

COURSE DESCRIPTION AND OUTLINE

Course information	
Name	The Financial System
Code	
Degree	Bachelor's Degree in Law (E1)
Year	3º
Semester	1º
ECTS Credits	5
Type	Mandatory
Department	Financial Management
Area	Finance
University	Universidad Pontificia Comillas
Teachers	Jesus Reglero
Descriptor	This course examining the financial system and how financial markets (such as bonds, stocks and foreign exchange) work and affect the economy, other institutions, business profits 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	Jesús Reglero
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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 how companies make investment and financing decisions applying 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. Finally, the course briefly outlines some of the key decisions that are made by corporates in relation with its financing and what is the interrelation between them and the financial system.</p> <p>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: Overview of finance**

- 1.1 Finance in the context of the economy
- 1.2 Key words and language that are used in finance
- 1.3 Case studies

Part 2: The financial system: direct vs indirect finance

- 2.1 Types of markets and regulation (Organized vs OTC; primary vs secondary market)
- 2.2 Equity securities; debt securities; forex and derivatives
- 2.3 Relationship between interest rates and bond prices and stock prices
- 2.4 Bond and equity markets in the real world. Understanding the newspaper information
- 2.5 Case studies

Part 3: The banking industry: the financial institutions

- 3.1 Banking industry: structure and regulation
- 3.2 Banking products and regulation: Basel I, II, III
- 3.3 Key financial information and metrics: Solvency and liquidity ratios
- 3.4 The management of financial institutions
- 3.5 Case studies

Part 4: Introduction to corporate finance

- 4.1 Introduction: financial management, statements and cash flow and time value of money
- 4.2 Investment decisions: valuation of projects, stocks and bonds
- 4.3 Financing decisions: cost of capital (equity, debt and wacc)
- 4.4 Case studies

TEACHING METHODS AND STRUCTURE**Teaching methods for the Financial Market course**

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.

Teaching methods and activities when the student attends a class session**Competences**

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. The student should listen attentively, trying to understand the rational and ideas being explained. He is 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

Cognitive skills
Interpersonal skills
Attitude skills

<p>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 system, such as banks, funds, regulators...</p>	
Teaching methods and activities outside the classroom sessions	Competences
<p>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.</p>	<p>Systemic skills Practical and procedure skills Instrumental skills</p>

ASSESSMENT AND EVALUATION CRITERIA

Activities assessed	Weight
Classroom participation and discussions and assignments done in class	25%
On-going assessments	25%
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.

The 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	25	1	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

- 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
- Brealey, Richard A.; Myers, Stewart C. and Franklin, Allen (2011): Principles of Corporate Finance, Concise Edition, Second Edition. Ed. McGraw-Hill International Edition.
- 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.
- Ross, Stephen A.; Westerfield, Randolph W. and Jordan, Bradford D. (2003): Essentials of Corporate Finance, Sixth Edition. Ed. McGraw-Hill International Edition.