COURSE DESCRIPTION

1. Information about the programme

1.1 Institution of higher education	**Alexandru Ioan Cuza University of Iasi**
1.2 Faculty	**Faculty of Economics and Business Administration**
1.3 Department	**Department of Finance, Money and Public Administration**
1.4 Field of study	**Finance**
1.5 Level	**Master**
1.6 Study programme/ Qualification	**Finance and Risk Management**

2. Information about the course

2.1 Course name	**Microeconomics of Financial Institutions**								
2.2 Course coordinator	**Prof. Alin Marius Andrieș**								
2.3 Seminar coordinator	**Prof. Alin Marius Andrieș**								
2.4 Year of study	**1**	**2.5** Semester	**2**	**2.6** Type of assessment	**E**	**2.7** Course status	**E**		

** C – Compulsory / E - Elective*

3. Total estimated time (hours alloted to teaching activities per semester)

3.1 Number of hours per week	**3**	of which: **3.2 l**ecture	**2**	**3.3** seminar/lab	**1**
3.4 Number of hours in the curriculum	**42**	of which: **3.5 l**ecture	**28**	**3.6** seminar/lab	**14**

Time distribution	hrs
Study of the textbook, coursebook, bibliography and lecture notes	**25**
Additional research in the library, online and on the field	**21**
Preparation of seminars/labs, homework, projects, portfolios and essays	**27**
Tutorials	**8**
Assessment	**2**
Other activities..................................	

3.7 Total number of self-study hours	**83**
3.8 Total number of hours per semester	**125**
3.9 Number of credits	**5**

4. Prerequisites (if applicable)

4.1 Curriculum-based	
4.2 Competence-based	

5. Conditions (if applicable)

5.1 For lectures	**General conduct and behavior** Students are expected to conduct themselves with consideration and respect for the needs of their fellow students and teaching staff. Conduct that unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class.

	Attendance Regular and punctual student attendance at lectures and seminars is expected in this course.
5.2 For seminars / labs	**General conduct and behavior** Students are expected to conduct themselves with consideration and respect for the needs of their fellow students and teaching staff. Conduct that unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. **Attendance** Attendance is compulsory at minimum 80% of the seminars. In case of absence, the instructor should be informed in advance.

6. Specific competencies

Professional competencies	**C1. Analysis of the theoretical and practical aspects of financial markets, models, instruments that are used in the management of risks.** **C2. Adequate use of mathematical and statistical concepts, methods and techniques in assessing risks and performing independent research in finance.** **C3.** Evaluation of the main risk factors for organizations and financial systems. **C4.** Implementing effective financial management and reporting within the business environment to ensure value creation. **C5.** Ensuring effective and appropriate governance and management of risk within an organization, in the context of an overall ethical framework.
Transversal competencies	**CT1. Application of the professional ethical norms and values in decision-making and undertaking of complex professional tasks, independently or within a team.** **CT2. Human resources planning within a group or organization, in the context of awareness of own responsibility for professional outcomes.** **CT3.** Assuming the need for continuous development to create prerequisites for career progression and adapt own professional and managerial competencies to the economic dynamics.

7. Course objectives (provided by the specific competencies grid)

7.1. Main objective	In this course you will be introduced to the main theoretical concepts on financial intermediation and the related empirical evidence. The unifying theme in this course is the application of modern finance theory to the financial decision making and management of financial institutions, especially commercial banks. The subject of decision-making in financial institutions is approached from a risk perspective.
7.2. Specific objectives	On completion of the course, the students will be able to answer to following questions: ▪ Are banks special or could they be substituted by capital markets? ▪ What is the difference between on-balance sheet and off balance sheet risk? ▪ Why are collateralized loans and long-term credit relationships so prevalent? ▪ Why are some firms and households credit rationed? ▪ Did securitization increase credit risk prior to the sub-prime crisis ? ▪ Why could deposit insurance destabilize the banking system rather than stabilize it? ▪ To what extent are bank-runs driven by panic of borrowers? ▪ Why could Basel III make the banking system more resilient than Basel II? ▪ What do investment banks really do and should they be integrated with commercial banks?

