

Term Information

Effective Term Autumn 2017

General Information

Course Bulletin Listing/Subject Area Economics
Fiscal Unit/Academic Org Economics - D0722
College/Academic Group Arts and Sciences
Level/Career Graduate, Undergraduate
Course Number/Catalog 5261
Course Title Financial Economics I
Transcript Abbreviation Financial Econ I
Course Description Examination of the evolution of and economic issues facing financial markets, financial institutions, and financial market participants.
Semester Credit Hours/Units Fixed: 3

Offering Information

Length Of Course 14 Week, 12 Week, 8 Week, 7 Week, 6 Week, 4 Week
Flexibly Scheduled Course Never
Does any section of this course have a distance education component? No
Grading Basis Letter Grade
Repeatable No
Course Components Lecture
Grade Roster Component Lecture
Credit Available by Exam No
Admission Condition Course No
Off Campus Never
Campus of Offering Columbus

Prerequisites and Exclusions

Prerequisites/Corequisites Prereq: ECON 4001.01, 4001.02, or 4001.03, and 4002.01, 4002.02, or 4002.03, and Math 1151, 1152, 1161, or 2182H, or equiv.; or Grad standing.
Exclusions

Cross-Listings

Cross-Listings

Subject/CIP Code

Subject/CIP Code 45.0601
Subsidy Level Doctoral Course
Intended Rank Junior, Senior, Masters, Doctoral, Professional

Requirement/Elective Designation

The course is an elective (for this or other units) or is a service course for other units

Course Details

Course goals or learning objectives/outcomes

- This course will equip students with the intellectual skills to be an outstanding financial analyst, policy analyst, financial market regulator, lawyer and/or a wide variety of other paths.

Content Topic List

- Financial Markets: Capital Markets - Equities, the players: supply side & demand side, risks and return, portfolio theory, CAPM, APT, DDM and alternatives, ratio analysis
- Accounting/Financial Markets Basics: corporate structures, accounting systems, financial statements, how financial statements are connected, time value of money, PV and FV concepts and calculations, applications of PV and FV
- Capital Markets – Debt Market: the players: supply side & demand side, different debt markets, bond risks, calculating bond yields, bond ratings, long term bank loans, pricing bank loans
- Money Markets: money market instruments, LIBOR, Fed Funds and Pricing issues, breaking the buck
- Commercial Banks: Why banks exist: Asymmetric Information problem, bank's balance sheet, bank regulation, bank risk management, why banks don't want to be banks, credit unions
- Investment Banks: From Gatekeepers to Vampire Squid – this history of Investment Banks, Divisions/services of investment banks, the funding and revenues of investment banks, Investment banks and the global financial
- Insurance providers: Risk v. Uncertainty, Insurance products, Pricing of insurance products, Evolution of the insurance industry, Why health insurance in the US is not insurance
- Mutual Funds: Goals and structures of Mutual Funds, Types of mutual funds, Fees in mutual funds, Explaining the expansion of mutual funds, Mutual funds as predators
- Personal or Consumer Finance: The role of household in American financial markets, Households liquidity needs: savings & short term debt, Households long term borrowing: autos & mortgages, Households insurance needs
- Public Finance: Cost/Benefit v. Profit maximization, Deadweight loss v. externality internalization, Intergenerational transfers, US federal government debt, Muni bonds

Attachments

- Rationale for the new courses Financial Economics I and Financial Economics II v3 (002).docx: Rationale
(Other Supporting Documentation. Owner: Ramirez,Ana G)
- International Studies Concurrence Econ 5261 & 5262.pdf: Intlstds Concurrence
(Concurrence. Owner: Ramirez,Ana G)
- Sociology Concurrence Financial Economics Econ 5261 & 5262.pdf: Sociology Concurrence
(Concurrence. Owner: Ramirez,Ana G)
- Curriculum Map Update 2016.xlsx: Econ Curriculum Map
(Other Supporting Documentation. Owner: Ramirez,Ana G)
- AEDE Concurrence Financial Economics Econ 5261 & 5262.pdf: AEDE Concurrence
(Concurrence. Owner: Ramirez,Ana G)
- FCOB Financial Economics syllabus NO concurrence.pdf: FCOB Non-Concurrence
(Concurrence. Owner: Ramirez,Ana G)
- Glenn College Concurrence Financial Economics Econ 5261 & 5262.pdf: JGCP Concurrence
(Concurrence. Owner: Ramirez,Ana G)
- RE_ Financial Economics syllabus & concurrence forms Finance Chair.pdf: FCOB Finance department
(Concurrence. Owner: Ramirez,Ana G)
- BusFin 4265 syllabus Spring 2017 Fuller.pdf: BUSFIN4265 SyllabusFuller
(Other Supporting Documentation. Owner: Ramirez,Ana G)
- Syllabus_BusFin4265-2017SpringSemester_IsilErel.pdf: BUSFIN4265SyllabusErel
(Other Supporting Documentation. Owner: Ramirez,Ana G)
- RE_ Financial Economics syllabus & concurrence forms Brandl rebuttal.pdf: FCOBBrandelRebuttal
(Other Supporting Documentation. Owner: Ramirez,Ana G)
- FCOB non-Concurrence response.docx: Econ Rebuttal
(Other Supporting Documentation. Owner: Ramirez,Ana G)
- Financial Econ Concurrence Request.docx: Revised Concurrence List
(List of Depts Concurrence Requested From. Owner: Ramirez,Ana G)
- ECON 5261 Financial Economics I Fall 2017 syllabus BRANDLv3.docx: RevSyllabus
(Syllabus. Owner: Ramirez,Ana G)

Comments

- See 2-9-17 e-mail to T Logan and A Ramirez. *(by Vankeerbergen,Bernadette Chantal on 02/09/2017 04:27 PM)*

Workflow Information

Status	User(s)	Date/Time	Step
Submitted	Ramirez,Ana G	01/18/2017 04:05 PM	Submitted for Approval
Approved	Ye,Lixin	01/18/2017 10:44 PM	Unit Approval
Approved	Haddad,Deborah Moore	01/19/2017 11:40 AM	College Approval
Revision Requested	Vankeerbergen,Bernadette Chantal	02/09/2017 04:27 PM	ASCCAO Approval
Submitted	Ramirez,Ana G	02/20/2017 03:48 PM	Submitted for Approval
Approved	Ye,Lixin	02/20/2017 05:29 PM	Unit Approval
Approved	Haddad,Deborah Moore	02/20/2017 05:35 PM	College Approval
Pending Approval	Nolen,Dawn Vankeerbergen,Bernadette Chantal Hanlin,Deborah Kay Jenkins,Mary Ellen Bigler	02/20/2017 05:35 PM	ASCCAO Approval

According to the United States Department of Commerce, in 2015 the finance and insurance industry represented 7.2 percent (or \$1.293 trillion) of U.S. gross domestic product. The size of this already large and influential sector is expected to grow over the next several years. Despite the size and importance of this industry, most economics departments do not offer undergraduate courses in financial economics.

Finance v. Financial Economics

Many people often confuse the field of finance and the field of financial economics. The field of finance, roughly speaking, comprises three major divisions and several subdivisions. Finance is made up of Corporate Finance, Asset Pricing (often referred to as Investments) and Financial Institutions and Markets. Subdivisions in finance include real estate, behavioral finance, private equity, consumer finance, etc. In most of finance, prices are determined exogenously and emphasis is often placed on the management of financial assets. These areas of finance are often taught in business schools in American Universities.

Financial economics, on the other hand, applies the tools of economics (the building of formal economic models, econometric testing, examination of incentives, cost/benefit analysis, etc.) to examine how and why prices are determined in financial markets. Thus, unlike finance, prices are determined endogenously in financial economics. Financial economics also poses questions of efficiency. Questions addressed include: How efficiently do markets allocate capital? Why do financial markets and instruments exist? How and why do markets shift risk? Why do financial markets fail? What is the role of regulation in financial markets? These are important questions for students to address. However, currently in the United States, financial economics is rarely taught at the undergraduate level.

