

Banking-1

Module 3, 2022-2023

Sergey Teplov

Head of ALM, liquidity and capital management, ALM&Treasury, Sberbank

SETeplov@sberbank.ru

Course description

This class covers some key themes in the commercial banking industry, including the impact of central banks and regulation. We will focus on value-creation, pricing and risk-management issues with particular attention to ALM risks. The goal is to provide a framework for students to understand the sources of the revenue and fragilities of commercial banks as a basis for decisions and future work in economic and financial turbulence.

Course requirements, grading, and attendance policies

The course grade will be based on 3 individual homework assignments, case analysis in groups in classroom and final exam. You may discuss the assignments with other students, but you should write up each individually.

The distribution of course grade is the following:

Component	Weight
HA1	15%
HA2	15%
HA3 - Case	15%
Case in classroom	15%
Final exam	40%

Attendance and participation is strongly recommended.

Students are required to adhere to the standards of academic ethics at NES.

Course contents

1. Introduction to banking

We will cover some historical aspects of the banking industry, banking sector liquidity, discuss the role of banks in a modern economy and the role of Central bank. We also will introduce the balance and income structure of modern universal bank and risk management framework.

2. From bank to ecosystem: how to steer a Group

This lecture will answer the question why large banks in Russia are moving in the direction of ecosystems and becoming technological companies and give basic understanding how group steering differs from bank solo steering

3. Liquidity management

We will discuss the goal of liquidity risk management, the sources of liquidity risk, regulatory and economic measures and steering instruments in going concern and crisis mode.

4. Interest rate risk management

We will discuss the role of interest rate risk in banking and the modern approaches of IRR measurement like regulatory and economic measures and various approaches to IRR management

5. FX risk management

We will discuss sources of FX risk and approaches for its measurement and management.

6. Capital management

We will introduce the goals of the capital requirements, measurements and regulation, discuss capital measures, Basel requirements and capital management.

7. FTP and product pricing

We will introduce the fund transfer pricing concepts and cover some aspects of internal transfer rates. We also will discuss basic principles of product pricing, such as funding and risk components, capital charges, and principles of estimation banking products efficiency.

8. Data science

We will introduce the data science and machine learning implications in banking. We will discuss the most important application of AI/ML to banking processes and the new risk arising.

9. Balance management

We will discuss the role and value of balance sheet management and its implication in decision making and planning. We will introduce profit center accounting and internal bank concept. The lecture is a basis for balance management case that will be held in classroom afterwards.

Course materials

Recommended materials

1. Economics of Money, Banking, and Financial Markets by Frederic S. Mishkin
2. Asset and liability management. The banker's guide for value creation and risk control by Jean Dermine
3. Управление рисками ALM и ликвидности банка, Учебное пособие, 2 издание, под редакцией Александра Морозова, Алексея Лякина, Ии Малаховой и Максима Воробьева
4. Bank valuation and value based management by Jean Dermine
5. Bank Asset Liability Management Best Practice: Yesterday, Today and Tomorrow by Polina Bardaeva
6. Basel Committee on Banking Supervision Publications
7. "Strategic Risk Management in an Interconnected World" by Kroszner
8. Brett King Bank 3.0. Why Banking is No Longer Somewhere You Go, But Somewhere You Do

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.