8. Content

8.1	Lectures	Teaching methods	Observations (Lecture content - Greenbaum & Thakor)
1.	What is Financial Intermediation?	Lecturing and class participation	2 hrs: Chapter 2: p. 42-72, Chapter 3: p. 92-114
2.	What is Financial Intermediation?	Lecturing and class participation	2 hrs: Chapter 2: p. 42-72, Chapter 3: p. 92-114
3.	Credit Analysis	Lecturing and class participation	2 hrs: Chapter 5: p. 171-186 Chapter 5: p. 206-215
4.	Capital and Collateral	Lecturing and class participation	2 hrs: Chapter 5: p. 186-206
5.	Loan pricing / Credit rationing	Lecturing and class participation	2 hrs: Chapter 6: p. 228-252
6.	Relationship banking	Lecturing and class participation	2 hrs: Chapter 6: p. 252-265
7.	Loan restructuring	Lecturing and class participation	2 hrs: Chapter 6: p. 252-265
8.	Interest rate risk	Lecturing and class participation	2 hrs: Chapter 4: p.132-151 Chapter 8: p. 324-329
9.	Interest rate risk	Lecturing and class participation	2 hrs: Chapter 4: p.132-151 Chapter 8: p. 324-329
10.	Liquidity risk: The deposit contract	Lecturing and class participation	2 hrs: Chapter 10
11.	Liquidity risk	Lecturing and class participation	2 hrs: Chapter 10
12.	Securitization	Lecturing and class participation	2 hrs: Chapter 9: p.363-383
13.	Bank regulation	Lecturing and class participation	2 hrs: Chapter 11 Chapter 12
14.	Bank regulation	Lecturing and class participation	2 hrs: Chapter 11 Chapter 12

Bibliography

Main readings:

- Greenbaum, S., Thakor, A. (2007),“*Contemporary Financial Intermediation”,* Second Edition, Elsevier, Burlington MA, USA, ISBN-13: 978-0-12-299053-3

Additional readings:

- Berger, Allen N., Frame, W. Scott, and Vasso Ioannidou (2011), “Tests of ex ante versus ex post theories of collateral using private and public information”, Journal of Financial Economics, Vol. 100, No. 1, pp. 85-97.
- Degryse, Hans and Patrick Van Cayseele (2000), “Relationship Lending within a Bank-Based System: Evidence from European Small Business Data”, Journal of Financial Intermediation, Vol. 9, No.1, pp. 90–109.
- Calomiris, Charles W. and Charles M. Kahn (1991), “The Role of Demandable Debt in Structuring Optimal Banking Arrangements”, American Economic Review, Vol. 81, No. 3, pp. 497-513.
- Diamond, Douglas W. and Philip H. Dybvig (1983), “Bank Runs, Deposit Insurance, and Liquidity”, Journal of Political Economy, Vol. 91, No. 3, pp. 401-419.
- Iyer, Rajkamal and Manju Puri (2012) “Understanding bank runs: The importance of depositor bank relationships and networks”, American Economic Review, Vol. 102, No. 4, pp. 1414-1445.
- Demirgüc-Kunt, Asil, Karacaovali, Baybars, and Luc Laeven (2005), "Deposit Insurance around the World: A Comprehensive Database", World Bank Policy Research Working Paper 3628, June 2005.
- Cornett, Marcia Millon, McNutt, Jamie John, Strahan, Philip E., and Hassan Tehranian (2011), "Liquidity risk management and credit supply in the financial crisis", Journal of Financial Economics, Vol. 101, pp. 297–312.
- Prean, Nora and Helmut Stix (2011), “The effect of raising deposit insurance coverage in times of financial crisis – Evidence from Croatian microdata”, Economic Systems, Vol. 35, pp. 496-511.
- De Haan, Jakob and Razvan Vlahu (2013), "Corporate governance of banks: A survey", DNB Working Paper No. 386.
- Detragiache, Enrica, Tressel, Thierry and Gupta Poonam (2008), "Foreign Banks in Poor Countries: Theory and Evidence”, Journal of Finance, Vol. 63, No. 5, pp. 2123-2160.
- Elyasiani, Elyas, and Yong Wang (2012), "Bank holding company diversification and production efficiency", Applied Financial Economics, Vol. 22, pp. 1409–1428.
- Lepetit, Laetitia, Nys, Emmanuelle, Rous, Philippe, and Amine Tarazi (2008), "Bank income structure and risk: An empirical analysis of European banks", Journal of Banking & Finance, Vol. 32, pp. 1452-1467.
- Schmid, Markus and Ingo Walter (2009), "Do financial conglomerates create or destroy economic value?", Journal of Financial Intermediation, Vol. 18, pp. 193-216.
- Beck, Thorsten, Demirgüç-Kunt, Asil, and Ross Levine (2007), "Finance, inequality and the poor", Journal of Economic Growth, Vol.12, pp.27-49.
- Bernanke, Ben and Mark Gertler (1995), "Inside the Black Box: The Credit Channel of Monetary Policy Transmission, The Journal of Economic Perspectives, Vol. 9, No. 4, pp. 27-48.
- Jimenez, Gabriel, Ongena, Steven, Peydro, Jose-Luis, and Jesus Saurina (2012), "Credit Supply and Monetary Policy: Identifying the Bank Balance-Sheet Channel with Loan Applications”, American Economic Review, Vol. 102, No.5, pp. 2301–2326.
- Rajan, Raghuram and Luigi Zingales (1998), "Financial Dependence and Growth", American Economic Review, Vol. 88, No. 3, pp. 559-586.
- Barth, James R., Caprio, Gerard, and Ross Levine (2004), "Bank regulation and supervision: what works best?”, Journal of Financial Intermediation, Vol. 13, pp. 205-248.
- Cihak, Martin, Martínez Pería, María Soledad and Amin Mohseni-Cheraghlou (2012), “Bank Regulation and Supervision around the World.A Crisis Update”, World Bank Policy Research Working Paper 6286.
- Gropp, Reint, and Florian Heider (2010), "The determinants of bank capital structure", Review of Finance, Vol. 14, pp. 587-622.

