



Course and Examination Fact Sheet: Spring Semester 2018

8,164: Banking and Insurance Regulation, Supervision, and Risk Management

ECTS credits: 2

Overview examination/s

(binding regulations see below)

Decentral - Written examination (60%, 60 mins.)

Decentral - Presentation (in groups - all given the same grades) (30%)

Decentral - Active participation (10%)

Attached courses

Timetable -- Language -- Lecturer

[8,164,1.00 Banking and Insurance Regulation, Supervision, and Risk Management](#) -- Englisch -- [Grünbichler Andreas](#)

Course information

Course prerequisites

None.

Course content

Syllabus

Over the last couple of years the international financial landscape has tremendously changed starting with the turmoil in the financial markets in 2008 with the subprime mortgage crisis in the US and the sovereign debt crisis in Europe. There is also need to significantly review and transform financial regulation. Different bodies and countries like the G20, the US, the UK, and the European Union have come forward with proposals on how to reform the regulatory and supervisory framework for financial institutions and markets, but also with specific proposals affecting the business model for financial institutions. As a further consequence of the crisis, the need to revisit current risk management techniques has also become apparent.

This course provides an overview of the global regulatory system and the supervisory framework in the banking and insurance industry. It has become apparent that the regulatory framework itself needs some major review as some of the regulatory institutions and committees themselves have become rather complex and opaque. We will also enter into a debate about the proper role of government and central banks in the financial services industry. In addition we will discuss the economic capital model and how it is used for risk management and regulatory purposes. We begin with a general description of VaR, and examine the history of its development (the JPMorgan 4.15 pm report).

The course starts with the principles of regulation. We will also describe the main institutional arrangements for international co-operation in the financial services industry and focus on topics like the "Too Big to Fail" issue and "Systemically Important Financial Institutions". The Basel Capital Framework for banks, including the latest development on the Basel Capital Model will be evaluated in class as well as two important Solvency regimes for insurance companies (Solvency II and the Swiss Solvency Test). We will cover recent regulatory developments and legislation (e.g. "Dodd-Frank-Act" in the US) and discuss the new regulatory capital proposals like hybrid capital instruments.

In addition to class room presentations, students will give a group presentation (of 3 students each) during the final course day. The literature for the group presentations will be available on the Intranet. Students are encouraged to look at the topic of



interest before the intramural part starts. In addition, there will be a closed book exam (60 min.).

Learning Objective

Holistic view on how regulation affects the business model for banks and insurance companies including politically economic aspects, institution economics and theory of finance aspects.

Course structure

Topics

1. The Principles of Bank Regulation
2. Regulation and Supervision: Concepts, Institutions, and Committees
3. The Financial Crisis 1.0 (2007ff) and 2.0 (2011ff)
4. Economic Capital Models and Value at Risk (VaR)
5. The Basel Framework
6. Solvency Requirements for Insurer: Solvency II, and the SST

Course literature

1. H. Schooner, M. Taylor (2009): *“Regulation of Global Banking: Principles and Policies”*, Elsevier. [Chapter 1-11; 14-16]
2. Hyman P. Minsky (1992): *“The Financial Instability Hypothesis”*, The Jerome Levy Economics Institute Working Paper, N° 74.
3. KPMG (1997): *“VAR – Understanding and Applying Value-at-Risk”*, Risk Publications. [p.27-30]
4. Kroszner, R. S. (2001): *“The motivations behind banking reform”*, In: *Regulation*, 24, p. 36-41.
5. Swiss Re (2010) *“Regulatory Issues in Insurance”*, Sigma Papers, N°3/2010.

Additional course information

Block course.



Examination information

Examination sub part/s

1. Examination sub part (1/3)

Examination time and form

Decentral - Written examination (60%, 60 mins.)

Remark

5-6 open questions.

Examination-aid rule

Extended Closed Book

The use of aids is limited; any additional aids permitted are exhaustively listed under "Supplementary aids". Basically, the following is applicable:

- At such examinations, all the pocket calculators of the Texas Instruments TI-30 series and mono- or bilingual dictionaries (no subject-specific dictionaries) without hand-written notes are admissible. Any other pocket calculator models and any electronic dictionaries are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as notebooks, tablets, PDAs, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

Supplementary aids

No supplementary aids allowed.

Examination languages

Question language: English

Answer language: English

2. Examination sub part (2/3)

Examination time and form

Decentral - Presentation (in groups - all given the same grades) (30%)

Remark

Each student has to present.

Examination-aid rule

Practical examination

No examination-aid rule is necessary for such examination types. The rules and regulations of the University of St. Gallen apply in a subsidiary fashion.

Supplementary aids

Power Point slides.

Examination languages

Question language: English

Answer language: English



3. Examination sub part (3/3)

Examination time and form

Decentral - Active participation (10%)

Remark

Classroom discussions.

Examination-aid rule

Practical examination

No examination-aid rule is necessary for such examination types. The rules and regulations of the University of St. Gallen apply in a subsidiary fashion.

Supplementary aids

Journal articles.

Examination languages

Question language: English

Answer language: English

Examination content

1. The Principles of Bank Regulation
2. Regulation and Supervision: Concepts, Institutions, and Committees
3. The Financial Crisis 1.0 (2007ff) and 2.0 (2011ff)
4. Economic Capital Models and Value at Risk (VaR)
5. The Basel Framework
6. Solvency Requirements for Insurer: Solvency II, and the SST

Examination relevant literature

1. H. Schooner, M. Taylor (2009): *“Regulation of Global Banking: Principles and Policies”*, Elsevier. [Chapter 1-11; 14-16]
2. Hyman P. Minsky (1992): *“The Financial Instability Hypothesis”*, The Jerome Levy Economics Institute Working Paper, N° 74.
3. KPMG (1997): *“VAR – Understanding and Applying Value-at-Risk”*, Risk Publications. [p.27-30]
4. Kroszner, R. S. (2001): *“The motivations behind banking reform”*, In: Regulation, 24, p. 36-41.
5. Swiss Re (2010) *“Regulatory Issues in Insurance”*, Sigma Papers, N°3/2010.



Please note

We would like to point out to you that this fact sheet has absolute priority over other information such as StudyNet, faculty members' personal databases, information provided in lectures, etc.

When will the fact sheets become binding?

- Information about courses and examination time (central/decentral and grading form): from the start of the bidding process on 25 January 2018
- Information about decentral examinations (examination-aid rule, examination content, examination relevant literature): after the 4th semester week on 19 March 2018
- Information about central examinations (examination-aid rule, examination content, examination relevant literature): from the start of the enrolment period for the examinations on 09 April 2018

Please look at the fact sheet once more after these deadlines have expired.