

Course Information	
Subject	Regulatory Framework of the Financial System and Compliance
Degree	Master in Finance
Course	First course
Term	Second Term
ECTS – Credits	3 ECTS
Type of Course	Mandatory
Department	ICADE Business School
Area	Finance

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Attendance Hours	Available by e-mail

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COURSE SPECIFICS

Context of the Course
<p>Contribution to the professional profile of the master degree.</p> <p>REGULATORY FRAMEWORK OF THE FINANCIAL SYSTEM The regulation and supervision of the financial system play a fundamental role in the competitive strategies of the participants and in the profitability and solvency of the entire sector.</p> <p>The 2007 financial crisis showed that financial institutions and authorities did not have adequate regulatory or supervisory mechanisms to orderly manage a crisis such as the one suffered by the global financial system. The new international standards, on which financial crisis management frameworks must be based in order to be effective, were proposed by the Financial Stability Board (FSB) in 2011. These standards have been gradually incorporated into the legal system of financial institutions. different jurisdictions. In addition, this regulation includes agents and markets that, until now, had been poorly regulated, such as, for example, OTC derivatives markets or crypto-assets.</p> <p>The main objective is to provide students with knowledge and tools for the analysis of the regulatory and supervisory framework applicable to the international financial system. Topics will cover the main published guidelines on the new regulatory set of standards as well as the risk-based approach of the upcoming supervisory role.</p> <p>The course will focus mainly on the reform of financial regulation that is taking place in the European Union and in the United States of America as a consequence of the financial and economic crisis. Throughout the different sessions, controversial and current issues will be discussed in class in order to delve into their origins and consequences on the financial sector.</p> <p>COMPLIANCE More and more Financial Institutions face regulations and demands that are not limited only to the typical risks traditionally related to the development of their activity, but go further and enter areas that are closer to the conduct and the behaviours that in those of the own solvency; today those risks are known as compliance risks.</p>

Until not too many years ago, the development of the normative body that regulated these risks presented many differences between the different jurisdictions both in their scope of application and in relation to the degree of demand with which each one of them was treated. However, the operation of supranational organizations, the international presence of large financial institutions and the greatest reproach that society in general gives to behaviours that deviate from a certain standard have caused the level of demand in these matters to have grown exponentially. In recent years, and that entities dedicate considerable efforts to ensure that they have programs appropriate to the activity profile of each one of them.

CONTENTS

Contents. Part 1 (Josefina Bengoechea)
Lesson 1: Why Regulation is Important?
<ul style="list-style-type: none"> • Financial Crisis • Understanding Financial Crisis • Lessons from History
Lesson 2: MIFID I and MIFID II Intro
<ul style="list-style-type: none"> • EMIR: OTC Derivatives • Types of Derivatives • PSDI
Lesson 3: PSDI and PSD II
<ul style="list-style-type: none"> • The future of Payments • Corporations that will exist 50 years from now • Alternative Investments (Part I)
Lesson 4: Alternative Investments (Part II)
<ul style="list-style-type: none"> • Regulations on Alternative Investment Funds (AIFMD) • Types of Alternative Investments • Shadow Banking
Lesson 5: Shadow Banking (part II)
<ul style="list-style-type: none"> • Dodd Frank Volcker Rule • Video Case Study: Margin Call • The Future of Regulation
Lesson 6: Can Regulation Mitigate or Prevent Crises?
<ul style="list-style-type: none"> • Ways to mitigate crisis
Contents. Part 2 (Antonio del Campo)
Lesson 1: What is Compliance?
<ul style="list-style-type: none"> • To what extent am I impacted by non-financial risks? Understanding Financial Crisis • Compliance Risks • Characterization of the Compliance Function
Lesson 2: Anti-Money Laundering
<ul style="list-style-type: none"> • AML Risks and Obligations. Types of Derivatives • AML Program • AML Due Diligence
Lesson 3: Securities Compliance
<ul style="list-style-type: none"> • Market Abuse • Securities Compliance Program • Case Study
Lesson 4: Customer Compliance
<ul style="list-style-type: none"> • Legal obligations for the protection of financial consumers • Customer Compliance Program • Case Study
Lesson 5: Corporate Compliance

