

HKUST

School of Business and Management, Dept. of Finance

FINA 335: Asset Liability Portfolio Management

Spring Semester 2010

(Date prepared: January 8, 2010)

Instructor: Prof. Philip Cheng

Office: Room 4382E

Phone: 2358 7663

E-mail: pcheng@ust.hk

Office hours: To be announced

Course website: webct.ust.hk

Lectures: Thursday 1000-1150

Prerequisite: FINA 221 (Investment Analysis and Portfolio Mgt.) ,or equivalent, or special Approval for unusual circumstances

A. Course Description

New sound asset liability management is critical to the success of institutional portfolio management, such as banks, insurance companies, pension funds, etc. 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%
Mini-presentation+ Class participation	25%
Final exam	30%
Total	100%

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

D. Course outline and textbook readings

Class Week	Topic	Textbook Reading
1	Course introduction; ALM overview	
2	Financial Institutions (Intermediaries), Banks	Ch1
3	Insurance co., other financial companies	Ch2, Ch3
4	Interest Rate Risks	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
10	Liability management	Ch18
11	Capital Adequacy	Ch20
12	Research Case Presentation(date to be confirmed)	Groups
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. Course policies and general information

1. A course website will be maintained. 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 late 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 research 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 be 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, in addition to standard evaluations, 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. Mini-presentation

Details of this presentation will be discussed in class.

C. Class Participation

1. Class participation includes attendance and course participation activities.
2. Participation includes 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 write the following information (name, student ID, email, major, preferred career choices), and returned to us 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.