

Identification	Subject	FIN 850 Financial Markets and Institutions – 3KU credits (6ECTS credits)	
	Department	Economics and Management	
	Program	Graduate	
	Term	Fall 2022	
	Instructor	Nigar Ismaylova	
	Classroom/hours		
Prerequisites	FIN 830 Financial Management		
Language	English		
Compulsory/Elective	Compulsory		
Textbooks and course materials	Financial Markets and Institutions, ME Mishkin and Eakins Addison-Wesley, 9th edition 2018		
Course objectives	The objective of the course is to prepare students for today’s dynamic financial environment and to provide a comprehensive understanding about financial markets, their players and instruments. The objectives are: (1) to provide a perspective on how financial markets and institutions fit in to the economy; (2) to help you understand the importance of money, credit, and interest rates; (3) to describe the function of various financial markets - money markets, equity markets, derivatives markets, and their numerous financial instruments; (4) to help students to understand the regulations and objectives of government agencies such as Fed (Federal Reserve Bank); (5) to provide a perspective on the business of financial institutions such as commercial/investment banks, investment funds; and (6) to provide the terminology used in financial markets.		
Course outline	The course will cover concepts of financial theory, institutional detail, regulations, and the history of the financial markets. Students will be exposed to legal, ethical, technological, and global issues facing financial managers, financial markets, and the financial assets traded in these markets.		
Course learning outcomes	By the end of the course, students should be able to: a) describe the role and structure of the financial system and its various institutions; b) explain key concepts such as financial claim, financial intermediation and financial market; c) discuss relevant theories about financial markets and institutions that help explain phenomena such as adverse selection and moral hazard; d) explain the concepts and valuation of different types of financial instruments.		
Teaching methods			Points
	Case analysis		x
	Group discussion		x
	Lecture		x
	Recitation		x
Evaluation Criteria	Methods	Date/deadlines	Percentage (%)
	Midterm Exam		30
	Class Activity		5
	Class Attendance		5
	Quizzes		10
	Project		10
	Final Exam		40
	Total Points		100
Policy:	The course will be taught as a mixture of lecture, class discussion and seminars. Power point slides are used as notes that supplement required textbook reading.  During the seminars chapter problems and questions would be considered and solved. Solving problems and discussing the questions are resource to assist the students in understanding how questions may be framed in the two quizzes and final exam. It is highly advised to do them during the seminars. Feel free to collaborate in groups, however it is expected that you work individually. <b>DOING PROBLEMS IS THE BEST</b>		

<p><b>WAY TO PREPARE FOR THE EXAMS!!</b></p> <p>Grade in the course will be determined by attendance and actively participation in class discussions by asking meaningful questions, seminar participation and contribution to the general understanding of others of the theoretical and practical material under consideration, scores on one project, two quizzes and a final examination. No extra credits will be granted.</p> <p>Quiz#1 will consist of 3 problems and 2 open-ended questions that require either calculation or short passage answers and cover materials of Chapter 1-8.</p> <p>Quiz#2 will consist of 3 problems and 2 open-ended questions that require either calculation or short passage answers and cover materials of Chapter 9-15.</p> <p>Topics of project paper will be distributed during the class. The paper topic is chosen jointly by students and instructor. Organizing your paper with <u>sections</u> and <u>headings</u> will help you present your material and aid the reader in understanding your paper. The paper should include an introduction, background, data/evidence, results, discussion, conclusions, references, copies of supporting figures, tables, etc., which illustrate the points made. Be sure to cite, in the text, specific references to information that comes from published resources.</p> <p>Students are required to submit the project paper by mail before the announced deadline. Papers submitted <u>after the deadline</u> are not accepted.</p> <p>Mid-term exam will consist of 3 problems and 3 essay open-ended questions that require either calculation or short passage answers and cover materials of Chapters 1-10.</p> <p>Final exam will consist of 3 problems and 3 essay open-ended questions that require either calculation or short passage answers and cover materials of all Chapters.</p>			
<b>Tentative Schedule</b>			
<b>Week</b>	<b>Date/Day</b>	<b>Topics</b>	<b>Textbook/Assignments</b>
1		Chapter 1,2. Introduction to the course, the Financial System - An Overview of financial institutions - Fundamentals of Financial Markets - Structure of Financial system	CHAPTER 1,2
2		Chapter 3,4. How Interest Rates Are Determined - Bond Prices, Bond Yields, and Interest Rate Risk - The Structure of Interest Rates - The Federal Reserve, Monetary Policy and Interest Rates	CHAPTER 3,4
3		CHAPTER 5: How Do Risk and Term Structure Affect Interest Rates? - Risk Structure of Interest Rates - Term Structure of Interest Rates - Expectation Theory	CHAPTER 5
4		ChAPTER 6: ARE FINANCIAL MARKETS EFFICIENT? The Efficient Market Hypothesis Evidence on the Efficient Market Hypothesis Behavioral Finance	CHAPTER 6,

