

## FINANCIAL MARKETS AND INSTITUTIONS

<b>Course code</b>	<i>FIN105</i>
<b>Course title</b>	<i>Financial Markets and Institutions</i>
<b>Course type</b>	<i>Main</i>
<b>Stage of study</b>	<i>Undergraduate</i>
<b>Year of study</b>	<i>2<sup>nd</sup></i>
<b>Semester</b>	<i>Spring</i>
<b>ECTS</b>	<i>6: 48 hours of lectures and seminars, 112 hours of individual work, 2 hours of consultations</i>
<b>Coordinating lecturer</b>	<i>Lect. Tom Hashimoto</i>
<b>Study form</b>	<i>Full-time</i>
<b>Course prerequisites</b>	<i>Principles of Finance OR Financial Management OR Introduction to Finance</i>
<b>Language of instruction</b>	<i>English</i>

### Course Description

This course is designed to provide a unified framework for understanding financial markets, institutions, and instruments. It focuses on several topics, including 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. On completion of the course, the students will be familiar with notions and concepts specific to the markets in financial instruments, both securities and derivatives, and will be able to identify and use the financial instruments specific to various transactions carried out on financial markets.

### Course Aim and Learning Outcomes

This course aims to provide an understanding of the fundamentals of financial markets: structure, participants, operations and instruments, and associated theoretical and empirical issues.

<b>Subject learning outcomes (SLO)</b>	<b>Study methods</b>	<b>Assessment methods</b>
<b>SLO-01:</b> Explain the role and the functions of financial markets, institutions and instruments in a market economy	Lectures, seminars, individual study	Midterm test, final exam, group report
<b>SLO-02:</b> Describe the methods of issuing stocks in primary markets and their advantages and disadvantages	Lectures, seminars, self-study in groups	Midterm test, final exam, group report
<b>SLO-03:</b> Describe the process of trading stocks in secondary markets	Lectures, seminars, self-study in groups	Midterm test, final exam, group report
<b>SLO-04:</b> Differentiate among various types of financial assets and financial products, explain the specifics of their markets, and apply basic valuation methods in practice	Lectures, seminars, self-study in groups	Midterm test, final exam, group report
<b>SLO-05:</b> Describe the theoretical determinants of the level and term structure of interest rates	Lectures, seminars, solving exercises, self-study in groups	Midterm test, final exam, group report
<b>SLO-06:</b> Analyze the types and roles of monetary and non-bank financial institutions	Lectures, seminars, individual study, self-study in groups	Midterm test, final exam, group report
<b>SLO-07:</b> Explain the reasons for changing values of financial products, their impact and consequences	Lectures, seminars, solving exercises, self-study in groups	Midterm test, final exam, group report
<b>SLO-08:</b> Work in teams, present work results both in writing and orally, and substantiate decisions taken	Seminars, individual study, self-study in groups	Group report and its presentation
<b>SLO-09:</b> Critically evaluate the recent financial news articles and relevant research in financial markets	Seminars, individual study, self-study in groups	Group report and its presentation

### Quality issues

The lecturer assures a variety of teaching and testing methods. Critical thinking and discussions are encouraged. The feedback from students is always highly valued and appreciated.

### Cheating issues

The teaching and testing methods are chosen taking into account the purpose of the minimization of cheating opportunities. The ISM regulations on academic ethics are fully applied in the course.

### Topics:

No	Topic	In-Class Hours		Readings
		Lectures	Seminars	
1	Introduction to Financial Markets, Institutions and Instruments	4	-	Chapter 1
2	Monetary Financial Institutions: Types and Roles	2	2	Chapters 2, 3, 4
3	Investment Banking	2	2	Chapter 5
4	The Money and Bond Markets	2	2	Chapter 7
5	Equity Markets Primary Markets and Underwriting of Stocks	2	2	Chapter 8
6	Equity Markets: Secondary Markets and Trading of Stocks	2	2	Chapter 8
7	MIDTERM EXAM	2	-	
8	Non-Bank Financial Institutions: Types and Roles	2	2	Chapter 9
9	Crises and Regulation of Financial Markets and Institutions	2	2	Chapters 6, 10
10	Foreign Exchange Markets	2		Chapter 11
11	Derivatives Markets: Forwards and Futures	2		Chapter 14
12	Derivatives Markets: Options, Swaps, and Other Derivatives	2	2	Chapters 13, 15
13	Emerging and Growth-leading Economies (EAGLEs)	2		Chapter 16
14	Trends in the global financial markets. FinTech industry	2		Chapter 17
15	Roles and Responsibilities in the Financial System	2	-	Shiller (2012)
	FINAL EXAM			
<b>TOTAL</b>		<b>32</b>	<b>16</b>	

### Individual work and assessment:

TYPE	TOTAL HOURS	EVALUATION, %
Midterm exam	35	30
Group report	32	30
Final exam	45	40
Consultations	2	-
<b>TOTAL</b>	<b>114</b>	<b>100</b>

### Course requirements:

#### 1. Midterm exam (open-book)

Midterm exam is given in class during the semester and will test your theoretical and practical knowledge and skills from the topics discussed in previous lectures and seminars. It counts towards 30% of the final grade. More details on the examination date and specific topics to be covered will be provided during the first lecture.

#### 2. Group report

Report is intended to stimulate your interest in the real financial world by reading current financial newspapers, magazines, journals, databases, and also to help you with the learning of course materials by seeing how theory applies to real-world data and examples. Students will work in groups and will provide solutions to quizzes and problem sets given in class or as homework, taking the responsibility for tasks specific to the role in a team. Group report is a combination of all assignments given throughout the course and will be prepared in a written form. Files must be uploaded on the ISM E-learning System prior to class time on the due date. Late submission is not accepted. During the last sessions of the course, each group should give a 10-minute presentation of their report. Specific details about

composition of the groups, topics, deadlines and template will be provided during the first lecture. Group report counts towards 30% of the final grade.

### **3. Final exam (open-book)**

A final written examination is held according to ISM regulations and counts towards 40% of the final grade. The exam consists of essay questions mainly (but not exclusively) covering the topics from the remaining (post-midterm) course material.

### **Class Participation**

Positive contributions to class are encouraged and rewarded. Consistent positive contributions will help you if you are on a grade border at the end of the course and may be added as bonus points.

Students who receive a failing final grade will have the right to **resit exam**. Exam retake covers all course material and the weight of retake is **70%** of the final grade. Group report cannot be rewritten / retaken, but its evaluation (if positive) is not annulled.

### **Main readings:**

1. Valdez, S & Molyneux, P 2013, *An Introduction to Global Financial Markets*, 7th edn, Palgrave Macmillan, Basingstoke, Hampshire.
2. Shiller, RJ 2012, *Finance and the Good Society*, Princeton University Press, Princeton, N.J ()

### **Additional readings:**

May be provided periodically throughout the course via the ISM E-learning System.