

HKUST Syllabus  
School of Business and Management, Dept. of Finance  
FINA 398F: Asset Liability Portfolio Management  
Fall Semester 2008

File: 8m0914SYL398F

(Date prepared: Sep 16, 2008)

Instructor: Prof. Philip Cheng  
Office: Room 4382E  
Phone: 2358 7663  
E-mail: [pcheng@ust.hk](mailto:pcheng@ust.hk)  
Office hours: To be announced

Course website: [webct.ust.hk](http://webct.ust.hk)  
Lectures: Friday ( timing to be announced)  
Prerequisite: FINA 221 (Investment Analysis and Portfolio Mgt.), or equivalent

#### A. Course Description

New sound asset liability management is critical to the success of institutional portfolio management, such as banks, insurance companies, pension funds. Practical strategies are needed to accomplish portfolio objectives via managing the mismatch of assets and liabilities due to either regulations, market forces or other environmental factors. Selective asset classes need to be considered to optimize risks and achieve superior market performance and return on capital.

#### B. Textbook

Anthony Saunders and Marcia Cornett, 2008, FINANCIAL INSTITUTIONS MANAGEMENT (A Risk Management Approach, Sixth Edition (International), McGraw Hill.  
ISBN 978-007-126704-5.

#### C. Assessment

Main Research Project	65%
Supplemental Research Projects	15%
Class participation	20%
Total	100%

Note: Research Project presentation structure and details will be distributed separately in class.

**D. Class outline and textbook readings**

<b>Class Week</b>	<b>Topic</b>	<b>Textbook Reading</b>
1	Course introduction; ALM overview	
2	Financial Institutions (Intermediaries), Banks	Ch1
3	Insurance co., Security firms, Funds	Ch2, Ch3
4	Interest Rate Risk	Ch8, Ch9
5	Market Risks	Ch10
6	Credit Risks	Ch11, Ch12
7	Off-Balance Sheet Risks	Ch13
8	Foreign Exchange Risks; Sovereign Risks	Ch14, Ch15
9	Liquidity Risks	Ch17
11	Liability management	Ch18
12	Capital Adequacy	Ch20
13	Product Diversification, Geographic Expansion	Ch21, Ch22
14	Loan sales/Securitization	Ch26, Ch27
15	Review	

**Note: Supplemental reading to be assigned from time to time in classes.**

**E. Class policies and general information**

- 1. A course website will be maintained on WebCT. Students may benefit from materials from this website.**
- 2. Students will be asked to sit in the same seat in each class.**
- 3. Reference books are on reserve at the UST library for your additional learning opportunities.**

**F. References**

- 1 Deventer, Donald R  
Advanced financial risk management: tools and techniques  
John Wiley 2005**
- 2 Zimmermann, Heinz  
Global asset allocation  
John Wiley 2003**
- 3 Strong, Robert  
Portfolio construction, management, and protection  
Thomson 2003**
- 4 Gardner, Mona  
Managing Financial Institutions  
Thomson, 2005**
- 5 Jorgenson, Robert  
Individually managed accounts  
Wiley, 2003**

**Note: These reference books have already been set up at the Library on reserve basis.**

## A. Main Research Project Description

### 1. Overview

Students will write and present a report on a financial company.

All students are required to submit a softcopy of the research report before the presentation date. Each student is required to give an oral presentation. This will be followed by Q&A.

Please hand in a hard copy of the write-up on presentation date.

### 2. Main Research Project Grading (as % of total course grade)

a. Verbal presentation	10%
b. Written presentation	20%
c. Written content evaluation	35%
Total Main Research Project	65%

Note: Other Grade Assessments: Supplemental Research Projects=15%, Class Participation=20%, Total 100%.

## B. Class Participation

1. Class participation includes attendance of class activities.
2. Participation includes also motivation to offer comments and raising questions.
3. In order for us to keep track of your class participation, we would propose: At the beginning of each class, please collect the card with your name and put it in front of you. At the end of the class, please return to us so we can track your attendance. Please try to occupy the same seat every time after the second class.
4. It is important to behave properly and professionally when attending classes. For example, you should attend the classes on time, participate on discussions professionally, turn off mobile phones, should not talk to each other and cause any disruptions to others.