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| <b>Identification</b>                 | <b>Subject</b>   | <b>FIN 850 Financial Markets and Institutions – 3KU credits (6ECTS credits)</b> |                       |
|                                       | <b>Department</b>  | Economics and Management  |                       |
|                                       | <b>Program</b>   | Graduate  |                       |
|                                       | <b>Term</b>  | Fall 2023   |                       |
|                                       | <b>Instructor</b>  | Nigar Ismaylova,  |                       |
|                                       | <b>Classroom/hours</b>   | By appointment  |                       |
| <b>Prerequisites</b>                  | FIN 830 Financial Management   |   |                       |
| <b>Language</b>                       | English  |   |                       |
| <b>Compulsory/Elective</b>            | Compulsory   |   |                       |
| <b>Textbooks and course materials</b> | Financial Markets and Institutions, ME Mishkin and Eakins Addison-Wesley, 9th edition 2018   |   |                       |
| <b>Teaching methods</b>               |  |   | <b>Points</b>         |
|                                       | <b>Case analysis</b>   |   | x                     |
|                                       | <b>Group discussion</b>  |   | x                     |
|                                       | <b>Lecture</b>   |   | x                     |
|                                       | <b>Recitation</b>  |   | x                     |
| <b>Evaluation Criteria</b>            | <b>Methods</b>   | <b>Date/deadlines</b>   | <b>Percentage (%)</b> |
|                                       | <b>Midterm Exam</b>  |   | 30                    |
|                                       | <b>Class Activity</b>  |   | 5                     |
|                                       | <b>Class Attendance</b>  |   | 5                     |
|                                       | <b>Quizzes</b>   | TBA   | 10                    |
|                                       | <b>Project</b>   | End of semester   | 10                    |
|                                       | <b>Final Exam</b>  |   | 40                    |
|                                       | <b>Total Points</b>  |   | 100                   |
| <b>Course outline</b>                 | The course will cover concepts of financial theory, institutional detail, regulations, and the history of 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.  |   |                       |
| <b>Course objectives</b>              | 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. |   |                       |
| <b>Course learning outcomes</b>       | By the end of the course, students should be able to:<br><br>a) describe the role and structure of the financial system and its various institutions;<br>b) explain key concepts such as financial claim, financial intermediation and financial market;<br>c) discuss relevant theories about financial markets and institutions that help explain phenomena such as adverse selection and moral hazard;<br>d) explain the concepts and valuation of different types of financial instruments.  |   |                       |

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| <b>Policy</b>             | <p>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.</p> <p>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 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 2 problems and 10 multiple choice questions that require either calculation or short passage answers and cover materials of Chapter 1-8.</p> <p>Quiz#2 will consist of 2 problems and 10 multiple choice 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 be no more than 8 pages and 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 are not accepted</u>.</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<br>- An Overview of financial institutions<br>- Fundamentals of Financial Markets<br>- Structure of Financial system | CHAPTER 1,2                 |

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| 2  |  | Chapter 3,4. How Interest Rates Are Determined<br>- Bond Prices, Bond Yields, and Interest Rate Risk<br>- The Structure of Interest Rates<br>- The Federal Reserve, Monetary Policy and Interest Rates  | CHAPTER 3.4                            |
| 3  |  | Chapter 5: How Do Risk and Term Structure Affect Interest Rates?<br>- Risk Structure of Interest Rates<br>- Term Structure of Interest Rates<br>- Expectation Theory  | CHAPTER 5                              |
| 4  |  | Chapter 6: ARE FINANCIAL MARKETS EFFICIENT?<br>The Efficient Market Hypothesis<br>Evidence on the Efficient Market Hypothesis<br>Behavioral Finance   | CHAPTER 6,                             |
| 5  |  | Chapter 7: Why Do Financial Institutions Exist?<br>Basic Facts About Financial Structure Throughout the World<br>Transaction Costs<br>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?<br>Asymmetric Information and Financial Crises<br>Dynamics of Financial Crises in Advanced Economies<br>Dynamics of Financial Crises in Emerging Market Economies  | CHAPTER 8                              |
| 7  |  | Chapter 9,10: Central Banking and Conduct of Monetary Policy<br>Origins of the Federal Reserve System<br>Structure of the Federal Reserve System<br>Structure and Independence of the European Central Banks<br>Structure and Independence of other Foreign Central Banks<br>Explaining Central Bank Behavior | CHAPTER 9,10.<br>Quiz #1 (Chapter 1-8) |
| 8  |  | Chapter 11. Understanding Money Markets<br>- Background on money market securities<br>- How institutional investors use money markets<br>- Globalization of money markets   | CHAPTER 11                             |
| 9  |  | Chapter 12. Understanding of Bond Markets<br>- Informational Background On Treasury, Municipal, and Corporate Bonds<br>- Role of Bonds To Institutional Investor<br>- Globalization of Bond Markets   | CHAPTER 12                             |
| 10 |  | Chapter 13. Understanding Stock Markets<br>- Stock exchanges where stocks are traded<br>- Institutional use of stock markets<br>- Stock Valuation and Risk<br>- Globalization of stock markets  | CHAPTER 13                             |
| 11 |  | Chapter 14. Understanding Mortgage Markets<br>- Contraction and extension risks;<br>- Credit risk and enhancement<br>- Characteristics of residential mortgages<br>- Common types of creative mortgage financing  | CHAPTER 14                             |
| 12 |  | Chapter 15. Understanding Foreign Exchange Markets<br>- Market practices, functions and principles<br>- Characteristic and instruments<br>- Foreign Exchange Derivatives<br>- Participants of foreign exchange markets<br>Chapter 16. The International Financial System                                      | CHAPTER 15,<br>CHAPTER 16              |