Why Undergraduate Financial Economics is needed

The tools of economics are needed to examine, objectively, how and why financial markets are playing such a large role in our economy and society. The tools of financial economics are also needed to understand how financial markets contributed to the greatest economic slowdown since the Great Depression. Undergraduates who wish to engage in the forming of our economy and society in the future will be well served to study the field of financial economics.

The two course Financial Economics sequence will equip students with a broad knowledge of important theoretical and empirical aspects of financial economics. The courses will push students to ask demanding questions and use their training to pursue answers on their own. These are not courses designed to mimic corporate training programs. These are not courses designed to “get students a job.” Instead these courses are designed to equip students with the skills they will need to understand the complexity of financial markets – where they have been, where they are now, and where they might be headed.

The first course in the two-semester sequence focuses on the theoretical and institutional aspects of financial economics. The second course focuses more on empirical academic research into topics and issues developed in the first semester course. Along the way students will be evaluated on their ability to develop the analytic and critical thinking skills needed to objectively evaluate financial markets and institutions, both domestically and globally.

From: [Mughan, Anthony](#)
To: [Logan, Trevon](#); [Herrmann, Richard](#); [Martin, Andrew](#); [Buchmann, Claudia](#); [Roe, Brian](#); [Bruno, John](#); [Foster, Karlene](#); [Greenbaum, Robert](#); [Brown, Trevor](#); [West, Patricia](#); [O'Neill, Jill](#); [Haab, Timothy](#)
Cc: [Ramirez, Ana](#)
Subject: RE: Financial Economics syllabus & concurrence forms
Date: Tuesday, January 17, 2017 9:14:02 AM
Attachments: [image001.png](#)

Trevon,

International Studies concurs with the Department of Economics's proposal to introduce an undergraduate course sequence in Financial Economics (ECON 5261 and ECON 5262).

Tony

Anthony Mughan
Professor, Political Science &
Director, International Studies
2140 Derby Hall
The Ohio State University
Columbus, OH 43210

Phone: (614) 292-9657
Fax: (614) 688-3020
E-mail: mughan.1@osu.edu

From: Logan, Trevon
Sent: Tuesday, January 17, 2017 8:16 AM
To: Herrmann, Richard; Martin, Andrew; Buchmann, Claudia; Roe, Brian; Bruno, John; Mughan, Anthony; Foster, Karlene; Greenbaum, Robert; Brown, Trevor; West, Patricia; O'Neill, Jill; Haab, Timothy
Cc: Ramirez, Ana
Subject: Financial Economics syllabus & concurrence forms

Hello,

We would like to solicit your concurrence on a new advanced undergraduate course sequence in Financial Economics Econ 5261 (3 credit hours) and Econ 5262 (3 credit hours).

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I hope that you will be able to extend your concurrence for the courses. Please let me know if you have questions.

Sincerely,



Trevon D. Logan, Ph.D.

Hazel C. Youngberg Trustees Distinguished Professor
College of Arts and Sciences Department of Economics
410 Arps Hall | 1945 N. High Street Columbus, OH 43210
614-292-0762 Office | 614-292-3906 Fax
logan.155@osu.edu osu.edu

From: [Logan, Trevon](#)
To: [Ramirez, Ana](#)
Subject: FW: Financial Economics syllabus & concurrence forms
Date: Tuesday, January 17, 2017 10:05:02 AM
Attachments: [image001.png](#)

From: Martin, Andrew
Sent: Tuesday, January 17, 2017 10:04 AM
To: Logan, Trevon <logan.155@osu.edu>
Subject: RE: Financial Economics syllabus & concurrence forms

Hi Trevon,

Sociology concurs with the Department of Economics's proposal to introduce an undergraduate course sequence in Financial Economics (ECON 5261 and ECON 5262).

Best

Andrew Martin

From: Logan, Trevon
Sent: Tuesday, January 17, 2017 8:17 AM
To: Herrmann, Richard; Martin, Andrew; Buchmann, Claudia; Roe, Brian; Bruno, John; Mughan, Anthony; Foster, Karlene; Greenbaum, Robert; Brown, Trevor; West, Patricia; O'Neill, Jill; Haab, Timothy
Cc: Ramirez, Ana
Subject: Financial Economics syllabus & concurrence forms

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logan.155@osu.edu osu.edu

From: [Logan, Trevon](#)
To: [Ramirez, Ana](#); [Brandl, Michael W.](#)
Subject: FW: Financial Economics syllabus & concurrence forms
Date: Tuesday, January 17, 2017 11:06:27 AM
Attachments: [image001.png](#)
[image002.png](#)

From: Haab, Timothy
Sent: Tuesday, January 17, 2017 11:00 AM
To: Logan, Trevon <logan.155@osu.edu>
Cc: Roe, Brian <roe.30@osu.edu>; Hnytka, Gina <hnytka.4@osu.edu>; Sohngen, Brent <sohngen.1@osu.edu>; Sheldon, Ian <sheldon.1@osu.edu>
Subject: RE: Financial Economics syllabus & concurrence forms

Understand (and we encourage the rigor). Thanks.

From: Logan, Trevon
Sent: Tuesday, January 17, 2017 10:58 AM
To: Haab, Timothy <haab.1@osu.edu>
Cc: Ramirez, Ana <ramirez.159@osu.edu>; Brandl, Michael W. <brandl.4@osu.edu>
Subject: RE: Financial Economics syllabus & concurrence forms

Tim,

Thanks. We may need to have the 1131 count with a restriction on the grade in that course. The instructor, Mike Brandl, will be doing a rigorous course and the calculus requirement will be similar to our game theory course. The reason for the 4001.01 allowance is that there are some BS majors who cannot enroll in 4001/2.02 or 4001.2.03. To be clear, we are planning these course for our BS students, but the changes you have suggested can be accommodated for the most part. We do not want students to be surprised by the level of rigor here.



Trevon D. Logan, Ph.D.

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logan.155@osu.edu osu.edu

From: Haab, Timothy
Sent: Tuesday, January 17, 2017 10:49 AM
To: Logan, Trevon <logan.155@osu.edu>

Subject: RE: Financial Economics syllabus & concurrence forms

Trevon,

AEDE concurs with the offering of the new advanced undergraduate course sequence in Financial Economics (5261 and 5262) with the following request: that you include AEDE 4001 as an alternative prerequisite to Econ 4001.01 and allow Math 1131 as alternative prerequisite to Math 1151. We require Math 1131 as a prerequisite for AEDE 4001. Given that Econ 4001.01 is the non-calculus based section and accepted as a prerequisite for the , it seems advantageous to all to allow students who have completed our version of intermediate micro (Managerial Econ) which requires Business calculus as a pre-requisite into the course.

Thanks,

Tim

From: Logan, Trevon

Sent: Tuesday, January 17, 2017 8:17 AM

To: Herrmann, Richard <herrmann.1@osu.edu>; Martin, Andrew <martin.1026@osu.edu>; Buchmann, Claudia <buchmann.4@osu.edu>; Roe, Brian <roe.30@osu.edu>; Bruno, John <bruno.1@osu.edu>; Mughan, Anthony <mughan.1@polisci.osu.edu>; Foster, Karlene <foster.24@osu.edu>; Greenbaum, Robert <greenbaum.3@osu.edu>; Brown, Trevor <brown.2296@osu.edu>; West, Patricia <west.284@osu.edu>; O'Neill, Jill <oneill.139@osu.edu>; Haab, Timothy <haab.1@osu.edu>

Cc: Ramirez, Ana <ramirez.159@osu.edu>

Subject: Financial Economics syllabus & concurrence forms

Hello,

We would like to solicit your concurrence on a new advanced undergraduate course sequence in Financial Economics Econ 5261 (3 credit hours) and Econ 5262 (3 credit hours).

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614-292-0762 Office | 614-292-3906 Fax
logan.155@osu.edu osu.edu

From: [Logan, Trevon](#)
To: [Brandl, Michael W.](#); [Ramirez, Ana](#)
Subject: FW: Financial Economics syllabus & concurrence forms
Date: Wednesday, January 18, 2017 10:58:55 AM
Attachments: [image001.png](#)

As expected.



