

**UNIVERSITY OF NATIONAL AND WORLD ECONOMY -  
SOFIA**

**FACULTY OF FINANCE AND ACCOUNTING**

**CURRICULUM**

For

Academic discipline:

**BANKING**

**Sofia**

## ANOTATION

**The discipline “Banking”** is being taught to the students from the Specialty of Finance, Bachelor and Master Degrees at the University of National and World Economy, Sofia. This course of Banking aims to give basic knowledge of banking and financial intermediation providing a ground for further closer specialization for professionals economists of the subject "Finance".

The syllabus is prepared for a course within one semester with the duration specified. The course covers the structure, technology, operations, policies and relations between banks, non-bank financial institutions and other financial institutions, characteristic for the modern banking systems. Special emphasize is put on the services the banks render to their customers, the regulations of the banking system by the central bank, the definitions of the balance sheet items, ratios and maintenance of internal proportions in a commercial bank, the allocation of funds, information flows, bank technologies and many other special topics.

The course authors attempted to shape it as an integral introduction course in of banking and its problems with a key accent on the changes in the financial sector of an economy in transition.

The course is divided into parts, each one covering a number of subjects related to the banking profession. Particular subjects are covered in thematic units.

The course will be integrated within a system of tests and practical work close to the environment of the real banking practice, the course includes in addition homework assignments the students are required to complete.

## MODULE CONTENTS

### A. LECTURES

<b>№</b>	<b>TOPIC</b>	<b>HOURS</b>
<b>INTRODUCTION. MONEY AND FINANCIAL INTERMEDIATION IN THE ECONOMY /3 hours/</b>		
1	<b>Development of the banking system.</b> Money circulation and reserve accumulation as a base of the banking practice. Origins of banking. National systems of banking in the Middle Ages.	1
2	<b>The concept of financial intermediation.</b> Commodity trade as base and subject of financial intermediation. Specialized financial services and markets. Banks and non-banks, specialized financial markets and intermediaries. Types of speculations.	1

3	<b>Banks and financial institutions.</b> Pre-bank financial intermediaries. Commercial banks - definition and features. Non-bank financial institutions. Specialized financial institutions.	1
<b>PART 1. INSTRUMENTS OF CREDIT</b> /3 hours/		
5	<b>Drafts.</b> Definition and key elements of a draft. Types of drafts. Mechanism of issue and process of the promissory note and the bill of exchange. Endorsement /Giro/. Acceptance of a draft /Aval/. Discounting. Collection of drafts. Procedures and settlement of overdue draft obligations. Cheques.	1
6	<b>Fixed yield securities.</b> Concept of fixed yield securities. Secondary market for securities and debentures without secondary market. Certificates of deposit. Bonds. Commercial papers. Concepts of coupon, discount and yield-to-maturity. Spot and forward interest rates. Determination of discount factors and forward interest rates.	1
7	<b>Variable yield securities.</b> Features and types. Particularities of the variable yield securities. Dividends. Stock dividends and stock splits. Stock warrants. Convertible bonds.	1
<b>PART 2. ORGANIZATION OF THE BANK AND THE BANKING SYSTEM</b> /3 hours/		
8	<b>Principles of banking.</b> Basics of banking operations. Solvency. Liquidity. Security. Profitability. Short-term and perspective strategies of the bank.	1
9	<b>The banking enterprise.</b> Profile of bank specialization. Universal and specialized banks. Functional divisions of a bank enterprise. Bank licensing.	1
10	<b>Economy of the bank.</b> Balance sheet of the commercial bank - key elements. Equity capital and liquidity of the bank. Management of the liabilities and the assets. Sources and distribution of the profits of a bank.	1
<b>PART 3. BANK OPERATIONS</b> /17 hours/		
11	<b>Basics of bank operations.</b> Types of banking transactions, bank products and services. Economic and legal fundamentals of the banking transactions. Organization, linkages and relations between banking operations. Bank technology. Money and Information flows within the bank enterprise.	2
12	<b>Bank liabilities.</b>	2