<ul style="list-style-type: none"> • Codes of Conduct & Whistleblowing • Criminal liability of the legal person • Case Study
Lesson 6: Corporate Compliance II
<ul style="list-style-type: none"> • Conflict of Interest

Competences
General competences
<p>CGB 1. Capacity for analysis and synthesis</p> <p>CGB 2. Problem solving and decision making</p> <p>CGB 3. Capacity for organization and planning</p> <p>CGB 4. Ability to manage information from different sources</p> <p>CGB 5. Advanced computer skills related to field of study</p> <p>CGB 6. Interpersonal skills: listen, argue and debate</p> <p>CGB 7. Leadership and teamwork</p> <p>CGB 8. Critical and self-criticism capacity</p> <p>CGB 9. Ethical commitment</p> <p>CGB 11. Ability to learn and work independently</p> <p>CGB 13. Action and quality orientation</p> <p>CGB 14. Ability to process and transmit ideas, projects, reports, problems and solutions</p>
Specific competences
<p>CE 10. Global outlook of the most common national and international financial regulation, the market participants and the supervisors. Knowledge of the impacts of the new rules and the consequences of their non-compliance.</p>

TEACHING AND LEARNING

General methodology characteristics of the course	
Classroom methodology: Activities	Competences
<p>It combines lectures with case presentations and readings by students.</p> <p>During the course of each session will review basic concepts contained in the documentation that students have available before each class, and that they must read in depth to ask the arising doubts during the class session.</p> <p>These concepts should be applied by resolving case studies by the students.</p> <p>During the class session the case studies solutions will be debated, allowing delve into the nature of the problem.</p> <p>It is mandatory active participation of students in both the normal development of the class, and in the discussion of the case study, or the exercises if there to be.</p> <p>The driver shaft of the methodology to be used is the practicality of the concepts and skills covered in the sessions.</p> <p>The usual methodological sequence is as follows:</p> <ol style="list-style-type: none"> 1. Statement of the general framework of the subject by the monitor / teacher. 2. Discussion of the conceptual doubts that students have about the subject, and resolving them 3. Practical use of concepts through the analysis of real or fictitious case studies, and / or exercises. 4. Summary of worked concepts and summary of the main conclusions 	
Methodology - Not in the class: Activities	Competences
<p>The previous study of the documentation for each session, which will be made available to students with sufficient time is required.</p>	

Analysis and resolution of practical cases, when assigned, which allow the student to make a decision-making exercise like a professional at a financial department of a company. The resolution of the case studies is mandatory and prior to the corresponding session and must be delivered in writing. The resolution of the exercises proposed by the teacher shall be delivered in writing.	
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EVALUATION AND GRADING CRITERIA

Types of Evaluation	Criteria	Weight
Exam, public defence, practical cases and Final Presentation (SE1). FINAL EXAM	<u>To pass the subject, the final exam mark must be at least 4,90.</u> Right answers; Organization of information; Synthesis.	25%
Individual Test (SE2).	Right answers	10%
Public, individual or group presentations (SE3)	Apply instructions and criteria.; Organization of information; Clarity in presentation; Means of support used; Synthesis.	15%
Individual Assignments/Practices/Works (SE4)	Apply instructions and criteria; Appropriateness in the statement of the questions; Right answers; Organization of information; Clarity in presentation; Means of support used; Synthesis.	15%
Group Assignments/Practices/Works (SE5)	Apply instructions and criteria; Appropriateness to the statement of the questions; Right answers; Organization of information; Clarity in presentation; Means of support used; Synthesis <u>Distribution and organization of work.</u> <u>Everyone must participate</u>	15%
Participation (SE6)	To achieve the pass mark, the student is required to help/push into the dynamics of the classes, provide evidence of achievement of objectives, predisposition, commitment and initiative.	20%

Notes to the evaluation criteria:

