FIN 340: Financial Institutions

Term: Fall 2026
Credits: 3.0
Lecture Times & Location: Tuesday & Thursday 11:00 a.m.–12:15 p.m., Lovell Hall 210
Modality: In-Person

Instructor Information

- **Instructor:** Dr. Marcus Rossi (Associate Professor of Finance)
- **Email:** mrossi@university.alkimi.ai
- **Office:** Tidewell Hall 312
- **Office Hours:**
  - Wednesday & Thursday: 9:00–10:30 a.m. (In person, Tidewell Hall 312)
  - Tuesday: 4:00–5:00 p.m. (Virtual via Zoom; link posted in Canvas)
  - Also available by appointment.

Course Description

Commercial banks, credit unions, insurers, investment banks, and funds; interest rate determination, the Federal Reserve, bank regulation and capital requirements, and managing interest rate and credit risk. FIN 340 provides an in-depth analysis of the operations, regulatory environment, and risk management practices of modern financial intermediaries. The course explores commercial banking, thrifts, credit unions, insurance companies, investment banks, and asset management funds within the context of Federal Reserve monetary policy and global capital markets. Students learn to measure and manage critical institutional vulnerabilities—including interest rate risk, credit risk, liquidity risk, and foreign exchange risk—using duration gap analysis, credit scoring models, stress testing, and Basel III regulatory capital requirements.

Prerequisites

FIN 301.

Measurable Student Learning Outcomes

Upon successful completion of FIN 340, students will be able to:

1. **Analyze Financial Intermediation and Central Banking:** Examine the economic functions of depository and non-depository intermediaries, credit creation mechanics, and Federal Reserve monetary policy transmission channels.
2. **Evaluate Financial Institution Financial Statements:** Deconstruct commercial bank balance sheets and income statements using Return on Equity (ROE) decomposition, Net Interest Margin (NIM), and asset quality ratios.

3. **Measure and Manage Interest Rate Risk:** Quantify institutional exposure to interest rate fluctuations using the repricing model, maturity model, and duration gap analysis to execute balance sheet immunization.
4. **Model Credit and Liquidity Risk:** Assess default probabilities, credit scoring algorithms, loan portfolio concentration, and evaluate bank liquidity management strategies during funding shocks.
5. **Critique Financial Regulations and Capital Adequacy:** Evaluate Dodd-Frank provisions, FDIC deposit insurance pricing, Basel III risk-weighted capital ratios, and bank stress testing protocols.

Required Course Materials & Approximate Costs

1. **Anthony Saunders, Marcia Millon Cornett, and Erhemjamts Otgontsetseg. *Financial Markets and Institutions*. 8th ed., McGraw Hill, 2024.** Approx. $70 digital rental, $145 print purchase.
2. **Federal Reserve Bank Case Studies and Regulatory Policy Readings.** Free digital access provided via Canvas.
3. **Total estimated cost:** $70 to $145.

Generative AI Policy (AI Level 2: AI Permitted with Disclosure for Specified Tasks)

In accordance with Alkimi University Academic Policies (Student Handbook §5.8), FIN 340 operates under **AI Level 2**.

- **What is permitted:** You may use generative AI tools to review central bank monetary policy definitions, look up historical interest rate regimes, and check spreadsheet formulas for duration gap calculations.
- **What is prohibited:** You may not use AI tools during in-class examinations, nor may you submit AI-generated bank financial analysis reports, regulatory briefs, or asset-liability management solutions as your own work.
- **Disclosure:** All submitted project deliverables and homework problem sets must disclose any generative AI tools utilized, summarizing the specific prompts and how outputs were checked for accuracy.

Grading Components and Weights

- **Midterm Examination 1:** 20% (In class, Thursday, September 24)
- **Midterm Examination 2:** 20% (In class, Thursday, October 29)
- **Bank Asset-Liability Management (ALM) Project:** 20% (Due Friday, November 20 at 11:59 p.m.)
- **Financial Institution Problem Sets:** 15% (Five quantitative risk modeling problem sets submitted via Canvas on Fridays at 11:59 p.m.; lowest score dropped)
- **Regulatory & Monetary Policy Briefings:** 5% (Online reading quizzes and central bank policy briefings completed in Canvas)
- **Comprehensive Final Examination:** 20% (Wednesday, December 16, 2026, 1:30–3:30 p.m.)

Grading Scale (Alkimi University Standard)

- **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+:** 67–69% | **D:** 60–66% | **F:** Below 60%
- **Extra credit:** No extra credit assignments are offered in FIN 340. Students should concentrate on completing all problem sets, the ALM project, and thorough exam preparation.

