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Reforming Master Programmes in Finance in Armenia and Moldova / REFINE

An Erasmus+ Capacity Building Project (2017-2020)

THE COURSE OF REGULATION OF BANKING ACTIVITIES OVERVIEW

Gavar State University
Teacher Gurgen Muradyan



BASIC INFORMATION



TITLE OF THE COURSE	Regulation of banking activities
TEACHERS	Gurgen Muradyan
YEAR OF THE COURSE	1st year
SEMESTER OF THE COURSE	2th semester
LANGUAGE	Armenian
NUMBER OF ECTS CREDITS	3 credits

LEARNING OUTCOMES



- After the module the student will know.
The principles of the banking system regulation, the traditional and modern ways, methods and principles, the approaches provided by the basel agreements and the peculiarities of the prudential regulation of the banking system.

SYLLABUS OF THE COURSE



WEEK	TOPIC
1	The concept, purpose, modes and basic approaches of the banking system regulation
2	Basel principles of banking system regulation
3	Basel principles of banking system regulation
4	The basic principles of the banking system regulation provided by Basel 2
5	The basic principles of the banking system regulation provided by Basel 2
6	The basic principles of the banking system regulation provided by Basel 3
7	The basic principles of the banking system regulation provided by Basel 3
8	The basic principles of the banking system regulation provided by Basel 3
9	The main issues of prudential regulation and control of banking system
10	The main issues of prudential regulation and control of banking system
11	The main issues of prudential regulation and control of banking system
12	The implementation of banking regulation in national and international context
13	The implementation of banking regulation in national and international context
14	The implementation of banking regulation in national and international context

WEEK 1



- *The concept and purpose of the banking system regulation.*
 - The concept of the banking system regulation
 - The purpose of the banking system regulation
 - The modes of the banking system regulation
 - The basic approaches of the banking system regulation.

WEEK 2



- *The Basel Principles of Banking System Regulation.*
 - The Essence of Basel Principles
 - Basel 1 and the fundamental principles provided by Basel 1

WEEK 3



- *The Basel Principles of Banking System Regulation.*
 - Basel 2, the main differences between Basel 2 and Basel 1
 - Basel 3, the need for Basel 3 and its peculiarities

WEEK 4



- *The basic principles of the banking system regulation provided by Basel 2.*
 - The basic principles of Basel 2
 - The basics of Basel 2
 - Minimum Capital Requirements

WEEK 5



- *The basic principles of the banking system regulation provided by Basel 2.*
 - Requirements for the process of control
 - Requirements for market discipline and disclosure of information

WEEK 6



- ***The Basic Principles of the Banking System Regulation Provided by Basel 3***
 - The basic principles of Basel 3
 - Quality requirements of capital according to Basel 3
 - Compatibility requirements, according to Basel 3
 - Transparency (disclosure of information) requirements according to Basel 3

WEEK 7



- ***The Basic Principles of the Banking System Regulation Provided by Basel 3***
 - The concept of precycle according to Basel 3
 - The concept of capital stock buffer according to Basel 3
 - The concept of anti-cycle buffer according to Basel 3

WEEK 8



- ***The Basic Principles of the Banking System Regulation Provided by Basel 3***
 - The concept of the Leverage coefficient according to Basel 3
 - Liquidity requirements according to Basel 3
 - The banks that have systematic essence, their evaluation methodology and additional requirements according to Basel 3

WEEK 9



- ***The main issues of prudential regulation and control of banking system***
 - The role of the Central Bank in the regulation of the banking system
 - Basic and special economic norms of banking activity
 - Minimum norms of the bank's statutory and total capital and their calculation

WEEK 10



- ***The main issues of prudential regulation and control of banking system***
 - The essence of capital equivalence of norms and their calculation
 - The essence of liquidity norms and their calculation
 - The essence of the norms of maximum risk per one borrower and all large borrowers and their calculation

WEEK 11



- ***The main issues of prudential regulation and control of banking system***
 - The essence and calculation of the maximum risk per person and all persons related to the bank
 - The essence of compulsory reserve norm in the Central Bank and its calculation
 - The essence of foreign currency regulation norm and its calculation

WEEK 12



- ***The implementation of banking regulation in national and international context***
 - International experience in banking regulation and control
 - The essence of risk-based control
 - The purpose of risk-based control and the need for investment