	Types of liabilities. Current deposits, savings and term deposits. Structure of the liabilities. Shareholders equity and particular requirements for capital adequacy.	
13	<b>Passive operations.</b> Organization of the current account and the deposit accumulation. Emission of cashier's bills. Interbank passive operations. Rediscount. Relombard. Share participation in banks. Credit facilities and renewable (revolving) credit. Off-balance sheet passive operations.	2
14	<b>Bank assets.</b> Types of assets. Cash balances and claims from banks. Portfolios of securities and loans. Portfolio selection and choice of an optimal portfolio structure. Methods of calendar planning. Bank's own fixed assets /fixed capital/.	2
15	<b>Bank loans.</b> General terms of credit. Credit procedure. Trade, industrial and mortgage loans. Loans for the agriculture and the cooperatives. Raiffeisen banks and popular banks. Current consumer loans. Home saving plans and housing loans. Special forms of credit: merchant allowances, leasing, franchises, factoring, forfeiting. Crediting the cross-border trade.	3
16	<b>Assessment of a loan security.</b> Assessment of credibility. Methods of assessment of a particular loan operation. Loan risk, types of risk and methods of assessment. Types of securities -security for the banks, security for the depositors. Securities for workflow credits. Ratios and methods of securities appraisal. Cover of a loan. Guarantees. Assignments and charges of claims and rights. Pledges and mortgage. /Transfers of fiduciary rights/. Insolvency of a borrower, moratorium, recovery, official and compulsory executions.	2
17	<b>Bank loan operations.</b> Current account credit /overdraft/. Credit facilities. Discount operations. Asset-backed loans /Lombard/. Bank guarantees as a form of credit. Credits for commissioner's transactions. Syndicated loans. Offering of syndicated public and private placements. Broker's credit - terms, opening and maintenance margins. Project financing.	2
18	<b>Payment intermediation by the bank.</b> Forms of payment. Bank transfers - types, handling procedures, cost allocation. Wire forms and direct debit. Collection forms - accept collection and prompt-collection. Clearing and settlement. International payments. Cheques and credit cards. Organization of electronic payments with bank cards. Payment systems.	3
<b>PART 4. THE CENTRAL BANK AND THE RESERVE SYSTEM</b>		
/3 hours/		

19	<b>Central bank.</b> The central bank as the “guardian of the currency”. Bank of the banks. Bank of the nation. Banker of the government. Bank supervision. Central bank’s place in the system of the state administration.	1
20	<b>Mechanism of regulation of the banking system by the central bank.</b> Central bank's discount operations. Negotiability conditions. Central bank's pen market operations. Types and mechanisms of refinancing. Terms of Lombard and Lombard margin. Mechanism of maintenance of the reserve accounts. Administrative forms of regulations - credit restrictions and limits.	1
21	<b>Foreign exchange and foreign exchange rates.</b> Concept of foreign exchange rate, types of foreign exchange rates. The problem of convertibility. Foreign exchange payments, manner of organization - nostro accounts, vostro accounts, off-shore accounts. Cash and term foreign exchange transactions. Arbitrage. Switch. Swap. Scheme of foreign exchange transactions.	1
<b>CONCLUSION ISSUES</b> /1 hour/		
22	<b>Development and perspectives of the Bulgarian banking system.</b> Development of the Bulgarian banking system and technologies. Problems of the modern Bulgarian banking system. Options of development.	1

## B. SEMINARS

№	TOPIC	HOURS OF TUITION	NON- CONTACT HOURS
<b>INTRODUCTION. MONEY AND FINANCIAL INTERMEDIATION IN THE ECONOMY</b>			
1	<b>Development of the banking system.</b> National systems of banking. The English, French, German and Italian banking systems - specifics, divergences and development. Money and banking system of the USA.	1	
2	<b>Review of the computation methods and conventions used in banking.</b> Dynamic value of money. Interest. Annualized interest rates. Simple interest. Yield accrual and compound interest. Discounting and dynamic comparison of values. Discount rate and interest rate, calculations. Other basic computation methods	4	

