



ISB – INTERNATIONAL SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE
COURSE TITLE: INTRODUCTION TO BANKING
COURSE CODE: BUAFBA260
3 Semester Credits
1. DESCRIPTION

This course provides an introduction to the main principles of banking activities as well as fundamentals of financial institutions. Students will gain an understanding of the structure of the banking industry. Theoretical issues related to the modern banking business will be analyzed together with management of liquidity and capital. Other topics include the understanding of the bank balance sheet and the role of the central bank; the structure of the banking systems in different countries and the corporate governance and organizational arrangements in banking. The course will also give space to the importance of ethics among the sector together with the importance of a professional and effective management. While giving emphasis to differences in managing and structuring bank activities around the world, particular attention will be given to the EU banking system and organization.

2. OBJECTIVES

Upon successful completion of this course students will:

- Learn about banking main activities including fundamentals of financial institutions.
- Gain knowledge on how the banking industry is structured
- Understand issues and opportunities of modern banking business
- Appreciate correct management of liquidity, capital and balance sheet
- Explain the importance of ethics within the sector
- Compare different bank activities around the world with special emphasis on EU banking system

3. REQUIREMENTS

There are no prerequisites for this course.

4. METHOD

This course consists of lectures, class discussions, and projects. Mediums for instruction used will include, but are not limited to, interactive and hands-on activities which challenge thought processes, academic texts and studies, videos, slides, guided problem solving, and experiential and/or field learning activities where applicable.

5. TEXTBOOK – FURTHER READINGS – RESOURCES

TEXTBOOK (Copy available at the university library):

- Casu, B., Girardone, C. & Molyneux, P. 2021. *Introduction to Banking*, 3rd edition, Pearson.

The textbook is mandatory for successful completion of the course.
Where applicable, additional materials, handouts and/or notes will be provided by the instructor.

FURTHER READINGS AND RESOURCES

- Websites of central banks (FED, ECB, etc.)
- International Monetary Fund (IMF) publications: <https://www.imf.org/en/Home>
- World Bank reports on financial sector development: <https://www.worldbank.org/en/topic/financialstability>
- Financial Times, The Economist, Wall Street Journal (business news publications): Consider online subscriptions or library access for in-depth articles

LIBRARIES IN FLORENCE

Please consult the posted schedules for official opening times of the university library. Also note that the library is for consultation only and it is not possible to borrow materials. The library is equipped with a scanner and internet access so that you may save or email a digital copy of the pages needed. Students may also utilize additional libraries and research centers within the local community:

BIBLIOTECA PALAGIO DI PARTE GUELFA

Located in Piazzetta di Parte Guelfa between Piazza della Repubblica and Ponte Vecchio. Please consult the library website for hours of operation:

http://www.biblioteche.comune.fi.it/biblioteca_palagio_di_parte_guelfa/

BIBLIOTECA DELLE OBLATE

Located in via dell'Oriuolo 26. Please consult the library website for hours of operation:
www.bibliotecadelleoblate.it

THE HAROLD ACTON LIBRARY AT THE BRITISH INSTITUTE OF FLORENCE

Located in Lungarno Guicciardini 9. Please consult the library website for hours of operation. This library requires a fee-based student membership. For information: www.britishinstitute.it/en

6. FIELD LEARNING

Please consult your Official Registration for any mandatory field learning dates. Field Learning Activities cited in Official Registrations are an integral part of the course and also include an assignment that counts towards your final grade, details will be provided on the first day of class.

7. COURSE MATERIALS

No additional course materials are necessary.

8. COURSE FEES

Course fees cover course-related field learning activities, visits, and support the instructor's teaching methodologies. Book costs are not included in the course fee. The exact amount will be communicated by the instructor on the first day of class.

9. EVALUATION – GRADING SYSTEM

10% Attendance
10% Participation
10% Assignments
20% Midterm Exam
20% Final Project
25% Final Exam

A = 93-100 %, A- = 90-92%, B+ = 87-89%, B = 83-86%, B- = 80-82%, C+ = 77-79%, C = 73-76%, C-

=70-72%, D = 60-69%, F= 0-59%, W = Official Withdrawal, W/F = Failure to withdraw by the designated date.

10. ATTENDANCE – PARTICIPATION

Academic integrity and mutual respect between instructor and student are central to the academic policy and reflected in the attendance regulations. Student presence is mandatory and counts toward the final grade.

Absences are based on academic hours: 1 absence equals 3 lecture hours.

Two absences: 6 lecture hours, attendance and participation grade will be impacted.

Three absences: 9 lecture hours, the final grade may be lowered by one letter grade.

