

ACFI3190: Financial Institutions Risk Management BINUS 2024



THE UNIVERSITY OF
NEWCASTLE
AUSTRALIA

MISSION: To develop a unique business school identity which is distinctive in the marketplace and provides a clear value proposition for students. This will be achieved by embedding the themes of entrepreneurship and innovation, digitalisation and data within our programs and embracing sustainability, work integrated learning and a commitment to social justice.

OVERVIEW

Course Description

Effective firm wide risk management sustains financial institutions. This course provides an overview of financial markets and the role of financial institutions, liquidity management, the use of financial derivatives in the management of interest rate risk, financial institutions liability management, management of the securities portfolio, credit analysis, management of the loan portfolio, management of bank capital, an overview of financial institutions regulations and issues in international banking. International perspectives to risk management and building skill in problem solving and decision making will be developed.

Sustainable Development Goals



Contact Hours

Integrated Learning Session

Face to Face On Campus

2 hour(s) per Week for Full Term

Students are expected to complete 4 hours of guided learning via online preparation, lectures, interactive workshops, tutorials, discussion groups or self-directed learning and an additional 6 hours of independent study per week.

Unit Weighting Assumed Knowledge & Pre-Requisites

10

Any Assumed Knowledge or Pre-Requisites for this course have been previously satisfied by the successful completion of courses within the approved student study plan.

Workload

Students are required to spend on average 120-140 hours of effort (contact and non-contact) including assessments per 10-unit course.

Course Learning Outcomes

On successful completion of this course, students will be to:

1. Define and distinguish the various sources of commercial and retail debt financing available through Australian financial institutions;
2. Provide an overview of basic risk management procedures of banks;
3. Identify in the financial statements of institutions the indicators of impending crisis;
4. Construct asset-liability portfolios for financial institutions, together with portfolios of financial derivative instruments, that effectively minimise the potentially damaging effects of interest rate volatility on bank (and corporate) profitability;
5. Apply appropriate procedures for appraising the credit risks inherent in bank loans, and for the pricing of loan agreements;
6. Define sources of international finance, and analyse how the current banking system provides access to such funds;
7. Provide an overview of the regulatory constraints under which Australian banks, foreign banks, building societies and credit unions operate;
8. Analyse, evaluate and synthesise quantitative and qualitative information accessed to manage risk; and
9. Recognise and employ the processes and strategies which assist

COURSE OUTLINE

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independent learning and learning as a part of a group/team.

ASSESSMENT DETAILS

This course has 3 assessments. Each assessment is described in more detail in the sections below:

	Assessment Name	Due Date	Involvement	Weighting	Learning Outcomes
1	Mid Semester test	Week 7 in class	Individual	20%	1, 2, 3, 4, 5, 6, 7, 8, 9
2	Written Group Assignment	Week 11 Sunday 11:59 pm	Group	30%	2, 3, 4, 5, 6, 7, 8, 9
3	Formal Examination	Formal Examination Period	Individual	50%	2, 3, 4, 5, 6, 7, 8, 9

Please note: students are advised that all assessments must be submitted in English. Assessment items not submitted in English will receive a mark of zero.

Results of individual assessment items and final results, including those provided via the Learning Management System (LMS) are 'unofficial results' until they are confirmed as finalised by the School Assessment Body and the Head of School or delegate. Finalised results are released directly to students on the Fully Graded Date of the relevant Semester/Trimester.

Time referenced is time in Jakarta, Indonesia

Late Submissions	The mark for an assessment item submitted after the designated time on the due date, without an approved extension of time, will be reduced by 10% of the possible maximum mark for that assessment item for each day or part day that the assessment item is late. Note: this applies equally to week and weekend days.
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Assessment 1 – Mid-Semester Test

Assessment Type	In Term Test
Purpose	The test's objective is to assess students' progressive knowledge and skill and provide prompt feedback on their progress and analysis techniques
Description	Students interpret problem-based questions to demonstrate critical thinking, analytical and problem-solving skills in the context of methods of measuring and managing risks faced by financial intermediaries.
Weighting	20%
Length	90 minutes
Due Date	Week 7 in class
Submission Method	In Class - Students are required to write on the hard copy of Mid-semester test taken at the week 7 lecture.
Assessment Criteria	The following criteria will be used to assess the test: <ul style="list-style-type: none"> – Relevance to the question. – Accuracy of information/argument. – Demonstrated links to corresponding readings. – Clarity of expression.
Return Method	In class
Feedback Provided	Returned Work - Feedback on the assessment will be provided via comments with returned work.

