

TEACHING GUIDE

Course Information	
Full Name	Monetary Policy II and Banking
Code	0000012211
Degree	Master in Finance
Taught in	Advantere School of Management
Level	Postgraduate Official Master's Degree
Term	2
Credits	3,0 ECTS
Type	Mandatory
Person in charge	Juan Ayora
Office hours	Continuous availability via email

Professor Information	
Professor	
Name	Juan Ayora Aleixandre
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SPECIFIC COURSE INFORMATION

Course contextualization

Contribution to the professional profile of the degree

Focusing on the financial system and monetary policy, the course "Monetary Policy II and Banking" examines key issues in the theory and practice of monetary policy, financial markets, banking, and more importantly, its impact on strategic decisions of financial institutions. The course provides the student with the necessary knowledge, tools and skills for the development of professional careers in the financial sector, supervisors, regulators, consulting, etc. The course is divided into **five blocks**. As a continuation of the course "Monetary Policy and Economic Analysis", in the **first block** advanced aspects of monetary policy will be developed, with special emphasis on the unconventional measures implemented in recent years by central banks.

In the **second block**, the basic principles of banking, finance and banking products will be discussed. Analytical techniques will be studied to evaluate the financial situation of financial entities through the study of practical cases.

In the **third block**, the risks inherent in banking activity, the techniques for measuring said risks and their regulatory treatment will be studied. For years the financial sector has been immersed in a consolidation process. For this reason, this block will pay special attention to the study of the strategic decisions of entities (for example, mergers or acquisitions) and their impact on the risk profile of entities, on regulatory ratios, etc. This block covers the study of financial risks (for example, Pillar 1 risks) as well as non-financial risks (for example, ESG risks derived from environmental, social and governance factors or macro prudential risks).

In the **fourth block**, recent trends in the context of financial innovation and their impact on financial institutions will be discussed. The current economy is immersed in a process of technological revolution, thanks to a combination of new technologies and the significant growth of digital banking services. Concepts such as fintech activities, digital currencies or digital money will be studied in this block.

In response to the financial crisis that hit the world in 2008 and the ensuing sovereign debt crisis in the euro zone, the governments of the euro zone made a determined commitment to greater integration of the financial sector through the creation of the Banking Union, which It will be studied in detail in the **fifth block**.

Competences – Objectives		
Competences		
GENERAL		
CG.1	Learning by projects: Ability to develop and execute collective financial projects in their different phases based on real situations, proposing real solutions and making all interactions with the team, clients and any other participant efficient.	
	RA1	Ability to commit to the development of experimental collective projects based on the real world, managing and aligning the client's needs with the available resources, optimally distributing the work, communicating and projecting its different phases, proposing real solutions and making efficient all interactions with the team, customers and other stakeholders.
CG.3	Teamwork: Apply techniques and methodologies that promote teamwork and mutual collaboration in talent management projects to be carried out with companies and organizations.	
	RA1	Be committed and cooperate in the defined roles to achieve the goals related to the tasks, activities, projects and responsibilities defined and assigned.
CG.10	Technical Capacity: Capacity for analysis, synthesis, and projection, applied to situations, problems, and models, in the financial field.	
	RA1	Capable of dealing with the analytical study of cases and scenarios, as well as carrying out information and data synthesis
SPECIFIC		
CE.08	Know in depth the operation and management systems of credit institutions within the current financial paradigm, as well as other alternative financing sources, the different bank and non-bank credit products and solutions offered by the financing markets to different financing projects.	
	RA1	Understand and know how to negotiate and manage the credit and liquidity needs of a business project with a bank, understanding the keys of the bank's internal mechanisms - treasury, risks and commercial management to be successful in the credit application.
	RA3	Know and differentiate the products of wholesale and retail focus, as well as those focused on private banking and investment banking.
CE.11	Grasp and understand in depth the national and international financial economic situation, derive scenarios and project them, as well as establish dependency relationships with financial products and decisions.	
	RA2	Relate and identify macroeconomic and microeconomic indicators with interest rate, foreign exchange, hedging and structured products, and risk management operations, being trained to generate models that analyze these relationships.

