

MANAGEMENT OF FINANCIAL INSTITUTIONS

MGT 3079

Georgia Tech College of Management

FALL SEMESTER - 2008

Tuesday and Thursday - 3:00 - 4:30 pm

College of Management Building...Room 203

Professor Gary T. Jones

Professor of the Practice of Finance

Office: College of Management.....3rd Floor - Career Center - Room 3106

E-mail: gary.jones@mgt.gatech.edu

www.mgt.gatech.edu/about_us/career/jones.html

AN INTRODUCTION TO FINANCIAL MARKETS AND INSTITUTIONS is intended as an introductory course in financial markets and institutions aimed at both the undergraduate and MBA levels.

The course will consist of a blend of cases, required text material, and general class discussions focusing on the role and operation of financial institutions and markets in the national and international economies to include investments banks and securities firms, commercial banks, finance companies, mutual funds, insurance companies, asset and money management firms, hedge funds, private banks, private equity firms and other financial institutions.

The course offers the opportunity to develop a better understanding of the Federal Reserve System ; equity and fixed income capital markets; the Money Management Industry; asset allocation concepts & models; and investment strategies designed to take advantage of market efficiency.

Method of instruction is a combination of the case method which insists on a highly interactive environment of classroom participation; a heavy emphasis on current financial news incorporating timely market news into the classroom; and a series of guest speakers / lecturers representing star practitioners & resident experts in their respective fields. Through these guest lecturers, this course offers an opportunity to delve into all aspects of the capital markets and receive a " Learn - at- the - Knee of the Master " understanding of how these markets operate.

Class will be organized into several study groups / learning teams to facilitate the most effective and responsive format for interactive discussion. Students will be expected to be

Copies of recent articles, reports, cases, notes, etc., will be distributed frequently for class discussion. These will supplement the text. You will be expected to be prepared for class discussion. References will also be given for particularly relevant web-sites.

Students will be asked to provide the instructor with e-mail addresses that will be used for communications. Students are expected to check their e-mail boxes regularly. Review sessions will be scheduled as needed. Attendance is essential.

CURRENT LIST OF SCHEDULED GUEST SPEAKERS

- ~ Mike Neal.....Vice Chairman - G E; Chairman - G E CAPITAL
- ~ John Strangfeld.....Chairman, President & CEO.....Prudential Financial
- ~ Dennis P. Lockhart.....President & CEO.....Federal Reserve Bank of Atlanta
- ~ Dave Dorman.....Non Executive Chairman.....Motorola, Inc.....former Chairman & CEO
.....A T & T
- ~ Kurt Wolfgruber.....President & CIOOppenheimer Funds
- ~ Alan Lacy.....Former Vice Chairman & CEO.....Sears Holding Corporation
- ~ David Perdue.....Chairman & CEO (retired).....Dollar General Corporation
- ~ Charles Moseley.....Founder....Noro - Moseley Partners
- ~ Dennis Patterson.....Corporate Executive Vice President.....SunTrust Banks
- ~ Ed Burdett.....Managing Director.....Merrill Lynch.....Public Finance
- ~ John Rhett.....Chairman.....SunTrust Investment Services
- ~ Fran Rogers.....President - Check & Balances; President - WH Capital,LLC
- ~ Jimmy Trimble.....Director.....Private Bank.....Fidelity Bank

TENTATIVE OUTLINE & SCHEDULE

August 19

Introduction & Overview - Financial Markets

* Getting to know the Instructor

- * **Getting to know the Students**
- * **Assign Learning Teams**
- * **Rules of Engagement**
- * **Cold Call Chronicle**
- * **Overview of Financial Markets**
- * **Overview of Financial Institutions**
- * **Don't forget the " TAKE AWAYS "**

Readings: Text.....Chapter 1

August 21

Determinants of Interest Rates

- * **Interest Rate Fundamentals**
- * **Time Value of Money and Interest Rate**
- * **Movement of Interest Rates Over Time**
- * **Determinants of Interest Rates for Individual Securities**
- * **Yield Curve**
 - * **Term Structure of Interest Rates**
- * **Forecasting Interest Rates**

