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# FINANCIAL INSTITUTIONS AND MARKETS

FINC5110

SEATTLE UNIVERSITY

FALL QUARTER 2018

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Office Hours: Thursday 4:30 – 5:30 pm and by appointment.

CLASS MEETINGS: Thursday: 6:00 – 8:40pm Pigott 101

Prerequisites: MBA5230 or ECON 5000, FINC5000 or Financial Accounting.

TEXTBOOK: Financial Institutions and Markets (ISBN-10:0-13-342362-X and ISBN-13:978-0-13-342362-4) by Frederic S. Mishkin and Stanley G. Eakins. 8<sup>th</sup> Edition, Pearson Publishing.  
Case e-book: Details will be posted on Canvas.

## COURSE OBJECTIVES

The aim of this subject is to provide an overview of financial institutions, their role in the financial system, the products and services they provide and the manner in which they are regulated and managed. The subject focuses on the major risks faced by financial institutions and the techniques used to manage these risks. This course will examine:

1. The operations and functions of domestic and international financial markets and institutions.
2. The impact of monetary and fiscal policies on the funds flows and interest rates.
3. The techniques for measuring and managing risk in financial markets and institutions.
4. The changing nature of the financial system and consider future directions (we will discuss FinTech).

## LEARNING OUTCOMES

On successful completion of this subject students should be able to:

- Recognize the special nature of financial intermediaries and the implications for managers
- Explain the products and services offered by financial intermediaries
- Explain the major risks faced by financial institutions
- Apply specific risk management techniques
- Discuss the various regulatory systems used in the global financial environment.

## FINANCIAL CALCULATORS

A basic financial calculator will do, such as Texas BAI Plus or HP 10B or 12C. If I am working problems in class, my solutions will be based on the Texas BAI Plus.

## COURSE REQUIREMENTS

- 1) Students are expected to have required readings and case assignments completed before each class. Students are responsible for all material covered in assigned problems. These suggested problems are representative of the kinds of questions that will be on the exams.
- 2) Students are responsible for all material and assignments presented in class. If you miss a class, then it is your responsibility to obtain any missed lecture/case notes from a class colleague.
- 3) Students are required to take exams and turn in assignments at their scheduled time. There will be no make-up exams except in very rare circumstances per university/school rules. In the event of illness or family emergency, please notify the instructor within five days of the exam.
- 4) Do not plan or book flights/vacations for the scheduled final exam period. If a student cannot take the regularly scheduled final exam he/she should take the course during a different quarter.
- 5) For protection of proprietary knowledge and for a variety of other reasons, audio and videotaping of any class session is strictly prohibited without prior approval of the instructor. Under extreme circumstances or for a pre-approved class absence, audio taping a class session will be allowed on a case by case basis and with the express permission of the instructor.

#### ACADEMIC HONESTY

Seattle University is committed to the principle that academic honesty and integrity are important values in the educational process. All students must comply with Seattle University policies for conduct and academic honesty at all times during this course. The Seattle University Academic Honesty Policy can be found at the following address:

<http://www.seattleu.edu/registrar/page.aspx?ID=87>

Any violations of these policies will result in referral to the appropriate administrative body. If you are not sure whether a particular action is acceptable according to the Academic Honesty Policy you should check with the instructor before engaging in such an activity.

#### DISABILITIES

If you have, or think you 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 in the Learning Center, Loyola 100 (206) 296-5740. Disability-based adjustments to course expectations can be arranged only through this process.

#### PROFESSIONAL CONDUCT

I expect the highest level of professional conduct at all times. Reading of non-class materials must stop once class begins. Cell phones and any other electronic devices must be turned off and earphones removed during class. Laptops may not be used during class. Using a computer for activities unrelated to the class (except during the break) can be profoundly disturbing to your fellow students.

For protection of proprietary knowledge and for a variety of other reasons, audio and videotaping of any class session is strictly prohibited without prior approval of the instructor. Under extreme circumstances or for a pre-approved class absence, audio taping a class session will be allowed on a case by case basis and with the express permission of the instructor.