Trevon D. Logan, Ph.D.

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College of Arts and Sciences Department of Economics
410 Arps Hall | 1945 N. High Street Columbus, OH 43210
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logan.155@osu.edu osu.edu

From: O'Neill, Jill
Sent: Wednesday, January 18, 2017 10:54 AM
To: Logan, Trevon <logan.155@osu.edu>; Palma, Anthony <palma.16@osu.edu>
Subject: RE: Financial Economics syllabus & concurrence forms

Hi Trevon,

The department of Finance in the College of Business is going to decline concurrence. Dr. Minton (dept. chair) will be following up with you directly.

Best,

Jill O'Neill

Director, Operations and Enrollment
Chair, Scholarship Committee
The Ohio State University
Fisher College of Business Undergraduate Programs and Advising
120R Schoenbaum Hall | 210 W. Woodruff Ave. | Columbus, OH 43210
614-292-2715 Main Office | 614-292-5735 Fax
oneill.139@osu.edu fisher.osu.edu

From: Logan, Trevon
Sent: Tuesday, January 17, 2017 8:16 AM
To: Herrmann, Richard; Martin, Andrew; Buchmann, Claudia; Roe, Brian; Bruno, John; Mughan, Anthony; Foster, Karlene; Greenbaum, Robert; Brown, Trevor; West, Patricia; O'Neill, Jill; Haab, Timothy
Cc: Ramirez, Ana
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logan.155@osu.edu osu.edu

From: [Logan, Trevon](#)
To: [Ramirez, Ana](#)
Subject: FW: Financial Economics syllabus & concurrence forms
Date: Tuesday, January 17, 2017 9:38:06 AM
Attachments: [image002.png](#)
[image003.png](#)

Ana,

I think Tony cc'd you on his concurrence. If sot, let me know and I'll forward it.



Trevon D. Logan, Ph.D.

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logan.155@osu.edu osu.edu

From: Greenbaum, Robert
Sent: Tuesday, January 17, 2017 9:37 AM
To: Logan, Trevon <logan.155@osu.edu>
Cc: Brown, Trevor <brown.2296@osu.edu>; Lavertu, Stephane <lavertu.1@osu.edu>; Hallihan, Kathleen <hallihan.3@osu.edu>
Subject: RE: Financial Economics syllabus & concurrence forms

Hi Trevon,

The Glenn College is pleased to offer concurrence for the two-course sequence in financial economics. I'm glad that these courses will now be offered.

Rob Greenbaum



Robert T. Greenbaum

Associate Professor, Associate Dean for Curriculum
John Glenn College of Public Affairs
350E Page Hall, 1810 College Road, Columbus, OH 43210
614-292-9578 Office / 614-292-2548 Fax
greenbaum.3@osu.edu glenn.osu.edu/faculty/glenn-faculty/greenbaum/

Buckeyes consider the environment before printing.

From: Logan, Trevon

Sent: Tuesday, January 17, 2017 8:17 AM

To: Herrmann, Richard; Martin, Andrew; Buchmann, Claudia; Roe, Brian; Bruno, John; Mughan, Anthony; Foster, Karlene; Greenbaum, Robert; Brown, Trevor; West, Patricia; O'Neill, Jill; Haab, Timothy

Cc: Ramirez, Ana

Subject: Financial Economics syllabus & concurrence forms

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From: [Logan, Trevon](#)
To: [Bendoly, Elliot](#)
Subject: RE: Financial Economics syllabus & concurrence forms
Date: Friday, January 27, 2017 9:17:04 AM
Attachments: [image001.png](#)
[image002.png](#)

Dear Elliot,

Thanks for your reply. I do have a few follow up questions for you:

- 1) Could you be more specific as to what courses comprise the overlap? As I mentioned in my original email we have structured this sequence to be for economics majors and it is unclear what combination of your courses this sequence overlaps with.
- 2) More specifically, what are the prerequisites of the courses which comprise this overlap?

Many thanks!



Trevon D. Logan, Ph.D.

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College of Arts and Sciences Department of Economics
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logan.155@osu.edu osu.edu

From: Bendoly, Elliot
Sent: Thursday, January 26, 2017 12:17 PM
To: Logan, Trevon <logan.155@osu.edu>
Subject: FW: Financial Economics syllabus & concurrence forms

Hello Trevon,

Thank you for asking for input on this course proposal.

We've now had discussions among our Finance faculty with regards to possible overlaps in the curriculum. Ultimately the consensus is that the coursework proposed largely mimics that which is already covered in electives, particularly as topics relate to financial institutions and markets. Some of content is in fact connected to discussions present in the Business Minor we offer to non-Fisher students. Since it is unlikely that the University wants to have courses offered by two different units that cover predominantly the same materials, in large part for consistency purposes but also for resource utilization purposes, Fisher isn't in the position to concur with the proposed course offering.

I personally believe that there may be value in near-term joint discussions between Finance faculty and faculty in the Economics department that may open up new avenues for exploring novel offerings that are less likely to create these issues. I would expect that a collaborative effort might give rise to some outstanding possibilities for extending the already excellence curriculum offerings at OSU. Please let me know if you would like for me to facilitate.

Best wishes,
Elliot

Professor Elliot Bendoly, PhD

Associate Dean of Undergraduate Students and Programs
& Fisher College of Business Distinguished Professor
Management Sciences, The Ohio State University
www.fisher.osu.edu www.bizbreed.com www.ma-vis.com

From: Logan, Trevon
Sent: Tuesday, January 17, 2017 8:16 AM
To: Herrmann, Richard; Martin, Andrew; Buchmann, Claudia; Roe, Brian; Bruno, John; Mughan, Anthony; Foster, Karlene; Greenbaum, Robert; Brown, Trevor; West, Patricia; O'Neill, Jill; Haab, Timothy
Cc: Ramirez, Ana
Subject: Financial Economics syllabus & concurrence forms

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Trevon D. Logan, Ph.D.
Hazel C. Youngberg Trustees Distinguished Professor

College of Arts and Sciences Department of Economics
410 Arps Hall | 1945 N. High Street Columbus, OH 43210
614-292-0762 Office | 614-292-3906 Fax
logan.155@osu.edu osu.edu



BUSINESS FINANCE 4265
Financial Institutions

Professor: Prof. Robert A Fuller
Email: fuller.469@osu.edu
Office Hours: by appointment.

Office: 310 Fisher Hall
Phone: 415-244-1334
Room: 220 Schoenbaum
TuTh 2:20-3:40 pm

Course Description

Financial Institutions play an extremely important role in the functioning of the global economy and in the operation of our firms. The financial crisis of 2007-2008 and recent global financial turbulence demonstrated both how important financial institutions are in the economy and how they are often times greatly misunderstood because of their complexity. Today, banks and other financial institutions are undergoing a great deal of change. The challenges they face are daunting and historic. Our goal is to examine financial institutions, these challenges and problems in depth. In doing so this class will not offer simple solutions to the complex problems financial institutions. Instead, this course will force you to think and engage in conversations so that you can gain insight into the problems and opportunities that await financial institutions and our global economy.

At the end of this course, students will be able to demonstrate that they understand

- The history and essential functions of banks in the economy.
- Important asset, liability and capital components in a bank balance sheet.
- How banks earn revenues and profits.
- The risks banks assume and how they are measured and manage.
- Key elements of the Financial Crisis and subsequent regulatory developments.
- The basic character of other types of Financial Institutions and roles they play in the Economy (including how they are regulated)
- Technological and other developments impacting the future of Financial Institutions.

Course Resources:

1. *Course lecture notes* are posted on the course website. Please bring your notes to class each day to participate in the class discussion.
2. *Required Readings* include sections from the *required textbook* (see #3) and other readings posted on the class website and in the course schedule.
3. *Required Textbook*: Brandl, Michael W. *Money, Banking, Financial Markets and Institutions*, Mason, OH: Cengage Learning, 2017. ISBN-10: 0538748575 | ISBN-13: 9780538748575. Please note that new and used versions of the textbook are available on www.amazon.com.