THEMES AND CONTENT

Contents-Themes
Monetary Policy II
Topic 1: Monetary Policy II
<ul style="list-style-type: none"> 1.1 Theoretical framework 1.2 Central bank strategies: ECB, FED, etc. 1.3 Monetary policy instruments 1.4 Unconventional monetary policy measures 1.5 Impact of monetary policy decisions on financial markets and financial institutions
Banking
Topic 2: Principles of banking activity, finances and banking products
<ul style="list-style-type: none"> 2.1 Capital markets and the role of financial institutions in the global economy 2.2 Bank structures and business models 2.3 Banks versus insurance entities 2.4 Banking products 2.5 Risks of banking activity 2.6 Analysis of financial statements and ratios 2.7 Performance measures for financial institutions and strategic implications
Topic 3: Risks of banking activity
<ul style="list-style-type: none"> 3.1 Basel Accords. From Basel I to Basel III 3.2 European regulatory framework 3.3 Prudential requirements and application framework 3.4 Regulatory own funds 3.5 Pillar 1 risk: credit, market, operational and liquidity risk <ul style="list-style-type: none"> 3.5.1 Credit risk: expected loss and unexpected loss, standard approach and internal models 3.5.2 Market risk: quantitative approaches and regulatory treatment 3.5.3 Operational risk: regulatory treatment 3.5.4 Liquidity risk: liquidity management principles, regulatory treatment 3.6 Non-financial risks: business, reputational, ESG and other Pillar 2 risks. 3.7 Macro prudential risks 3.8 Risk management: strategic implications
Topic 4: Disruptive trends in the banking sector
<ul style="list-style-type: none"> 4.1 <i>Fintech activities</i> 4.2 Digital money and digital currencies

Topic 5: The Banking Union

- 5.1 Regulatory and institutional framework
- 5.2 The three pillars of the Banking Union
- 5.3 The Single Supervisory Mechanism
- 5.4 The Single Resolution Mechanism
- 5.5 Other European agencies (EBA, ESRB, etc.)

TEACHING METHODOLOGY

General methodological course aspects

Presential Methodology: Activities

The method used in the course combines visual tools (for example, presentations with graphs, diagrams and small numerical examples), practical cases, numerical exercises in Python, use of a simulator for the analysis of strategic decisions, etc. This set of tools aims to stimulate inductive learning and facilitate understanding of the course. Before each session, the student must analyze several texts related to the topic. Said preparatory work will be evaluated through a questionnaire that will be discussed in groups at the end of the session. In this evaluation they will weight the interventions of the students, their capacity for analysis, strategic thinking, etc. In the different sessions the professor will explain the contents related to each of the topics that make up the course. Once the topic is finished, the student will have to solve a practical case (individually), which will be discussed and resolved collectively in the following session. The practical cases will be evaluated based on the written responses prepared by the student and their interventions in the debates or discussions.

Non-presential Methodology: Activities

Individual study

Individual reading of different types of texts (presentations, cases, articles, Internet publications, reports on practical experiences, etc.) related to the study courses.

Individual resolution of practical cases and questionnaires.

SUMMARY OF STUDENT WORK HOURS

PRESENTIAL HOURS					
Professor Exposition	Student exhibition. Debates and group dynamics	Exercises and problem solving. Elaboration of applied work	Analysis and documentation	Tutorial sessions	Development of real projects for organizations
5	9	12,5	0	2	1,5
NON-PRESENTIAL HOURS					
Professor Exposition	Student exhibition. Debates and group dynamics	Exercises and problem solving. Elaboration of applied work	Analysis and documentation	Tutorial sessions	Development of real projects for organizations
0	0	37,5	19	2	1,5

ECTS CREDITS: 2,0 (60,00 hours)