1. All students must meet a minimum of 75% attendance in the whole subject.
2. For the exercises, to be taken into account, they must be delivered through Moodle in time and format.
3. If, when combining the criteria, the final grade is equal to or higher than 5, but the minimum grade for the exams or final tests has not been achieved, the final grade will be reduced to a maximum of 4,0 points.
4. In case a student does not obtain a grade of 5,0, the student may take an extraordinary exam. In that case if the student pass the retake exam, his/her final grade in the subject must be a 5,00.
5. If the student does not comply with 70% of the evaluation activities, the weightings of the evaluation system table will not be applied, and the maximum final grade will be 4,0.

Evaluation criteria to apply at second enrolment:

Types	Criteria	Weight
Individual assignments	To pass the course, the student must deliver all the tasks assigned by the teacher	15%

Taking written exams, multiple choice tests, concept tests and solving practical cases as an exam	At least 5,00 points on the final exam, or at least an average of 5,00 on all examination activities.	70%
Participation	To achieve the pass mark, the student is required to help/push into the dynamics of the classes, provide evidence of the achievement of objectives, predisposition, commitment and initiative.	15%

The student enrolled in the subject for the second consecutive year, provided that it is justified by attending work needs, may excuse their attendance to class in a maximum percentage of 65% of the scheduled sessions.

Evaluation criteria to be applied in the case of school waiver/exemption:

In cases of exemption/dispensing from schooling, provided that the student duly justifies it, the grading criteria will be **70% for the exam** (if the subject allows it, two exams will be taken, 35% each) and **30% for individual works**. The individual works will serve to control the evolution of the student's learning. Only in cases in which the student is not able to answer in writing, and provide evidence that justifies it, the exam may be oral and the content of the student's answers will be transcribed.

Criteria in health alert:

The student must be permanently identified, with an identification in the classroom and with their full name remotely. Students should not change the spaces they occupy in the classroom, unless directed by a teacher or the program management.

Failure to comply with any of the health recommendations during the class sessions may imply failure in the subject.

SUMMARY OF STUDENT WORK HOURS							
ATTENDANCE HOURS							
Lectures (AF1)	Content presentation (AF2)	Homework presentation (AF3)	Exercises and assessment (AF4)	Class discussion (AF5)	Seminars, workshops, case studies (AF6)	Interdisciplinary activities (AF7)	Simulations (AF8)
3	7	3	7	3	2	2	3
NON-ATTENDANCE HOURS							
Study and analysis of documentation (AF9)		Performing assignment and case studies (AF10)		Tutorial sessions (AF11)		Conducting collaborative work (AF12)	
40		7		3		10	
ECTS CREDITS: 3 ECTS							

BIBLIOGRAPHY

Recommended Bibliography

Textbooks

Ley 24/1988, de 28 de julio del Mercado de Valores.

ECB (2014) Guide to the Banking Supervision.

<http://www.ecb.europa.eu/pub/pdf/other/ssmguidebankingsupervision201409en.pdf?85e39f5cf761e11147f6e828cd4088b1>

ECB (2014) Comprehensive Assessment Stress Test Manual.

<http://www.ecb.europa.eu/pub/pdf/other/castmanual201408en.pdf>

BIS (2011) Basel III: A global regulatory framework for more resilient banks and banking systems

<http://www.bis.org/publ/bcbs189.pdf>

The financial crisis of 2007: misaligned incentives, banks mismanagement and troubling policy implications (pages 1-8).

http://econ.as.nyu.edu/docs/IO/22946/Prager_04302012.pdf

Daniel Gross (2012) Banking union: Ireland vs Nevada, an illustration of the importance of an integrated banking system. <http://www.voxeu.org/article/banking-union-if-ireland-were-nevada>

CORE PRINCIPLES (pages 1-26):

<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD121.pdf>

Directive 2014/65/EU of the European Parliament (pages 1-12). <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0065&from=EN>

LESSONS FROM THE COLLAPSE OF HEDGE FUND, LONG-TERM (David Shirreff)

Additional Readings