4. *Harvard Business School Course Packet*: Please follow this link <http://cb.hbsp.harvard.edu/cbmp/access/57442843> and follow the instructions below:
 - a. Click “Register Now.”
 - b. Enter name, email, and educational program, and create a username and password.
 - c. Click “Register.”
 - d. Login with the username and password you just created.
 - e. Purchase the course packet contents (Cases and Background Note)

5. *Additional Resources*: This course stresses the impact financial institutions have on business practices. Below are some national and international news resources that are relevant to the course and excellent sources of information for any serious business student.
 - The *Wall Street Journal* (WSJ) provides national and international news as well as detailed information on financial markets and institutions.
 - The *Financial Times* is a daily newspaper out of London with a US edition. The *Financial Times* offers a much more extensive coverage of economic and business activity outside of the United States, compared to mostly domestic news sources such as the WSJ.
 - The *Economist* is an outstanding weekly British newsmagazine that analyzes the week’s events and surveys financial market developments. Its target audience includes senior executives as well as high ranking government official.

Course Requirements:

The course requirement include the following components.

Component	% of total course grade
Cases	30%
Exams-2	40%
Assignments	15%
Class participation-cases	10%
-lecture	5%

1. **Cases:** The course has 6 cases to be analyzed. Case briefs should NOT exceed two pages of text with no limit on exhibits. You must use the 12-point font, double-spaced paragraphs, and default Microsoft Word margins. Cases will either be done as group work or individual assignment as directed. Groups can have 3-4 members and you must give me a list of members by the start of the 3rd class on Jan 17th. If necessary, I will assign students to groups already formed. You will be given questions to answer for each case. Case briefs are due at the beginning of class and late submissions will not be accepted.
2. **Assignments:** The assignments may include exam-style problems, questions related to assigned readings and completion of in-class exercises to be completed outside of class. All assignments are due at the beginning of class on the date indicated in the assignment.

Each assignment grade will contribute equally towards the Assignments component grade.

3. **Exams:** There will be a two exams on the following dates:

Exams: February 28th and April 25th during class time.

4. **Class Attendance and Participation:** Students are expected to **attend class** and to **arrive on time**. To a significant extent, the value you get from the course depends on your presence in class, and your classmates' opportunities to learn from your insights depend on your presence in class. Each student is permitted to have NO MORE than Two excused absences during the semester. Please notify me of your absence before the specific date by email. Exceptions can be made for serious circumstances.

As noted above, students are expected to have completed the assigned reading and exercise posted on the course content page before class. To encourage preparation and facilitate class discussion, students will be called on in class to share their insights. As is the case with real world work environments, you are judged not by what you know but by what you **contribute**. Even if you feel that you know the material, unless you share your insights with the class, we cannot adequately evaluate your preparedness and contribution. Students are never penalized for making comments which do not

appear to be the “right answer.” It is only through consideration of many diverse opinions and viewpoints that we will move toward a greater shared understanding of the multi-dimensional material which this course entails.

Please chose a seat for the entire term and always bring your nameplate. Class participation for cases will be marked for each class by 1 or 2 students and also by myself. For each class, points will be given for comments-0 for no comments, and up to 3 points for observations. Extra points will be given for insightful comments. I strongly recommend that you bring a hard copy of the case to class as I may refer to exhibits or case comments. Class participation for lectures and guest speakers will be considered when determining a student’s final grade.

Exam Policy:

Everyone will take the exams on assigned dates.

Extra Credit/Grade Change Policy:

Extra credit will not be offered unless it is available to the entire class. For example, if a student wishes to improve his grade at the end of the course, extra credit will not be available for this purpose, as it unfairly penalizes students who have consistently worked hard throughout the course.

Electronic Devices Policy:

The absence of unnecessary distractions and interruptions is essential for a positive and effective learning environment. Thus, students *may not use any electronic device* in class, unless explicitly permitted by the instructor. All electronic devices must be turned off and put away prior to the start of class.

Students who want to take electronic notes may do so *but only* if it is on a tablet device and that tablet must remain on the flat table top for the entire class time.

Office hours and reviews:

Unless announced otherwise, I am available to meet with students on an individual basis during office hours or by appointment. Please speak to me before class or email me to make an appointment for an office visit. Please give me a general idea of the topic you’d like to discuss so that I can be as prepared as possible for your visit.

Course website:

I will maintain a website through Carmen (using the University’s new Canvas system). The URL is <https://carmen.osu.edu>. I will use the website to post course slides, readings, and assignments. Please check it on a regular basis.

Communication:

The quickest way to contact me is by email. I will usually respond within a few hours.

ACADEMIC INTEGRITY

Academic integrity is essential to maintaining an environment that fosters excellence in

teaching, research, and other educational and scholarly activities. Thus, The Ohio State University and the Committee on Academic Misconduct (COAM) expect that all students have

read and understand the University's *Code of Student Conduct*, and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University's *Code of Student Conduct* and this syllabus may constitute "Academic Misconduct."

The Ohio State University's *Code of Student Conduct* (Section 3335-23-04) defines academic misconduct as: "Any activity that tends to compromise the academic integrity of the University, or subvert the educational process." Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University's *Code of Student Conduct* is never considered an "excuse" for academic misconduct, so I recommend that you review the *Code of Student Conduct* and, specifically, the sections dealing with academic misconduct. (You can find the full Code at http://studentlife.osu.edu/pdfs/csc_12-31-07.pdf)

If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct.

DISABILITY SERVICES

The Student Life Disability Services (SLDS) (www.ods.ohio-state.edu) verifies students with specific disabilities and develops strategies to meet their needs. Students requiring accommodations based on identified disabilities should contact the instructor at the beginning of the term to discuss their particular needs. Students with a specific disability are encouraged to contact SLDS to explore potential accommodations available to them.

COURSE SCHEDULE

PART 1: THE BIG PICTURE: Financial Institutions, The What, How and Why We Care		
Week	Dates	Topic, Readings, and Assignments
1	TU, JAN 10 TH, JAN 12	<p style="text-align: center;">Topics Overview of Syllabus and Class Financial Institutions (FI) through Time</p> <p>Required Readings: 1. Textbook: Chapters 1, 2, and 5</p> <p>Assignments: 1. COMPLETE Student Survey</p>
2	TU, JAN 17 TH, JAN 19	<p style="text-align: center;">Topic: <i>Changing Landscape of the Financial Services Industry:</i> Bank fundamentals</p> <p>Required Readings: 1. Textbook, Chapter 7. 2. Bank of America (in 2010) and the New Financial Landscape Case (<i>HBS Course Packet</i>)</p> <p>Assignment: Bank of America Case brief due Jan 19</p>
3	TU, JAN 24 TH, JAN 26	<p style="text-align: center;">Topic: <i>The Balance Sheet and Income statement</i></p> <p>Required Readings: Textbook, Chapter 12</p> <p>Assignment: Chase and Hong Kong Disney (a) Case brief due Jan 26</p>

PART 2: BANKS: Their OPERATIONS, BALANCE SHEET and RELATED RISKS

Week	Dates	Topic, Readings, and Assignments
4	TU, Jan 31 TH, Feb 2	<p align="center">Topic <i>Credit Risk Guest Lecturer Professor Isil Erel</i></p> <p>Required Reading: Textbook, Chapter 13-1 Assigned by speaker</p> <p>Assignment:</p>
5	TU, Feb 7 TH, Feb 9	<p align="center">Topic <i>Managing Related Risks</i> Interest Rate, Liquidity, Operational Risk Bank Regulation</p> <p>Required Readings: 1. Textbook, Chapter 13.2-6 2. Textbook, Chapter 14</p> <p>Assignment: TBA</p>
6	TU, Feb 14 TH, Feb 16	<p align="center">Topics <i>More Bank Regulation</i> Feb 16: Guest Speaker: Trends in Bank Regulation</p> <p>Required Readings: 1. Readings for Guest Speaker TBA and posted on course website</p> <p>Assignment: <i>Deutsche bank and the Road to Basel III (HBS) due Feb 14</i></p>
7	TU, Feb 21 TH, Feb 23	<p align="center">Topics</p> <p>Feb 21: S&L's, Finance Companies, Community Banks</p> <p>Readings: Textbook, Chapter 21</p> <p>Assignment: Community Bank Loan Case due Feb 21</p> <p>Feb 23: Review for Exam</p>