	used in banking. Dynamic comparison of values, measuring and adjustment for inflation impacts. Real /deflated/ rates and values. Statistical methods for risk measuring. Risk-adjusted values.		
<b>PART 1. INSTRUMENTS OF CREDIT</b>			
3	<b>Drafts.</b> Promissory note. Bill of exchange. Cheque. Requisites and drafting. Discounting.	1	
4	<b>Yields from securities.</b> Relation between coupon, discount and yield-to-maturity. Spot and forward interest rates. Determination of discount factors and forward interest rates. Dynamic changes of the yield. Promised, expected and actual yield. Impact of taxation on yields. Default on securities and risk premiums, risk structure of yields. Determination of the yield spreads. Analysis of the horizons.	2	
<b>PART 2. ORGANIZATION OF THE BANK AND THE BANKING SYSTEM</b>			
5	<b>The banking enterprise.</b> Regulations and restrictions. Analysis of the structure of a bank enterprise. Relationship between structure and specialization of the bank. Functional divisions of the bank enterprise. Case study of a bank enterprise - assignment for structural analysis.	2	
6	<b>Economy of the bank.</b> Balance sheet of a commercial bank - key elements. Analysis of the balance sheet of a bank enterprise. Case study of a bank enterprise - assignment for balance sheet analysis.	2	
7	<b>Case study of a bank enterprise.</b> Presentation of the homework results and appraisal of the assignments completed.	2	10
8	<b>Bank legislation.</b> Normative regulations of banking in Bulgaria and the European Union	2	10
<b>PART 3. BANK OPERATIONS</b>			
9	<b>Passive operations of the bank.</b> Organization of deposit raising and bank marketing. Analysis of the investment products offered by the bank and their targeted market. Competition, market positioning and market policies. Case study of a bank product - homework assignment.	2	10

10	<b>Active operations of the bank.</b> Portfolio selection and choice of an optimal portfolio structure. Methods of calendar planning.	2	10
11	<b>Case study of a bank product.</b> Presentation of the homework results and appraisal of the assignments completed.	2	
12	<b>Bank loans.</b> Workflow of loan operations. Organization and methodology of the appraisal of merchant /workflow/, investment and consumer loans. Analysis and model of the credit case. Sources of information for the credit case and information verification. Client case and bank case of the offer. Case study for a bank loan - assignment for a loan appraisal.	2	10
13	<b>Assessment and security of a loan.</b> Types of securities - security for the banks, security for the depositors. Securities for workflow credits. Ratios and methods of securities appraisal. Cover of a loan. Guarantees. Assignments and charges of claims and rights. Pledges and mortgage. /Transfers of fiduciary rights/. Insolvency of a borrower, moratorium, recovery, official and compulsory executions. Case study for a bank loan - assignment for a loan security appraisal.	2	10
14	<b>Case study for a bank loan.</b> Presentation of the homework results and appraisal of the assignments completed.	2	
15	<b>Payment intermediation by the bank.</b> Organization of the payments in Bulgaria. Standard and bank-specific payment products. Technology of payments with BISERA, RINGS and BORICA. TARGET. Payment risks and misuse of payment systems. Measures for prevention of money laundering.	2	
<b>CONCLUSION ISSUES</b>			
16	<b>Professional qualification and self-study of the banking profession.</b> Review of the key subjects not covered in the course. Sources of information. Options for formal education and self-study of banking.	2	

## LEARNING OUTCOMES

### **The discipline “Banking” shall provide basic knowledge and skills:**

- for interpreting the functions of the modern financial intermediaries – universal commercial banks, specialized banks and non-bank financial intermediaries, the basic instruments of credit (financial instruments) used by the financial intermediaries in their operations, the bank operations, the basic products and services offered by the banks; the economy of the bank, its structure and principles of management; the functioning mechanism of the banking system and its core information and communication systems, in particular the electronic funds transfer systems in Bulgaria and within the structure of the European System of Central Banks and the Euro area; the status quo and the perspectives for development of the Bulgarian banking system.

- competence to understand financial instruments, bank operations and banks' approach thereto, to find ones way in the manner of making decision and the logic behind the general management of the bank; to work out particular cases related to sample bank products and services, in particular bank loans.

The knowledge and skills provided by the course of Banking are a required base for studying all optional and extra disciplines related to particular areas of financial intermediation, building a key part of the fundamental training of the students for financial professionals.

