# Banking

## Prof. Alberto Banfi

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

The course intends to present the main elements of banking management through the analysis of both the regulatory framework of reference and various areas in which banks in Italy operate and with references to international market. By the end of the course, the student should: be able to understand how banks fund themselves and use their resources and the wide range of services offered; be familiar with the role of the regulatory authorities and the impact of the supervisory arrangements on the bank activity; and be able to interpret the operations of a bank through the analysis of the main accounts of the bank's financial statements and of the main structure’s markers. as well as to grasp the main trends in the banking industry nationally and internationally.

Teaching objectives

*Students should strive to achieve the following objectives during the course.*

Students should:

– gain an understanding of the fundamentals of banking management, with a particular emphasis on the specific role of the bank as a financial intermediary;

– understand the role of the regulatory authorities and the importance of controls in banking activity;

– recognise the importance of a bank's regulatory capital and understand the means for computing the main obligatory requisites;

– gain an understanding of the main techniques employed for treasury and liquidity management, as well as an understanding of decisions about selecting the most appropriate policies for funding;

– gain an understanding of the means for granting and managing loans in light of recent regulatory changes;

– distinguish the areas of activity within the bank financial statements, and the contribution of the same to the operating results;

– understand the recent developments in the banking market in Italy and the current structure of the banking system national and international;

– be able to read and understand the main statistics concerning the banks and financial intermediaries operating in Italy;

– understand the evolutionary trendline of the credit activity in Italy and the European Union.

***COURSE CONTENT***

1. *Economic fundamentals of banking management, the regulatory framework.*

Financial intermediation and the specific characteristics of banks: theoretical fundamentals. Banks and credit intermediation. The monetary function and the credit function. The regulatory and legislative framework: oversight activity and recent developments in relation thereto. The European Central Bank and the the European Banking Union.

2. *The management of liquidity and bank funding.*

Payments system and treasury decisions. The principal instruments for managing liquidity. Funding policy and objectives: wholesale and retail funding.

3. *Asset management: loans and the allocation function*

Loans within the sphere of banking management. Creditworthiness and the bank/business relationship. The main banking activities and capital requirements: investments in real properties and shareholdings; other assets and the level of associate risk.

4. *Banking activity as seen through the financial statements*

Fundamental principles of bank financial statements. Structure of a bank's financial statements and main accounts. Profitability through analysis of the income statement accounts.

5. *The recent evolution of the banking industry in the national and international context*

The main aspects of recent developments in banking in Italy. Organisational structure of banks. Current trends and statistics about the Italian and the international banking system.

***READING LIST***

Required reading

A. Banfi-M. Biasin-M. Borroni-M. Oriani, *Economia degli intermediari finanziari,* Isedi, Turin 2022, (Chapters from 1 to 8).

A complete exam preparation includes the material available to students on the Blackboard platform (lecture slides and other documentation).

Recommended reading

A. Banfi-F. Di Pasquali, *Le banche centrali negli anni della crisi*, Isedi, Turin, 2014;

Banca D’italia, *Relazione per l’anno 2021,* Rome, 2022.

For details of the bibliography and material useful for taking the exam, please refer to the specific notice on Blackboard.

***TEACHING METHOD***

The course will be taught through the classic method (lectures) with the aid of slides and other support material. The slides used in class will be made available to the students in the download area of the professor's web page and on the Blackboard platform. Documentation for further study of individual aspects of the themes covered will be made available during the year to students on a regular basis. During the course will be seminars conducted by experts in the field.

During the course there will be presentations by qualified operators of banking and financial market.

***ASSESSMENT METHOD AND CRITERIA***

The exam is a written test consisting of an adequate number of open-ended questions and/or exercises (from a minimum of 5-6 to a maximum of 10-12) based on which the lecturer is able to verify the student’s preparation. Depending on the number of students attending the exam, the test may include different sets of questions and/or exercises with the same degree of difficulty.

It is also possible to arrange specific exam procedures in favor of regularly attending students (only in case of exam sessions agreed with the students): in this case the number of open-ended questions and/or exercises may be higher than in regular exam sessions and these may also be supplemented with closed-ended questions (about a dozen) mainly on issues specifically and accurately covered during lectures. This type of exam may also be completed with an interview (not mandatory).

The final mark, expressed in thirtieth, will take into account the accuracy and quality of the answers (80%), as well as the appropriate use of specific terminology (20%).

***NOTES AND PREREQUISITES***

Intended learning outcomes before starting the course

Students are expected to

– have full knowledge of the system of financial intermediaries and the role played by credit intermediation in it;

– know the structure of bank balance sheet and income statement.

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.