COURSE SYLLABUS
FINC-3430-01: FINANCIAL INSTITUTIONS & MARKETS
Spring 2015
Tuesday/Thursday 3:45 – 5:50 PM, Pigott 101

PROFESSOR: Ekaterina (Katya) Emm, Ph.D.
OFFICE: Pigott 526
PHONE: 206/296-5785
FAX: 206/296-2486 [include a cover page with my name and yours]
E-MAIL: emm@seattleu.edu
COURSE WEBSITE: https://seattleu.instructure.com/
OFFICE HOURS: Tuesdays 2:30 AM – 3:30 PM, and by appointment

Course description:
In this course we will explore the nature, role, and operation of financial institutions and markets in the economy; the impact on the financial system and industries such as banking and insurance of rapidly changing structural, policy, and international conditions. Focus is on the institutional setting facing businesses today as they cope with financing and risk management concerns. In addition to the class material, the assignments will stress and require skills essential to a successful business career, such as critical thinking, writing and information literacy as well as teamwork.

Course Objectives:
On successful completion of this course, you will be able to
- Explain the role of financial intermediation.
- Describe the nature of major financial markets and institutions and their current regulatory environment.
- Explain determination and structure of interest rates.
- Describe the role and organization of the Federal Reserve System.
- Describe the impact and economic tradeoff of the monetary policy.
- Explain and measure sensitivity of bond prices to interest rate movements.
- Describe the initial public offering process.
- Calculate specific risk-adjusted return measures and risk measures for stocks.
- Describe techniques for measuring and managing risk exposure of financial institutions.
- Gain understanding of recent events and developments in the financial industry.

The above course objectives aim to contribute to the overall learning goals for finance undergraduate students. These learning goals can be found at http://www.seattleu.edu/albers/finance/goals/
**Prerequisites:**
FINC 3400, ECON 2130; Quantitative skills at the level of intermediate algebra

**Required and recommended reading:**
2. Handouts and other reading materials will be distributed or posted on the course website.
3. *The Wall Street Journal* is an excellent resource to see the concepts covered in the course in action. I encourage you to read it regularly.

**Calculator:**
It is important that you have a financial calculator to use throughout the course. Bring your calculator to each class. Some textbook problems require complex arithmetic operations, and a financial calculator is necessary to solve these problems efficiently. This is especially true for exams. I will use Texas Instruments BA II Plus calculator in class to solve problems.

The use of calculators on other electronic devices (such as, cell phones) will not be permitted on tests.

**Academic resources:**
Library and Learning Commons offer the following free services:
- Research services,
- Learning assistance,
- Writing Center,
- Media Production Center.

For more information or to schedule an appointment, visit [http://www.seattleu.edu/learningcommons/](http://www.seattleu.edu/learningcommons/)

**Attendance and class participation:**
You will find that regular attendance and class participation are essential for your success in this course. I will not keep official attendance records. However, I expect you to be fully aware of the issues discussed in class. Note that the coverage during lectures will not be limited to the textbook. I would also like you to meet with me during my office hours at least once during the quarter. This will help me to get to know you better, address your concerns and to discuss your progress.

**Course website:**
The course website plays a critical role in this course. It includes, among other things, the most recent version of the course calendar, assignments and your up-to-date grades visible only to you. Check the announcement page often—important notices and updates from the course will appear there. You can access the course website through Canvas at:

[https://seattleu.instructure.com/](https://seattleu.instructure.com/)
**Suggested practice problems:**

Suggested practice problems for each chapter are listed on the course website. I will not collect any of these problems. They are assigned for your practice. Solutions to all end-of-chapter problems are posted on the course website. It is essential for your success in this course that you practice the material by solving all the suggested problems regularly over the course of the quarter.

**News minutes:**

News Minutes will be brought to you by your classmates. News Minute highlights recent financial news. It can also consist of discussing a finance-related study or book. The topic of your News Minute must be related to the material covered in class that day or in prior class periods. Your presentation should not exceed 2 minutes. If you need to use the classroom computer to project any files or websites, set it up before the class. You will be assigned a specific date on which you are expected to present your News Minute. If you fail to make your presentation as scheduled, a score of zero will be assigned for that portion of your grade.

**Quizzes:**

A quiz may be given at any time of the class period. A missed quiz will be graded as zero. No make-up or early quizzes will be given. At the end of the course, I will drop the lowest one grade out of all the quizzes.