Course Schedule (Fall 2026)

Week	Dates	Topics & Readings	Assignments & Deadlines
Week 1	Aug 27	**The Special Nature of Financial Intermediaries:** Why financial intermediaries exist: transaction costs, information asymmetry,	*First day of classes: Wed Aug 26.*

Week	Dates	Topics & Readings	Assignments & Deadlines
		liquidity provision, and asset transformation services. *Reading: Saunders et al., Ch. 1*	
Week 2	Sep 1, 3	**Interest Rate Determination and Term Structure:** Supply and demand for loanable funds, inflation expectations, term structure theories, and the yield curve as a macroeconomic predictor. *Reading: Saunders et al., Ch. 2–3*	*Wed Sep 2: Add/section change deadline.*
Week 3	Sep 8, 10	**The Federal Reserve and Monetary Policy:** Federal Reserve structure, monetary policy instruments, open market operations, discount window lending, and reserve requirements. *Reading: Saunders et al., Ch. 4*	*Mon Sep 7: Labor Day (no classes). Wed Sep 9: Census date (last day to drop without a W).*
Week 4	Sep 15, 17	**Commercial Bank Operations and Balance Sheets:** Bank balance sheet structure, loans, securities, deposits, non-deposit liabilities, off-balance-sheet activities, and shadow banking. *Reading: Saunders et al., Ch. 11*	—
Week 5	Sep 22, 24	**Bank Financial Performance and Midterm Exam 1:** Bank financial statements, ROE breakdown, net interest margin, efficiency ratio, and CAMELS rating framework; Midterm Examination 1 in class. *Reading: Saunders et al., Ch. 12*	**Midterm Examination 1 (in class).**
Week 6	Sep 29, Oct 1	**Other Depository and Lending Institutions:** Savings associations, mutual savings banks, credit unions, and finance companies: structural differences, tax treatment, and competitive pressures. *Reading: Saunders et al., Ch. 13*	—
Week 7	Oct 6, 8	**Insurance Companies and Pension Funds:** Life and property-casualty insurance underwriting, loss ratios, combined ratios, reinsurance, and private/public pension fund funding. *Reading: Saunders et al., Ch. 14–15*	—
Week 8	Oct 15	**Securities Firms and Investment Banks (Fall Break Week):** Investment banking functions, underwriting IPOs and seasoned equity offerings, market making, and venture capital financing (Fall Break week). *Reading: Saunders et al., Ch. 16*	*Oct 12–Oct 13: Fall break (no classes).*
Week 9	Oct 20, 22	**Mutual Funds, Hedge Funds, and Asset Management:** Mutual fund structures (open-end vs. closed-end), ETFs, hedge fund strategies, private equity funds, and systemic stability implications. *Reading: Saunders et al., Ch. 17*	—
Week 10	Oct 27, 29	**Interest Rate Risk: Repricing Model and Midterm 2:** Sources of interest rate risk, repricing gap model, rate-sensitive assets and liabilities, and cumulative gap analysis; Midterm Examination 2 in class. *Reading: Saunders et al., Ch. 18*	**Midterm Examination 2 (in class).**
Week 11	Nov 3, 5	**Managing Interest Rate Risk: Duration Gap Analysis:** Duration gap model, leverage-adjusted duration gap, immunization of bank equity value, and hedging with interest rate derivatives. *Reading: Saunders et al., Ch. 19*	*Fri Nov 6: Last day to withdraw (W) or elect Pass/No Pass.*
Week 12	Nov 10, 12	**Credit Risk Measurement and Management:** Credit underwriting, the 5 Cs of credit, Altman's Z-score, credit metrics, loan covenants, and loan portfolio credit risk diversification. *Reading: Saunders et al., Ch. 20*	—
Week 13	Nov 17, 19	**Liquidity Risk and Bank Run Dynamics:** Causes of liquidity risk, liability management, asset liquidity, deposit runs, and liquidity coverage ratios; ALM Project due Friday. *Reading: Saunders et al., Ch. 21*	**Bank Asset-Liability Management (ALM) Project due Fri Nov 20 at 11:59 p.m.**
Week 14	Nov 24	**Foreign Exchange and Sovereign Risk (Thanksgiving Week):** Foreign exchange trading, currency risk exposure, sovereign lending risk, and international debt restructuring (Thanksgiving week). *Reading: Saunders et al., Ch. 22*	*Nov 25–Nov 27: Thanksgiving break (no classes).*
Week 15	Dec 1, 3	**Bank Capital Regulation and Basel Accords:** History of US banking regulation, Dodd-Frank Act, Basel I/II/III capital	—

