



APPLIES TO ACADEMIC YEAR 2014/2015

GRA 6546 Credit Markets and Financial Crises

Programme

Master of Science in Business (Finance), Master of Science in Financial Economics

Responsible for the course

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Department

Department of Financial Economics

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Introduction

This course seeks to provide a comprehensive overview of credit markets and some of the important crises that has occurred in the last century (esp. 1930s and the 2007 financial crisis). It covers the financial instrument and institutions that exist and operate in credit markets, with a special emphasis on the role of banks, but will also look at institutions such as pension, mutual and hedge funds and discuss the linkages that exist between these funds and banks. Credit provision in the form of bank lending, securitization and structured financial products such as credit derivatives and CDOs will be studied. The role of government subsidies and regulations, and how these may impact market participants incentives and behaviour will also be addressed. The course contains a mix of theory, institutional aspects and case studies of actual event.

Learning outcome

1. To get an overview of existing institutional arrangements and structures.
2. To study the linkages that exist between different institutions operating in credit markets.
3. To understand how the existence of asymmetric information credit market make these markets different from other markets and give rise to moral hazard and adverse selection problems that affect participants incentives and behaviours.
4. To understand how the design of financial contracts may mitigate or enlarge risks and problems arising from asymmetric information.
5. To understand how government subsidies and regulations may mitigate or enlarge risks and problems arising from asymmetric information.
6. To understand how financial shocks may be transmitted to the real sector.
7. To improve students' ability to analyse and discuss the above issues through class participation and case studies.

Prerequisites

GRA6532 Introduction to Derivatives and Risk Management, GRA 6540 Applied Finance, GRA 6543 Introduction to Asset Pricing/GRA 6533 Theory of Finance or equivalent.

Compulsory reading**Books:**

Greenbaum, Stuart I., Anjan V. Thakor. 2007. Contemporary financial intermediation. 2nd ed. Elsevier

Other:

During the course there may be hand-outs and other material on additional topics relevant for the course and the examination.

Recommended reading**Course outline**

(Details may vary from year to year)

1. Credit markets and asymmetric information
2. Banks and other financial intermediaries
3. Securitization and credit derivatives
4. Government subsidies and regulations
5. Case study(ies)

Computer-based tools

Excel spreadsheet, It's learning/homepage

Learning process and workload

A course of 6 ECTS credits corresponds to a workload of 160-180 hours.

Please note that while attendance is not compulsory in all courses, it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/It's learning or text book.

Examination

The course grade will be based on the following activities and weights:

40% Class work (in the form of a mix of some/ all of the following: hand in of case write ups, projects, and homeworks; case presentations and class participation in class midterm and quizzes).

Final written 3-hour exam accounts for 60% of the grade.

To get a final grade in the course, students need to complete and achieve a passing grade in all parts of the evaluation.

In this course class attendance is mandatory. Absences can result in a lower score. Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for term papers or other hand-ins, and/or where class participation can be one of several elements of the overall evaluation.

This is a course with continuous assessment (several exam elements) and one final exam code. Each exam element will be graded using points on a scale (e.g. 0-100). The elements will be weighted together according to the information in the course description in order to calculate the final letter grade for the course. You will find detailed information about the point system and the cut off points with reference to the letter grades on the course site in It's learning.

Examination code(s)

GRA 65461 continuous assessment accounts for 100% of the final grade in the course GRA 6546.

Examination support materials

A bilingual dictionary, interest tables and BI-approved exam calculator.

Examination support materials at written examinations are explained under examination information in the student portal @bi. Please note use of calculator and dictionary in the section on support materials.

Re-sit examination

It is only possible to retake an examination when the course is next taught.

The assessment in some courses is based on more than one exam code. Where this is the case, you may retake only the assessed components of one of these exam codes. Where this is not the case, all of the assessed components of the course must be retaken. All retaken examinations will incur an additional fee.

Additional information

Honor Code

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honor code, please ask.