



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	Doctoral School of Economics and Business Administration
1.4 Field of study	Economics and Business Administration
1.5 Level	Doctoral Studies
1.6 Study programme/ Qualification	PhD

2. Information about the course

2.1 Course name	Economics of Banking						
2.2 Course coordinator	Prof. Alin Marius Andrieş						
2.3 Seminar coordinator	Prof. Alin Marius Andrieş						
2.4 Year of study	1	2.5 Semester	1	2.6 Type of assessment	O	2.7 Course status	E

* C – Compulsory / E - Elective

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

3.1 Number of hours per week		of which: 3.2 lecture		3.3 seminar/lab	
3.4 Number of hours in the curriculum	20	of which: 3.5 lecture	10	3.6 seminar/lab	10
Time distribution					hrs
Study of the textbook, coursebook, bibliography and lecture notes					45
Additional research in the library, online and on the field					35
Preparation of seminars/labs, homework, projects, portfolios and essays					35
Tutorials					10
Assessment					5
Other activities.....					-
3.7 Total number of self-study hours					130
3.8 Total number of hours per semester					150
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	<p>General conduct and behavior</p> <p>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.</p>
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	<p>Attendance Your regular and punctual attendance at lectures and seminars is expected in this course.</p>
5.2 For seminars / labs	<p>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.</p> <p>Attendance Attendance is compulsory at minimum 80% of the seminars. In case of absence, the instructor should be informed in advance.</p>

6. Specific competencies

Professional competencies	<p>C1. Knowledge, understanding of the fundamental concepts, theories and models of the domain and specialized area; their appropriate use in professional communication</p> <p>C2. Use of fundamental knowledge in order to explain and interpret various types of concepts, situations, processes, and project associated to the domain</p> <p>C3. Application of fundamental principles and methods in order to solve well defined, domain specific problems/ situations</p> <p>C5. Elaboration of professional projects by using well known principles and methods.</p>
Transversal competencies	<p>CT1. Application of the principles, norms and values of the professional code of ethics in students' own rigorous, efficient and responsible work strategy.</p> <p>CT3. Identification of life long learning opportunities and efficient use of learning resources and techniques in order to ensure personal development.</p>

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

7.1. Main objective	<p>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.</p>
7.2. Specific objectives	<p>On completion of the course, the students will be able to answer to following questions:</p> <ul style="list-style-type: none"> ▪ 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 is 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	Chapter 2: p. 42-72, Chapter 3: p. 92-114
2.	What is Financial Intermediation?	Lecturing and class participation	Chapter 2: p. 42-72, Chapter 3: p. 92-114
3.	Credit Analysis	Lecturing and class participation	Chapter 5: p. 171-186, Chapter 5: p. 206-215
4.	Capital and Collateral	Lecturing and class participation	Chapter 5: p. 186-206
5.	Loan pricing / Credit rationing	Lecturing and class participation	Chapter 6: p. 228-252
6.	Relationship banking	Lecturing and class participation	Chapter 6: p. 252-265
7.	Loan restructuring	Lecturing and class participation	Chapter 6: p. 252-265
8.	The deposit contract	Lecturing and class participation	Chapter 10
9.	The deposit contract	Lecturing and class participation	Chapter 10
10.	Bank regulation	Lecturing and class participation	Chapter 11, Chapter 12
11.	Bank regulation:	Lecturing and class participation	Chapter 11, Chapter 12

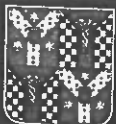
Bibliography

Main readings:

- Greenbaum, S., Thakor, A. (2007), "Contemporary Financial Intermediation", Second Edition, Elsevier, Burlington MA, USA, ISBN-13: 978-0-12-299053-3
- Casu, B., Girardone, C., Molyneux, P. (2006). "Introduction to Banking". Pearson Education. ISBN 978-0-273-69302-4.
- Saunders, A., Cornett, M.M. (2008) "Financial Institutions Management - A Risk Management Approach", Sixth Edition, The McGraw-Hill, ISBN 978-0-07-340514-8

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.



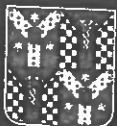


- Iyer, Rajkamal and Manju Puri (2012) "Understanding bank runs: The importance of depositor bank relationships and networks", *American Economic Review*, Vol. 102, No. 4, pp. 1414-1445.
- Demirgüç-Kunt, Asil, Karacaovali, Baybars, and Luc Laeven (2005), "Deposit Insurance around the World: A Comprehensive 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 (2016), "Corporate governance of banks: A survey", *Journal of Economic Surveys*, 30: 228-277
- 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, Martinez Peria, 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.	What is Financial Intermediation?	Small group discussion, Simulation, Random calling	
2.	Credit Analysis	Small group discussion, Simulation, Random calling	
3.	Capital and Collateral	Small group discussion, Problem sets in groups	
4.	Loan pricing / Credit rationing	Small group discussion, Simulation, Problem sets in groups	
5.	The deposit contract	Small group discussion, Simulation, Problem sets in groups	

Bibliography

- Greenbaum, S., Thakor, A. (2007), "*Contemporary Financial Intermediation*", Burlington MA, USA: Academic Press, ISBN-13: 978-0122990533.
- Casu, B., Girardone, C., Molyneux, P. (2006). "*Introduction to Banking*". Pearson Education. ISBN 978-0-





273-69302-4.

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	Criteria: Clarity of explanation and Accuracy of answers	Final exam	100%
10.6 Minimum performance standard			
▪ A minimum passing grade of 5,			

Date
25.09.2019

Course Coordinator
Prof. Alin Marius ANDRIEȘ