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|    |  | <ul style="list-style-type: none"> <li>- Intervention in the foreign exchange market</li> <li>- Balance of Payment</li> <li>- Evolution of the international financial system</li> <li>- The European Monetary System and Monetary Union</li> </ul>  |   |
| 13 |  | Chapter 17, 18 Banking and the Management of Financial Institutions and Financial Regulation <ul style="list-style-type: none"> <li>- The Bank Balance Sheet</li> <li>- Basic Banking</li> <li>- General Principles of Bank Management</li> <li>- Off-Balance-Sheet Activities</li> <li>- Measuring Bank Performance</li> <li>- Asymmetric Information and Financial Regulation</li> <li>- Types of Financial Regulation</li> <li>- The 1980s U.S. Banking Crisis</li> <li>- Federal Deposit Insurance Corporation Improvement Act of 1991</li> <li>- Banking Crisis Throughout the World</li> </ul> | CHAPTER 17,<br>CHAPTER 18<br>Quiz #2 (Chapter 9-15) |
| 14 |  | Chapter 20 The Mutual Fund Industry <ul style="list-style-type: none"> <li>- The Growth of Mutual Funds</li> <li>- Benefits of Mutual Funds</li> <li>- Mutual Fund Structure</li> <li>- Investment Objective Classes</li> <li>- Hedge Funds</li> </ul>   | CHAPTER 20  |
| 15 |  | Chapter 21: Insurance Companies and Pension Funds <ul style="list-style-type: none"> <li>- Different types of life insurance policies</li> <li>- Main uses of insurance company funds</li> <li>- How insurance companies are regulated</li> <li>- Different types of private pension funds</li> <li>- How pension funds can become underfunded and overfunded</li> </ul>   | CHAPTER 21  |
|    |  | Final Exam (Chapter 1-21)  |   |

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

### Useful web links

Financial Times – [www.ft.com](http://www.ft.com)

The Economist – [www.economist.com](http://www.economist.com)

International Monetary Fund – [www.imf.org/external/about.htm](http://www.imf.org/external/about.htm)

Bureau of Economic Analysis – [www.bea.doc.gov](http://www.bea.doc.gov)

<https://www.youtube.com/watch?feature=youtu.be&v=VVghw3YrHis>

<https://voxeu.org/article/rise-dollar-and-fall-euro-global-asset-trade>

[https://www.globalfxc.org/fx\\_global\\_code.htm](https://www.globalfxc.org/fx_global_code.htm)

[https://www.bis.org/statistics/rpfx19\\_fx.htm](https://www.bis.org/statistics/rpfx19_fx.htm)

1. Archive of Finance & Development (F&D) Issues

<http://www.imf.org/external/pubs/ft/fandd/fda.htm>

2. Journal of International Financial Markets, Institutions and Money

<http://www.sciencedirect.com/science/journal/10424431>

3. <http://www.economist.com>

4. Public Policy Journal -

<http://rru.worldbank.org/PublicPolicyJournal/>

5. National Bureau of Economic Research-

<http://www.nber.org/papers>

6. Social Science Research Network -

<http://papers.ssrn.com>

Paper topics:

1. The evolution and implementation of investment banking in emerging markets.
2. European financial centers after Brexit
3. Technological changes and financial intermediation
4. Financial intermediation in an era of transformational technology
5. Securitization, shadow banking & financial fragility
6. Crypto currencies and financial stability
7. Future of stock market after Covid-19
8. Role of Non-bank Finance.
9. Derivatives markets and private investing
10. The challenges of financial institutions in emerging economies
11. Cashless economy and financial intermediation