8.2	Seminars / Labs	Teaching methods	Observations (hours & readings)
1.	Credit Analysis	Small group discussion, Simulation, Random calling	2 hrs: Chapter 5, p. 171-186 & 206-215
2.	Capital and Collateral	Small group discussion, Simulation, Random calling	2 hrs: Chapter 5, p. 186-206
3.	Loan pricing / Credit rationing	Small group discussion, Problem sets in groups	2 hrs: Chapter 6: p. 228-252
4.	Relationship banking / Loan restructuring	Small group discussion, Simulation, Problem sets in groups	2 hrs: Chapter 6: p. 252-265
5.	Interest rate risk	Small group discussion, Simulation, Problem sets in groups	2 hrs: Chapter 4: p.132-151 Chapter 8: p. 324-329
6.	Liquidity risk	Small group discussion, Simulation, Problem sets in groups	2 hrs: 2 hrs: Chapter 10
7.	Securitization/ Bank regulation	Small group discussion, Simulation, Problem sets in groups	2 hrs: Chapter 9: p.363-383, Chapter 11, Chapter 12

Bibliography

- Greenbaum, S., Thakor, A. (2007),“*Contemporary Financial Intermediation”,* Burlington MA, USA: Academic Press, ISBN-13: 978-0122990533.

Other readings such as cases, simulations, journal papers, press articles will be provided periodically throughout the course via FEAA eLearning platform, e-mail or handed-in in class.

9. Corroboration of the course content with the expectations of community representatives, professional associations and representative employers from the programme’s related field

The unifying theme in this course is the application of modern finance theory to the financial decision making and management of financial institutions, especially commercial banks. The subject of decision-making in financial institutions is approached from a risk perspective. The course covers the major decision areas for financial institution management within the framework of a regulatory and "corporate responsible" environment. The main topics covered are various financial risks and their management including interest rate risk, credit risk, liquidity risk, foreign exchange risk and market risk within an international context.
The course content is correlated to that of similar courses taught at renowned universities (e.g Financial Institutions – Swiss Institute of banking and Finance, University of St. Gallen; Financial Institutions Management - Australian School of Business, UNSW Sydney) and is continuously updated based on the feedback of students and alumni.

10. Assessment

Type of activity	10.1 Assessment criteria	10.2 Assessment methods	10.3 Weight in final grade (%)
10.4 Lectures	Coverage: topics covered in the lectures from week 1 to week 14. Format: Multiple choice questions + Calculation questions + Open questions. Criteria: Clarity of explanation and Accuracy of answers	**Final exam** (multiple-choice, true-false and open questions)	60%
10.5 Seminars/ Labs	Active attitude during class, giving comments to fellow students etc.	**Active Participation**	10%
	Accuracy of solutions	**Individual assignments**	30%
10.6 Minimum performance standard			
▪ A minimum passing grade of 5, computed as $P = 0,10 \times PA + 0,30 \times TI + 0,60 \times E$, where P – final grade, PA – Active participation, TI - Individual assignments, E – Final exam grade.			

Date
14.09.2020

Course Coordinator
Prof. Alin Marius ANDRIEȘ

Seminar Coordinator
Prof. Alin Marius ANDRIEȘ

Date of approval
23.09.2020

Head of Department
Prof. Ovidiu STOICA