## INDICATIVE READING

### A. MAIN

#### ***In Bulgarian***

1. Law on the Bulgarian National Bank, Darjaven Vestnik, issue 46 of 10 June 1997.
2. Law on Credit Institutions, Darjaven Vestnik, issue 59 of 21 July 2006.
3. Bank legislation acts.
4. Basel Committee on Banking Supervision documents, [www.bnb.bg](http://www.bnb.bg).
5. Mladenov, M., Money, Banks, Credit, Publishing House „PRINCEPS”, Sofia, 2002.
6. Mishkin, Fr., The Economics of Money, Banking, and Financial Markets, Foundation „Open Society”, Sofia, 1999.
7. Stefanova, P., Banks and credit intermediation, Publishing House „Trakia-M”, Sofia, 1999.
8. Stefanova, P., The banks. Profitability, liquidity and capital adequacy, Sofia, 1994.



9. Trifonova, S., Currency Board, Bank System and Financial Development, University Publishing House "Stopanstvo", UNWE, Sofia, 2002.
10. Zavadska, Z., M. Ivanich-Drozdovska, B. Yavorsky, Banking, University Publishing House "Stopanstvo", UNWE, Sofia, 2002.
11. Kolev, B, M. Glaveva, S. Trifonova, Money and Banks, Foundation „Young Bulgaria”, Sofia, 2003.
12. Harsev, E., Guide for Bank Operations, Commission for unification and bank standards, Sofia, 1996.
13. Stefanova, P., The Domestic and International Payments and the Banks, Publishing House „Trakia-M”, Sofia, 1993.
14. Trifonova, S., Monetary Theory, Monetary Policy, European Monetary Integration, University Publishing House "Stopanstvo", UNWE, Sofia, 2006.
15. Keynes, J. M., The General Theory of Employment, Interest and Money, Publishing House „PRINCEPS", Sofia, 2001.
16. Mladenov, M., Safety Net, University Publishing House „Stopanstvo", Sofia, 2003.
17. Stoyanov, V., Money, Banks, Exchanges, Publishing House „Galik", Sofia, 1996.
18. Papers and materials on the personal website of Assoc. Prof. Dr. Silvia Trifonova: [www.silvia-trifonova.microstat-analytics.com](http://www.silvia-trifonova.microstat-analytics.com).

### ***In English***

19. Mishkin, Fr., The Economics of Money, Banking, and Financial Markets, 7<sup>th</sup> ed., Pearson Addison Wesley, 2004.
20. A Dictionary of Finance and Banking, Oxford University Press, 2005.
21. Dictionary of Banking Terms, BARRON'S, 2006.
22. Bessis, J., Risk Management in Banking, John Wiley & Sons, 2007.
23. Heffernan, Sh., Modern Banking, John Wiley & Sons, 2005.
24. Comparative Standing of the Bulgarian Banking Sector Among Advanced Countries in Transition - the Experience of Foreign Banks Presented in Bulgaria& Discussion in Sofia, Economic Policy Institute, March 2001.
25. Impacts of Foreign Direct Investments on Banking Sectors in South East European Countries, Economic Policy Institute, Sofia, 2007.
26. Basel Committee on Banking Supervision documents - <http://www.bis.org/bcbs/>.
27. BIS, Core Principles for Effective Banking Supervision, Basel Committee on Banking Supervision, Bank for International Settlements, Basel, October 2006.
28. Basel Committee on Banking Supervision, International Convergence of Capital Measurement and Capital Standards (July 1988, updated to April 1998), Basle Capital Accord, 1998.

29. Basel Committee on Banking Supervision, International Convergence of Capital Measurement and Capital Standards. A Revised Framework, June 2004.