**Project I:**

You will work on this project in teams of two. Due date for the project is listed in the course calendar. The grade on the project turned in after the beginning of class on the due date will be reduced at a rate of 10 points per day. A missed project will be assigned a score of zero. For additional details see a separate handout posted on the course website.

**Project II:**

You will work on this project in teams of four. In this project, you will research a topic pertaining to a recent development in the financial industry. Research topics will be assigned in class. The project will culminate in a class presentation and an accompanying report. Class presentations will take place during the last two class periods of the quarter. The due date for the written report is listed in the course calendar. The grade on the report turned in after the beginning of class on the due date will be reduced at a rate of 10 points per day. A missed report will be assigned a score of zero. For additional details see a separate handout posted on the course website.

**Exams:**

There will be two exams given on the days listed in the course calendar. The second exam will take place during the final exam week. It will include the material not tested on the first exam. If you know that you will not be able to attend one of the exams, you must request permission to be absent from the exam in advance of it. Your request must be supported by written documentation of the conflicting situation that prevents you from taking the exam. For example, health conflicts are to be documented by the written statements of a health professional; job conflicts are to be documented by a letter on company stationery from a supervisor; military reserve conflicts are to be documented by a copy of orders to duty on the conflicting date; conflicts because of attendance of funerals or weddings of first degree relatives are to be documented by copies of obituaries or wedding invitations, respectively. The grant of the permission or
excuse is at my discretion. If the absence from the exam is not excused, a score of zero will be assigned for the missed exam.

**Grade weights:**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>News minute</td>
<td>3%</td>
</tr>
<tr>
<td>Quizzes</td>
<td>7%</td>
</tr>
<tr>
<td>Project I</td>
<td>20%</td>
</tr>
<tr>
<td>Project II</td>
<td>20%</td>
</tr>
<tr>
<td>Exam One</td>
<td>25%</td>
</tr>
<tr>
<td>Exam Two</td>
<td>25%</td>
</tr>
</tbody>
</table>

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Total 100%

You will have several opportunities to earn bonus points for news minutes and/or quizzes related to guest speakers’ presentations. One extra point for each activity (and two extra points for an outstanding news presentation) will be added onto your final-exam score.

The course letter grade will be assigned according to the following schedule:

- 95 – 100 A
- 90 – 94.99 A-
- 87 – 89.99 B+
- 84 – 86.99 B
- 80 – 83.99 B-
- 77 – 79.99 C+
- 74 – 76.99 C
- 67 – 73.99 C-
- 60 – 66.99 D
- below 59.99 F

**Academic honesty and integrity:**

Seattle University is committed to the principle that academic honesty and integrity are important values in the educational process. Academic dishonesty in any form (e.g., copying during exams, using stored formulas in programmable calculators, using formula sheets or other notes that are not permitted during exams, engaging in unauthorized collaborating on and/or copying course assignments) is a serious offense against the academic community. Acts of academic dishonesty will be addressed according to the Seattle University Academic Integrity Policy. The policy can be found at the following address: [https://www.seattleu.edu/registrar/academics/performance/](https://www.seattleu.edu/registrar/academics/performance/)

You can familiarize yourself with the principles and expectations of academic integrity by taking an Academic Integrity Tutorial, which can be found at [https://www.seattleu.edu/academicintegrity/](https://www.seattleu.edu/academicintegrity/)

If you are not sure whether a particular action is acceptable according to the Academic Honesty Policy, you should check with your instructor before engaging in it.

**Other academic policies on the Registrar website:**

You can access other university academic policies, such as Academic Grading Grievance Policy, on the Registrar’s website: [https://www.seattleu.edu/registrar/academics/performance/](https://www.seattleu.edu/registrar/academics/performance/)

**Support for students with disabilities:**

If you have, or think you may have, a disability (including an “invisible disability” such as a learning disability, a chronic health problem, or a mental health condition) that interferes with your performance
as a student in this class, you are encouraged to arrange support services and/or accommodations through Disabilities Services staff located in Loyola 100, (206) 296-5740. Disability-based adjustments to course expectations can be arranged only through this process.

**General responsibilities:**
You are responsible for knowledge of any administrative announcements (test information, schedule changes, etc.) that are made at any time during scheduled class periods regardless of whether you are in attendance. If you are absent, ask a classmate to keep you informed. I will also assume that you are aware of all updates posted by me on the Canvas announcement page.

