**Topics in Banking**
**MSc in Finance and Banking**
**Athens University of Economics & Business**
**Instructor: Assoc. Professor Gerassimos Sapountzoglou**

**Aims and objectives:**

The aim of this course is the completion of the knowledge of those students who have already attended the course of Banking & Risk Management. They will acquire the most modern and specialized knowledge of current banking issues. The course also includes a computational demonstration of most of the above tools and techniques with excel, which is very popular in the banking industry.

At the end of the course, the students will have a full understanding of concepts and tools of the modern banking techniques and strategic decisions. They will acquire knowledge and skills on banking supervision (especially in: capital adequacy, money laundering, etc.), securitization practices, bank payments systems, bank administration structures, bank crises, bank business plans, bank budgeting, treasury cash flows, and bank valuation methods.

**Course outline and reading list**

1. **Bank System Regulation and Supervision: Standards of Basel Accord I, II & III and Capital Adequacy**

   [Market Failures, Self-Regulation Positions and Effective Banking Supervision – Prudential Supervision, - B.I.S. & Basel Committee, - Basel Accord I, II, III, - The 3 Pillars, - Capital Adequacy Requirements, Exposures, Money Laundering, Illegal Financing – Tier1,Tier2 & Tier3 Capital Requirements, Basel Standards and Risk Weighted Assets (RWA): For Credit Risk, Market Risk, Operational Risk and Liquidity Risk, - Technical Approaches for RWA (Standard Approach, Internal Ratings Approach, Based Approach, Foundation Approach, Advanced Approach, Credit Risk Mitigation, Basic Indicator Approach, Alternative Standardized Approach, Advanced Measurement Approach Internal Models Approach) – Macro-Prudential Policy's - Stress Tests and Bank Recapitalization – European Bank Union, ECB and Bank System Supervision (SSM, SSR), Bail in vs. Bail out]

2. **Securitization Mechanisms and Procedures**

   **[**Securitization Aims **–** Benefits & Traps - Procedures & SPV implication - Credit Enhancement – Types of Securitization Analysis: Residential Mortgage-Backed Securities, Pass-Through, Public Sector Revenues, Non-Performing Loans, Collateralized Debt Obligations (CDOs), Balance Sheet CDOs Arbitrage CDOs, Synthetic CDOs, Credit Linked Notes (CLNs)]

3. **Banks and Payments Systems: Settlement Risk & Clearing**

[Payments Systems and Economic Stability, Payments Systems and Monetary Policy Application, Payments Systems and European Central Bank, - Settlement and Clearing Procedures, Real-Time Gross Settlement (RTGS), Single Shared Platform (SSP), Trans European Automated Real time Gross Settlement Express Transfer (TARGET), TARGET1 System, TARGET2 System, - Information & Control Module (ICM), Payments Module (PM), - Society For World Interbank Financial Telecommunication (SWIFT), - Counter Party Risk, Settlement Risk, Multicurrency Settlement, Bankhaus Herstatt Case, Securities Settlement Credit Risk, Securities Settlement Liquidity Risk]

**4. Bank Structure and Organization Charts**

[Bank Systemic Approach, System Viability, System Efficiency and Banking Reengineering, - Bank Structure, Job Description, Authorization System, Flowcharts, Standardization, Certification – Organization Charts: One Dimension, Two Dimensions, Mixt Charts, - Administration Committees, Strategic Planning Unit, Internal Control Unit, Risk Management Unit, Compliance Unit, - MIS, Information Technology Governance, - International Standards on Auditing, International Standards of Assurance Engagements, Standards for Professional Practice of Internal Audit, COSO, Consolidation Approach, Monitoring Systems, Business & Financial Reporting]

**5. Banking System and Financial Crises**

[Types & Frequencies of Financial Crises, - Characteristics, Causes & Impacts of the 2008 Financial Crisis, - Deleveraging, Deflation, Pro-cyclical Phenomena – Credit Crunch, Financial Stress and Macrofinancial Implications, Liquidity Evaporation & Negative Risk Appetite, The Banks Adventure – Capital Markets Distress – Macroeconomic & Monetary Impacts, - Bank Restructuring Agency (BRA) – Trouble Asset Relief Program (TARP), DeLarogiere Committee Proposals - Systemic Risk, ESM & Basel III Standards.]