## **B. ADDITIONAL**

### ***In Bulgarian***

1. Manchev, Ts., I. Iskrov, A. Mihaylov, Money, banks and monetary policy, Private Professional High School “Banker”, Sofia, 2002.
2. Avramov, R., D. Popov, Theory and history of money and credit, Publishing House “Siela”, Sofia 2003.
3. Mihaylov, E. and co-authors, Banking services for economic agents, Publishing House “Abagar”, Veliko Turnovo, 2003.
4. Mladenov, M., For the banking reform in Bulgaria, University Publishing House “Stopanstvo”, Sofia, 1994.
5. Hubenova, T., Money, banks and capital markets, New Bulgarian University, Sofia, 1995.
6. Vucheva, H., The economic policy in the period 1991-2000, University Publishing House “Stopanstvo”, Sofia, 1991.
7. Petkova, I., R. Stefanov, Restructuring and development of banking sector in the countries advanced in their transition, Economic Policy Institute, Sofia, 2001.
8. Petkova, I., B. Mois, R. Stefanov, Restructuring and development of banking sector in the Central and Southeastern European countries – consensual practical lessons in the transition period, Economic Policy Institute, Sofia, 2001.
9. Merazchiev, B., Bank intermediation, Academic Publishing House “Tzenov”, Svishtov, 2006.
10. Vachkov, S., In the world of modern banking, Publishing House “Steno”, Varna, 2007.
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13. Bojinov, B., Building of a bank security net, Publishing House “Abagar”, Veliko Turnovo, 2004.
14. Kostova, N., Diagnostics of commercial banks, Publishing House „Aktiv K”, Varna, 2000.
15. Vatev, J. and co-authors, Distance analysis of the banking activity, Publishing House “Abagar”, Veliko Turnovo, 2005.

16. Stefanov, S., Investment banking, Publishing House “Abagar”, Veliko Turnovo, 2005.
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18. Basel Committee on Banking Supervision, Best practices for disclosure of credit risk, Basel, September 2000, [www.bnb.bg](http://www.bnb.bg).
19. Basel Committee on Banking Supervision, Guides for strengthening banks’ corporate governance, Basel, February 2006, [www.bnb.bg](http://www.bnb.bg).
20. Prandjeva, M., Supervision on consolidated basis, BNB, Sofia, 2001.
21. Mladenov, M., Banking in non-socialist countries, Sofia, 1988.
22. Oresharski, Pl., Prices and yield of financial investments, Publishing House „Luren”, Sofia, 1994.
23. Petkova, I., Securities transactions /or how to buy and sell them at a profit/, Publishing House “PRINCEPS”, Varna, 1998.
24. Demostenov, S., Credit and banks, Sofia, 1928.
25. BNB – series „Discussion Papers”, review “Economic Review”, Annual Report of BNB, Semiannual Report of BNB, Monthly Information Bulletin of BNB, series “Banks in Bulgaria”, Monetary and Interest Statistics - [www.bnb.bg](http://www.bnb.bg).
26. Reviews - “Economic Thought”, “Budget” (Ministry of Finance), “Government Securities and Debt” (BNB and Ministry of Finance), “Banks. Investments. Money”, etc.
27. Newspapers – Capital, Dnevnik, Pari, Banker, etc.
28. Internet websites: Government of the Republic of Bulgaria - [www.government.bg](http://www.government.bg), Ministry of Finance of the Republic of Bulgaria - [www.minfin.bg](http://www.minfin.bg), Bulgarian National Bank /BNB/ – [www.bnb.bg](http://www.bnb.bg), etc.

### ***In English***

1. Hawawing, G., P. D. Warner, Principles of Money, Banking, and Financial Markets, Basic Books, 1989.
2. Munn, G, L. Garcia, Ch. Woelfel, Encyclopedia of banking finance, McGraw-Hill Book Co., 1991.
3. Radice, F., Banking transactions, Prentice-Hall, 1989.
4. Smith, G., Money, banking, and financial intermediation, D. c. Heath and Co., 1991.
5. Reed, E., E. Gill, Commercial Banking, Prentice-Hall, 1989.
6. Scott-Quinn, B., Investment Banking: Theory & Practice, 1990.
7. McCallum, B., Monetary Economics. Theory and Policy, Macmillan, New York.
8. Rose, P., The Financial System in the Economy, 1986.
9. Friedman, M., A. Schwartz, A Monetary History of the United States, 1867-1960, Princeton University Press, 1971.

10. Molyneux, Ph., Banking An Introductory text, Macmillan, 1990.
11. Mason, J., Financial management of commercial banks, 1979.
12. Newspapers - Economist, New York Times, Wall Street Journal, Financial Times, Central Banking, Fortune, etc.