WEEK 13



- ***The implementation of banking regulation in national and international context***
 - The main principles of risk-based control
 - Acting financial control system and the description of new control instruments, summary system of banks' assessment – CAMELS

WEEK 14



- *The implementation of banking regulation in national and international context*
 - Classification of bank assets according to objective and subjective criteria
 - The essence of standard and problematic assets
 - The essence and the order of formation of general and special reserves

TEACHING METHODOLOGY



Lectures, Discussions, Group /Team/ works, Individual assignments

- Lectures - to explain the scope of each topic. It is the general information about the themes and concepts related to a course of study. Will be used the instruments of discussions during the lessons for better understanding of the course of study. The conversation or debate about each topic will help to reach a decision or to exchange ideas and have synergy of ideas.
- Study of relevant literature, articles, scholarly articles, and any other sources relevant to the area of research, and by so doing, provides a description, summary and evaluation.

TEACHING METHODOLOGY

- Study of examples of projects implemented by international and local companies. During the group work the students will be divided into the groups and each of them will have a task to study the provided financial reports or a case.
- Study Data Collection & Analysis. Various methods of data collection and analysis are used but this typically includes observation and interviews and may involve consulting other lecturers, students, people and personal or public records.

LABOUR MARKET RELEVANCE



The employer's survey was conducted by Gavar State University among leading companies operating in the financial sector of Armenia. The employer's list covered the financial institutions, such as commercial banks, credit organizations and unions, savings and loans associations. The results of survey show that the skill of "Regulation of banking activities" is very important for employers. This is important for the financial sector because the employees of the banking system must have skills and knowledge that will give them chance to calculate the main indicators provided by Basel 2 and Basel 3, calculate the main economic standards provided by prudential norms of regulation of the Armenian banking system. This is important for the financial sector, because the employees of banking sector, who know "Regulation of banking activities", will be able to ensure for these organizations safe and smooth operation.

LABOUR MARKET RELEVANCE



How the students can use knowledge in practise

- Calculate the main indicators provided by Basel 2 and Basel 3
- Calculate the main economic standards provided by prudential norms of regulation of the Armenian banking system /by the Central Bank Regulation 2
- May apply risk-based approaches of control.
- Calculate the amount of potential loss reserves.

ASSESSMENT AND GRADING



Form of assessment for course is the follow:

- Max 10 points for attendance,
- Max 50 points for current activity in class. This point include
 - ❖ Group work – students must analysis financial reports and economic norms)
 - ❖ Individual work - students must read and study of regulations and application of the methodological system Basel 2, Basel 3 and RA CB regulations.

In the result of the group and individual works they develop a presentation to show the results of their works and they will answer the multiple questions.

- Max 40 points for final exam (40% of which or minimum 16 points required to pass).

ASSESSMENT AND GRADING



Details on assessment

Range of Ratings Points	Appointment	Grade	Point
Excellent /81-100/	A+	4,0	95 - 100
	A	4,0	87 - 94
	A-	3,7	81 - 86
Good /61-80/	B+	3,3	75 – 80
	B	3,0	67 – 74
	B-	2,7	61 - 66
Satisfactory /40-60/	C+	2,3	55 – 60
	C	2,0	46 – 54
	C-	1,7	40 - 45
Unsatisfactory /up to 40/	D	1,0	<40

REFERENCES



- *The main references and recommended reading for the course (max 5)*
 1. Risk Management and Financial Institutions, John C. Hull; Willey; 5th edition, 2017
 2. Basel 3, background information Central Bank, 2012
 3. www.cba.am
 4. www.bis.org
 5. <https://www.bis.org/bcbs/basel3.htm>

COURSE ASSIGNMENT 1



Assignment for the course

Homework: Individual work, Basel 2, Basel 3, Application of the methodological system in the Central Bank of the RA regulations. The students must calculate prudential standards of banking, by using bank balance sheet and other reports.

COURSE ASSIGNMENT 2/OR CASE STUDY DESCRIPTION



Assignment for the course

Individual and research work:

Analysis of the financial and economic regulations reports by the example of any bank.

After Individual and research works students have to answer questions devoted to selected topics. They must be able to determine the violation of probability of the economic standards or to be able to describe the financial risks.

The results will be presented to other students and discussion will help a deeper understanding of themes.

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THANK FOR ATTENTION

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