

SYLLABUS
Academic year 2017-18

FACULTAD DE CIENCIAS
ECONÓMICAS Y EMPRESARIALES

COURSE DESCRIPTION AND OUTLINE

Course information	
Name	The Financial System
Code	
Degree	E-1
Year	3º
Semester	1º
ECTS Credits	4.5
Type	Core
Department	Financial Management
Area	Finance
University	Universidad Pontificia Comillas
Teachers	Karin Martín Bujack
Descriptor	This course reviews the financial markets (such as bonds, stocks and foreign exchange) as well as their functioning, and how they affect the economy, other institutions, firms and our daily life. It allows students to understand how they work and the implication in the real world to be able to take or analyse investment decision.

Professors information	
Professor	
Name	Karin Martín Bujack
Department	Financial Management
Office	
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Phone	
Tutorials timetable	To be announced in class

SPECIFIC DETAILS OF THE COURSE

CONTEXT	
Contribution to the professional background	
<p>The course allows the student to gather the key concepts on financial markets, its products, pricing, risks and the market participants. This gives a practical support to be able to understand the financial information as well as to be able to work on financial markets. The students learn to apply theory to the real world according to their needs and the characteristics of the products and markets.</p> <p>In addition, it covers preliminarily how the banking sector is organised and the main characteristics of the financial institutions as key parts for the development of the financial economy. In summary, the course provides the analytical skills to understand concepts related to the money market, the bond market, the foreign market, the stock market and the derivative markets.</p>	

Prerequisites	
No formal requirements, however basic knowledge on finance and general economy would be useful.	

DETAILED COURSE INFORMATION

COURSE CONTENT

Part 1: THE FINANCIAL SYSTEM

- 1.1 Overview
- 1.2 Financial assets, markets and participants
- 1.3 Regulation

Part 2: THE MONETARY POLICY WITHIN THE EMU

- 2.1 Principal functions
- 2.2 Instruments
- 2.3 Extraordinary measures over the recent crisis
- 2.4 Banking union in the EU

Part 3: INTEREST RATES

- 3.1 Nominal vs. real interest rates
- 3.2 Yield-to-maturity
- 3.3 Spot rates
- 3.4 Discount factors
- 3.5 Forward rates
- 3.6 Compounding
- 3.7 Yield curves
- 3.8 Hedging interest rate risk: FRA, IRS, CAP, FLOOR, COLLAR

Part 4: MONEY MARKETS

- 4.1 Introduction
- 4.2 Deposits
- 4.3 Repos
- 4.4 T-Bills
- 4.5 ECP

Part 5: CREDIT INSTITUTIONS IN THE EU

- 5.1 Overview
- 5.2 Solvency rules: Basel I, II, III

Part 6: CAPITAL MARKETS

- 6.1 Overview
- 6.2 The investing trinity: risk, liquidity and return
- 6.3 The know your client (KYC) rule

Part 7: FOREIGN EXCHANGE MARKETS (FOREX)

- 7.1 Introduction
- 7.2 Market structure: participants and products
- 7.3 Purchasing power parity
- 7.4 Forex hedging

Part 8: FIXED-INCOME MARKETS
8.1 Introduction 8.2 Government securities 8.3 Corporate securities 8.4 Bond pricing theorems: duration and convexity 8.5 Credit ratings 8.6 Credit default swaps
Part 9: EQUITY MARKETS
9.1 Introduction 9.2 Orders 9.3 Long and short positions 9.4 Share capital increase and subscription rights 9.5 IPOs 9.6 Take overs 9.7 Indices
Part 10: DERIVATIVES
10.1 Recap of derivative products already discussed 10.2 Main features and classification 10.3 Futures 10.4 Options

TEACHING METHODS AND STRUCTURE

Teaching methods for the International Financial Markets course	
<p>This course requires the students attend the class sessions. There are regular teaching sessions, case study discussions and practical problems and questions. Active student participation is important. They are expected to read the assigned materials prior to the class, in addition to preparing the problems and case studies when appropriate.</p>	
Teaching methods and activities when the student attends a class session	Competences
<p>Regular teaching sessions where the teacher will define and explain the technical terms and analysis, giving examples and pointing at the issues that arise debate in the reality of the financial markets. Students should listen attentively, trying to understand the rational and ideas being explained. They are expected to take notes of the main contents to complement class material. Classroom discussion is encouraged, and students can interrupt the professor asking questions or requesting further clarification. Preparation prior to the class is essential to take the most of the teaching session.</p> <p>In addition to this, there are classes with a more active involvement from students. They will carry out activities and problems, supervised by the teacher, trying to apply in practice the theoretical content explained in class. During these workshops, problems are solved, case studies are discussed and news or reading material related to the topic are debated. Sometimes the work will be done individually, and sometimes the students will work as a team.</p> <p>A few sessions may be spent in talks or presentations from guests who are professionals from different areas related to the financial</p>	<p>Cognitive skills Interpersonal skills Attitude skills</p>

system, such as banks, funds, regulators...	
Teaching methods and activities outside the classroom sessions	Competences
Besides taking part in class work and supervised workshops, the student needs to spend time revising individually the course material. Outside of the classroom, the student must read the materials assigned by the teachers, he also must work and solve problems and questions and look for additional information when needed.	Systemic skills Practical and procedure skills Instrumental skills

ASSESSMENT AND EVALUATION CRITERIA

Activities assessed	Weight
Classroom participation	10%
Practice cases and pitch presentations	20%
Exercises and discussions	20%
Final exam	50%

To pass this course it is necessary to pass the final exam, which will have two parts: a theoretical part and a practical one. You must reach at least a 5.0 to pass the exam and be able to calculate the weighted grade.

For students that have a formal exemption to attend class (including those who are on an exchange programmer abroad), the course grade will be 100% of the final exam grade.

In case a student fails, in the second or subsequent attempts, the grade will be 100% the final exam mark.

SUMMARY OF THE STUDENT EXPECTED WORKING HOURS			
Hours in classroom			
Lessons	Case study and problem solving sessions	Assessment	
30	20	4,5	
Hours outside the classroom			
Individual work on theoretical knowledge	Individual work on practical knowledge	Group work	On-going revision
24	15	15	Included in previous categories
ECTS CREDITS:			5

BIBLIOGRAPHY AND ADDITIONAL READING LIST

Bibliography
Textbooks
Articles and news
A variety of material will be handed out in the classroom or through the course webpage
Web pages
Notes
The student will be supplied with lesson notes and slides through the course webpage

Additional reading list

Textbooks

- Hull, John: Fundamentals of futures and options markets (2014). Ed. Pearson. 8th edition.
- Keown, Art J.; Martin, John D.; Petty, John W. and Scott, David F. (2007): Foundations of Finance: The Logic and Practice of Finance Management. Ed. Prentice Hall
- Moral Bello, C.: Mercados Financieros. Edit. IT&FI, Madrid, 2014.
- Brealey, Richard and Myers, Stewart (2012): Fundamentals of Corporate Finance., 7^a edición. Ed. Mc Graw-Hill
- MISHKIN, Frederic S. (2014). The economics of Money, Banking, and Financial Markets Ed. Pearson. 10th edition.
- Sharpe, William; Alexander, Gordon; Bailey, Jeffery (1999): Investments. Ed. Prentice Hall 6th edition