I expect you to be considerate and respectful in class to your fellow students. This includes turning off cell phones and refraining from side conversations. Finally, make every effort to avoid late arrivals and early departures to minimize distractions.
Daily Class Calendar - as of 3/31/15

NOTE: This calendar provides a planned outline of the course topics and events. Deviations may be necessary. If so, they will be announced in class and on the course website. It is your responsibility to be informed of these changes.

Bring the assignment(s) with you ready to be collected at the beginning of class on the date specified. If you cannot make it to that class session, but want to receive full credit for the collected assignment, you are expected to email or fax it to me with a time stamp before the beginning of the class. When faxing any document, make sure to indicate my name and “Dept. of Finance” on the cover page.

<table>
<thead>
<tr>
<th>DATE</th>
<th>EVENT</th>
<th>TOPIC</th>
<th>CHAPTERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mar-31 Tue</td>
<td>Introduction</td>
<td>Read Ch 1</td>
</tr>
<tr>
<td>2</td>
<td>Apr-2 Thu</td>
<td>Financial Crisis of 2007-2008</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Apr-7 Tue</td>
<td>Determination and Structure of Interest Rates</td>
<td>Read Ch 2, 3</td>
</tr>
<tr>
<td>4</td>
<td>Apr-9 Thu</td>
<td>Guest speaker: Steven Fisher, Federal Reserve Bank of San Francisco</td>
<td>Federal Reserve</td>
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<tr>
<td>5</td>
<td>Apr-14 Tue</td>
<td>Monetary Policy</td>
<td>Read Ch 5</td>
</tr>
<tr>
<td>6</td>
<td>Apr-16 Tue</td>
<td>No class</td>
<td>Read article from The New Yorker magazine and watch 'Money, Power &amp; Wall Street' episodes 1, 2 and 3 on <a href="http://www.pbs.org">www.pbs.org</a> (links are on Canvas)</td>
</tr>
<tr>
<td>7</td>
<td>Apr-21 Thu</td>
<td>Debt Security Markets: Money Markets</td>
<td>Read Ch 6</td>
</tr>
<tr>
<td>8</td>
<td>Apr-23 Thu</td>
<td>Debt Security Markets: Bond Markets</td>
<td>Read Ch 7</td>
</tr>
<tr>
<td>9</td>
<td>Apr-28 Tue</td>
<td>Project I due</td>
<td>Bond Valuation and Risk</td>
</tr>
<tr>
<td>10</td>
<td>Apr-30 Thu</td>
<td></td>
<td>Bond Valuation and Risk</td>
</tr>
<tr>
<td>11</td>
<td>May-5 Tue</td>
<td>Guest speaker: Chris Inverso, CFO at Rainier Industries</td>
<td>Exam review</td>
</tr>
<tr>
<td>12</td>
<td>May-7 Thu</td>
<td>EXAM ONE</td>
<td>Chapters 1 - 8</td>
</tr>
<tr>
<td>Date</td>
<td>Day</td>
<td>Event</td>
<td>Reading Material</td>
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<tr>
<td>13</td>
<td>May-12 Tue</td>
<td>Equity Markets</td>
<td>Read Ch 10</td>
</tr>
<tr>
<td>14</td>
<td>May-14 Thu</td>
<td>Stock Valuation and Risk</td>
<td>Read Ch 11</td>
</tr>
<tr>
<td>15</td>
<td>May-19 Tue</td>
<td>Managing Risk Exposure: Futures</td>
<td>Read Ch 13</td>
</tr>
<tr>
<td>16</td>
<td>May-21 Thu</td>
<td>Managing Risk Exposure: Options</td>
<td>Read Ch 14</td>
</tr>
<tr>
<td>17</td>
<td>May-26 Tue</td>
<td>Commercial Bank Operations and Regulation</td>
<td>Read Ch 17, 18</td>
</tr>
<tr>
<td>18</td>
<td>May-28 Thu</td>
<td>Bank Management and Performance</td>
<td>Read Ch 19</td>
</tr>
<tr>
<td>19</td>
<td>Jun-2   Tue</td>
<td>Project II report due</td>
<td>Team Presentations</td>
</tr>
<tr>
<td>20</td>
<td>Jun-4   Thu</td>
<td></td>
<td>Team Presentations</td>
</tr>
<tr>
<td>21</td>
<td>Jun-9   Tue</td>
<td><strong>EXAM TWO</strong> 4:00 - 5:50 PM</td>
<td>Chapters 10, 11, 13, 14, 17-19</td>
</tr>
</tbody>
</table>
CHAPTER 1
Questions: 1, 2, 3, 23
In addition, you should be able to answer questions 19 and 20 by the time of the midterm exam.
Managing in Financial Markets: a, b, c