Assessment 2 – Written Group Assignment

Assessment Type	Written Assignment
Purpose	The case analysis facilitates students' understanding and application of key concepts, principles and theories in financial institutions' decision making
Description	Students are provided with a case study of a financial institution. In the context of this case study, they demonstrate advanced knowledge of a broad spectrum of financial products and competence in measuring risk exposures of financial institutions. Working as a group, they apply theoretical concepts and ideas to the selected case study and engage in critical thinking and problem-solving strategies to address the issues. Students submit the analysis report using their advanced written communication skills.
Weighting	30%
Length	2000 words (maximum)
Due Date	Week 11 Sunday 11:59 pm
Submission Method	Online – via Turnitin

Assessment Criteria	The following criteria will be used: <ul style="list-style-type: none"> – Relevance to the question. – Accuracy of information/argument. – Demonstrated links to corresponding readings. – Clarity of expression.
Return Method	Online via course CANVAS site
Feedback Provided	Feedback on the assessment will be provided via comments with returned work. Feedback will be provided online via course CANVAS site.

Assessment 3 – Final Examination

Assessment Type	Formal Examination
Purpose	The examination assesses students' capacity to consolidate and apply their professional knowledge of financial institutions management to contextual scenarios.
Description	<p>Students apply their knowledge of the theoretical and conceptual frameworks that inform contemporary financial institutions' management practices. They interpret, describe, analyse and solve problems, using provided data to develop constructive responses and resolutions to the given scenarios. Students engage in professional context problem solving incorporating an understanding of ethical, professional, and regulatory standards, and global perspectives. They communicate effectively in written and numerical/graphical formats to demonstrate their level of comprehension, analysis, and application.</p> <p>This course has a RESTRICTED OPEN BOOK examination. A memory aid is permitted. The memory aid is a single double sided A4 sheet of handwritten or typed notes for use during the examination. Note: memory aids must be left on the examination table and cannot be removed from the examination venue.</p>
Weighting	50%
Length	120 minutes
Due Date	Formal Examination Period
Submission Method	Formal Exam
Assessment Criteria	<p>Four (4) criteria will be used:</p> <ul style="list-style-type: none"> – Relevance to the question. – Accuracy of information/argument. – Demonstrated links to corresponding readings. – Clarity of expression.
Return Method	Not Returned
Feedback Provided	No feedback - Items not returned to students (e.g. final examination scripts) will be made available for review by students, upon request, in a controlled and monitored setting. Students are required to make requests, directly to the relevant course coordinator. The Newcastle Business School keeps completed examination scripts for a period of six (6) months only, from the relevant fully graded date. Requests made after the six (6) month period cannot be considered

SYLLABUS

Course Content

Topics in the course include but are not limited to the following:

1. Financial markets, the role of financial institutions & regulators
2. Liquidity risk management
3. Interest rate risk measurement and management
4. Financial institutions liability management
5. Management of sovereign risk and off-balance sheet activities
6. Market and credit risk analysis
7. Management of securities and loan portfolios
8. Management of bank capital adequacy and building strong institutions
9. Financial institutions regulations and governance
10. Foreign exchange risk and issues in international banking
11. Fintech, financial innovation and economic growth

Course Materials

Required Text:

Lange, H.P., Saunders, A., & Cornett, M. M. (2015) *Financial Institutions Management* (4th ed.) McGraw-Hill

ISBN: 9781743073551

Please refer to the course CANVAS site for details of additional recommended texts.