Four absences: 12 lecture hours, constitutes automatic failure of the course regardless of when absences are incurred.

Please note:

- The above hours refer to lecture hours. Please note that the contact / credit hour policy in the academic catalog includes additional distribution ratios according to delivery category. Ex: 1 absence equals 6 FL/SL/Lab hours or 9 EL hours.
- Hours may be distributed in different formats according to the academic course schedules.

LATE ARRIVAL AND EARLY DEPARTURE

Arriving late or departing early from class is not acceptable. Two late arrivals or early departures or a combination will result in an unexcused absence. Travel is not an exceptional circumstance.

TRAVEL (OR DELAYS DUE TO TRAVEL) IS NEVER AN EXCUSE FOR ABSENCE FROM CLASS.

It is the student's responsibility to know how many absences are incurred. If in doubt, speak with your instructor!

Participation: Satisfactory participation will be the result of contributing to class discussions by putting forth insightful and constructive questions, comments and observations. Overall effort, cooperation during group work, proper care of work space and tools, responsible behavior, and completion of assignments will be assessed. All of the above criteria also apply to Field Learning and site visits.

11. EXAMS – PAPERS – PROJECTS

The **Midterm** exam accounts for 20% of the final course grade whilst the **Final** exam accounts for 25% of the final course grade. Format (for both exams): the exam is divided into three sections:

- Part I: 10 Multiple choice questions. Each correct answer is worth 2 points, for a total of 20 points.
- Part II: 10 short-answer questions. Each correct and complete answer (concise explanations, main ideas, key words, names, etc.) is worth 5 points, for a total 50 points.
- Part III: essay questions; each correct and complete answer is worth 30 points (based on content, vocabulary, detail, etc.) for a total of 30 points.

Please note, the instructor may use a different format for the exam. TBA on the first lesson.

Remember that the date and time of the exams cannot be changed for any reason, so please organize your personal activities accordingly and consult the course calendar.

The **Final Project** is worth 20% of the final grade. Students elaborate a 1500-words paper and a presentation concerning one of the following options:

Option 1: Bank Analysis Paper:

- Choose a specific bank (domestic or international) and analyze its financial performance, risk management practices, and contribution to the local/global economy.
- Discuss the bank's response to recent regulatory changes and emerging trends in the financial sector.
- Offer your own insights and recommendations for the bank's future strategies.

Option 2: Case Study on a Banking Crisis:

- Select a historical or recent banking crisis (e.g., Asian financial crisis, 2008 financial crisis) and analyze its causes, consequences, and policy responses.
- Discuss the role of different stakeholders (banks, regulators, governments) in the crisis.
- Evaluate the effectiveness of implemented solutions and propose strategies for preventing future crises.

Option 3: Design a New Banking Product or Service:

- Identify a gap in the current banking market and propose a new product or service to address it.
- Explain the target market, benefits, pricing strategy, and operational aspects of your proposal.
- Discuss the regulatory considerations and potential challenges of implementing your idea.

12. LESSONS

Lesson 1	
Meet	In class
Lecture	The Significance of Banks.
Objectives	Gain knowledge about the role of banks, financial markets and intermediation: their structure and influence on banking and the economy. Identify different types of financial intermediaries
Readings/ Assignments	Read: Textbook, Chapter 1.

Lesson 2	
Meet	In class
Lecture	Main Activities and Services of Financial Institutions.
Objectives	Gain knowledge about what a deposit entail. Identify the definition of a payment system. Identify the characteristics of different types of plastic cards. Become familiar with the procedures of e-banking Identify the main forces that generate trends in the banking sector. Differentiate between deregulation and re-regulation of the banking sector. Identify the meaning of disintermediation process,
Readings/ Assignments	Read: Textbook, Chapter 2.

Lesson 3	
Meet	In class
Lecture	Typologies of Banking.
Objectives	Identify in what ways traditional banking differs from modern banking Identify the definition of bancassurance. Explain the main characteristics of different types of banks that offer personal retail banking services. Identify the main features of private and corporate banking. Identify the benefits of universal banking compared to specialist banking.
Readings/ Assignments	Read: Textbook, Chapter 3. Assignment: Analysis of a local case study.

Lesson 4	
Meet	In class
Lecture	International Banking.
Objectives	Identify the ways traditional foreign banking differ from Eurocurrency banking. Understand the reasons why banking moves overseas. Explain why banks engage in syndicated loans. Identify the main type of bonds that an international banking institution can issue. Gain knowledge about the Euro equity issue.
Readings/ Assignments	Read: Textbook, Chapter 4.