Readings: Text.....Chapter 2

August 26

Selected Financial Analytics and Definitions

- * **Interest Rate Measures**
- * **Present Value of Future Cash Flows**
- * **Returns and Total Rate of Returns**
- * **Definition and Types of Financial Risk**
- * **Meaning of Liquidity**
- * **Impact of Interest Rates on Security**
- * **Impact of Maturity/Coupon on Security**

Readings: Text.....Chapter 3

August 28

Securities markets

- * **Money Markets**
- * **Definition of Money Markets**
- * **Money Market Securities**
- * **Money Market Participants**
- * **International Aspects of Money**

Readings: Text.....Chapter 5

September 2

Bond Markets

- * **Definition of Bond Markets**
- * **Bond Market Securities**
- * **Corporate Bonds**
- * **Treasury Notes and Bonds**
- * **Bond Market Ratings**
- * **Bond Market Participants**
- * **Factors that Impact Fixed Income Instruments**

Readings: Text.....Chapter 6

September 4

Stock Markets

- * **Primary Markets**
- * **Secondary Markets**
- * **Stock Market Participants**
- * **Stock Market Indices**
- * **Exchanges and Market Regulations**
- * **Ratios and Evaluators to Measure**

Readings: Text.....Chapter 9

Securities Firms and Investment Banks

- * **Services Offered by Investment Banks**
- * **Size, Structure, and Composition of Industry**
- * **Market Making**
- * **Capital Markets & Syndication**
- * **Cash Management**
- * **Research & Trading**
- * **Proprietary Trading**
- * **Mergers & Acquisitions**

Readings: Text.....Chapter 16

Guest Speaker.....

**Mr. John Rhett
Chairman
SunTrust Investment Services**

September 9

The Federal Reserve System

- * Major Duties and Responsibilities of Fed**
- * Structure of the Federal Reserve System**
- * Monetary Policy Tools**
- * Money Supply and Interest Rates**
- * International Monetary Policy**

Readings: Text.....Chapter 4

Guest Speaker.....

**Mr. Dennis P. Lockhart
President & CEO
Federal Reserve Bank of Atlanta**

September 11

Asset Allocation in a Nutshell

- * Examples of Asset Classes**
 - * Risk & Investor Profile**
 - * Portfolio Diversification**
 - * Active Management**
 - * Index Funds**
- * Overall Financial Planning**

Guest Speaker.....

**Mrs. Fran Rogers
President - Checks & Balances
President - WH Capital, LLC**

September 16, 18, 23, & 25 LEARNING TEAMS CASE PRESENTATIONS

This section of the course offers an opportunity to delve into the equities markets and will provide an introduction to security valuation and portfolio design. We will focus on a variety of common stocks within several different industry groups and examine how to determine their value, their risk, and their performance. Presentations will be made by each of the learning teams on an assigned industry sector.....e.g. oils, retailers, brokerage firms, banks and financial institutions, media, pharmaceuticals, etc. Within that industry sector, the learning teams will review several companies and identify the best investment opportunity from each sector and WHY? All learning teams are encouraged to use power point.....and to include each member of the learning team in the presentation. Each learning team will have approximately 20 - 25 minutes for their presentation.....followed by constructive and provocative discussion from the entire class. This section will cover 4 class periods.

Readings: Handouts

September 30

Mortgage Markets

- * Mortgage Characteristics
- * Types of Mortgages
- * Asset - Backed Securities
- * Sub - Prime Mortgages
- * Structured Investment Vehicles
- * Helos , Teasers, & Baloons
- * Upside Down Mortgages
- * FICO SCORES

Readings: Text.....Chapters 7 & 8

October 2

**Commercial Banks and Other
Depository Institutions**

- * Definition of a Commercial Bank
- * Balance Sheet and Recent Trends

- * **Size, Structure, and Composition**
- * **Sources and Uses of Funds**
- * **Industry Performance**
- * **Role and Responsibility**
- * **Regulatory Environment**
 - * **Sun Trust vs Competitors**

Readings: Text.....Chapters 11, 12 & 13

Guest Speaker.....

**Mr. Dennis Patterson
Corporate Executive Vice President
Sun Trust Banks**

October 7

Private Equity

- * **Definition**
- * **Size of Industry**
- * **Major Players**
- * **Performance**
- * **Liquidity**
- * **Exit Strategy**

Guest Speaker.....