PART 3: 2007-2008 FINANCIAL CRISIS and FINANCIAL INSTITUTIONS

Week	Dates	Topic, Readings, and Assignments
8	TU, Feb 28 TH, Mar 2	<p align="center">Topic <i>Review and Mid-Term Exam</i></p> <p>Feb 28: EXAM in class Mar 2: No class this day. Watch "Inside the Meltdown", PBS Frontline http://www.pbs.org/wgbh/frontline/film/meltdown/ Assignment: Answer questions re video due Mar 7</p>
9	TU, Mar 7 TH, Mar 9	<p align="center">Topics <i>Governance and Financial Crisis</i> <i>Speaker: Financial Crisis, David Berson SVP & Chief Economist Nationwide</i></p> <p>Mar 7: Speaker Mar 9: Governance Required Readings: As assigned by speaker Assignment: TBA</p>
Week	Dates	Topic, Readings, and Assignments
10	TU, Mar 21 TH, Mar 23	<p align="center">Topics <i>Shadow Banking</i> <i>Guest Speaker: FinTech: Haledane King, King Brown Partners</i></p> <p>Required Readings: 1. Readings for guest Speaker</p> <p>Assignment: GE and the Shadow Banking Landscape (HBS) due Mar 21</p>
11	TU, Mar 28 TH, Mar 30	<p align="center">Topics <i>Alternate Capital</i> <i>Alternate Capital Leveraged Loan Market</i></p> <p>Required Readings: 1. Textbook, Chapter 23 2. Readings for Guest Speaker 3. Lim, Minton, and Weisbach, Syndicated Loan Spreads and the Composition of the Syndicate,(FAME summary of 2014 Journal of Financial Economics version)</p>

PART 4: NON-BANK INSTITUTIONS/SHADOW BANKING

Week	Dates	Topic, Readings, and Assignments
12	TU, Apr 4 TH, Apr 6	<p align="center">Topics <i>Investment banking</i></p> <p>Required Readings 1. Textbook, Chapter 24</p> <p>Assignment: Blackstone at Age 30 case due APR 6 (HBS)</p>
13	TU, Apr 11 TH, Apr 13	<p align="center">Topics <i>Private Equity</i></p> <p align="center">Guest Speaker, Matthew McDonough, Drive Capital</p> <p>Required Reading: 1. Textbook, Chapter 24 2. Readings for Guest Speaker TBA and posted on Course website</p> <p>Assignments: 1. Guest Speaker Assignment due</p>
14	TU, Apr 18 TH, Apr 20	<p align="center">Topic <i>Insurance</i> Guest Speaker; Insurance</p> <p>Required Reading: 1. Textbook, Chapter 22 2. Guest speaker readings</p> <p>Assignment: Guest Speaker Assignment</p>
Week	Dates	Topic, Readings, and Assignments
15	TU, Apr 25	<p>Topics Second Exam</p>



BUSFIN 4265 –FINANCIAL INSTITUTIONS
Professor Isil Erel
Spring 2017

Classroom: Schoenbaum Hall 209

Meeting Times: Session 1 (32824): Mondays and Wednesdays: 9:35AM - 10:55AM
Session 2 (32825): Mondays and Wednesdays: 11:10AM - 12:30PM

Professor: Isil Erel

<https://fisher.osu.edu/people/erel-koksal.1>

Office: 832 Fisher Hall

Email: erel@fisher.osu.edu

Office Hours: Tuesdays 1:00-2:30pm or by appointment

Course Webpage: on Canvas

Course Description

This course will introduce students to financial institutions and their important economic function. The course will examine the structure and operation of financial institutions in the U.S., with particular attention paid to the various risks and complex challenges facing these institutions. While there are no easy solutions to the challenges and problems faced by financial institutions, we will cover these issues in depth, with the objective of developing a solid understanding of them.

Prerequisites

There are no official prerequisites for this course. Students are expected to have a basic knowledge of finance, accounting, and statistics.

Required Reading

Course Packet [*referred to as "CP" below*], available at HBS Publishing. Please follow this link <http://cb.hbsp.harvard.edu/cbmp/access/57182441> and follow the instructions below:

- Click "Register Now."
- Enter name, email, and educational program, and create a username and password.
- Click "Register."
- Login with the username and password you just created.
- Purchase the material.

Recommended Reading

Saunders and Cornett [*referred to as "SC" below*], *Financial Institutions Management: A Risk Management Approach*, 8th edition, McGraw-Hill. ISBN 9780078034800. Textbook is not required but highly recommended. A few copies of this textbook are available on the Closed Reserves at the Thompson Library.

Supplemental Readings

Articles are available on the course webpage [*referred to as "CW" below*]. Please see the tentative course outline below for a list. Also note that these readings are OPTIONAL.

Students are strongly encouraged to read financial press, such as the *Wall Street Journal* or *Financial Times*, to reinforce the applicability of the topics that we cover in class.

Pedagogy

The course will be structured as a combination of lectures, discussions, and cases. I will post my PowerPoint slides on the course website on Canvas before each class to help you follow the lectures and take notes. Please remember that posted slides are not complete. For completeness, you should attend the lectures. Please also note that we will have a few guest lecturers throughout the semester. Please see the *tentative course outline* below for their names and affiliations.

Grading

The final course grade will be allocated as follows:

Individual Class Participation	5%
Individual Assignments	15% (5% each)
Group Case Write-ups	15% (5% each)
Exam I	30%
Exam II	35%

Class Participation: Students are expected to attend each class in a timely fashion and take part in discussions. Class participation will be graded based on my assessment of both the quantity and quality of an individual's contribution to case and lecture discussions.

Please *choose a seat for the entire term*, no later than the second-class session. This makes it easier for you to interact during class discussions and easier for me to facilitate grading for class participation.

Case Write-up: Cases are in the course packet [CP]. You will write a case report/executive summary for three of the cases in groups. Detailed instructions with questions for each case will be posted on Canvas. Please form a study group of **3 to 5 students** for the case write-up. You can work with students from the other section as well. You must give me a list of your group members by the end of second week of classes (**by January 18 at the latest**). If necessary, I will assign students to groups already formed, starting with the smallest groups. However, I would prefer you to find a team yourself (please talk with friends in the same classroom as soon as you can).

All groups should come fully prepared to discuss their case solution with the rest of the class and should **hand in or email** a typed case write-up (one per team) **before the class discussion starts** (you should also retain a copy for yourself for class discussion).

Also, you will have the opportunity to evaluate your team members at the end of the quarter. Evaluation sheets with a detailed explanation will be posted on Canvas and they are OPTIONAL.

Individual Assignments: There will be three individual assignments. They will be posted on the course website on Canvas. **It is very important that you complete the assignment individually.** I will also post sample problems from the textbook with solutions on Canvas.

Exams: There will be two exams. Each exam will cover all material taught until the date of the exam. The second exam will be during Finals' Week. It will be comprehensive in scope, including materials from every part of the course. Both exams will be closed-book. You can use nonprogrammable functions of a calculator.

Absences and Late Assignments

Absence from the exams will not be excused, except for the most serious circumstances. Such circumstances must be validated in writing by an appropriately accredited professional (e.g. medical doctor). *Any unexcused absences in exams will result in a grade of zero.* Late assignments will not be accepted for credit. As a matter of professional courtesy, please notify me *in advance* if you are unable to attend a particular class.

