# EU financial systems and bank management

## Prof. Elena Beccalli; Prof. Massimo Mondazzi; Prof. Andrea Viola

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

The course is designed to provide the student with a comparative analysis of the institutional and organisational frameworks of the main financial systems at an international level with a focus on European countries. For this purpose, the course will illustrate the distinctive aspects of financial systems oriented primarily to markets and those oriented toward intermediaries as well as the reasons that have historically led to such differences. A special emphasis is placed on the types of intermediaries operating in the European context and the different operating models adopted by banks, as well as the structural and operational characteristics of the securities markets at the European level. The course also provides a review of financial crises in industrialised nations and emerging markets and the role of those crises in delineating the current organisation of financial systems. Finally, the course is designed to provide the student with an introduction to the transformational energy transition and the induced breakthrough effects on the financial systems, with particular reference to the EU context.

Instructional objectives of the course

1. *Financial systems at an international level*

After having completed the study of the material, the student is expected to be capable of:

– analysing from a comparative standpoint the nuances of market-based financial systems and bank-based;

– understanding the structural development of the main financial systems (France, Germany, Italy compared to Japan, Switzerland, UK, US) so as to understand the current differences.

1. *Financial intermediaries at an international level*

After having completed the study of the material, the student is expected to be capable of:

– understanding the types of intermediaries operating in the international financial systems, as well as their importance in relation to the different systems;

– understanding the distinctive aspects of bank management and bank business models (originate-to-distribute and originate-to-hold);

– comparing European bank intermediaries in terms of earnings, capital and operating efficiency;

– interpreting the mergers and acquisitions processes in the international banking sector, with particular focus on Europe.

1. *Securities markets at an international level*

After having completed the study of the material, the student is expected to be capable of:

– understanding the structural and operational aspects of securities markets at an international level;

– understanding and interpreting the empirical evidence in relation to the risk and return on financial instruments in international markets.

1. *Financial crises*

After having completed the study of the material, the student is expected to be capable of:

– interpreting the dynamics of financial crisis (USA, Argentina and Southeast Asia), banking crises (Japan, Scandinavia, and Russia) and speculative bubbles (Internet stocks);

– understanding the crisis originating from sub-prime mortgages in relation to issues regarding the financing of households and bank management models;

– understanding the dynamics of the Northern Rock case.

1. *The effects of energy transition on the financial system*

After having completed the study of the material, the student is expected to be able to understand:

* why environmental sustainability raised among the major reasons to assess businesses’ risks and opportunities in investors/lenders portfolios;
* which are the most important existing regulations/instructions to look at while assessing the financial markets’ evolution;
* the most important disclosures and metrics and how to read them;
* logic, functioning as well as weaknesses and strengths of ESG ratings.

At the end of the course, the student is also expected to be able to interpret the financial statistics compiled by institutions such as the European Central Bank and the Federal Deposit Insurance Corporation.

***COURSE CONTENT***

***Module 1 (3 CFU)***

1*. International financial systems*

* characteristics of financial systems that are mainly market-based and systems mainly oriented to intermediaries (bank-based) in terms of financing methods for companies, composition of financial portfolios of families, forms of financing for businesses and families;
* structural evolution of the main financial systems (United States, United Kingdom, France, Germany, Japan, Italy).

2*. Financial intermediaries at international level*

* types of intermediaries operating in international financial systems and their relative importance in the various systems;
* financial intermediation theories;
* distinctive features of bank business models (originate-to-distribute and originate-to-hold);
* income, equity and operational efficiency features of the banking industry;
* international merger and acquisition processes in the banking sector.

***Module 2 (2 CFU)***

3. *International financial markets and instruments*

* structural and operational assets of securities markets at international level (London Stock Exchange, New York Stock Exchange and NASDAQ);
* risk and return of financial instruments in international markets and benefits of portfolio diversification at international level;
* financial analysts and their forecasts.

4*. Financial crises*

* dynamics of financial crises (USA, Argentina and South-East Asia), banking crises (Japan, Scandinavia, Russia) and speculative bubbles (Internet stock);
* crisis originated by sub-prime mortgages in relation to aspects concerning the financing of families and the bank's management model.

***Module 3 (1 CFU)***

5.*Energy transition*

* overview of the reason why environmental sustainability recently became a must for the largest majority if not all industrial as well financial market activities;
* overview of the new regulations issued by the EU regulators and financial market authorities driven by sustainability matters;
* focus on the EU Taxonomy and its implementation aiming at framing the Financial and Non-Financial Disclosures and measuring the climate risks;
* focus on the very recent ECB Climate Risks Stress Test (methodology and results);
* focus on ESG ratings.

***READING LIST***

E. Beccalli: 2022, *Principles of banking and finance*, Vita e Pensiero.

The particular structure of the course and the economic analysis of some of the topics dealt with require additional readings. Reading references will thus be indicated in class.

Various readings and slides will be made available through the Blackboard platform dedicated to the course.

***TEACHING METHOD***

The course is organized in 3 modules: Elena Beccalli covers module 1, Andrea Viola module 2, and Massimo Mondazzi module 3. Each module is divided into a cycle of lessons carried out with the aid of slides and other support material. The course includes frontal lectures by the lecturer (95% of the course) and the participation of field experts in co-presence with the lecturer (5%).

***ASSESSMENT METHOD AND CRITERIA***

The examination consists of a written test with four questions; the test will run for 60 minutes. The questions are open-ended questions relating to points 1, 2, 3, 4 and 5 of the course content.

The final mark, on a 30-point scale, will be based on the:

1. students’ knowledge and understanding of the topics assessed through open-ended questions aimed at exhaustively covering the topics of the course in order to verify the student's ability to formulate correct and thorough answers (50%) and appropriately use the specific terminology (10%);
2. ability to apply the knowledge assessed through open-ended questions, also based on the analysis of tables and graphs referred to real data (mainly in relation to point 1 of the course content), aimed at verifying the student's ability to interpret complex phenomena through trend data ( 30%);
3. critical analysis skills assessed through sub-points of open-ended questions (mainly in relation to points 4 and 5 of the course content), aimed at verifying the student's ability to critically analyse some complex phenomena (10%).

The course also includes the possibility to take an early exam session, specifically structured to favour students who have regularly attended lectures. In this case the questions will focus on specific topics discussed in detail during the lectures. The date of this exam is agreed with the students according to the Faculty's academic calendar.

The oral exam can be requested by students who have passed the written test, in case they believe that their preparation does not correspond to the test outcome. This possible oral exam is therefore a second optional test, but it is not integrative (i.e. the mark of the oral exam is averaged with the mark of the written test).

***NOTES AND PREREQUISITES***

*Possible remote teaching*

*Office hours*

Prof. Elena Beccalli office hours take place on Wednesdays from 16.00 at the Dean’s Office of the School of Banking, Financial and Insurance Sciences (Largo Gemelli 1).

Please refer to the website for the office hours of professors Massimo Mondazzi and Andrea Viola.