



# AFIN8003

## Banking and Financial Intermediation

Session 2, In person-scheduled-weekday, North Ryde 2023

*Department of Applied Finance*

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#### **Disclaimer**

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## General Information

Unit convenor and teaching staff

Chris Meier

[chris.meier@mq.edu.au](mailto:chris.meier@mq.edu.au)

Credit points

10

Prerequisites

(Admission to MActPrac or MFin) or (ACST603 or ACST6003 or AFIN6012 or ECON649 or ECON6049)

Corequisites

Co-badged status

Unit description

This unit applies finance theory to the context of operational decision-making and risk management in banking and financial intermediation. The major decision areas for banking management are covered within a regulatory and corporate responsibility framework. Major risks of banks and financial intermediation are being examined.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

**ULO1:** Examine how financial institutions provide a special set of services to households and firms.

**ULO2:** Explain how banks are regulated and why their risk-taking activities are subject to regulatory oversight.

**ULO3:** Evaluate the risks which banks face and demonstrate how these risks are managed.

**ULO4:** Assess adequacy of a bank's capital base.

## General Assessment Information

### Quiz

Assessment Type <sup>1</sup>: Quiz/Test Indicative Time on Task <sup>2</sup>: 2 hours Due: **Week 3** Weighting: **5%**

A quiz will be held covering material from Weeks 1 and 2. Please use the quiz result as an indicator of whether you are progressing satisfactorily in the unit.

On successful completion you will be able to:

- Examine how financial institutions provide a special set of services to households and firms.

### Mid Session Test

Assessment Type <sup>1</sup>: Quiz/Test Indicative Time on Task <sup>2</sup>: 10 hours Due: **Week 7** Weighting: **20%**

A mid session test of 90 minutes will be held during the session.

On successful completion you will be able to:

- Examine how financial institutions provide a special set of services to households and firms.
- Explain how banks are regulated and why their risk-taking activities are subject to regulatory oversight.
- Evaluate the risks which banks face and demonstrate how these risks are managed.
- Assess adequacy of a bank's capital base.

### Individual Assignment

Assessment Type <sup>1</sup>: Report Indicative Time on Task <sup>2</sup>: 12 hours Due: **Week 12** Weighting: **25%**

Students will complete an individual assignment related to the banking and finance industry. The assignment will be 1000-1500 words.

On successful completion you will be able to:

- Examine how financial institutions provide a special set of services to households and firms.
- Explain how banks are regulated and why their risk-taking activities are subject to regulatory oversight.
- Evaluate the risks which banks face and demonstrate how these risks are managed.
- Assess adequacy of a bank's capital base.

### Final Examination

Assessment Type <sup>1</sup>: Examination Indicative Time on Task <sup>2</sup>: 20 hours Due: **University**

## Examination Period Weighting: 50%

A two hour exam will be held during the University Examination Period.

On successful completion you will be able to:

- Examine how financial institutions provide a special set of services to households and firms.
- Explain how banks are regulated and why their risk-taking activities are subject to regulatory oversight.
- Evaluate the risks which banks face and demonstrate how these risks are managed.
- Assess adequacy of a bank's capital base.

<sup>1</sup> If you need help with your assignment, please contact:

- the academic teaching staff in your unit for guidance in understanding or completing this type of assessment
- the [Writing Centre](#) for academic skills support.

<sup>2</sup> Indicative time-on-task is an estimate of the time required for completion of the assessment task and is subject to individual variation

## Late Assessment Submission Penalty (written assessments)

Unless a Special Consideration request has been submitted and approved, a 5% penalty (of the total possible mark) will be applied each day a written assessment is not submitted, up until the 7th day (including weekends). After the 7th day, a grade of '0' will be awarded even if the assessment is submitted. Submission time for all written assessments is set at 11.55pm. A 1-hour grace period is provided to students who experience a technical concern.

For any late submissions of time-sensitive tasks, such as scheduled tests/exams, performance assessments/presentations, and/or scheduled practical assessments/labs, students need to submit an application for [Special Consideration](#).

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Quiz</a>	5%	No	Week 3
<a href="#">Mid Session Test</a>	20%	No	Week 7
<a href="#">Final Examination</a>	50%	No	Examination Period

Name	Weighting	Hurdle	Due
<u>Individual Assignment</u>	25%	No	Week 12

## Quiz

Assessment Type <sup>1</sup>: Quiz/Test

Indicative Time on Task <sup>2</sup>: 2 hours

Due: **Week 3**

Weighting: **5%**

A quiz will be held covering material from Weeks 1 and 2. Please use the quiz result as an indicator of whether you are progressing satisfactorily in the unit.

On successful completion you will be able to:

- Examine how financial institutions provide a special set of services to households and firms.

## Mid Session Test

Assessment Type <sup>1</sup>: Quiz/Test

Indicative Time on Task <sup>2</sup>: 10 hours

Due: **Week 7**

Weighting: **20%**

A mid session test of 90 minutes will be held during the session.

