research conducted and/or papers written for other classes cannot be used in whole or in part for any assignment in this class without obtaining prior permission from the instructor.

Students can find the complete Honor Code and all related processes in the Student Handbook at http://studentaffairs.cofc.edu/honor-system/studenthandbook/index.php

Students with Disabilities

If there is a student in the class who has a documented disability and has been approved to receive accommodations through the Center for Disability Services / SNAP, please come and discuss this with me during my office hours.

Course Guideline

Required Readings

Peter Rose and Sylvia Hudgins, Bank Management and Financial Services, McGraw-Hill, ninth edition

Sorkin, Andrew Ross, To Big To Fail: Inside Story of How Wall Street and Washington Fought to Save the Financial System-and Themselves, Penguin Books

Grading Scale

Attendance: 10%
Midterm 1: 15%
Midterm 2: 15%
Final Exam: 20%
Group Project: 20%
Book report: 10%
Informational Interview 10%

Book Report

Required reading: Sorkin, Andrew Ross, Too Big To Fail, Penguin Books

Include the following

I. Historical summary of the events that prompted the writing of the book
II. Main characters and companies that make up the books and their relevance
III. Key terms and definitions that are featured in the book (ie liquidity, CDO, derivatives)
IV. Describe the laws and regulations that affected the downturn. What news laws were instituted because the financial meltdown?
V. Overall summary of the book
VI. Critical analysis of the events in the book as it pertains to the banking/financial industry.
   A. Do you agree that the continued themes in the book are the cause of the economic downfall? Why or why not? Provide supporting information to your findings
   B. How could such an event be prevented in the future?
   C. Support one of the following sides: John Allison’s power of capitalism and minimum government regulation or Barak Obama the need for strong government regulations. Detail and support your stance.
   D. Do you believe this event could happen again?
   E. Was the Bailout the best course of action by the government? If not what is a better solution? If so, why was it the best course of action?

Group Project

Each group will turn in their project in written form and conduct an oral presentation of their findings before a panel of bank professionals. The presentation will encompass trends, analysis, summary and conclusions determined by the data collected. The presentations will last 10 minutes and each member of the team must present a part of the project.

Institutions that will be evaluated:
- First Citizens Bank of South Carolina
- Regions Bank
- Bank of America
- South Carolina Federal Credit Union
Bank Management Project:

Include the following information in the report:

I. Executive Summary

II. Introduction and Overview
   A. National, Regional, State or Local Bank
   B. Mission and value statement (include outside data that supports or disputes the mission statement and values)
   C. Geographic Areas
   D. Management Team Critique-Company and CEO History
   E. Strengths, Weaknesses, Opportunities, Threats
   F. Competitor SWOT Analysis
   G. Industry and Relevant Competition (include three other banks in the peer group; provide a summary where the bank stands within the per group)
   H. Subsidiaries (include function and organization)
   I. Bank Organization
   J. Customer base and market share
   K. Legal structure (include laws federal, state and international laws that effect the bank)
   L. Current Events and Economic Outlook
   M. Products and pricing (include differentiators)
   N. Profitability trend
   O. Business segments (include lending, non-lending operations, investing activities, funding activities)
   P. Takeover, merger, bankrupt activities
   Q. Economy Sensitivity
   R. Ethical Issues
   S. Regulatory trends

II. CAMELS-Historical Analysis

   A. Capital Adequacy-Risk Based Equity
   B. Asset Quality-Credit Risk
   C. Management Quality
   D. Earnings-Profitability
   E. Liquidity
   F. Interest Rate Sensitivity

III. Market Ratios

IV. Summary Analysis (include an critical analysis of the company based on all data gathered)

Sample Questions to be addressed in project:
1. How will the firm’s strengths, weaknesses, opportunities and threats (SWOT) affect the future cash flows for the bank over the next five years?

2. Does the bank have a talent pool of professionals with diverse backgrounds, regions, and skills? Given the recent emphasis on outsourcing and improved global competitiveness, is the diversity management an important part of the firm’s goals? Does the bank have a succession plan in place for outgoing and retiring executives?

3. How does the bank product pricing strategy affect gross profit margin? How do the bank’s products and services differentiate from their peer group?

4. Can a firm produce higher financial results by increasing marketing efforts and relying on strong sales culture? What federal regulations affect sale and services of the banks? How?

5. What is the bank’s reputation in the market? What is causing the bank to have a positive or negative reputation? Does the reputation have a direct correlation to profitability of the bank?

6. How does the bank’s merger, globalization, or organic growth strategy affect the estimate of growth estimates for cash flow and revenue with respect to new markets and services?

7. Does the bank’s mission statement reflect its business units and organizational structure? Has the firm been involved in law suits, community complaints or class action suits that may have ethical considerations?