Regrading Policy

Grading errors will be corrected. All regrade appeals must be submitted within *one week after the graded test is returned*. Any exam submitted for regrading of a question is subject to complete regrade. As a result, the regraded score may increase, stay the same, or decrease after a careful consideration. *I will not consider any regrade requests after the one-week deadline has passed.*

Disenrollment Policy

Fisher College of Business strongly enforces University attendance policies. As per University rule 3335-8-33 (<http://trustees.osu.edu/rules/university-rules/rules8/ru8-33.html>), any student may be disenrolled from a course for failure to attend by the first Friday of the term, or by the 3rd instructional day of the term, or by the second class meeting, *whichever occurs first*.

Disability Services

The Office of Disability Services verifies students with specific disabilities and develops strategies to meet the needs of those students. Students requiring accommodations based on identified disabilities should contact the instructor at the beginning of the quarter to discuss his or her individual needs. All students with a specific disability are encouraged to contact the Office of Disability Services to explore the potential accommodations available to them.

Academic Misconduct

All students are expected to abide by the Fisher College Honor Code: *“As a member of the Fisher College of Business Community, I am personally committed to the highest standards of behavior. Honesty and integrity are the foundations from which I will measure my actions. I will hold myself accountable to adhere to those standards. As a future leader in the community and business environment, I pledge to live by these principles and celebrate those who share these ideals.”* All students are also expected to adhere to the University’s Code of Academic Integrity. Academic misconduct will not be tolerated. According to the university rules, all suspected cases of academic misconduct will be reported to the Committee on Academic Misconduct.

Tentative Course Outline

This outline is tentative and subject to change. Please refer to the course website on Canvas for updates on readings, homework problems, and case assignments. It is the students’ responsibility to check the course website for updates and announcements.

Class 1 Course Overview and Introduction
Jan 9

Topics: Course Organization and Requirements
 Introduction to Financial Institutions

Recommended Readings:

Saunders & Cornett: *Financial Markets and Institutions: A Risk Management Approach* (“S&C”) Ch. 1

Supplemental Readings:

Some examples of recent academic research, on Canvas course website [CW]:

A Theory of Risk Capital (Isil Erel, Stewart Myers, and James Read, Jr.), 2015, Journal of Financial Economics, 118/3, 620-635.

Why did Holdings of Highly-Rated Securitization Tranches Differ So Much Across Banks?, 2014, (Isil Erel, Taylor Nadauld, and Rene Stulz), 2014, Review of Financial Studies, 2014, 27/2, pages 404-453.

Governance, Risk Management, and Risk-Taking in Banks (Rene Stulz), 2014, Ohio State University Working Paper.

Banks Are Where Liquidity Is (Oliver Hart and Luigi Zingales), 2014, Harvard University Working Paper

Classes 2&3 Commercial Banks

January 11&18

Topics: Functioning of the Commercial Banks
Financial Statements and Analysis

Recommended Readings:

S&C Ch. 2, Appendix 2A, and Appendix 2B

Supplemental Readings:

Lessons from the Great Credit Crisis, S&P [CW]

Class 4 Governance of Commercial Banks and Community Banks

January 23

Guest Lecturer: Robert Fuller, Ohio State University

Supplemental Readings:

Corporate Governance and Banks: What Have We Learned from the Financial Crisis? (Hamid Mehran Alan Morrison Joel Shapiro), 2011, Working Paper.

Corporate Governance Principles for Banks, 2014, Basel Committee on Banking Supervision, Consultative Document.

Class 5 Case: Hong Kong Disneyland Loan

January 25

Note: Case write-up is due at the beginning of the class.

Topics: Syndicated Lending

Required Readings:

Case: Chase's Strategy for Syndicating the Hong Kong Disneyland Loan (A) [CP]

Supplemental Readings:

A Syndicated Loan Primer, April 2016, S&P [CW]

Classes 6 Other Lending Institutions
January 30

Topics: Saving Institutions
 Credit Unions
 Finance Companies

Recommended Readings:

S&C Ch. 2 and Ch.3

Supplemental Readings:

Savings and Loan Crisis (Ely), *The Concise Encyclopedia of Economics [CW]*

Class 7 Shadow Banking

February 1

Note: First Individual Assignment is due at the beginning of the class.

Required Readings:

Case: GE and the Shadow Banking Landscape [CP]

Supplemental Readings:

Shadow Banking, Background Note, Soley Sans and Sánchez de Leon, HBS Publishing [CP]

Thinking Critically about Nonbank Financial Intermediation (Tarullo), The Brookings Institution, 2015 [CW]

Classes 8&9 Bank Regulation (Deposit Insurance & Capital Requirements)

February 6&8

Topics: Creation of FDIC
 Moral Hazard due to Deposit Insurance
 Savings and Loan Crisis
 Capital Requirements (Basel Capital Accords)

Recommended Readings:

S&C Ch. 19 and Ch. 20

Supplemental Readings:

Ticker Cushions, When You're Ready, *Economist.com*, 2010 [CW]

Class 10 A Case on Basel III

February 13

Note: Case write-up is due at the beginning of the class.

Required Readings:

Case: Deutsche Bank and the Road to Basel III [CP]

Supplemental Readings:

Deutsche Bank: Still Struggling on Capital, *WSJ [CW]*

Deutsche Bank: What to Know, *WSJ [CW]*

Class 11 Recent Changes in Bank Regulation

February 15

Guest Speaker: PJ Petersen, Huntington Bank

Supplemental Readings:

Dodd-Frank Act Stress Test 2016: Supervisory Stress Test Methodology and Results [CW]

Class 12 Liquidity Creation; Federal Reserve System

February 20

Note: Second Individual Assignment is due at the beginning of the class.

Topics: Federal Reserve System
 Liquidity Creation
 Managing Liquidity
 1998 Liquidity Crises

Recommended Readings:

S&C Ch. 12

Supplemental Readings:

How do Banks Manage Liquidity Risk? Evidence from the Equity and Deposit Markets in the Fall of 1998 (Gatev, Schuermann, and Strahan), *NBER*, 2005 [CW]

Class 13 IN-CLASS MIDTERM EXAM

February 22

Class 14 Insurance Companies

February 27

Topics: Risk and Insurance

Recommended Readings:

S&C Ch. 6

Supplemental Readings:

A Lively Market in 'Death Bonds' (Pleven and McDonald), *WSJ*, 2007 [CW]

Class 15 Trends and Challenges in the Insurance Industry

March 1

**Guest Speakers: Susan Haack, CPCU, Treasurer and CFO, Motorists Insurance Group
 Phil Renaud, Executive Director, Risk Institute**

Classes 16&17 Measuring Interest Rate Risk

March 6 & 8

Topics: The Case of Homeside Lending
 Repricing GAP
 Duration and Convexity

Recommended Readings:

S&C Ch. 8

Supplemental Readings:

NAB Lesson in How to Burn \$3 billion (Hooper), *Radio National*, 2001 [CW]

Classes 18&19 Measuring Credit Risk

March 20&22

Topics: Calculating Return on a Loan
CreditMetrics of JP Morgan (VaR)
RAROC Models

Recommended Readings:

S&C Ch. 10 and Chapter 11 (only the VaR calculation)

Optional Reading:

If you want to learn about Moody's KMV, which is not covered in this class: Modeling Default Risk (Crosbie and Bohn), *Moody's KMV*, 2003 [CW]

Class 20 Credit Risk from a Practitioner's Perspective

March 27

Guest Speaker: Don Kimble, CFO, KeyBank

Classes 21&22 Off-Balance-Sheet Banking & Loan Securitization

March 29 and April 3

Topics: Off-Balance-Sheet Assets/Liabilities
Loan Commitments
Securitization of Mortgages
Fannie Mae and Freddie Mac

Recommended Readings:

S&C Ch. 16 and Ch. 26

Supplemental Readings:

The Economics of Structured Finance (Coval, Jurek, and Stafford), 2009 [CW]

Understanding the Securitization of Subprime Mortgage Credit (Ashcraft and Schuermann), 2008 [CW]

Fussing and Fuming over Fannie and Freddie: How Much Smoke, How Much Fire? (Frame and White), 2005 [CW]

Classes 23 Mutual Funds and Hedge Funds

April 5

Recommended Readings:

S&C Ch. 5

Supplemental Readings:

Investment Company Fact Book, *Investment Company Institute*, 2016 [CW]

Class 24 Pension Funds

April 10

Guest Lecturer: Brian Grinnell, Chief Actuary, STRS Ohio

Note: Third Individual Assignment is due at the beginning of the class.

