

BA in Management Program
Fall 2022
FIN-409
Banking and Financial Intermediation

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Office Hours: By appointment.

Type	Time	Days	Where
Class	11:40 - 12:30	Thurs	FASS 1008-1010
Class	8:40 - 10:30	Fri	FASS 1089

Course Objective:

The financial system is critical for a modern, market-based economy. This course will provide a detailed analysis in the economics of the banking industry to assess and participate in the evidence-based policy debate on financial sector reform and innovations such as fintech. The main topics are (1) the economic role of financial intermediaries, with an emphasis on commercial banks; (2) the evolution of markets in which banks and other financial intermediaries operate; (3) the regulation of commercial banks and other financial institutions.

Learning Outcomes:

For better or worse, the financial system is critical for a modern, market-based economy. Students will be trained in the economics of the banking industry and learn to assess and participate in the current policy debate on financial sector reform. The need for regulation and supervision -and the optimal structure thereof- and risk management of financial institutions will be discussed. Throughout the course, there will be references to the current policy debates. These, for instance, relate to bank activities, bank size, bank internationalization and the trade-off between bank regulation and taxation.

Upon successful completion of the course, the student should be able to:

1. Assess the role of the financial system in general and banks in specific for the modern market economy.
2. Describe how the financial system can contribute to the operation and growth of the economy but also the causes of the recent crisis.
3. Discuss the changes in regulation and supervision of the banking sector.
4. Follow empirical research and describe the literature on various topics in banking.

5. Use financial data to analyze specific banks and financial systems.
6. Classify banks distinguishing their business models.

Course Material:

Textbooks (select chapters):

- Saunders and Cornett (SC): “Financial Markets and Institutions”, McGraw-Hill/Irwin, 8th Edition.
- Berger, Molyneux and Wilson (BMW): “The Oxford Handbook of Banking”, Oxford University Press (1st and 2nd editions).

Reports: Global Financial Development Reports (GFDR)

(www.worldbank.org/en/publication/gfdr)

In addition, the additional material (subject to change) will be posted on the web:

- Bertay, Demirguc-Kunt and Huizinga, Chapter 4 of The Value of Banks and Their Business Models to Society. The chapter is based on Bertay et al. (2013, JFI), which will also be uploaded as recommended reading.
- Acharya, V. V., Schnabl, P., & Suarez, G. (2013). Securitization without risk transfer. *Journal of Financial economics*, 107(3), 515-536.
- Demirguc-Kunt and Huizinga, (2004). Market Discipline and Deposit Insurance. *Journal of Monetary Economics*, 51, 375-399.

The news articles that are used for in-class discussions will be posted on SuCourse a week before the lectures.

List of Cases (Subject to change)

Sabancı University has subscription to the Harvard Business Publishing Cases. Students can download the following cases free of charge from the HBP website (details will be shared later).

Case 1	Date:	Week 2
	Case:	Note on How to Analyze a Bank
	Type:	Note
	Subject:	Analytical Review of Banks
	Teamwork?:	No
	Grading:	Individual
Case 2	Date:	Week 7
	Case:	Deutsche Bank and the Road to Basel III
	Type:	Main Case
	Subject:	Bank Regulation
	Teamwork?:	No
	Grading:	Individual
Case 3	Date:	Week 9

	Case:	Internationalization Strategies of Emerging Market Banks: Challenges and Opportunities
	Type:	Paper
	Subject:	Bank Internationalization
	Teamwork?:	No
	Grading:	Individual
Case 4	Date:	Week 10
	Case:	Cutting through the Fog: Finding a Future with Fintech
	Type:	Main Case
	Subject:	Financial Innovation
	Teamwork?:	No
	Grading:	Individual
Case 5	Date:	Week 11
	Case:	Financial Crisis Case
	Type:	TBA
	Subject:	Financial Crisis
	Teamwork?:	No
	Grading:	TBA
Case 6	Date:	Week 12
	Case:	Akbank HBS Case
	Type:	Main Case
	Subject:	Bank Management
	Teamwork?:	No
	Grading:	TBA

Optional Reading Material:

The Wall Street Journal, Financial Times, Economist.

Optional Textbooks:

- Van Greuning, H., & Brajovic Bratanovic, S. (2009). “Analyzing Banking Risk A Framework for Assessing Corporate Governance and Financial Risk.” The World Bank.

