

HKUST

School of Business and Management, Dept. of Finance

FINA 399M: Asset Liability Portfolio Management

Spring Semester 2008

(Date prepared: Jan 29, 2008)

Instructor: Prof. Philip Cheng

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Office hours: To be announced

Course website: [webct.ust.hk](http://webct.ust.hk)

Lectures: Friday 1400-1550

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 and 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

Research Project	45%
Class participation	20%
Final exam	35%
Total	100%

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

**D. Course outline and textbook readings**

<b>Week</b>	<b>Dates</b>	<b>Topic</b>	<b>Textbook Reading</b>
1	Feb1	Course introduction; ALM overview	
2	Feb8	Holiday (Lunar New Year)	
3	Feb15	Financial Institutions (Intermediaries), Banks	Ch1
4	Feb22	Insurance co., Security firms, Funds	Ch2, Ch3
5	Feb29	Interest Rate Risk	Ch8, Ch9
6	Mar7	Market Risks	Ch10
7	Mar14	Credit Risks	Ch11, Ch12
8	Mar21	Mid-Semester Break	
9	Mar28	Off-Balance Sheet Risks	Ch13
10	Apr4	Holiday (Ching Ming Festival)	
11	Apr11	Foreign Exchange Risks; Sovereign Risks	Ch14, Ch15
12	Apr18	Liquidity Risks	Ch17
13	Apr25	Liability management	Ch18
14	May2	Capital Adequacy	Ch20
15	May9	Product Diversification, Geographic Expansion	Ch21, Ch22
16	May16	Loan sales/Securitization	Ch26, Ch27

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

#### **E. Course 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. All students must take the final exam, no exceptions. Note final exams are scheduled by the university and may occur on May 22-31 per UST Academic Calendar.**
- 4. 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.

## ATTACHMENTS

### A. Research Project Description

#### 1. Overview

Students will form a group of a few members to write and present a report on a financial company.

All groups are required to submit a softcopy of the research report before the presentation date. Each group is required to give an oral presentation, with each member required to participate. This will followed by Q&A.

#### 2. Project tasks

Please hand in a copy of the write-up with names of all group members. At the end of the project, you will evaluate each of your group members on the contribution they made to the project.

#### 3. Grading (as % of total course grade)

a. Verbal presentation	10%
b. Written presentation	10%
c. Written content evaluation	10%
d. Peer evaluation	15%
Total	45%

## B. Class Participation

1. Class participation includes attendance of course activities.
2. Participation includes also willingness to offer comments and raising questions.
3. In order for us to keep track of your class participation, we would propose 2 things :

- a. Small index card with your photo

Index cards will be distributed to you. Please paste your recent photo on the index card, and put down the following information ( name, student ID, email, major, preferred career choices), and returned to me in the second week.

- b. Name card

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.