Class 25 Investment Banks
April 12

Topics: Investment Banks and Securities Firms
 Securities Underwriting
 Bookbuilding
 Underpricing of IPOs

Recommended Readings:

S&C Ch. 4
Role of the Investment Bank (Connelly, Fox, and Klausner), UBS, 2005 [CW]
Initial Public Offerings: Going by the Book (Benveniste and Wilhelm), *Journal of Applied Corporate Finance*, 1997 [CW]

Optional Readings:

IPO Statistics (Ritter), 2016 [CW]
Secondary Market Stabilization of IPOs (Wilhelm), *Journal of Applied Corporate Finance*, 1999 [CW]
SEC Sues Morgan Stanley and Goldman Sachs for Unlawful IPO Allocation Practices, 2005 [CW]

Class 26 Case Discussion: Chase Manhattan Corporation
April 17

Note: Case write-up is due at the beginning of the class.

Topics: Bank Mergers
 Value Creation in Corporate Restructurings

Required Reading:

Case: Chase Manhattan Corporation: The Making of America's Largest Bank [CP]

Class 27 Private Equity
April 19

Guest Lecturer: Andy Jenks, Partner, Drive Capital

Class 28 Review Session
April 24

Review of the Past Exams

Final Exam

Friday April 28th @ 6:00PM
EL1008

From: [Logan, Trevon](#)
To: [Brandl, Michael W.](#)
Cc: [Ramirez, Ana](#)
Subject: RE: Financial Economics syllabus & concurrence forms
Date: Monday, January 30, 2017 11:36:04 AM
Attachments: [image001.png](#)
[image002.png](#)

Mike,

I cc Ana on this as we will need this in the concurrence process. I think we'll be told by OAA to present our case to the curricular committee.

It certainly can't hurt that you literally wrote the book!!



Trevon D. Logan, Ph.D.

Hazel C. Youngberg Trustees Distinguished Professor
College of Arts and Sciences Department of Economics
410 Arps Hall | 1945 N. High Street Columbus, OH 43210
614-292-0762 Office | 614-292-3906 Fax
logan.155@osu.edu osu.edu

From: Brandl, Michael W.
Sent: Monday, January 30, 2017 9:51 AM
To: Logan, Trevon <logan.155@osu.edu>
Subject: RE: Financial Economics syllabus & concurrence forms

Trevon,

As I suspected they are claiming BUSFIN 4265 *Financial Institutions* as a "similar" course to ours. Here is my rebuttal:

- 1) As we discussed, the numerous business prerequisite courses for this course mean that it is almost impossible for a non-Fisher student to take this course. Our Financial Economics courses, on the other hand, are designed to suit the needs of economics majors as well as other undergraduate and graduate students from across the University, not just Fisher students.
- 2) The only math prerequisite for this course is Math 1131 (Calculus for Business) or 1151. The only economics required are the 2001 and 2002. Our courses require both intermediate theory courses and students are highly suggested to have completed Math 1152 (Calculus II) and 2153. Thus, the level of quantitative rigor in this course is significantly less than in our courses.

- 3) The section offered by Professor Erel focuses on the risk management aspects of financial institution management. Thus, the focus of this course is much more narrow in scope than are our courses.
- 4) The section offered by Professor Fuller uses the textbook I wrote...thus I am very familiar with the level of that material. I can assure you what we are doing in our courses is much more rigorous, and significantly different from what is in that textbook I produced.
- 5) Both sections rely on outside speakers, all of whom (I believe) are practitioners, and none, save for Professor Fuller, who does NOT have a terminal degree, speaking Professor Erel's course, that I am aware of, hold an academic position. Our courses focus much more on academic research as opposed to the practitioner's point of view.

Thus, you can see our courses are significantly different from what Fisher offers. Thus, there is, I would argue, no redundancy.

Regards,
Mike



Michael W. Brandl, PhD

JMCB Alumni Senior Lecturer

Director of Special Projects

The Ohio State University

Department of Economics

407 Arps Hall, 1945 N. High Street, Columbus, OH 43210-1172

614-247-0092 Office

brandl.4@osu.edu osu.edu

From: Logan, Trevon

Sent: Sunday, January 29, 2017 2:48 PM

To: Brandl, Michael W. <brandl.4@osu.edu>

Subject: FW: Financial Economics syllabus & concurrence forms

Sorry about that.



Trevon D. Logan, Ph.D.

Hazel C. Youngberg Trustees Distinguished Professor

College of Arts and Sciences Department of Economics

410 Arps Hall | 1945 N. High Street Columbus, OH 43210

614-292-0762 Office | 614-292-3906 Fax

logan.155@osu.edu osu.edu

From: Bendoly, Elliot

Sent: Friday, January 27, 2017 1:37 PM

To: Logan, Trevon <logan.155@osu.edu>

Subject: FW: Financial Economics syllabus & concurrence forms

Hello Trevon,

I'm forwarding the two syllabi that the Finance faculty have identified the greatest overlap in, with respect to your proposal.

Professor Elliot Bendoly, PhD

Associate Dean of Undergraduate Students and Programs

& Fisher College of Business Distinguished Professor

Management Sciences, The Ohio State University

www.fisher.osu.edu www.bizbreed.com www.ma-vis.com

Dear Elliot,

Thanks for your reply. I do have a few follow up questions for you:

- 1) Could you be more specific as to what courses comprise the overlap? As I mentioned in my original email we have structured this sequence to be for economics majors and it is unclear what combination of your courses this sequence overlaps with.
- 2) More specifically, what are the prerequisites of the courses which comprise this overlap?

Many thanks!

- 1) The proposed Econ courses Econ 5261 and 5262 will require students to have complete both intermediate economics theory courses (Econ 4001 and 4002), additionally it is suggested to students to have completed Calculus II (Math 1152) and Calculus III (Math 2153). The economics course requirements for BUSFIN 4265 are the principals of micro and macroeconomics (Econ 2001 and 2002). A deeper understanding of economics theory will be required for Econ 5261 and 5262. The only math prerequisite for the FCOB course Financial Institution (BSUFIN 4265) is Calculus for Business (Math 1131) or Math 1151. Thus, the level of quantitative rigor for BUSFIN 4265 is significantly less than for proposed Econ courses.
- 2) BUSFIN 4256 focuses on the risk management aspects of financial institution management. Thus, the focus of these courses is much narrower in scope than the Econ course proposal are our courses. Econ 5261 is an examination of the evolution of and economic issues facing financial markets, financial institutions, and financial market participants. While Econ 5262 exams the academic literature and econometric analysis of topics involving financial markets, financial institutions, and financial market participants.
- 3) The prerequisites for BUSFIN4265 are BUSFIN 4211 and 4221. These courses also have prerequisites BUSFIN 3220, BUSMgt 2320, BUSMgt 2321, and AcctMIS 2200. These courses mean that it is almost impossible for a non-Fisher student to take BUSFIN4265. The Financial Economics courses, on the other hand, are designed to suit the needs of economics majors as well as other undergraduate and graduate students from across the University, not just Fisher students.

NO Response

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Department of Economics

ECON 5261

Financial Economics I

3 Credit Hours

Fall 2017

Feb. 20, 2017 version

Days & Times of class meeting in what location over the semester.

Professor Michael Brandl

Office: 407 Arps Hall

Office Hours: TBA and by appointment

Phone: 614-247-0092

Email: brandl.4@osu.edu

Course Description

This is the first course, in a two-course sequence, that examines a variety of issues in the field of financial economics from a liberal arts perspective. As such this is an applied economics course. We will rely heavily on the material you learned in your previous economics courses and math courses. This is not a course in corporate training. This course will not teach you how to be a financial analyst. This course will, however, equip you with the intellectual skills to be an outstanding financial analyst, policy analyst, financial market regulator, lawyer and/or a wide variety of other paths.

