

IB3J8-15 Banks and Financial Systems

20/21

Department

Warwick Business School

Level

Undergraduate Level 3

Module leader

Kebin Ma

Credit value

15

Module duration

10 weeks

Assessment

Multiple

Study location

University of Warwick main campus, Coventry

Description

Introductory description

The module seeks to enhance students' understanding of why banks exist and what economic roles they play, the risks faced by banks in lending process, off-balance sheet banking, and banking regulation.

[Module web page](#)

Module aims

The aim of the module is twofold. First of all, the module should help students to understand the economics of financial contracting - how financial frictions such as agency cost and market incompleteness shape financial contracts and institutions in banking. Then, guided by the theoretical perspectives, the discussion will cover specific issues such as the source of bank risk, risk management and some contemporaneous debates in banking regulation. The approach is mostly analytical rather than descriptive.

Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

An introduction to market-oriented and bank-oriented financial systems, historical development and cross-country comparisons.

An overview of banks' functions, and how banks are able to supplement financial markets.

Bank loans versus corporate bonds. Banks' advantage as inside creditors, and a discussion on the dark side of bank financing.

Banks' role in corporate liquidity provision and market making.

Deposit contract, bank runs, and deposit insurance.

Banks' role in intertemporal risk sharing, and further discussion on banks' role in asset and liability transformation (from risky to risk-free assets, and from monitored to unmonitored liabilities).

Bank risk management: credit risk, interest rate risk, liquidity risk, and market risk. Credit analysis and duration gap analysis.

Bank leverage and excessive risk-taking, financial safety net, and bank capital regulation, with a discussion on the evolution of Basel Accord.

Systemic crises, credit cycles, and the interplay between banking crisis and sovereign bond crisis.

Macro-prudential regulations.

The contemporary trend of banking: securitization, shadow banking, and the transition from retail to wholesale banking.

Learning outcomes

By the end of the module, students should be able to:

- Understanding banks' role in providing intermediated financing and corporate liquidity.
- Understanding the function of bank deposits, and the intertemporal risk sharing provided by financial institutions.
- Gaining knowledge about major banking risks and the principles of bank risk management.
- Understanding risk-taking incentives in banking industry and how banking micro- and macro-prudential regulations help to maintain financial stability.
- Knowing major banking risks and the principles of bank risk management. And understanding why some risks are inevitable to banking activities.
- Understanding risk-taking incentives in banking industry and how banking micro- and macro-prudential regulations help to maintain financial stability.
- Understanding the advantages and disadvantages of bank financing.
- Understanding why some risks are inevitable to banking activities.
- Being able to critically assess contemporaneous issues in financial regulations.

Indicative reading list

Arnoud Boot, Stuart Greenbaum and Anjan Thakor, Contemporary Financial Intermediation, 3rd ed. Academic Press, 2015. (publication still expected at the moment).

Subject specific skills

For the purpose of bank risk management, understanding the principle of credit risk analysis, and that of duration gap analysis.

Transferable skills

For the purpose of bank risk management, understanding the principle of credit risk analysis, and that of duration gap analysis.

Study

Study time

Type	Required
Lectures	10 sessions of 2 hours (13%)
Seminars	9 sessions of 1 hour (6%)
Private study	47 hours (31%)
Assessment	74 hours (49%)
Total	150 hours

Private study description

Private Study.

Costs

No further costs have been identified for this module.

Assessment

You do not need to pass all assessment components to pass the module.

Assessment group D1

	Weighting	Study time	Eligible for self-certification
Participation	10%	9 hours	No
Participation in activities on a weekly basis via my.wbs			
Online Examination	90%	65 hours	No
Exam			

~Platforms - AEP

Weighting Study time Eligible for self-certification

- Online examination: No Answerbook required

Assessment group R

	Weighting	Study time	Eligible for self-certification
Online Examination - Resit Exam	100%		No

- Online examination: No Answerbook required

Feedback on assessment

Feedback via My.WBS.

[Past exam papers for IB3J8](#)

Availability

Pre-requisites

To take this module, you must have passed:

- Any of
 - IB235-12 Finance 1: Financial Markets
 - [IB253-15 Principles of Finance 1](#)

Courses

This module is Optional for:

- Year 4 of UIBA-MN34 Law and Business Four Year (Qualifying Degree)