Week	Dates	Topics & Readings	Assignments & Deadlines
		adequacy accords, risk-weighted assets, and CCAR stress testing. *Reading: Saunders et al., Ch. 23*	
Week 16	Dec 8	**Deposit Insurance, Systemic Risk, and Course Synthesis:** Deposit insurance reform, FDIC resolution mechanics, systemic risk designation, financial technology (Fintech) disruptions, and final review. *Reading: Saunders et al., Review*	*Wed Dec 9: Last day of classes. Thu Dec 10: Reading Day.*
Finals	Dec 16	**Comprehensive Final Examination:** Wednesday, December 16, 2026, 1:30–3:30 p.m., Lovell Hall 210.	Scheduled during the university final examination period in Lovell Hall 210.

Course Policies

Attendance Policy

Consistent attendance in Lovell Hall 210 is essential for engaging in institutional case discussions and mastering quantitative balance sheet models. If you need to miss class for an excusable reason, notify Dr. Rossi as early as possible and arrange to review notes with a peer. Students who miss the first two class meetings without notifying the instructor may be dropped. Students may miss class for religious observance without penalty if they notify the instructor in writing within the first two weeks of the semester (by Wednesday, September 9, 2026). Absences for university-sponsored activities (athletics, performances, conferences) are excused with a letter from the sponsoring office at least one week in advance.

Late Work Policy

Problem sets and the Bank ALM Project are penalized 10% per calendar day late and will not be accepted after three days past the deadline. Canvas concept quizzes close at the deadline and cannot be completed late.

Final Exam Policy

The final examination (Wednesday, December 16, 2026, 1:30–3:30 p.m.) is scheduled by the University Registrar and can't be moved without the Dean's written approval (Faculty Handbook §5.5). A student with three or more final exams on the same calendar day may reschedule one of them. Requests go to the instructor of the middle exam by the last day of classes. For this term, send the request by Wednesday, December 9, 2026 (Student Handbook §6.4).

Academic Integrity

Alkimi University is an academic community devoted to rigorous scholarship, open intellectual inquiry, and uncompromising ethical conduct. All students are subject to the regulations of the Alkimi University Academic Integrity Policy. Academic dishonesty—including plagiarism, cheating on examinations, unauthorized collaboration, fabrication of empirical data, and unauthorized submission of academic work generated by artificial intelligence—undermines the integrity of the university and carries severe disciplinary sanctions. Sanctions range from a failing grade on an assignment or exam to an administrative course failure recorded as an 'XF' on the official transcript, academic suspension, or expulsion. Suspected violations are formally investigated and resolved through the Office of Academic Integrity in accordance with Faculty Handbook §6. For detailed information, consult the Office of Academic Integrity, Lovell Hall 315, (555) 555-0163, integrity@university.alkimi.ai.

Accessibility Services

Alkimi University is committed to providing equitable educational access and reasonable accommodations for all students with documented disabilities, including physical, sensory, psychological, learning, and chronic health conditions. Students requesting academic accommodations must formally register with the Office of Accessibility Services, Harlan Hall 204, (555) 555-0155, access@university.alkimi.ai. Once approved, students will receive an official Faculty Accommodation Letter detailing approved accommodations. Students should present this letter to the instructor as early in the semester as possible, and at least one week prior to any exam or assignment requiring accommodation. Accommodations cannot be applied retroactively.

Student Wellness and Mental Health

Your physical health, psychological well-being, and mental health are essential to your academic success. If you experience heightened stress, anxiety, depressive symptoms, personal trauma, or academic burnout, free, confidential counseling and medical care are available through the Hollis Health & Counseling Center, located in the Hollis Center. Routine appointments are available Monday–Friday 8:00 a.m.–6:00 p.m. and Saturday 10:00 a.m.–2:00 p.m. during the semester by calling (555) 555-0190 or emailing health@university.alkimi.ai. Urgent, 24/7 crisis psychological counseling is accessible immediately at (555) 555-0199.

Campus Student Support Services

- **Academic Advising Center:** Lovell Hall 101 | (555) 555-0158 | advising@university.alkimi.ai
- **Writing Center:** Whitcombe Library 3rd Floor | Free consultations on papers, reports, and research projects at any stage.
- **Whitcombe Library:** Whitcombe Library, Main Floor | (555) 555-0170 | askalibrarian@university.alkimi.ai
- **Hollis Health & Counseling Center:** Hollis Center | (555) 555-0190 | 24/7 Counseling Line: (555) 555-0199 | health@university.alkimi.ai
- **Financial Markets & Bloomberg Lab:** Tidewell Hall | Resources for banking industry data, regulatory filings, and risk modeling assistance.