EVALUATION AND GRADING CRITERIA

Graded Activities	Evaluation Criteria	% of Total Grade
Assessment of individual or group work carried out by students, some of them presented in class	<ul style="list-style-type: none"> • Work adequacy to the objectives set • On-time delivery • Goal adequacy and focus • Results achieved • Compliance with deadlines • The participation of ALL members of each team in the presentations and elaborations is required 	50
Performance of oral and written examinations, public defenses and multiple-choice tests, concept tests and resolution of practical cases as exams	<ul style="list-style-type: none"> • Throughout the program, exams or written tests will be given to test the solidity of the concepts acquired. • In order to pass the course, the final exams and tests of each section of the course must be passed. If there are several exams in the same section or block of a course, the weighted average of them must be higher than 5.0 as a necessary condition to pass the course. 	30
Participation and utilization of the classes	<ul style="list-style-type: none"> • When we talk about participation, it is clear that both the positive and negative ones are counted and that the quality of participation is as important as the quantity. The students' participation in class, the quality and timeliness of their interventions, the quality in the preparation and presentation of their work, predisposition and commitment, initiative, attendance. 	20

The evaluation criteria for the subject are governed by the following rules:

- 1-All students must comply with 100% attendance on the days established for this course. Any absence must be justified.
- 2-The final grade corresponds to the sum of the graded activities, the evaluation criteria and the % of the total grade described in the Evaluation and Grading Criteria section.
- 3-Individual and group work must be submitted on time and in the form specified by the subject's teacher.
- 4-A final grade lower than 5 implies the need to take an extraordinary exam. The final grade for this exam may not exceed the median of the passing grades at the time of the schedule exams.

The evaluation criteria for enrolling in a second year:

The student enrolled in the second-year course must fulfill the individual and group tasks established by the course professor. The same evaluation criteria described in the Evaluation and Grading Criteria section will be maintained.

In circumstances not covered by this Teaching Guide, the Advantere School of Management Regulation and the General Regulation of Comillas will apply.

BIBLIOGRAPHIES AND RESOURCES

Basic Bibliographies

- Risk Management and Financial Institutions. John Hull, 5th Edition, Wiley.
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.
- Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
- "Conventional and Unconventional Monetary Policy", Lorenzo Bini, Keynote Lecture at the International Center for Monetary and Banking Studies, Geneva, April 2009 ([link](#)).
- "The Fed's new strategy", Caixabank Research, Oct 2020 ([link](#))
- "How insurers differ from banks: a primer on systemic regulation", Christian Thimann, Systemic Risk Centre. LSE. July 2014 ([link](#))
- "Modelling credit risk", Somnath Chatterjee, Bank of England, 2015 ([link](#))
- "Climate risk stress test, SSM stress test 2022" ([link](#))
- "Macroprudential ring-fencing", Journal of Financial Regulation and Compliance, 2020 ([link](#))
- "Regulating fintech financing: digital banks and fintech platforms", Johannes Ehrentraud et al, FSI insights on policy implementation, Aug 2020 ([link](#))
- "How can we make the most of an incomplete Banking Union", Speech by Andre Enria, Chair of the Supervisory Board of the ECB, at the Eurofi Financial Forum, Ljubljana, 9 September 2021 ([link](#))
- "A European solution to deal with failures of medium-sized banks in the Banking Union", Eurofi article by Elke König, April 2021 ([link](#))
- "Banking Union: meaning and implications for the future of banking", Speech by Vítor Constâncio, Vice-President of the ECB, at Banking Union Conference organised by the Master in Banking and Financial Regulation, Navarra University, Madrid 24 April 2014 ([link](#))
- "ELA procedures", European Central Bank, 2014 ([link](#))

Study Cases

- Productos bancarios: impacto en el balance, cuentas de resultados y perfil de riesgo
- Análisis de estados financieros y rentabilidad de una entidad financiera. Fijación de precios y valoración del EVA
- Calculo de las ratios de capital
- Calculo de los requerimientos de capital. Implicaciones en las decisiones estratégicas
- Fusiones y adquisiciones: impacto de una fusión en las ratios de capital y liquidez
- Banca digital