

**THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS**

**School of Economics and Finance
FINA0104/FINA2331 – Management of Commercial Banks**

GENERAL INFORMATION	
<p>Instructor: Prof. Keith K.P. Wong</p> <p>Email: kitpongwong@hku.hk</p> <p>Class: semester 1: Thursday 13:30-16:20 in MWT4 Consultation time: 2:00pm to 3:00pm, Tuesday</p> <p>Tutor: TBA Pre-requisites: ECON1001/ECON1210 Introductory microeconomics Co-requisites: None Mutually exclusive: None</p> <p>Course Website: The HKU Moodle site (through the student's HKUPORTAL login)</p>	
COURSE DESCRIPTION	
<p>The focus of this course is on the economics of commercial banks. This course seeks to enhance your understanding of why commercial banks exist and what economic roles they play, the risks faced by banks in the lending process, off-balance sheet banking, deposit insurance, bank regulation, and risk management. The economics of financial contracting in the banking industry—from deposit contracts to derivative instruments—and the interplay between information, technology, and regulation in shaping contracts and institutions in the financial markets will represent the guiding theme of the course. The approach is analytical rather than descriptive.</p>	
COURSE OBJECTIVES	
<ol style="list-style-type: none"> 1. To understand the basic operations of commercial banks: the economic roles the banks play; the risks they in the lending process; off-balance sheet banking; deposit insurance; bank regulation; and risk management. 2. To study the economics of financial contracting in the banking industry by analytical approaches. 3. To prepare students for their next level courses in banking and related disciplines 	
COURSE LEARNING OUTCOMES	
Course Learning Outcomes	Aligned Faculty Goals
CLO1 Enhance your understanding of why commercial banks exist and what economic roles they play, the risks faced by banks in the lending process, off-balance sheet banking, deposit insurance, bank regulation, and risk management.	Goals 1 and 2
CLO2 Analyze the economics of financial contracting in the banking industry.	Goals 1 and 2
CLO3 Distinguish the interplay between information, technology, and regulation in shaping contracts and institutions in the financial markets.	Goals 1, and 2

COURSE TEACHING AND LEARNING ACTIVITIES			
Course Teaching and Learning Activities		Expected contact hour	Study Load (% of study)
T&L1. Lectures Instructors will give lectures on major concepts and issues.		33	33
T&L2. In-class and tutorial presentation and discussion Students are expected to present their answers and engage in discussion during tutorial meetings. Most in-depth learning takes place when students actively engage themselves in discussions thought presenting and sharing their ideas		11	11
T&L3. Consultation Both instructor and teaching assistant hold weekly consultation hours to answer students' questions.		2	2
T&L4. Homework (biweekly)		16	16
T&L5. Self-Study		38	38
Total		100	100%
Assessment Methods	Weights (Option 1)	Weights (Option 2)	Aligned Course Learning Outcomes
A1. Mid-term Test	30%	N/A	CLO1, 2, 3,
A2. Homework	10%	N/A	CLO1, 2, 3
A3. Final Exam	60%	N/A	CLO1, 2, 3
Total	100%		
Remarks:			
<u>Lecture Notes:</u> Hard copy of lecture notes will not be provided. Students should download the materials themselves from the course webpage at HKU Moodle.			
<u>Homework Assignments:</u> Biweekly assignments have to be finished on individual student basis.			
<u>Mid-term and Final Examinations:</u> There will be respectively one mid-term test and final exam to test the students' understanding of the course topics. Students who absented from the mid-term test without prior approval from the instructor will receive zero score; while approved students can transfer their mid-term weight to the final examination.			
STANDARDS FOR ASSESSMENT			
Course Grade Descriptors			
A+, A, A-	Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of		

	learning: describe, apply, evaluate, and synthesis.
B+, B, B-	Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis.
C+, C, C-	Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning such as describe and apply but not at high levels of learning such as evaluate and synthesis
D+, D	Evidence of basic familiarity with the subject.
F	Little evidence of basic familiarity with the subject.

Assessment Rubrics for Each Assessment

A1 Assignments: for numerical questions/homework, please refer to the following table:

A+ A A-	B+ B B-	C+ C C-	D+ D	F
Questions are answered with thorough steps and excellent accuracy.	Questions are answered with adequate steps and good accuracy.	Questions are answered with some steps and fair level of accuracy.	Questions are answered with few steps and accuracy.	Questions are badly attempted: no steps and wrong results. Or the assignment is not submitted.

A2 Midterm and Final Exam

Mid-term test and final examination contain both qualitative and quantitative type questions

COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE

<u>Date</u>	<u>Topic</u>	<u>Reading</u>
September 1	Basic Concepts	Chapter 1
September 8	Basic Concepts	Chapter 1
September 15	Theories of Intermediation	Chapter 3
September 22	The Credit Decisions	Chapter 5
September 29	The Credit Decisions	Chapter 5
October 6	Credit Rationing and Default	Chapter 6
October 13	Off-Balance Sheet Banking	Chapter 8
October 27	Mid-Term Test	
November 3	Off-Balance Sheet Banking	Chapter 8
November 10	Deposit Contracts and Insurance	Chapter 10
November 17	Bank Regulation	Chapter 11

November 24	Review	
REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS (e.g. journals, textbooks, website addresses etc.)		
<p>Required Textbook: Greenbaum, Stuart I. and Anjan V. Thakor, 2007, <i>Contemporary Financial Intermediation</i>, 2nd ed., Academic Press.</p>		
MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE		
<ul style="list-style-type: none"> • Conducting the SETL survey at the end of the semester 		
COURSE POLICY (e.g. plagiarism, academic honesty, attendance, etc.)		
<p><u>Academic Conduct</u> The University Regulations on academic dishonesty will be strictly enforced. Please check the University Statement on plagiarism on the web: http://www.hku.hk/plagiarism/ Academic dishonesty is behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following type of case:</p> <p>Plagiarism - The representation of someone else's ideas as if they are one's own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one's own work. Paraphrasing of someone else's ideas is still using someone else's ideas, and must be acknowledged.</p> <ol style="list-style-type: none"> 1. The relevant Board of Examiners may impose a penalty in relation to the seriousness of the offence. 2. The relevant Board of Examiners may report the candidate to the Senate, where there is <i>prima facie</i> evidence of an intention to deceive and where sanctions beyond those in (1) might be involved. <p><u>Class Decorum</u> The basic principle is to be considerate to others. Telephones and pagers must be switched off during class periods.</p>		