Course Web:

SuCourse will be actively used throughout the semester. Students should check their accounts frequently to ensure that they have the most recent course materials. Course announcements, assignments, case questions and take-home exam and team presentation guidelines will be posted on SuCourse. Students are required to submit their take-home exam and team presentation slides through SuCourse as well.

Kindly note that Sabancı University uses a very powerful web-based tool called Turnitin. Turnitin is the worldwide standard in online plagiarism prevention. It allows instructors to compare student papers against a database composed of millions of articles. Every paper you submit will be scanned by Turnitin, and results will be reflected in your grades.

Instructional Design:

The course will be fully online. It will include lectures to introduce relevant concepts and discuss the course material (including academic papers). Take-home exam is a term paper on which the information will be given through a tutorial and individual meetings with students. Student participation will be ensured by case studies and team presentations at the end of the term.

We may also have a guest speaker from the industry, sharing his experiences from the field.

Grading:

Midterm Exam-1	20%
Midterm Exam-2	20%
Take home exam (+ progress)	25%+5%
Case Study Participation	20%
Team Presentation	10%

All exams will be closed book/notes and may consist of a combination of multiple choice questions, problems, and short essays. Participation grade is determined based on the in-class case study discussions and possibly quizzes. **If take home exam is not submitted, take home exam progress will automatically be graded as 0%. There will be an extra bonus up to 5% for in-class participation.**

Requirements:

Take home exam

The course has a take home exam in the form of a term paper. Thus take home exam and term paper will be used interchangeably throughout the course. You should work alone on your term papers. The topic for the term paper will be selected from four suggested topics. See term paper guidelines for details. Students who failed the course in the past will have to follow the course again and write a new individual course paper. All submissions will be done through Turnitin. Late submission is not allowed and the deadline will be strictly enforced through SuCourse. Any late submission related to term paper (including term paper progress material such as the proposal or others) will automatically be graded as 0.

Take home exam progress

To make sure that you are on the right track with the term papers, there will be a term paper proposal and a term paper outline submission. These activities are defined as term papers progress and will be part of the grade for the course. See the term paper guidelines for the details.

There will also be an (optional) draft submission, for which feedback will be provided. Although that won't be part of grading, it may increase the quality of the final draft.

Team Presentation

Students will be assigned to teams (details provided later) and receive a topic (bank or financial system level), which they will present in the class. Grading will depend on presentation content (e.g. slides) and individual delivery performance (e.g. actual presentation communication, being on time etc.) –ensuring both teamwork and individual effort will be rewarded (individual + team grading). Team presentation should be done by every member of the group. Details will be provided during the course.

Case Study Participation

Students are expected to get prepared for case studies (read papers/notes and/or provide answers to case study questions). If they participate in these case study classes, they will receive a participation grade -as long as the participation is relevant to the discussion. That is, students should not just get air time in class but actual contribution to the learning in the classroom is important in the participation grade (individual grading).

Make-up exams

There are no make-up exams unless a situation arises which was not foreseeable, and which was not under the control of the student. Requests for make-ups must be made directly to me within three days after the midterm exam date and must be accompanied by relevant documentation (e.g., official doctor's report from the campus health center in case of health problems, a letter from your advisor in case of a family emergency). Makeup exams will be held within 7 days after the midterm exam date and be delivered as individual verbal exam. If students miss the makeups, they will get 0.

Academic Honesty

Learning is enhanced through cooperation and as such you are encouraged to work in groups, ask for and give help freely in all appropriate settings. At the same time, as a matter of personal integrity, you should only represent your own work as yours. Any work that is submitted to be evaluated in this class should be an original piece of writing, presenting your ideas in your own words. Everything you borrow from books, articles, or web sites (including those in the syllabus) should be properly cited. Although you are encouraged to discuss your ideas with others (including your friends in the class), it is important that you do not share your writing (slides, MS Excel files, reports, etc.) with anyone. Using ideas, text and other intellectual property developed by someone else while claiming it is your original work is *plagiarism*. Copying from others or providing answers or information, written or oral, to others is *cheating*. Unauthorized help from another person or having someone else write one's paper or assignment is *collusion*. Cheating, plagiarism and collusion are serious offenses that could result in an F grade and disciplinary action. Please pay utmost attention to avoid such accusations.