Bank Manager Informational Interview

Each student will conduct an Informational Interview with a local retail bank branch manager. An informational interview is an opportunity for the student to ask the manager questions about their person, the role, business practices of the branch and advice concerning the banking industry. The objective of the project is for students to apply what they have learned in class with a professional in the banking industry. The questions for the interview are provided on Appendix 1. The student will follow the below steps:

1. Locate the local branch the student current banks with. If the student does not have a bank or their bank is not in the local market, the instructor will provide a local bank for them interview. If the student has a relative in banking in the local market, do not interview the person. Conduct the interview with another professional.

2. Contact the manager and ask to conduct an informational interview at theirs and the student’s convenience. In the initial conversation the student needs to state the purpose of conversation centering on being a school project. If the manager will not conduct an interview try another branch. Don’t give up.

3. Once the appointment has been set up send the questions to the manager. On Appendix 1 there are tips for the interview. Send only the questions portion. The questions will allow the manager to be prepared for the interview.

4. Conduct the interview. Dress professional. Be on time. Have paper and pen for notes. Do not record the interview. Make sure get a card from the manager. Turn the card in with the written summary.

5. Type up the interview notes with questions.

6. Provide a SWOT (strength, weakness, opportunity, threat) analysis of the branch. In the written portion provide a peer competitor data with the branch.
Sample information to be provided in the summary:

- Include any numerical data provided
- What does the branch position in the market?
- How does the branch go to market?
- Are they being successful in reaching a diverse clientele?
- How many other branches are in the market?
- How is the branch living up to the company’s mission? How or why not?
- Personal observations as client. If not a client, provide data and information concerning the reputation of the bank.
- Is the manager being successful in driving business in the market? How or why not?

7. Turn in the project. Included: typed notes, summary and business card from manager.
8. Send a follow up email thanking the manager for the interview.

Class Topics and Schedule

Week 1  Intro./Chapter 1  Overview of Changing Financial-Services
Week 2  January 14:  Guest speaker: Bank Regulations and Policies
Chapter 2  Impact of Government Policies and Regulations
Week 3  Chapter 3  Organization and Structure of Banking/Financial Industry
Week 4  Chapter 5  Financial Statements of Banks and their Competitors
Week 5  Chapter 6  Measuring & Evaluating the Performance of Banks
Week 6  **February 11:**  Midterm
February 13:  Chapter 4: Establishing New Banks
Week 7  Chapter 12  Managing and Pricing Deposit Services
Week 8  Chapter 13  Managing Nondeposit Liabilities

**March 1-9:**  Break

Week 9  Chapter 15  Management of Capital

**Turn in Informational Interview project**
Week 10  March 18:  Chapter 20: Global Banking and the Future

**March 20:**  Midterm

Week 11  Project Presentations/Banking Guest Speaker
Week 12  Chapter 11  Liquidity of Reserves Management
Week 13  Chapter 7  Risk Management for Changing Interest Rates
Week 14  Chapter 8  Risk Management: Futures, Options, Swaps, & Hedging
Week 15  March 29:  Ethics and Leadership

May 1  Final Exam study session
May 8  Final Exam
Appendix 1

Informational Interview

- Dress professional
- Bring portfolio with paper/pen for notes
- Make sure receive a card from the manager
- Send the questions before the interview so the manager will be ready to answer.
- Interview should be between 30-45 minutes depending on the conversation.
- If possible, before the interview, conduct background research on the manager you are interviewing through Google, bank website and/or LinkedIn.
- Conduct bank research before the interview.
- Introduce self and purpose of the informational interview.

Example: “Thank you for meeting me, Mr./Ms. __________________. The purpose of today is I’m conducting an informational interview to learn about you in your role as a manager and to learn about ______________ (name of bank). (If you are client of the bank, mention that fact) In my class Bank Management and Institutional Services at the College of Charleston we are learning about issues, laws, services and other factors that impact the banking industry. We want to learn not only on a global scale decision making but on the local level. We want to learn about how managers in the local markets conduct business, how they reach clients and how local decisions impact the branch balance sheet. Again thank you for your time. Do you mind if I take notes during the interview?” (do not record the interview)

1. How long have you been in your role? What career path have you taken to get you to your current role?
2. Why did you choose this bank to work for compared to other banks? (money market bank, community bank, thrift bank)
3. State the bank’s mission; How do you implement the bank’s mission on a daily basis?
4. As a manager what are your top three key performance indicators? (What are you evaluated on?) How do these indicators impact your branch balance sheet?
5. What are the top three services and products you promote in your branch? Why these three? How do these services and products impact your balance sheet?
6. How do you reach your market? (marketing techniques) How do you differentiate yourself as a bank from other banks?
7. When hiring for banker/teller roles in your branch what skill sets and background do you look for from candidates?
8. What advice would you give a graduating student looking to get into the banking industry?
Closing: “Thank you for your time in answering my questions. This information will go in to a report presented to my instructor. This is great information to learn about banking on a local level.”