SCHEDULE

Week	Topic	Class Preparation	Workshop Activities
1	Financial Institutions Overview and Australian Regulators	Reading: Lange et al., Chapters 1-3.	
2	Interest Rate Risk I & II	Reading: Lange et al., Chapters 5-6.	
3	Market Risk	Reading: Lange et al., Chapters 9.	
4	Credit Risk	Reading: Lange et al., Chapters 10-11.	
5	Sovereign Risk and OBS Activities	Reading: Lange et al., Chapters 12 and 16.	
6	FX and Liquidity Risks	Reading: Lange et al., Chapters 13-14.	
7	Mid-semester test		Assessment 1 due: Mid-semester test Week 7 in class
8	Liability and Liquidity Management	Reading: Lange et al., Chapters 15.	
9	Operational Risks	Reading: Lange et al., Chapters 17.	
10	Introduction to Fintech	Reading: Materials provided in CANVAS	
11	Introduction to Fintech (cont.) Fintech risk	Reading: Materials provided in CANVAS Saunders et al. Chapter 18	Assessment 2 due: Written group assignment Sunday Week 11 by 11:59 pm SGT
12	Capital Management & Adequacy and building strong institutions	Reading: Lange et al., Chapters 18.	
13	Revision		

CONTACTS

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ADDITIONAL INFORMATION

Grading Scheme

This course is graded as follows:

Range of Marks	Grade	Description
85-100	High Distinction (HD)	Outstanding standard indicating comprehensive knowledge and understanding of the relevant materials; demonstration of an outstanding level of academic achievement; mastery of skills*; and achievement of all assessment objectives.
75-84	Distinction (D)	Excellent standard indicating a very high level of knowledge and understanding of the relevant materials; demonstration of a very high level of academic ability; sound development of skills*; and achievement of all assessment objectives.
65-74	Credit (C)	Good standard indicating a high level of knowledge and understanding of the relevant materials; demonstration of a high level of academic achievement; reasonable development of skills*; and achievement of all learning outcomes.
50-64	Pass (P)	Satisfactory standard indicating an adequate knowledge and understanding of the relevant materials; demonstration of an adequate level of academic achievement; satisfactory development of skills*; and achievement of all learning outcomes.
0-49	Fail (FF)	Failure to satisfactorily achieve learning outcomes. If all compulsory course components are not completed the mark will be zero. A fail grade may also be awarded following disciplinary action.

*Skills are those identified for the purposes of assessment task(s).

Communication Methods

Communication methods used in this course include:

- CANVAS Course Site: Students will receive communications via the posting of content or announcements on the CANVAS course site.
- Email: Students will receive communications via their student email account.
- Face to Face: Communication will be provided via face to face meetings or supervision.

Course Evaluation

Each year feedback is sought from students and other stakeholders about the courses offered in the University for the purposes of identifying areas of excellence and potential improvement.

Oral Interviews

As part of the evaluation process of any assessment item in this course an oral examination may be conducted. The purpose of the oral examination is to verify the authorship of the material submitted in response to the assessment task. The oral examination will be conducted in accordance with the principles set out in the [Oral Examination Guidelines](#). In cases where the oral examination reveals the assessment item may not be the student's own work the case will be dealt with under the [Student Conduct Rule](#).

Academic Misconduct

All students are required to meet the academic integrity standards of the University. These standards reinforce the importance of integrity and honesty in an academic environment. Academic Integrity policies apply to all students of the University in all modes of study and

**Adverse
Circumstances**

in all locations. For the Student Academic Integrity Policy, refer to <https://policies.newcastle.edu.au/document/view-current.php?id=35>.

The University acknowledges the right of students to seek consideration for the impact of allowable adverse circumstances that may affect their performance in assessment item(s). Applications for special consideration due to adverse circumstances will be made using the online Adverse Circumstances system where:

1. the assessment item is a major assessment item; or
2. the assessment item is a minor assessment item and the Course Co-ordinator has specified in the Course Outline that students may apply the online Adverse Circumstances system;
3. you are requesting a change of placement; or
4. the course has a compulsory attendance requirement.

Before applying you must refer to the Adverse Circumstances Affecting Assessment Items Procedure available at:

<https://policies.newcastle.edu.au/document/view-current.php?id=236>

**Important Policy
Information**

The 'HELP for Students' tab in UoNline contains important information that all students should be familiar with, including various systems, policies and procedures.

This course outline was approved by the Head of School. No alteration of this course outline is permitted without Head of School approval. If a change is approved, students will be notified and an amended course outline will be provided in the same manner as the original.

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