#### LEARNING RESOURCES:

- **Canvas:** The course site (<https://seattleu.instructure.com/login>) contains class notes, articles, homework and other course materials. If you are missing handouts, go here first. I suggest using either Chrome or Firefox for full Canvas functionality.
- **Technology:** To minimize distractions and disruptions, all electronic devices (cell phones, laptops, recording, etc.) must be turned off during class except by prior agreement or if deemed to

be course-relevant by the instructor.

- **Business press:** Access relevant articles (WSJ, NYT, Harvard Business Review, CFO Magazine, The Economist, etc.) via the SU library: <http://www.seattleu.edu/library/Default.aspx>.
- **Email:** You are responsible for any and all messages and assignments that I send via Canvas. If you have a different, preferred email address, then make sure you set up Canvas to forward your email. To help me keep track of your emails, all emails must be sent through Canvas. If you send an email about the class through regular Seattle University email, I will ask you to resend it through Canvas. I acknowledge this will be inconvenient at times, but will save much time for two reasons: your email will not get lost in the flood of normal email and will be easy to find if there are any questions. I will respond to your emails in a timely fashion.
- **Classmates:** Your classmates are a valuable resource because they have access to the same class materials, notes, etc. You will be working with your classmates in class and outside of class, so it is to your mutual benefit to get to know each other. Hopefully you will be able to rely on each other as this will help foster precious, professional relationships and friendships.

#### GRADE DETERMINATION

The total grade for the course is based on the following components below.

Exams – 60%

Participation - 40%

Total -100%

**Grade:** Letter grades are based on performance over the quarter and are assigned as follows.

Points	Grade
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

#### EXAMS :

There will be three exams including the final exam. The exams will consist of analytical problems – both quantitative and qualitative. Questions will be taken from class notes and assigned readings from the text and cases. The final exam is designed to test the student’s knowledge of the material covered during the quarter.

#### PARTICIPATION

In addition to lectures and problem-solving sessions, the other method of instruction includes the preparation, presentation and discussion of business cases, online canvas discussion board and class engagement.

**Case Study:** This approach allows students to focus on the application of concepts within a business context. It promotes independent thinking, clear communication, and a careful attention to all the dimensions of a problem. In addition to critical thinking and writing skills the cases also require students to develop teamwork skills. The cases chosen for this course complement and amplify the issues covered in the readings. The class will be organized into groups (of 2-4 people) and each group is

responsible for the cases covered during the quarter. For the assigned cases, the group is responsible for preparing a thorough write-up of the case (including an executive summary) and for presenting their analysis to the class.

**Online Canvas Discussion:** Will be based on current events, assigned problems, and/or relevant topics. The questions will be posted on Canvas with an expectation of a minimum of one original post and one reply to a classmates' post.

**Class Engagement:** (1) keeping current with the readings, lectures, cases and online canvas discussion (2) preparing the readings and assigned problems before class and actively participating in class discussion and (3) attending class. Experience tends to show that poor attendance is highly correlated with poor performance in the course.

#### COURSE OUTLINE

As every class has its own unique dynamics, the course schedule is only tentative, and the instructor may announce changes as necessary. Therefore, you need to watch for announcements on the course website. Please check the website for regular announcements and reading assignments.

	Date	Event - Due Dates	Topic	Chapter Reading
1	Sept 27, 2018		Course Overview Interest rate determination	Ch 3, 4, 5
2	Oct 4, 2018	Online Discussion #1 (Ch 7)	Central Banking and Monetary Policy	Ch 9, 10 – Class
3	Oct 11, 2018		Exam #1 – What role can and/or do the feds play in the financial crisis?	
4	Oct 18, 2018	Case #1 (Ch 11, 13)	Review Exam and Discuss Case #1	
5	Oct 25, 2018	Online Discussion # 2 (Ch, 12)	Mortgage Markets	Ch 14
6	Nov 1, 2018	Online Discussion #3 (Ch 8)	Banking and Financial Regulation	Ch 17, 18, 19
7	Nov 8, 2018		Risk Management in Financial Institutions	Ch 23
8	Nov 15, 2018		Exam #2 - Why Do Financial Crises Occur?	
9	Nov 29, 2018	Online Discussion #4 (Too Big to Fail)	Review Exam and Institutional industry	Ch 20, 21
10	Dec 6, 2018	Case #2	Prepare for Final and Discuss Case #2	

Final exam: Thursday December 13, 2017, 6:00 – 7:50pm

