NEW YORK UNIVERSITY
STERN SCHOOL OF BUSINESS
Money, Banking and Financial Markets (C15.0021.001)
Spring 2003
Prof. Yoram Landskroner

Class: KMC 4-60
Time: MW 3:30- 4:45
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SYLLABUS (Tentative)

Required Readings

Federal Reserve Bank of New York, 1998. Available at
http://www.newyorkfed.org/pihome/addpub/monpol/
3. Additional readings will be assigned. Readings will be distributed in class or available on the web

Recommended Readings


Prerequisites
C15.0002
**Class Format**

Students are expected to read all assigned readings and attend all class sessions. Class participation is important and is encouraged. Students are responsible for knowing what goes on in class and for what is communicated by me via Stern email. This may include material not covered in readings, modifications and announcements concerning the syllabus, assignments and exams. Students should check the email before class. Class notes will be posted on my web page. Assignments will be in the form of problem sets, they must be handed in on the due date and will be graded.

**Grading**

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Assignments................</td>
<td>10%</td>
</tr>
<tr>
<td>Midterm Exam................</td>
<td>40%</td>
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<tr>
<td>Final Exam..................</td>
<td>50%</td>
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Finance department grading standards will be followed. Click on Courses at [http://www.stern.nyu.edu/fin/](http://www.stern.nyu.edu/fin/)

**Classroom Civility**

Each lecture begins on time; please try not to come late. If you do come late, minimize the disturbance to your classmates. Also try not to leave class before it is over. In general respect your classmates’ desire to learn.

**Honor code**

You are responsible for maintaining Stern’s honor code, which mandates zero tolerance for cheating.

**Course Objectives and Description**

This course analyzes the activities of commercial banks and other financial intermediaries and develops the relationships between the central bank and financial institutions including monetary policy. It also examines the activities of banks and other intermediaries. The focus in this course is on the risks that financial institutions are exposed to and how these are managed and regulated.
COURSE OUTLINE

I. Introduction and Overview
   Topics: 1. Overview of the Financial System: instruments, financial institutions and intermediaries, financial markets
           2. Why are financial Intermediaries/ banks special?
           3. Money Output and Prices
           4. Functions and Definitions of Money
   Readings: Saunders Ch. 1,6
             Meulendyke Ch. 1,3,4

II. Financial Services Industry
   Topics: 1. Depository Institutions: Structure and Regulation
           2. Nondepository Financial Institutions
           3. Risks of Financial Intermediaries
   Readings: Saunders Ch. 2-5,7

III. Interest Rate Risk
   Topics: 1. Repricing and Maturity Model
           2. Duration Model
   Readings: Saunders, Ch. 8,9

IV. Market and Credit Risk
   Topics: 1. Market Risk Measurement
           2. Value at Risk
           3. Credit Risk
   Readings: Saunders Ch. 10-12

V. Risk Management and Regulation
   Topics: 1. Asset and Liability Management
           2. Deposit Insurance and Other Guarantees
           3. Capital Adequacy: Basle I, Market Risk, Basle II
   Readings: Saunders Ch. 18-20
VI. The Federal Reserve System and Monetary Policy

Topics: 1. Structure of the Federal Reserve System
2. Tools of Monetary Policy
3. Goals and Targets of Monetary Policy

Readings: Meulendyke Ch. 1,2, 5-8

_The Federal Reserve System: Purposes and Functions_ Ch.1-3.

VII. Other Risks (Time permitting)

Topics: 1. Off-Balance-Sheet Activities
2. Operational Risk
3. Sovereign Risk and Debt Crises

Readings: Saunders Ch. 13-16