Classroom policies and conduct

Sabancı BA in Management Program values participatory learning. Establishing the necessary social order for a participatory learning environment requires that we all:

- Come prepared to make helpful comments and ask questions that facilitate your own understanding and that of your classmates. This requires that you complete the assigned readings for each session before class starts.
- Due to uneven prior background and to provide an equal opportunity to every student, you are encouraged to ask questions during the lecture. Questions that may take the discussion away from the main topic will be relegated to the sections or office hours.
- Listen to the person who has the floor.
- Come to class on time.

Lectures & Attendance

Students are expected to attend all lectures and participate in discussions (Attendance will be taken). Lectures start right on time. Missed lectures are at students' own responsibility.

Grading

Students should write up their objections and submit them to me no later than a week after receiving their graded work. This document should clearly explain the basis of objection. Except for minor grading errors, no verbal objection is accepted.

Special needs students

Any student who, because of a disability, requires some special arrangements in order to meet course requirements should contact me as soon as possible to make the necessary accommodations.

Updates

Changes or additions to any of the policies above, if any, will be announced on the course website.

Course Schedule (Tentative):

Week 1	Date: October 6-7, 2022
	Topic: Introduction and Overview of Financial Markets and Commercial Banks (SC Chp 1 & 11, BMW2 Chp 1)
	Requirements:
Week 2	Date: October 13-14, 2022
	Topic: (Thursday) Commercial Banks: Financial Statement Analysis and Regulation (SC Chp 12 & 13) (Friday) Note on How to Analyze a Bank (HBP Case)
	Requirements: Case preparation for Friday
Week 3	Date: October 20-21, 2022
	Topic: (Thursday) Relationship Banking and Liquidity Creation by Banks (BMW) (Friday) Topics in Banking: Why do we need big banks? (BMW, Bertay et al.)
	Requirements:
Week 4	Date: October 27-28, 2022
	Topic: (Thursday) Take home exam Tutorial (Friday) Topics in Banking: Securitization: Instruments and Implications (BMW, Acharya et al.)
	Requirements:
Week 5	Date: November 3-4, 2022
	Topic: (Thursday) Macro Perspectives in Banking: Financial Development and Economic Growth (BMW) (Friday) Macro Perspectives in Banking: The Role of State in Finance (BMW, GFDR 2013)
	Requirements: Take home exam topic one pager (November 6, 23.50)
Week 6	Date: November 10-11, 2022
	Topic: (Thursday) Macro Perspectives in Banking (Friday) Midterm 1
	Requirements:
Week 7	Date: November 17-18, 2022
	Topic: (Thursday) Banking Regulation and Supervision (GFDR 2019) (Friday) Deutsche Bank Case
	Requirements: Case preparation for Friday
Week 8	Date: November 24-25, 2022
	Topic:
	Requirements: Outline for take-home exam (November 27, 23.50)
Week 9	Date: December 1-2, 2022
	Topic: (Thursday) Banking Globalization (GFDR 2017) (Friday) Internationalization Case
	Requirements: Case preparation for Friday
Week 10	Date: December 8-9, 2022
	Topic: (Thursday) Future of Banking (SC Chapter 19) (Friday) Fintech case
	Requirements: Case preparation for Friday
Week 11	Date: December 15-16, 2022

	Topic:	(Thursday) Banking Crises and Risk Management in Banking (SC Chp 19 BMW1 Chp 4) (Friday) Financial Crisis case (TBA)
	Requirements:	Case preparation for Friday Optional Take-home exam draft (December 18, 23.50)
Week 12	Date:	December 22-23, 2022
	Topic:	(Thursday) Akbank Case (Friday) Midterm 2
	Requirements:	Case preparations, Optional Presentation slides (December 25, 23:50)
Week 13	Date:	December 29-30, 2022
	Topic:	Team Presentations (details TBA)
	Requirements:	
Week 14	Date:	January 5-6, 2022
	Topic:	Team Presentations (details TBA)
	Requirements:	
Exam	Date:	January 15, 2023 (23.50)
	Topic:	<u>Take home exam deadline</u>
	Requirements:	Online submission of term paper