5		Chapter 7: Why Do Financial Institutions Exist? Basic Facts About Financial Structure Throughout the World Transaction Costs Asymmetric Information: Adverse Selection and Moral Hazard	CHAPTER 7
6		Chapter 8 : Why Do Financial Crises Occur and Why Are They So Damaging to the Economy? Asymmetric Information and Financial Crises Dynamics of Financial Crises in Advanced Economies Dynamics of Financial Crises in Emerging Market Economies	CHAPTER 8
7		Chapter 9,10: Central Banking and Conduct of Monetary Policy Origins of the Federal Reserve System Structure of the Federal Reserve System Structure and Independence of the European Central Banks Structure and Independence of other Foreign Central Banks Explaining Central Bank Behavior	CHAPTER 9,10. Quiz #1 (Chapter 1-8)
8		Chapter 11. Understanding Money Markets - Background on money market securities - How institutional investors use money markets - Globalization of money markets. <b>Midterm exam</b>	CHAPTER 11
9		Chapter 12. Understanding of Bond Markets - Informational Background On Treasury, Municipal, and Corporate Bonds - Role of Bonds To Institutional Investor - Globalization of Bond Markets	CHAPTER 12
10		Chapter 13. Understanding Stock Markets - Stock exchanges where stocks are traded - Institutional use of stock markets - Stock Valuation and Risk - Globalization of stock markets	CHAPTER 13
11		Chapter 14. Understanding Mortgage Markets - Contraction and extension risks; - Credit risk and enhancement - Characteristics of residential mortgages - Common types of creative mortgage financing	CHAPTER 14
12		Chapter 15. Understanding Foreign Exchange Markets - Market practices, functions and principles - Characteristic and instruments - Foreign Exchange Derivatives - Participants of foreign exchange markets	CHAPTER 15
13		Chapter 16. THE INTERNATIONAL FINANCIAL SYSTEM - Intervention in the foreign exchange market - Balance of Payment - Evolution of the international financial system - The European Monetary System and Monetary Union	CHAPTER 16
14		Chapter 17. Commercial Bank Operations - Most common sources of funds for commercial banks - Most common uses of funds for commercial banks - Typical off-balance sheet activities for commercial banks - Bank management and profitability - Bank Regulation	CHAPTER 17 Quiz #2 (Chapter 9-15)
15		CHAPTER 18,19: Banking Industry: Structure and Competition Asymmetric Information and Financial Regulation The 1980s U.S. Banking Crisis Federal Deposit Insurance Corporation Improvement Act of 1991 Banking Crisis Throughout the World	CHAPTER 18,19
16		Chapter 21: Insurance Companies and Pension Funds Different types of life insurance policies	CHAPTER 21

		Main uses of insurance company funds How insurance companies are regulated Different types of private pension funds How pension funds can become underfunded and overfunded	
		<b>Final Exam</b> (Chapter 1-21)	

Note: This course syllabus provides only a general and tentative plan for the course. Deviations may be made when necessary.