Lesson 5	
Meet	In class
Lecture	Central Banking.
Objectives	Identify the major forms of economic policy. Understand the meaning of monetary aggregates, and the differences between monetary policy tools, instruments, and goals. Identify why the OMOs are the most popular monetary policy tools. Explain the meaning and limitations of the “instruments of portfolio constraints.” Identify the main arguments put forward by the free-banking theorists. Gain knowledge about the arguments for and against an independent central bank. Identify core functions of the European Central Bank and the Federal Reserve Bank.
Readings/ Assignments	Read: Textbook, Chapter 5.

Lesson 6	
Meet	In class
Lecture	Bank Regulation and Bank Supervision.
Objectives	Gain knowledge about bank runs. Identify the main types, characteristics, and limitations of financial regulation. Gain knowledge about regulatory forbearance and describe the main costs and benefits of engaging in forbearance. Recognize the main drivers of regulatory reforms. Describe the main EU regulation impacting on the banking and financial sector.
Readings/ Assignments	Read: Textbook, Chapter 6.

Lesson 7	
Meet	In class
Lecture	MIDTERM EXAM

Lesson 8	
NA	ACADEMIC BREAK

Lesson 9	
Meet	In class
Lecture	Balance Sheets in Banking.
Objectives	Identify the main items in a commercial bank balance sheet. Understand the meaning of equity capital, and the functions of capital.

	<p>Gain knowledge about bank income statements.</p> <p>Identify the main differences between a bank balance sheet and an income statement, and between commercial and investment banks' financial statements.</p> <p>Learn how to calculate the cost of equity capital for a bank.</p> <p>Be able to explain the trade-off between solvency and profitability.</p>
Readings/ Assignments	Read: Textbook, Chapter 9.

Lesson 10	
Meet	In class
Lecture	Bank Financial Management.
Objectives	<p>Identify the meaning of asset-liability management</p> <p>Gain knowledge about a trade-off between liquidity and solvency.</p> <p>Recognize main concerns in capital management.</p> <p>Define OBS activities and explain the different implications of trading in organized exchange versus OTC.</p> <p>Identify how banks can use futures and forwards for hedging an interest rate exposure.</p> <p>Identify the main differences between interest rate and currency swaps.</p>
Readings/ Assignments	<p>Read: Textbook, Chapter 10.</p> <p>Assignment: Outline the main advantages for these approaches to bank performance measurements compared to using standard profitability ratios.</p>

Lesson 11	
Meet	In class
Lecture	Banking Risks.
Objectives	<p>Identify the meaning of credit risk and credit culture.</p> <p>Define interest rate risk and distinguish between reinvestment and refinancing risk.</p> <p>Understand why liquidity risk is one of the most important concerns for bank management.</p> <p>Identify the differences between country and sovereign risks.</p> <p>Recognize what distinguishes operational risk from technology risk.</p>
Readings/ Assignments	Read: Textbook, Chapter 11.

Lesson 12	
Meet	In class
Lecture	Banking Risk Management.
Objectives	<p>Gain knowledge about sound practice in the management of credit risk.</p> <p>Explain the process of credit scoring and describe its main applications.</p> <p>Identify the main limitations of the GAP approach.</p> <p>Recognize the main techniques used to manage a bank's liquidity exposure.</p> <p>Gain knowledge about VaR.</p> <p>Recognize the difficulties inherent in the measurement and management of operational risk.</p> <p>Identify the main factors affecting country risk.</p>
Readings/ Assignments	Read: Textbook, Chapter 12.

Lesson 13	
Meet	In class

Lecture	Banking in the EU.
Objectives	<p>Identify the main trends that have influenced the structure of the European banking markets over the last ten years.</p> <p>Gain knowledge about the 1977 First Banking Co-ordination Directive, describing the other important regulatory measures affecting the EU banking and financial sectors.</p> <p>Describe the main features of the ERM II and the implications of being the new EU Member States.</p> <p>Identify the distinguishing features of the NIM-8 banking sectors compared with those of the remaining new Member States.</p> <p>Gain knowledge about the “acquis communautaire” and how it helped shape the regulatory framework in NMSs?</p>
Readings/ Assignments	Read: Textbook, Chapter 14.

Lesson 14	
Meet	In class
Lecture	The Future of Banking with Emerging Markets. Final Presentations.
Objectives	<p>Identify the potential of new technologies to transform banking in emerging markets.</p> <p>Understand the role of banks in promoting financial inclusion in emerging markets, together with the potential challenges.</p> <p>Be able to carefully present a complex banking topic to peers.</p>
Readings/ Assignments	<p>Read: Textbook, Chapter 17.</p> <p>Submit Final Project.</p>

Lesson 15	
Meet	In class
Lecture	FINAL EXAM