This class will not offer simple, cookie cutter solutions to the complex problem facing financial market, institutions, and participants. Instead this course will force you to think. It will force you to consider multiple explanations of the same phenomena. This course sequence is not about memorization and regurgitation; it is about seeking answers to pressing questions from an economics perspective. Be warned: if you are looking for an easy blow-off course – this is NOT it.

Learning Outcomes

At the end of course the student is expected to know:

- The basic theory of portfolio choice and different equilibrium models for financial markets under one-period uncertainty.
- When, how, and what extent the models discussed are applicable.
- Some elements of empirical research in the field.

- Implications of the theory of capital budgeting and financing decisions in different financial institutional settings.

Official Description: Examination of the evolution of and economic issues facing financial markets, financial institutions, and financial market participants.

Course Prerequisites: Prereq: ECON 4001.01, 4001.02, or 4001.03, and 4002.01, 4002.02, or 4002.03, and Math 1151, 1152, 1161, or 2182H, or equiv.; or Grad standing.

Required Textbook

Danthine, Jean-Pierre and John Donaldson, *Intermediate Financial Theory*, 3rd Edition, Academic Press, 2015. ISBN 9780123865496

Be aware that earlier editions of the textbook lack coverage of topics covered in the third edition. Thus, it is highly advised you purchase the third edition.

Additional Sources

Back, Kerry E., *Asset Pricing and Portfolio Choice Theory*, 2nd Edition, Oxford University press, 2017. ISBN 9780190241148. This is generally viewed as a graduate level text, but is sometimes recommended for advanced undergraduate students. The first 11 chapters are most applicable.

Grade Determination

4 Homework Assignments:	20%
Midterm Exam:	40%
Cumulative Final Exam:	40%

Exams

Note the specific time and location of the cumulative final exam are determined by the University and cannot be changed to meet individual schedules. Taking an exam early to accommodate travel plans is NOT possible. Failure to show up for an exam does not warrant a make-up exam. If a medical emergency arises resulting in a student being unable to take an exam at its scheduled time the weight of that exam will be shifted to the final exam.

Documented proof, including a signed letter of explanation for a non-relative health care provider must be provided for this exemption. Make-up final exams will be granted under only the most extreme circumstances such as the above described documented serious illness.

All of the exams will be a closed book, closed notes exam. No study sheets, crib notes or other aids will be allowed to be used during the exams. Students may expect time pressure on the exams. The exams will cover material covered in class, the assigned readings, and other material assigned.

The exams are designed to test students' abilities to solve problems as well as recall and organize information rapidly. Exam questions will require one to solve mathematical problems, be able to explain theoretical concepts and models, require one to tie concepts together, expect one to be able to apply concepts and models to everyday situations, and require one to be familiar with historical occurrences relative to key concepts and models.

Homework Assignments

The Homework assignments are designed to help prepare students for the exams. The homework assignments will be made available through Carmen and will be collected on the dates announced ahead of time in class. Some of the questions on the homework will follow the material covered in class, while others will focus on results that extend material covered in class. The questions on the homework assignments are designed to mimic questions that will appear on the exam.

The Final Grade

The final grade assigned is an informed and **final** evaluation and not the beginning offer in a bargaining process. If an error occurs in the calculation of your grade, please notify Professor Brandl or his TA during the beginning of the following semester and actions will be taken to correct any errors. Please do NOT contact Professor Brandl or any TA to "lobby" for a higher grade. Any lobbying efforts (i.e. asking for a higher grade simply because you want one or need one) will not be tolerated.

Make-up or extra work to improve your grade is not possible. Your final letter grade is determined by the above stated method. Your general academic situation (For example, "I need a 'C' in this course to graduate.") and/or personal problems cannot be considered. The final grade in the course, once assigned, will not be changed except in the event of a recording error.

Religious Conflicts. Students whose religious observations conflict with the assignment schedule will not be penalized in any way. If your religious observation conflict with the published schedule of assignments for the course, however, you must notify the instructor in writing no later than the third class period so that alternative arrangements can be made.

Electronic Devices

Electronic devices (e.g. laptops, smart phones, smart watches, etc.) are not to be used in class. They should be put away during class time. This includes the sending and receiving of text messages. Note: the use of laptops for taking of notes is strictly forbidden. The only exception to this electronic devices rule is the use of a tablet ONLY for taking notes - in that case the tablet must remain flat on the writing surface during the course. Tablets are not allowed during quizzes and exams. Persistent violation of this rule will result in a final grade reduction of one full letter grade.

Attendance Policy

Attendance to each and every lecture is expected and assumed. Each lecture assumes that audience members have read the assigned readings before the lecture. If you do not attend a lecture it is entirely your responsibility to determine what you have missed, including any administrative announcements that may have made.

Disability Services

The University strives to make all learning experiences as accessible as possible. If you anticipate or experience academic barriers based on your disability (including mental health, chronic or temporary medical conditions), please let me know immediately so that we can privately discuss options. To establish reasonable accommodations, I may request that you register with Student Life Disability Services. After registration, make arrangements with me as soon as possible to discuss your accommodations so that they may be implemented in a timely fashion. **SLDS contact information:** slds@osu.edu; 614-292-3307; slds.osu.edu; 098 Baker Hall, 113 W. 12th Avenue.

Academic Misconduct

Academic integrity is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. Thus, The Ohio State University and the Committee on Academic Misconduct (COAM) expect that all students have read and understand the University's Code of Student Conduct, and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University's Code of Student Conduct and this syllabus may constitute "Academic Misconduct."

The Ohio State University's Code of Student Conduct (Section 3335-23-04) defines academic misconduct as: "Any activity that tends to compromise the academic integrity of the University, or subvert the educational process." Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University's Code of Student Conduct is never considered an "excuse" for academic misconduct, so I recommend that you review the Code of Student Conduct and, specifically, the sections dealing with academic misconduct.

If I suspect that a student has committed academic misconduct in this course, I am obligated by University Rules to report my suspicions to the Committee on Academic Misconduct. If COAM determines that you have violated the University's Code of Student Conduct (i.e., committed academic misconduct), the sanctions for the misconduct could include a failing grade in this course and suspension or dismissal from the University.

If you have any questions about the above policy or what constitutes academic misconduct in this course, please contact me.

Other sources of information on academic misconduct (integrity) to which you can refer include:

- The Committee on Academic Misconduct web pages
<http://oaa.osu.edu/coam.html>

Tentative Course Outline (subject to change – see Carmen for updates)

Note: D&D refers to Danthine & Donaldson 3rd edition.

A. Introduction

1. Mathematical and Economic Foundations. D&D Ch. 1
2. Overview of Asset Pricing. D&D Ch. 2

B. Decision Making Under Uncertainty

3. Making Financial Choices in Risk Situations. D&D Ch. 3
4. Measuring Risk & Risk Aversion. D&D Ch. 4
5. Risk Aversion and Investment Decision. D&D Ch. 5
6. Modern Portfolio Theory. D&D Ch. 6
7. Challenges to Implementing Optimal Portfolios. D&D Ch. 7

C. Equilibrium Pricing

8. The Capital Asset Pricing Model. D&D Ch. 8
9. Arrow-Debreu Pricing. D&D Ch. 9 & 11
10. The Arbitrage Pricing Theory. D&D Ch. 14

D. Financial Institutions

12. Commercial Banks. Wheelock, David C. and Paul W. Wilson, “Why do Banks Disappear? The Determinants of U.S. Bank Failures and Acquisitions” *Review of Economics and Statistics*, vol. 82, No. 1, Feb., 2000, pp 127-138. Provided on Carmen.
13. Venture Capital. Ch. 1-3 from Metrick, Andrew and Ayako Yasuda, *Venture Capital and the Finance of Innovation*, 2nd Edition, John Wiley & Sons, Inc., 2011. ISBN 9780470454701. Provided on Carmen.