



APPLIES TO ACADEMIC YEAR 2015/2016

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

GRA 6532 Introduction to Derivatives and Risk Management or equivalent

GRA 6540 Applied Finance or equivalent

GRA 6543 Introduction to Asset Pricing or equivalent

All courses in the Masters programme will assume that students have fulfilled the admission requirements for the programme. In addition, courses in second, third and/or fourth semester can have specific prerequisites and will assume that students have followed normal study progression. For double degree and exchange students, please note that equivalent courses are accepted.

Compulsory reading

Books:

Greenbaum, Stuart I., Anjan V. Thakor. 2015. 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

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:

Assignment 40%

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

Form of assessment	Weight	Group size
Assignment	40%	
Written examination 3 hours	60%	Individual

Specific information regarding student assessment will be provided in class. This information may be relevant to requirements for term papers or other hand-ins, and/or where class participation can be one of several components of the overall assessment. This is a course with continuous assessment (several exam components) and one final exam code. Each exam component is graded using points on a scale from 0-100. The final grade for the course is based on the aggregated mark of the course components. Each component is weighted as detailed in the course description. Students who fail to participate in one/some/all exam components will get a lower grade or may fail the course. You will find detailed information about the points system and the mapping scale in the student portal @bi.

Examination code(s)

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

Examination support materials

BI approved exam calculator

Bilingual dictionary

Interest tables

Permitted examination support materials for written examinations are detailed under examination information in the student portal @bi. The section on support materials and the use of calculators and dictionaries should be paid special attention to.

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. All retaken examinations will incur an additional fee. Please note that you need to retake the latest version of the course with updated course literature and assessment. Please make sure that you have familiarised yourself with the latest course description.

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.