**6. Bank Strategy and Business Plans**

[SWOT Analysis & Bank Positioning, Strategic Planning, Objectives & Priorities, Short Term Action Plans, Business Plans, Scenario's Assumptions & Constraints, Business Plan Monitoring and Evaluation, Physical & Financial Ratios, Budgeting, Cash Flow Forecasting, - XYZ Bank Business Plan Model (Excel Application), XYZ Bank Valuation Model (Excel Application), - License and Bank Feasibility Study]

**Text Books & Documents:**

- Bank for International Settlements, *"Basel II: International Convergence of Capital Measurement and Capital Standards: A Revised Framework – Comprehensive Version"*, June 2006.
- Bank for International Settlements, "*Principles for Sound Stress – Testing Practices and Supervision",* May 2009.
- Bank for International Settlements, *"Revisions to the Basel II market risk framework – final version",* July 2009.

- Bank for International Settlements, *"Basel III: A global regulatory framework for more resilient banks and banking systems – revised version",* June 2011.
- Basel Committee on Banking Supervision, *"The New Basel Capital Accord"*, Bank of International Settlements, Revised Document 2005.
- Basel Committee on Banking Supervision, **"***Consultative Document: International framework for liquidity risk measurement, standards, and monitoring",* December 2009.
- Basel Committee on Banking Supervision, "*Results of the comprehensive quantitative impact study",* December 2010.
- Basel Committee on Banking Supervision, "*Sound practices for backtesting counterparty credit risk models",* December 2010.
- Basel Committee on Banking Supervision, "*Guidance for national authorities operating the countercyclical capital buffer",* December 2010.
- Basel Committee on Banking Supervision, **"***Consultative Document: Strengthening the resilience of the banking sector",* December 2010.
- Basel Committee on Banking Supervision, "R*evisions to the Basel II market risk framework", (Updated as of 31 December 2010)*, February 2011.
- Basel Committee on Banking supervision, "*Progress report on Basel III implementation*" October 2011.
- D. Belmont, *"Value Added Risk Management in Financial Institutions: Leveraging Basel II & Risk Adjusted Performance Measurement",* J. Wiley & Sons (Wiley Finance), USA.

- S. Benninga, *"Financial Modeling",* The MIT Press, Cambridge, Massachusetts Institute of Technology, London.
- D. Chorafas, *"The Commercial Banking Handbook: Strategic Planning for Growth and Survival in the New Decade"*, McMillan Press Ltd, London.

- A. Damodaran,*"The Dark Side of Valuation: Valuing Young, Distressed, and Complex Businesses",* Upper Saddle River, New Jersey: *FT Press*.
- A. Damodaran, "Investment Valuation: Tools and Techniques for Determining the Value of any Asset", Hoboken,: *John Wiley & Sons, Inc.*, New Jersey.
- European Commission *«Directive 2010/76/EC (CRD III) ».*

- Council of the European Union, *"Council agrees position on bank resolution"* 27 June 2013.
- Council of the European Union, *"Council agrees general approach on Single Resolution Mechanism"*, *European Commission,* 18 December 2013.
- J. Golin, *"The Bank Credit Analysis Handbook"*, J. Wiley & Sons Ltd (Wiley Finance), N.Y.

- C. Goodhart, P. Hartmann, D. Llewellyn, L. Rojas-Suarez, S. Weisbrod, *"Financial Regulation: Why, How and Where now?"* London, Routledge.

- S. Heffernan, *"Modern Banking in Theory and Practice"*, John Wiley and Sons.

- J. Hughes, S. MacDonald, *"International Banking: Text & Cases"*, Addison-Wesley, N.Y.

- R. Miller, D. Van Hoose, *"Modern Money & Banking"*, McGraw-Hill, Inc, N.Y.

- M. Ong, *"The Basel Handbook: A Guide for Financial Practitioners"*, Risk Books Editions, London.
- I. Orton, *"Reengineered Banks: Fighting for Competitive Advantage in the New Millenium"*, Ireland, Laferty Publications.
- Quagliariello M., *"Stress-testing the Banking System"*, Cambridge University Press.
- G. Sapountzoglou, H. Pentotis, *«Banking Economics» (Volume A & B),* Editions G. Benou, (in greek), Athens.
- A. Saunders, M. M. Cornett, *"Financial Institutions Management: A Risk Management Approach"*, McGraw-Hill, Irwin Series in Finance, New York.
- J. Sinkey, *"Commercial Bank Financial Management"*, Prentice Hall.