



# Syllabus

(last update: 02.04.2024)

## *Bank Management (ECO-10970)*

### **1 General Description**

“Bank Management” is a Master-level course that delves into the pivotal role, significance, and functions of financial intermediaries in general and banks in particular within contemporary economies. This course offers an overview of the increasingly complex regulatory environment banks navigate, laying out the current institutional and regulatory landscape of the global financial system.

Central to the course is an examination of the critical contributions of various financial institutions, particularly banks, but also hedge funds, exchanges, as well as national and international regulatory bodies. Students will engage with the diverse risk factors influencing banks operations, with a special emphasis on understanding systemic risk – its origins, measurement, and regulatory strategies aimed at mitigation.

The course also provides a thorough analysis of the Global Financial Crisis, dissecting its causes and evaluating the regulatory measures implemented in its aftermath. Additionally, the course stays abreast of contemporary issues, discussing the implications of fluctuating interest rates and examining recent financial disturbances involving major entities like Credit Suisse, Silicon Valley Bank, and FTX.

Through a blend of theoretical knowledge and real-world case studies, this course equips students with the insights and analytical tools necessary to navigate the complexities of bank management and financial regulation effectively.

### **2 Learning Goals**

This course is structured around three primary goals:

1) *Analytical Mindset Development*: The first objective is to furnish students with an analytical and structured approach to current banking challenges, financial intermediation, and the dynamics of financial markets. Students will learn about (i) the nature and functions of banks, (ii) the reasons for their existence, (iii) how they contrast with financial markets and other intermediaries. To support this goal, we will introduce and discuss seminal papers in the field of banking and regulation of financial markets.

2) *Risk Management Tools*: The course will also introduce state-of-the-art techniques for understanding, measuring, and managing various risks such as market, credit, liquidity, and operational risks. It will cover adverse events like financial bubbles, short squeezes, and flash crashes, equipping students with the tools to understand and manage these risks.

3) *Institutional and Regulatory Knowledge*: The third aim is to provide students with a thorough understanding of the significant regulatory milestones in the history of banking and financial markets. This includes familiarizing students with the current regulatory framework in the U.S. and Europe, as well as anticipated regulatory challenges.

Through these goals, the course intends to deliver a comprehensive overview of the banking and financial sector, blending theoretical knowledge with insights into practical applications and challenges.

### **3 Prerequisites**

Students should have already taken introductory classes in the field of microeconomics, macroeconomics, and finance. Students who attended the Bachelor-level course *Regulation of Banks and Financial Markets* are not entitled to obtain credits from this course due to the similarity in the content of the two courses. The MA course *Risk Management* (offered by the Chair of Finance) will deal with related topics. As both courses are not mandatory for all students, a minimum overlap of concepts and topics is unavoidable and, actually, desirable (“repetita iuvant”).

### **4 Teaching Concept**

The treatment of each chapter follows a clear predetermined structure. One week before classes, a screencast will be uploaded on ILIAS to be watched at home. In class, I will recap the most important insights from the screencast, answer possible open questions, focus on salient recent events and developments, and offer a short preview on the next chapter. Occasionally, a guest speaker from the banking industry will deliver a talk and

offer recent practical insights on a topic related to his/her position and professional experience. All information on the course will be provided on the ILIAS page of the course. The teaching structure just described aims at optimizing the trade-off between exploitation (teaching established concepts via screencasts) and exploration (focusing in class on recent events and new developments in the field of banking). Additionally, just after class, a set of questions related to the current chapter will be uploaded on ILIAS. They should be solved by students and will be discussed in the following tutorial, i.e., the following week. Written solutions to the questions will also be provided. On top of the tutorials, an ILIAS forum is available for the purpose of discussing topics with fellow students and/or asking questions to the lecturer and the teaching assistants.

## 5 Outline of the Lecture

The lectures are scheduled fortnightly on Fridays starting from 13:30 in room F420. The following table provides a list of topics covered in the lecture.

Session	Date	Topic
1	19.04.24	Ch. 1: Today's Financial System
2	03.05.24	Ch. 2: Why Do Banks Exist?
3	17.05.24	Ch. 3: Market Risk in Banks
4	14.06.24	Ch. 4: Credit Risk & Ch. 5: Liquidity Risk in Banks
5	28.06.24	M&A in Banking (by Max Flötotto, McKinsey & Company)
6	12.07.24	Ch. 6: Bank Regulation

## 6 Outline of the Tutorial

The lectures are accompanied by fortnightly tutorials also held on Fridays starting at 13:30 in room F420. The following table provides a list of topics covered in the tutorial.

Tutorial	Date	Topic
1	10.05.24	Today's Financial System (Ch. 1)
2	24.05.24	Why Do Banks Exist? (Ch. 2)
3	07.06.24	Market Risk in Banks (Ch. 3)
4	21.06.24	Credit and Liquidity Risk in Banks (Ch. 4 & 5)
5	05.07.24	Mock Exam

## 7 Credits & Exam

*Bank Management* is a three-academic hour course (2+1). Six credits are awarded upon successful completion of the course. The grading is based on a written exam. Exam dates will be available on the homepage of the exam administration (department) in due time. During the 90-minute exam students are allowed to use a non-programmable calculator and one A4 cheat sheet, written or printed on both sides.

Note: Questions (incl. emails and posts in the forum) will be answered until one week before the exam.

## 8 Readings & Literature

Reading materials (including slides) will be made available on ILIAS. There is no required textbook for this course. However, interested students can refer to the following books for a more detailed coverage of selected topics of the course:

- *Understanding Financial Crises* by F. Allen and D. Gale, Oxford University Press, 2009
- *Restoring Financial Stability - How to Repair a Failed System* by V.V. Acharya and M. Richardson, John Wiley & Sons, 2009
- *Microeconomics of Banking* by X. Freixas and J-C Rochet, MIT Press, second edition, 2008
- *Bankbetriebslehre* by T. Hartmann-Wendels, A. Pfingsten, and M. Weber, Springer, fifth edition, 2010
- *Financial Institutions Management: A Risk Management Approach* by A. Saunders and M.M. Cornett, McGraw-Hill, sixth edition, 2008
- *Risk Management and Financial Institutions* by J.C. Hull, Wiley Finance, third edition, 2012
- *This Time is Different* by C.M. Reinhart and K.S. Rogoff, Princeton University Press, 2009
- *Principles of Banking Regulation* by K. Alexander, Cambridge University Press, 2019

## 9 Contact Information

Prof. Dr. Axel Kind  
Chair of Corporate Finance  
Department of Economics  
University of Konstanz  
Office F 242  
Email: [axel.kind@uni-konstanz.de](mailto:axel.kind@uni-konstanz.de)  
LinkedIn: [linkedin.com/in/axelkind](https://www.linkedin.com/in/axelkind)

Stephan Sontheimer  
Chair of Corporate Finance  
Department of Economics  
University of Konstanz  
Office F 241  
Email: [stephan.sontheimer@uni-konstanz.de](mailto:stephan.sontheimer@uni-konstanz.de)