

FINANCIAL MARKETS AND INSTITUTIONS

Course code	<i>FIN 105</i>
Compulsory in the programmes	<i>Finance</i>
Level of studies	<i>Undergraduate</i>
Number of credits	<i>6 ECTS (48 in-class hours + 6 consultation hours + 2 exam hours, 104 individual work hours)</i>
Course coordinator (title and name)	<i>Dr Tom Hashimoto (Room 205)</i> <i>tomhas@ism.it</i>
Prerequisites	<i>Principles of Finance</i>
Language of instruction	<i>English</i>

THE AIM OF THE COURSE:

This course provides a unified framework for illustrating the financial markets, institutions, and instruments in a contemporary (i.e. post-crisis) context. It focuses on the structure and regulation of various markets in financial instruments, operation of banks and non-bank financial institutions, central bank operations and their effect on financial institutions, risks faced by the managers of financial institutions, and the methods, markets, and instruments for managing these risks. The course adopts a game-theoretical approach in analysing these topics, thereby financial actors are interacting each other with a certain degree of anticipation.

MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESMENT AND TEACHING METHODS

Course level learning outcomes (objectives)	Degree level learning objectives (Number of LO)	Assessment methods	Teaching methods
CLO1. Illustrate the roles and functions of financial markets, institutions, and instruments in mitigating different types of risk	BLO1.1 ELO1.1	Midterm, group paper, final exam	Lectures, seminars
CLO2. Observe the current market environments and analyse the theoretical rationales behind the investment choices.	BLO1.2 ELO1.2	Group paper, final exam	Lectures, seminars
CLO3. Assess the macro-prudential policies from various investor's perspectives	BLO2.1 ELO2.1	Midterm, final exam	Seminars
CLO4. Illustrate various incentives and motivations for different financial actors (including regulators) and analyse their interactions	BLO2.1 ELO2.1	Midterm, group paper, final exam	Seminars
CLO5. Critically evaluate the recent financial news articles and relevant research in financial markets as a method to identify the trends in the markets	BLO4.1 ELO4.1	Group paper and its presentation	Seminars

ACADEMIC HONESTY AND INTEGRITY

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. With regard to remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

COURSE OUTLINE

Topic	In-class hours	Readings
1. Introduction and review of micro- and macroeconomic analytical tools What are the major financial instruments covered in this course? What are the market failures and how can they be interpreted in the financial markets? What is the relationship between fiscal and monetary policies and how are they related to the financial markets?	4	Chapter 1
2. Trading money – the art of banking What are the core roles of banks in the economy? How do the different types of banking deal with risks? What is the political rhetoric behind the separation of retail and investment banking?	6	Chapters 2, 4, and 5
3. Conflicting ideologies? – the absence of one-size-fits-all regulations How are the American regulations differ from the British or American regulations? What are the roles of central banks? BIS? How does the 'varieties of capitalism' fit in this picture?	4	Chapters 3, 6, and 10
4 & 5. Securities markets: to hedge or to speculate – is it the questions? How do the equity and bond markets interact? What are the strategies for securities exchange to expand? How do investors react in the time of crisis?	6	Chapters 7 and 8
6. Investing in business ideas or profitability? – the art of private equity, venture capital, and development bank How is the ecosystem of entrepreneurs shaped by financial actors? What is the rationale behind the 'division of labour' among these private equity and venture capital firms? What are the roles of development banks?	6	Chapter 9
7. Pre-exam review & midterm examination	2	
8. FOREX and EURO in the post-crisis Europe What is so unique about the FOREX market compared to securities market? Is Euro an optimal currency area? How would the Euro zone develop in the near future?	4	Chapters 11 and 12

9 & 10. Derivatives – what is their raison d'être? What are the different types of derivatives? What do the different pricing models tell us about the underlying assumptions about each instrument? Why are they so popular among the traders?	8	Chapters 13, 14, and 15
11. Financial centre development and finance in media How are the recent developments in financial centres characterised? Are the analytical approaches by the media professionals different from those by academics?	2	
12. Essay workshops, presentations and pre-final review Good luck with your presentations and the final exam!	6	
	Total: 48 hours	
CONSULTATIONS	6	
FINAL EXAM	2	

FINAL GRADE COMPOSITION

Type of assignment	%
<i>Group Components 25%</i>	
<ul style="list-style-type: none"> Group paper and presentation 	25
<i>Individual Components 75%</i>	
<ul style="list-style-type: none"> Midterm 	30
<ul style="list-style-type: none"> Final exam 	45
Total:	100

DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT

1. *Midterm examination:* It is written in-class, open-book (i.e. you are allowed to bring your own notebook, the textbook, and other paper-based materials – electronic devices are prohibited), and in an essay format. It is designed to tackle the major concepts and themes characterising financial markets and institutions at large.
2. *Group paper and presentation:* It should be 2,000-2,500 words (excluding bibliography and appendices) on the topic of your choice (subject to approval by the lecturer). It is evaluated based on not only the depth of knowledge, but also the coherence of argument vis-à-vis the chosen research question. Some interesting case studies from *the Economist*, *Financial Times*, and *Bloomberg* are good starting points, while challenging and creative analyses are encouraged and welcomed.

Each group presents their findings (10 minutes) followed by a Q&A session, during which the authors have an opportunity to clarify some of the items unclear in the paper.

3. *Final examination:* It is written in-class, open-book, and in an essay format. It is designed to assist your critical thinking on the issues beyond the formal institutional arrangements.



NB: You must obtain at least 5.0 points (out of 10.0) for *each* assignment to be counted for the total score.

4. Additionally, an *oral exam* ('viva voce') is carried out when a lecture requires further explanations on the submitted papers or exams. The aim of the oral exam is to clarify what the students have written and how they understand the concepts/data in question.

RETAKE POLICY

The *retake* examination for the students who do not meet the passing score is normally scheduled 1-2 weeks after the announcement of the final grades. The retake examination covers the materials from the entire course, and it is worth 70% of the total grade (the remaining 30% comes from the group paper and presentation).

ADDITIONAL REMARKS

Regular attendance is strongly encouraged as both exams are open-book (i.e. you are allowed to bring your own notebook, printed materials, and the textbook). If for some reasons you need to miss a class, please notify the lecturer *beforehand*. The same etiquette rule applies for your peers when you gather for group projects.

REQUIRED READINGS

(Please utilise it as an encyclopaedia.)

Valdez, S. & Molyneux, P. (2013) *An Introduction to Global Financial Markets*, 8th edition. Basingstoke: Palgrave Macmillan.

ADDITIONAL READINGS

For each lecture, please read the relevant chapter(s) – the connection between the topic of the day and chapter(s) should be straightforward. For our in-class discussions, students must refer to relevant academic and/or news articles to highlight current issues linked to the topic of the day. No formal presentations are required, however. Please note that our textbook was published prior to the current financial crisis, pandemic, or Brexit. Thus, you must update your knowledge with a critical mind-set.

DEGREE LEVEL LEARNING OBJECTIVES

Learning objectives for the Bachelor of Business Management

Programmes:

*International Business and Communication,
Business Management and Marketing, Finance,
Industrial Technology Management*

Learning Goals	Learning Objectives
Students will be critical thinkers	BLO1.1. Students will be able to understand core concepts and methods in the business disciplines
	BLO1.2. Students will be able to conduct a contextual analysis to identify a problem associated with their discipline, to generate managerial options and propose viable solutions
Students will be socially responsible in their related discipline	BLO2.1. Students will be knowledgeable about ethics and social responsibility
Students will be technology agile	BLO3.1. Students will demonstrate proficiency in common business software packages
	BLO3.2. Students will be able to make decisions using appropriate IT tools
Students will be effective communicators	BLO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations
	BLO4.2. Students will be able to convey their ideas effectively through an oral presentation
	BLO4.3. Students will be able to convey their ideas effectively in a written paper

Learning objectives for the Bachelor of Social Science

Programmes:

*Economics and Data Analytics,
Economics and Politics*

Learning Goals	Learning Objectives
Students will be critical thinkers	ELO1.1. Students will be able to understand core concepts and methods in the key economics disciplines
	ELO1.2. Students will be able to identify underlying assumptions and logical consistency of causal statements
Students will have skills to employ economic thought for the common good	ELO2.1. Students will have a keen sense of ethical criteria for practical problem-solving
Students will be technology agile	ELO3.1. Students will demonstrate proficiency in common business software packages
	ELO3.2. Students will be able to make decisions using appropriate IT tools
Students will be effective communicators	ELO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations
	ELO4.2. Students will be able to convey their ideas effectively through an oral presentation
	ELO4.3. Students will be able to convey their ideas effectively in a written paper