**Mr. Charles Moseley.....Founder
Noro - Moseley Partners**

Readings: Handouts

October 9

**SEARS HOLDING CORPORATION
A \$50 BILLION RETAILER OR
A \$ 25 BILLION HEDGE FUND**

BEAUTY IS IN THE EYE OF THE BEHOLDER

WHAT HAPPENED TO SEARS ?

Guest Speaker.....

Mr. Alan Lacy
Former Vice Chairman and CEO
Sears Holding Corporation

October 16 **Kohlberg Kravis Roberts & Co has acquired Dollar General
in a complex transaction valued at \$7.5 Billion**

WHO....WHAT....WHEN....WHERE....WHY....HOW - WOW !

Guest Speaker

Mr. David A. Perdue, Jr
President & CEO (retired....)
Dollar General Corporation

October 21 **Risk Management in Financial Institutions**

- * Types of Risk**
- * Managing the Risks**
- * Liquidity Risks**
- * Real Estate Lending**
- * What Happened to Bear Stearns !**

Readings: Text.....Chapters 20 & 21

October 23 **Money Management: Mutual Funds; Pension Funds; Others**

- * Number, size, and types of money managers**
- * Sources and uses of funds**
- * Industry Profile**
- * Industry Trends**
- * Measuring Performance**
- * Changing Structure of Industry**
- * Importance of Asset Allocation**
- * International Portfolios**

Readings: Text : Chapters 16, 17 & 18

Guest Speaker.....

**Mr. John Strangfeld
Chairman, Pres., & CEO
Prudential Financial**

October 28

PUBLIC FINANCE

- * Municipal Bonds**
- * Types of Municipal Bonds**
- * Muni's vs Corporates**
- * Underwriting Process**
- * Trading and Research**

**Readings: Text.....Chapter 6
Case Handout**

Guest Speaker.....

**Mr. Ed Burdett
Managing Director
Merrill Lynch**

October 30

Oppenheimer Funds is one of the largest & most successful Fund Managers in the World with management teams and Global expertise in municipal bonds; taxable bonds; value, growth, & global equity; balanced funds; international; and real asset funds. A look into the management of the business, the resources, and the people.....rather than the assets.

Readings: Text..... Chapter 17 & 18

" How to Manage the People that are Managing the Money! "

Guest Speaker.....

Mr. Kurt Wolfgruber

**President & CIO
Oppenheimer Funds, Inc.**

November 4, 6, 11 & 13

LEARNING TEAM PRESENTATIONS

This section of the course addresses factors that impact the pricing of fixed income instruments and will deal with several actual high grade and high yield bond pricings. Again, each learning team will be assigned an actual debt offering and will focus on structure, yield curve, collateral, securitization, comparables in the market place, etc. to arrive at an appropriate maturity and spread over the Treasury yield curve. Red Herrings and Prospectus will be distributed for each transaction. All learning teams are encouraged to use power point to provide professional presentations. Team participation is essential. Each team will have approximately 20 minutes for their pricing presentation. This section will cover 4 class periods.

November 18

**ROAD TO THE TOP
LIFE AT THE TOP**

- * Corporate Governance**
- * Corporate Citizenship**
- * Sarbannes Oxley Compliance**
- * CEO Code of Ethics**
- * Shareholder Initiatives**
- * Executive Compensation**

Guest Speaker.....

**Mr. Dave Dorman
Non-Executive Chairman.....Motorola, Inc
Former Chairman & CEO.....A T & T**

November 20

Finance Companies

- * **Role & Function**
- * **Size, Structure, & Composition**
- * **Recent Trends**
- * **Sub-Prime Market**
- * **Regulation**
- * **Loan Sales and Asset Securitization**

Readings: Text.....Chapter 14, 24

Guest Speaker.....

**MR. MIKE NEAL
VICE CHAIRMAN - GENERAL ELECTRIC
CHAIRMAN - G E CAPITAL**

November 25

Private Banking

- * **Definition & Description**
- * **List of Financial Services**
- * **Personal Asset Management**
- * **Gateway to Wealth**
- * **RICH MAN.....RICH MAN**

Guest Speaker.....

**James E. Trimble, Jr
Director of Private Bank
Fidelity Bank**

December 2 & 4

Course Review

December 8

EXAM WEEK