CHAPTER 2
Questions: 2, 3, 4, 6, 8, 10, 11, 12, 13, 15, 19
Interpreting Financial News: a, b, c
Managing in Financial Markets: a, b, c
Problems: 1, 2

CHAPTER 3
Questions: 1, 2, 3, 4, 5, 7, 8, 9, 10, 12, 13, 15, 16, 17, 18, 21
Interpreting Financial News: b, c
Managing in Financial Markets: a, b, c, d
Problems: 1a, 2, 3, 4, 5, 6, 8, 9

CHAPTER 4
Questions: 1, 2, 3, 4, 6, 9, 10, 14, 15, 16, 20
Interpreting Financial News: a, b, c
Managing in Financial Markets: a, b, c
Additional Questions: 1. What is M1?
   2. Which measure of money—M1, M2, or M3—does the Fed use to monitor the money supply.

CHAPTER 5
Questions: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 16, 17, 21, 22, 23, 24
Managing in Financial Markets: a, b, c
Additional Questions: 1. Briefly summarize the Keynesian approach.
   2. Briefly summarize the Monetarist approach.
   3. Briefly summarize the Rational Expectations theory.
   4. Describe the relationship between unemployment and inflation as predicted by the Phillips curve.
   5. Explain what monetizing the debt means. How can this action improve economic conditions? What is the risk involved?
   6. What is a credit crunch?
CHAPTER 6
Questions: 5, 8, 9, 10, 12, 13
Interpreting Financial News: a, b
Managing in Financial Markets: a, b
Problems: 1, 2, 5, 6, 8, 9a, b, c

CHAPTER 7
Questions: 2, 3, 4, 6, 8, 9, 10, 12, 14
Interpreting Financial News: b, c
Managing in Financial Markets: a, b, c

CHAPTER 8
Questions: 2, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 20, 21, 23, 24
Interpreting Financial News: a, b, c
Managing in Financial Markets: a, b, c
Problems: 1, 2, 11, 14, 15, 16, 17, 18
Additional Problem: Assume a bond with a $1,000 par value and an 11 percent coupon rate paid annually, two years remaining to maturity, and a 10 percent yield to maturity. What is the bond’s duration? What is the bond’s modified duration?

CHAPTER 10
Questions: 2, 3, 5, 8, 10, 11, 12, 15, 16, 21
Interpreting Financial News: a, b, c
Managing in Financial Markets: a

CHAPTER 11
Questions: 2, 4, 5, 7, 8, 9, 15c, 16, 17, 18, 22
Interpreting Financial News: a, b, c
Managing in Financial Markets: a, b, d
Problems: 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18
Additional Problem: A stock has an expected daily return of 0.1%. The standard deviation of daily returns for the stock in a recent period is 1%. The 95 percent confidence level is desired for the estimation of the maximum loss. What is the lower boundary of the stock’s expected daily returns?
Assume that the daily returns are normally distributed. Therefore, 95 percent of the return distribution lies within about 1.96 standard deviations from the mean.
CHAPTER 13
Questions: 1 – 15, 18, 19
Interpreting Financial News: a, b, c
Managing in Financial Markets: a, b, c, d, e
Problems: 1, 2, 3, 4

CHAPTER 14
Questions: 1 – 12, 14
Interpreting Financial News: a, b, c
Problems: 1, 2, 3, 4, 5a, 7, 8, 9, 10

CHAPTER 17
Questions: 1, 3, 4, 5, 6, 7, 8, 10, 11, 13, 14
Interpreting Financial News: a, c
Managing in Financial Markets: a, b, c

CHAPTER 18
Questions: 1, 2, 3, 4, 7, 8, 9, 12, 14, 15, 20, 21, 22, 24, 25
Interpreting Financial News: a, b, c
Managing in Financial Markets: a, b, c

CHAPTER 19
Questions: 2 – 14, 16 – 19
Interpreting Financial News: a, b, c
Problems: 1, 2, 4a,b, 5