



APPLIES TO ACADEMIC YEAR 2015/2016

FIN 3522 Financial Markets

Programme

Bachelor of Finance (2. year)

Responsible for the course

Dagfinn Rime

Department

Department of Finance

Term

According to study plan

ECTS Credits

7,5

Language of instruction

Norwegian

Introduction

The recent financial crisis and the growing importance of financial markets (e.g. measured in turnover) has brought into light the importance how financial markets actually work, and how to in practice utilize the opportunities in different financial securities.

The objective of this course is to provide a rigorous, in-depth introduction to the workings of modern financial markets. There are many different "players" using these markets. On the one hand, corporations, governments, and other institutions use the financial markets to raise funds (i.e. borrow money) for capital investments. On the other hand, these funds are provided by private and institutional investors (by buying securities issued by corporations, or depositing money with banks, etc.) Banks and other financial institutions (e.g. pension or mutual funds, etc.) act as intermediaries between investors and borrowers.

More specifically, the course focuses on the mechanisms by which securities are traded in modern financial markets

and the implications of trading mechanisms for the efficiency and liquidity of markets. It covers all major asset classes (money markets, equities, FX and bonds) and treats theoretical work on trading mechanisms and market outcomes, related empirical work and the application of microstructure analysis to practical trading scenarios. It closes with a focus on some topical issues in trading and market structure.

Learning outcome

Acquired Knowledge

The students will acquire a good understanding of how different financial markets work, who are the most active market participants, and how market participants use different financial instruments. More specifically the students will develop their understanding with respect to the following topics:

- Understand market structures and their impact on price efficiency and liquidity
- Understand risks associated with trading, and how actual trading is conducted.
- Understand adverse selection risk, holding risk, illiquidity risk
- Understand challenges for regulation of markets

Acquired Skills

The students will acquire skills that prepare them work which would involve trading, portfolio management or trade quality evaluation or for graduate work in this area. More specifically:

- Know how to trade different financial instruments
- Be able to collect necessary financial data
- Be able to do transaction cost analysis

Reflection

The course will build on other, more theoretical courses, and aim to make the theory relevant in a practical setting. This will enable the student to operate in actual financial markets, e.g. in role as trader, asset manager or analyst.

Prerequisites

BØK 3423 Finance or equivalent.

Compulsory reading

Books:

Mishkin, Frederic S. Stanley G. Eakins. 2015. Financial markets and institutions. 8th ed., Global ed. Pearson

Other:

Lecture notes, cases, additional exercises and examples will be available on the course-website on itslearning. List of papers will be necessary because the books are too non-technical.

Recommended reading

Books:

Harris, Larry. 2002. Trading and exchanges : market microstructure for practitioners. Oxford University Press
Sercu, Piet. 2009. International finance : theory into practice. Princeton University Press

Course outline

1. Introduction to financial markets: Fisher Model
2. Market participants: Governments, firms, funds, asset managers, etc.
3. Liquidity: Central banks and banks
4. Money markets
5. The relation between primary and secondary markets
6. Generic market structures (secondary markets)
7. Markets: Equity, bonds and FX markets
8. Instruments and how they are used. Cases and examples
9. Financial crises: GFC; Libor; FX fix, etc.
10. Issues and controversies in financial markets: algorithmic trading; transparency; regulation; fragmentation

Computer-based tools

Spreadsheets (Excel) will be used for certain practical applications and examples. It is recommended that students become familiar with their use. It will be explained how to use the Bloomberg terminal to collect and analyse financial data. The OANDA-trading platform will be utilized for familiarizing students with actual trading.

Learning process and workload

The course will include a combination of lectures and plenary tutorials where solutions to exercises will be explained and practical examples will be presented.

Specific Information regarding any aspect of student evaluation will be provided in class. It is the student's responsibility to obtain this information. Please note that whilst attendance is not compulsory, it is the students responsibility to obtain any information provided in class that is not included on the course homepage/Its learning or in the text book. Homepages and/or itslearning are not designed for the purpose of students who choose not to attend class.

The following is an indication of the time required:

Activity	Hours
Lectures	30
Bloomberg sessions	6
Plenary in-class tutorials where exercises will be explained	6
Preparation for lectures and plenary tutorials	83
Preparation of class work	30
Preparation for the final exam	45
Total recommended use of time	200

Use of hours

Use of hours (instructor)

The lectures will be plenary sessions whereas for the Bloomberg sessions will be done in different sections of maximum 40 students each. The Bloomberg room has 10 workstations and there will be up to 4 students on each workstation. Therefore, depending on the number of students registered for the course there will be formed n computer sections. For example if 150 students are registered then there will be 4 sections of around 37 students each.

30 hours – Lectures

6×n hours – Bloomberg sessions

6 hours - in-class plenary tutorials

3 hours – Coordination of learning activities

39 + 6×n hours – Total

OBS! (fra Programrådet Bachelor)

Bloomberg terminalrom har 10 maskiner. Forventet klassestørrelse på Bachelorstudiet i finans, 2. år er ca 70 studenter.

Med en klassestørrelse på 70 studenter og tre studenter pr. maskin, vil det kreves tre gjennomføringer av 2-timersøkten i Bloombergrommet. Det vil si at den totale ressursbruken vil kunne ende på 4 timer mer enn normen på 45 timer.

Examination

This is a course with continuous assessment (several exam components) and one final exam code. Each exam component is graded by using points on a scale from 0-100. The components will be weighted together according to the information below in order to calculate the final letter grade for the examination code (course). Students who fail to participate in one/some/all exam elements will get a lower grade or may fail the course.

The final grade in the course will be based on the following components and weightings:

- Two mandatory home assignments, counting 20% each (40%)
- 3-hour written final exam. (60%)

You will find detailed information about the point system and the cut off points with reference to the letter grades on the course site on itslearning. 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 for several elements of the overall evaluation.

Examination code(s)

FIN 35221 - Process evaluation, counts for 100% of course grade in FIN 3522 Financial Markets 7,5 ECTS credits.

Examination support materials

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 (https://at.bi.no/EN/Pages/Exa_Hjelpemidler-til-eksamen.aspx).

Re-sit examination

Re-sit examination is offered at the next scheduled course.

At re-sit it will be required that the entire evaluation process is conducted again, and that students who do not achieve points in one or more exam components will get a lower grade or fail the course. Previously conducted examination components will not be part of the assessment for a new character.

Additional information