On successful completion you will be able to:

- Examine how financial institutions provide a special set of services to households and firms.
- Explain how banks are regulated and why their risk-taking activities are subject to regulatory oversight.
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## Final Examination

Assessment Type <sup>1</sup>: Examination

Indicative Time on Task <sup>2</sup>: 20 hours

Due: **Examination Period**

Weighting: **50%**

A two hour exam will be held during the University Examination Period.

On successful completion you will be able to:

- Examine how financial institutions provide a special set of services to households and firms.
- Explain how banks are regulated and why their risk-taking activities are subject to regulatory oversight.
- Evaluate the risks which banks face and demonstrate how these risks are managed.
- Assess adequacy of a bank's capital base.

## Individual Assignment

Assessment Type <sup>1</sup>: Report

Indicative Time on Task <sup>2</sup>: 12 hours

Due: **Week 12**

Weighting: **25%**

Students will complete an individual assignment related to the banking and finance industry. The assignment will be 1000-1500 words.

On successful completion you will be able to:

- Examine how financial institutions provide a special set of services to households and firms.
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- the academic teaching staff in your unit for guidance in understanding or completing this type of assessment

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## Delivery and Resources

Delivery and Resources

**Required technology:** Non-programmable calculator.

**Learning and teaching strategy:** Classes typically consist of a two-hour lecture followed by a one-hour tutorial. Lectures are used to show how the topic fits into the overall unit aims and to establish theory principles. Tutorials are used to apply concepts to real world problems and review homework problems. Participation is strongly encouraged for you to check your progress towards achieving the learning outcomes for the unit.

**Textbook:** The textbook for the unit is *Lange, H., Saunders, A. and Cornett, M.M. (2015), Financial Institutions Management: A Risk Management Approach, 4th edition, McGraw-Hill*. Textbook material will be supplemented by articles and handouts. Chapters from the textbook and specified articles should be read prior to attending the scheduled lecture on that topic. Homework problems will be assigned at the end of lectures and should be completed before the tutorial the following week. Handouts and homework questions can be downloaded from the unit's iLearn site each week.

**Online learning:** iLearn (<https://ilearn.mq.edu.au>) provides the main online learning support. It is essential that you log in at least twice per week to keep abreast of unit-wide announcements and use the resources to supplement your learning. Lecture slides are available online beforehand for you to download from iLearn. Solutions to homework problems are made available online after the problems are discussed in the tutorial.

## Unit Schedule

Week	Topic	Reading	
1	Introduction to Financial Intermediation and Banks	Ch1-3	
2	Risk of Financial Intermediation	Ch4	
3	Interest Rate Risk	Ch5-6	Quiz due
4	Managing Interest Rate Risk	Ch7-8	
5	Market Risk	Ch9	
6	Individual Loan Risk	Ch10	
7	Mid-term Test		
8	Loan Portfolio and Concentration Risk	Ch11	
9	Public Holiday		

Week	Topic	Reading	
10	Sovereign Risk, Foreign Exchange Risk, and Liquidity Risk	Ch12-14	
11	Liability and Liquidity Management	Ch15	
12	Off-Balance-Sheet Risk	Ch16	Individual Assignment Due
13	Capital Management and Adequacy	Ch18	

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central \(https://policies.mq.edu.au\)](https://policies.mq.edu.au). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Assessment Procedure](#)
- [Complaints Resolution Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#)

Students seeking more policy resources can visit [Student Policies \(https://students.mq.edu.au/support/study/policies\)](https://students.mq.edu.au/support/study/policies). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

To find other policies relating to Teaching and Learning, visit [Policy Central \(https://policies.mq.edu.au\)](https://policies.mq.edu.au) and use the [search tool](#).

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: <https://students.mq.edu.au/admin/other-resources/student-conduct>

## Results

Results published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](https://ask.mq.edu.au) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

## Academic Integrity

At Macquarie, we believe [academic integrity](#) – honesty, respect, trust, responsibility, fairness and courage – is at the core of learning, teaching and research. We recognise that meeting the



expectations required to complete your assessments can be challenging. So, we offer you a range of resources and services to help you reach your potential, including free [online writing and maths support](#), [academic skills development](#) and [wellbeing consultations](#).

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

### The Writing Centre

[The Writing Centre](#) provides resources to develop your English language proficiency, academic writing, and communication skills.

- [Workshops](#)
- [Chat with a WriteWISE peer writing leader](#)
- [Access StudyWISE](#)
- [Upload an assignment to Studiosity](#)
- [Complete the Academic Integrity Module](#)

The Library provides online and face to face support to help you find and use relevant information resources.

- [Subject and Research Guides](#)
- [Ask a Librarian](#)

## Student Services and Support

Macquarie University offers a range of [Student Support Services](#) including:

- [IT Support](#)
- [Accessibility and disability support](#) with study
- Mental health [support](#)
- [Safety support](#) to respond to bullying, harassment, sexual harassment and sexual assault
- [Social support including information about finances, tenancy and legal issues](#)
- [Student Advocacy](#) provides independent advice on MQ policies, procedures, and processes

## Student Enquiries

Got a question? Ask us via [AskMQ](#), or contact [Service Connect](#).

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.