SUMMER SCHOOL

Microeconomics of Banking: Theory and Practice

Module outline

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3-7 September 2012
University of Rome III, Italy
Lecturer

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When
From Monday 3 to Friday 7 September, 2012

Where
University of Rome III, Faculty of Economics, Via S. D'Amico 77, 00145 Rome, Italy

Course Description
The objective of this course is to present and discuss all current issues related to the operation and behaviour of banks, the specific characteristics of banks, and the special intermediation role they have in the financial system and the economy as a whole. Particular attention is paid to the theories of financial intermediation and market frictions (informational asymmetries) as well as to issues concerned with bank performance and risk-taking. Emphasis is further placed on the evolution and globalisation of the banking system, modern financial instruments, and the interdependence between banks and financial markets. The role of banks in the propagation of financial crises is also examined, with emphasis on the systemically important institutions, the procyclicality of the banking system, liquidity shortages, bank runs, as well as the existing and forthcoming regulatory and supervisory policies designed to prevent crises.

Learning outcomes
The course will enable students to:

• Discuss and evaluate the theories related to the role of banks as financial intermediaries.
• Explain how bank-based systems differ from market-based systems.
• Understand the role of transaction costs and informational asymmetries in the operation of the banking system.
• Describe and analyse the various bank performance measures.
• Understand the techniques involved in the use of securitised banking activities and derivatives for hedging risk.
• Discuss the main types of risk that banks face and explain their relevance to the stability of the financial system.
• Explain why banks need regulation, and illustrate the main reasons for and against bank regulation.
**Pre-requisites**
Students are required to have a firm background in microeconomics, econometrics, and mathematical economics as well as a working knowledge of English.

**Teaching and learning strategy**
The course will last for five days, with lectures during the morning (09.00-13.00) and hands-on lab sessions during the afternoon (14.00-16.00).

**Reading list**
Core textbooks:

Additional textbooks:

**Outline**

*Day 1:*
09-11 Different types of banks and their operation; nature and process of financial intermediation
11-13 Banks and financial markets; bank-based systems vs. market-based systems
14-16 Hands-on lab session

*Day 2:*
09-11 Measures of bank performance: accounting and market-based measures
11-13 Individual bank risk-taking and risk measurement
14-16 Hands-on lab session

*Day 3:*
09-11 Procyclicality in banking
11-13 Traditional vs. modern banking activities (e.g. derivative instruments, securitisation)
14-16 Hands-on lab session
**Day 4:**
09-11 Systemically important financial institutions & systemic risk
11-13 Bank runs & liquidity shortages
14-16 Hands-on lab session

**Day 5:**
09-11 Bank regulation and supervision before and after the late 2000s crisis
11-13 Macroeconomic consequences of banking crises
14-16 Hands-on lab session

**Total Fees**

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<tr>
<th>Category</th>
<th>Fee</th>
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<tbody>
<tr>
<td>Students (post-graduate students, Ph.D students and Post-Doc)</td>
<td>550 euro + VAT</td>
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<tr>
<td>Young Researchers (either lecturer of any age or researchers up to 30 years old)</td>
<td>900 euro + VAT</td>
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<tr>
<td>Mature Researchers (either associate professor, full professor and senior lecturer or any age or researchers older than 30 years)</td>
<td>1250 euro + VAT</td>
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<tr>
<td>Professionals</td>
<td>1750 euro + VAT</td>
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**Note**
- There is a limited number of places available at computer lab.
- Until the 15 July 2012, preference shall be given to PhD. Students.
- After the 20 July 2012, places will be assigned based on time of registration (chronologically).
- The course will only be offered if a minimum of eight students will enroll.
- Courses are offered to FINEST members. Fees include the FINEST admission fees.
- Any applicant booking more than a course will receive a 20% discount on the second course and a 30% discount on each additional course (from the third-one).
- To become members and apply for a summer school, please fill the membership/registration form at: [http://host.uniroma3.it/associazioni/fine/index.asp?membership](http://host.uniroma3.it/associazioni/fine/index.asp?membership)

**Registration Fee includes:**
- Attendance at the summer school;
- Delegate pack, including lecture notes (no textbooks in the reading list);
- Certificate of Attendance.