



APPLIES TO ACADEMIC YEAR 2016/2017

EXC 3670 Financial Markets and Institutions

Programme

Bachelor of Business Administration - BBA (3. year), Exchange Program

Responsible for the course

Dagfinn Rime

Department

Department of Finance

Term

According to study plan

ECTS Credits

7,5

Language of instruction

English

Introduction

Financial markets are instrumental to the workings of the economy. However, these markets do not exist in a vacuum but evolve from the interactions of market participants within the boundaries of market institutions. The importance of financial markets has grown over time, measured e.g. by volume traded or the share of the total output of the economy. This, together with the recent financial crisis, has brought into light the importance of how financial markets actually work.

The objective of this course is to provide an 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 for the efficiency and liquidity of markets. It covers all major asset classes (money markets, equities, FX and bonds), but with a special emphasis on the role of central banks and money markets.

Learning outcome

Acquired Knowledge

The students will acquire a good understanding of how different financial markets work. More specifically, the students will develop their understanding with respect to the following topics:

- Understand sources for demand and supply of capital to financial markets
- Know who is participating in financial markets, and understand how financial assets are traded.

Acquired Skills

During the acquisition of the above mentioned knowledge 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.

Reflection

The acquired theoretical and practical knowledge provided by the course should enable the student to operate in actual financial markets, e.g. in role as trader, asset manager or analyst.

Prerequisites

EXC 2910 Mathematics, EXC 2904 Statistics, EXC, 2110 Basic Financial Management, or equivalent.

Compulsory reading

Books:

Bodie, Zvi, Alex Kane, Alan J. Marcus. 2013. Essentials of investments. 9th ed. McGraw-Hill
Saunders, Anthony, Marcia Millon Cornett. 2015. Financial markets and institutions. 6th ed., international ed. McGraw-Hill/Irwin

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.

Markus K. Brunnermeier, Isabel Schnabel.. 2015. Bubbles and Central Banks: Historical Perspectives
Tom Bernhardsen, Arne Kloster and Olav Syrstad. 2012. RISK PREMIUMS IN NIBOR AND OTHER COUNTRIES' INTERBANK LENDING RATES. Norges Bank Staff Memo. 21

Recommended reading

Books:

Valdez, Stephen, and Philip Molyneux. 2013. An introduction to global financial markets. 7th ed. Palgrave MacMillan

Course outline

1. Introduction to financial markets: Fundamental principles of finance
2. The financial system
3. Market participants: Governments, firms, funds, asset managers, banks, central banks, regulators, etc.
4. Intertemporal consumption (Fisher model)
5. Interest rates: Loanable funds equilibrium
6. Central banks and money markets
7. Financial markets: Instruments, Primary vs. Secondary markets
8. Generic market structures (secondary markets)
9. Market liquidity
10. Financial crises
11. Other Issues and controversies in financial markets

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.

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/It's 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	Workload
Lectures	36
Bloomberg sessions	6
Preparation for lectures and plenary tutorials	83
Preparation of class work	30
Preparation for the final exam	45
Total recommended workload	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.

36 hours – Lectures

6×n hours – Bloomberg sessions

3 hours – Coordination of learning activities

39 + 6×n hours – Total

Examination

Process evaluation, this is a course with 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% and 10% respectively (total 30%)
- 3-hour written final exam. (70%)

Specific information regarding student evaluation beyond the information given in the course description will be provided in class.

Examination code(s)

EXC 36701 Process evaluation, counts 100% towards the final grade in the course, EXC 3670 Financial Markets and Institutions, 7,5 ECTS.

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 grade.

Additional information