# Banking Management

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***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims to offer an in-depth view of the main areas of banking management. It aims to enable the student to answer the following questions: (i) what makes a bank strong? (ii) which service models are being imposed? (iii) what are the new players and what characteristics do they have? (iv) what are the lessons learned from the recent crises and from the technological innovation for banks? (v) what are the regulatory evolutionary trends and what is their impact? (vi) what are the peculiarities of investment banking? (vii) what are the new factors in the field (e.g. ESG) and their implications? Throughout the course, particular attention will be paid to the analysis and solution of concrete cases to allow students to give immediate concreteness to the theoretical topics covered.

Learning objectives that students are expected to achieve before accessing the course.

Before accessing the course, students should

– know the types of intermediaries operating in a financial system;

– know the economic functions performed by the banks;

– know the management of deposits and bank loans;

– know the structure of the financial statements of credit intermediaries;

– know the rules of prudential supervision and their implications on the company's internal control systems.

Learning objectives that students are expected to acquire during the course.

*(i) What makes banking sustainable over time?*

After completing the analysis of this topic, students will be able to

– understand the main strong points essential to characterise a sustainable bank over time and analyse the most important synthetic indicators that portray its state of health (profitability and solidity);

– recognise the different possible options of governance organisational models (traditional, monistic, dual), control architectures and related hierarchies;

– know how authorities and analysts/investors “read”

*(ii) What service models are emerging in the banking industry?*

After completing the analysis of this topic, students will be able to

– know the main models of banking intermediation (*originate and distribute and originate and hold*) and to explain the reasons for a bank failure case with an *originate* and *distributed* model;

– know the main characteristics of the universal bank and the main banking processes (e.g. credit process);

– recognise the new models that are emerging, such as (i) low cost, (ii) asset management driven, (iii) business bank, (iv) bank oriented to payment services, etc.

*(iii) What are the new players and what characteristics do they have?*

After completing the analysis of this topic, students will be able to understand the phenomena in which the new players propose themselves as

– operators specialised in individual business components (e.g. payment specialists, NPL managers, etc.);

– comparison portals;

– players from parallel industries that benefit from the banking distribution system (e.g. insurance).

*(iv) What are the lessons learned from the recent crises and from the evolution of banking technology?*

After completing the analysis of this topic, students will be able to

– understand the causes of the two recent crises (2008 financial crisis, 2020 pandemic crisis) and the effects they had on the banking industry (e.g. NPL securitisation in 2008, collaboration with the state in 2020);

– recognise the potential of databases and CRM systems demonstrated by large companies;

– understand the criteria for adapting information systems (trade-off between evolutionary maintenance and full rewrite).

– More generally, understanding the need to establish a culture of continuous innovation within the traditional banking company (transition from no error to innovation through error).

*(v) What are the regulatory evolutionary trends and what is their impact?*

After completing the analysis of this topic, students will be able to

– understand the conduct of the main central banks and their implications on banking;

– analyse the consequences given the different national rules on bank mergers in the European context;

– understand the impact of accounting principles on the behaviour of banking companies

*(vi) What are the peculiarities of investment banking?*

After completing the analysis of this topic, students will be able to

– understand the different scopes of action;

– recognise the different methods of funding;

– understand the different roles in the company.

*(vii) What are the new factors in the field and their implications?*

After completing the analysis of this topic, students will be able to

– understand what the implications have been and what the consequences may be of the establishment of opinion movements such as ESG and consumerism on the banking industry

– analyse the implications for the solution industry such as blockchain and crypto-currencies*.*

*(viii) What will make a successful bank possible in the future?*

After completing the analysis of this topic, students will be able to

– understand the relationship between cost of capital and risk, from the point of view of the supervisory authority and of investors

– analyse the implications of technological evolution for the human factor

– understand the importance of the enhancement of databases.

***COURSE CONTENT***

1. *Trust and the role of banks*
   * be part of the problem in 2008
   * be part of the solution in 2020
2. *Sustainability of the banking business*
   * soundness
   * profitability
   * governance
   * how authorities and analysts/investors “read” the banks
3. *The service models that are emerging*
   * main models of banking intermediation (*originate and distribute and originate and hold*)
   * universal banking and core banking processes
   * low-cost
   * wealth-management driven
   * business bank
   * payment service-oriented bank
4. *The new specialist players*
   * payment specialists
   * comparison portals
   * insurance
   * management of non-performing loans
5. *The evolutionary accelerations and the lessons learned of the banks* 
   * securitisation and NPLs
   * use of databases and CRM
   * strategic alternatives in technological evolution
   * the error culture (not repeated) and innovation
6. *Regulatory changes and their impact*
   * the different approaches of central authorities in fostering innovation
   * national standards and difficulties for international *Mergers and Acquisitions*
   * the impact of accounting principles
   * the importance of transparent communication
7. *The differences in investment banking*
   * scope of action
   * funding
   * market making
   * pay systems
8. *The new factors and their implications* 
   * ESG and its potential limitations
   * blockchain and *cryptocurrencies*
   * consumer protection
9. *Possible factors for the success of a bank in the future* 
   * cost of capital and risk
   * technological evolution and the human factor
   * ability to enhance databases

These topics will be accompanied by relevant *case studies* to be treated in class

***READING LIST***

The particular structure of the course and the conjunctural analysis of certain topics covered do not allow for the identification of specific texts for all the topics covered in class. Therefore, the appropriate reading list references will be indicated during lectures.

A collection of readings and supplementary teaching material will be made available through the Blackboard platform on the course website.

***TEACHING METHOD***

The course includes lectures (60%), discussion of business cases (relating to bank management issues) with presentations by students (30%) and possible seminars by sector operators (10%).

The discussion of business cases involves discussions in class (based on a list presented at the beginning of the course). Each case, together with a set of questions for the preparation of the case, is assigned to a reference group; the assignment of the case depends on the preferences expressed by each group. During the course, each case is made available a week in advance to allow time for preparation and includes a presentation in the classroom given by the reference group (time allowed 60 minutes). Before the discussion in the classroom, the reference group must deliver to the lecturer both the presentation that will be used in the classroom and a document containing the answers to the set of questions provided when the case was assigned.

All groups participate in the discussion of the case and are invited to interact with the reference group as well as to provide answers to the questions assigned for the preparation of the case.

***ASSESSMENT METHOD AND CRITERIA***

The exam consists of a written test, including 4 or 5 questions, lasting a total of 90 minutes. The 4 or 5 questions (also on business cases) are open-ended and relating to all points of the programme. The mark of the written test is on a thirty-point scale.

The discussion of business cases in groups during lectures assigns additional points to the mark of the written test (equal to more than 3 points to be added to the mark of the written test). Participation in the group discussion is optional but strongly recommended.

The final mark will take into account the:

1. knowledge and understanding of the topics assessed through open-ended questions aimed at exhaustively covering the topics of the programme in order to verify the students’ ability to formulate correct and in-depth answers (45%) and to use specific terminology appropriately (5%);
2. ability to apply the knowledge assessed through the application of theoretical knowledge to real business cases discussed in the classroom (20%);
3. critical analysis skills assessed in the discussion of the cases (in particular in the interaction between the various groups) and in sub-points of the open-ended questions through the examination of the most common opportunities and criticalities related to the bank management (20%), considering the field choices;
4. communication skills assessed through the presentation of business cases in the classroom and their compliance with timelines (10%).

***NOTES AND PREREQUISITES***

*Possible remote teaching*

In case the current Covid-19 health emergency does not allow frontal teaching, remote teaching will be carried out following procedures that will be promptly notified to students.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG or on the Faculty notice board.