I. COURSE TITLE: Banking Administration

Code and Number: BADM 6060
Credits: 3
Requisites: None
Academic Term: 
Professor: Dr. Ahmad Hussein Jumah
Office Hours: 
Phone Number: 
E-Mail Address: 

II. DESCRIPTION:

Analysis of the principles and managerial processes required for the administration of commercial banks.

III. OBJECTIVES:

At the end of the course, the student will be able to:

1. Understand the economic functions of a Commercial Bank.
2. Understand the regulatory framework under which Commercial Banks operate.
3. Understand the deregulation of the Banking sector and the new competitive landscape.
4. Understand the financial statements of a Commercial Bank.
5. Understand Bank regulatory capital requirements.
6. Understand the concept of a Bank’s optimal capital structure.
7. Understand the effects which movements in inflation, interest rates, and foreign exchange rates have on a Commercial Bank’s profitability.
8. Understand the hedging techniques utilized to minimize interest rate risk in a Bank’s liability structure.
9. Understand the techniques utilized to manage a Bank’s liquidity position.
10. Understand the techniques utilized to manage a Bank’s investment portfolio.
11. Understand the funding sources available in the capital markets to finance a Bank’s asset structure.
12. Understand the techniques utilized to manage a Bank’s loan portfolio.
IV. COURSE CONTENTS

A. Introduction to Commercial Banking

1. Historical background of modern Commercial Banking (Chp.1)

2. Commercial Banking principal activities (Chp. 2)
   a. Commercial Loans
   b. Mortgage Loans
   c. Consumer Loans
   d. Investment Portfolio
   e. Deposits

3. Commercial Bank legal framework (Chp.3)
   a. Financial Institutions Recovery Act (FIRREA)
   b. Riegle-Neal Interstate Banking and Branching Efficiency Act (IBBEA)
   c. Glass-Steagall Act

4. Commercial Bank Regulatory Framework (Chp. 3)
   a. Office of the Comptroller of the Currency (OCC)
   b. Federal Reserve System
   c. Federal Deposit Insurance Corporation (FDIC)
   d. Commissioner of Financial Institutions

5. Emergence of Bank Holding Companies (BHC) and Entry into new lines of business (Chp. 4)
   a. Insurance
   b. Investment Banking
   c. Mutual Funds

B. Evaluation of Bank Financial Performance

1. Commercial Bank Financial Statement Analysis (Chp. 5 y 6)
   a. Segmentation of asset, liability, capital, revenue and expense accounts.
   b. Financial ratio analysis
   c. Risk Analysis
   d. Regulatory Audits - FDIC

2. Optimum Capital Structure (Chp. 8)
   a. Core Capital (Tier 1) and Supplementary Capital (Tier 2)
   b. Capital consumption by economic activity
   c. Techniques to calculate optimum capital structure
C. Commercial Bank Macroeconomic Environment

1. Interest Rates, Exchange Rates and Inflation Rate Economic Theories (Chp. 15)
   a. Loan Demand and Supply
   b. Fisher effect
   c. Interest Rate Parity
   d. Purchasing Power Parity
   e. Foreign Exchange Rates

2. Term Structure of Interest Rates (Chp. 15)
   a. Expectations Theory
   b. Segmented Markets Theory
   c. Preferred Habitat Theory

3. Techniques for Managing Interest Rate Risk (Chp. 16)
   a. Duration
   b. Immunization
   c. Duration Gap

D. Management of Bank Liabilities

1. Bank Liquidity Management (Chp. 19)
   a. Minimum Reserves
   b. Loans vs. Sale of Marketable Securities
   c. Packaging Loans into Marketable Securities (Asset Securitization)

2. Management of a Bank’s Investment Portfolio (Chp. 19)

3. Management of a Bank’s Liability Structure (Chp. 20)
   a. Fed Funds
   b. Demand Deposits
   c. Brokered Deposits
   d. Eurodolares
   e. Bank Notes

E. Management of Bank Assets

1. Management of Bank Credit (Chp. 21)
   a. Background of most common Bank credit products: Comercial Loans, Mortgage Loans, Consumer Loans.
   b. Key Lending criteria: Character, Capacity, Capital, Conditions and Collateral.
   c. Key credit ratios: Loan to Value, Debt Service Coverage Ratio and credit scoring models
V. Activities

A. Professor Lectures
B. Power Point presentations
C. Group Projects
D. Presentations: Individual and Group
E. Supplementary Readings
F. Internet Searches
G. Case Studies

VI. Evaluation Criteria

Exams: There will be three partial exams
First Partial Test : Chapters 1, 2, 3 and 4.
Second Partial Test : Chapters 5, 6 and 8.
Third Partial Test : Chapters 15, 16, 19, 20 and 21.

Case Study : There will be a project where a Commercial Bank will be analyzed. This will integrate all the course concepts.

Final Grade

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<th>Test Type</th>
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<td>Case Study</td>
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<tr>
<td>Class participation</td>
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VII. Special Notes

A. Special Accomodations

Students who require special accommodations must request these services at the beginning of the course as soon as they notice that they need help. Students can access this service with Professor Jose Rodriguez, Coordinator of Students with Special Needs at the Guidance and Counseling Office on the first floor at Metro’s Student Center.
B. Plagiarism

Plagiarism, dishonesty, fraud and any other type of manipulation or inappropriate behavior related with academic performance are unacceptable in our institution. Disciplinary actions will be taken on students found guilty of such practice as established in Chapter V, Article 1, Section B.2 of the Student’s Rules and Regulations handbook.


Inter has very strict regulations regarding plagiarism (using the ideas or words of others without giving proper credit), so it is important that you specifically read Chapter 5, Article 1, Section B.2c of the Student’ Rules and Regulations Handbook. This section clearly explains what plagiarism is. In addition, it explains the types of sanctions students are exposed to when they commit it.

C. Use of Electronic Devices

Cellular (mobile) telephones and any other electronic device that could interrupt the teaching-learning process or disrupt a milieu favorable for academic excellence will be deactivated. Critical situations will be dealt with in an appropriate manner. The use of electronic devices that permit the accessing, storing or sending of data during tests or examinations is prohibited.

VIII. Educational Resources

A. Textbook :


B. Supplementary Readings :


C. Internet Resources

May be found at the end of each chapter in the textbook.

IX. Bibliography:


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