

FIN1010

INTRODUCTION TO FINANCE



$$100\text{€} \quad : \quad 2\text{€} = 50\text{€}$$

$$50 \cdot 0,81 = \cancel{40} +$$

$$\begin{array}{r} 23 \\ \times 50 \\ \hline 1150 \end{array}$$

1190 €

FIN1010

1. Overview of the Banking and Financial Sectors



Course Objective



Establish a fundamental understanding of the structure and interconnections of the financial ecosystem before exploring each segment in more depth.

Overview of the Banking and Financial Sectors



The **financial sector** is the backbone of modern economies, facilitating the circulation of capital, managing risks, and providing essential financial services to individuals, businesses, and governments.



Overview of the Banking and Financial Sectors

1. Commercial Banking:

Provides deposit accounts, loans, and basic financial services to individuals and businesses. Includes retail banks, credit unions, and commercial lenders.

2. Investment Banking:

Specializes in capital raising, mergers and acquisitions, underwriting securities offerings, and providing advisory services to corporations and governments.



Overview of the Banking and Financial Sectors

3. Asset Management:

Manages investment portfolios for institutions and individuals through mutual funds, hedge funds, pension funds, and wealth management services.

4. Insurance:

Provides financial protection against risks through life, health, property, and casualty insurance products while managing collected premiums as investments.



Overview of the Banking and Financial Sectors

5. FinTech:

Leverages technology to innovate financial services through digital banking, payment systems, robo-advisors, blockchain applications, and alternative lending platforms.

6. Central Banking and Regulation:

Oversees monetary policy, financial stability, and regulatory frameworks through central banks and oversight agencies like the Federal Reserve and the SEC (Securities and Exchange Commission).



Primary vs. Secondary Financial Markets

Primary Market:

- The place where new securities (shares, bonds) are issued.
- Example: a hotel company issues shares to finance the construction of a new hotel.

Secondary Market:

- The place where existing securities are traded between investors.
- Example: an investor sells shares of a hotel chain to another investor through the stock exchange.

The primary market finances the real economy, while the secondary market provides liquidity and transparency.



Engaging with Finance: Practical Application



Industry Mapping Exercise



Categorize diverse financial firms into their appropriate sectors, from commercial banks to FinTech, to solidify your understanding of the financial ecosystem.

Finance in Your Daily Life



Engage in a discussion about how financial services and institutions already impact your personal experiences, fostering a deeper connection to the material.

Exercice

Circle the correct financial sector corresponding to the companies:

- | | |
|-------------------------|--|
| UBS | Commercial Bank / Investment Bank / FinTech |
| Swiss Re | Insurance / Asset Management / FinTech |
| Paytm | Commercial Bank / FinTech / Central Bank |
| Vanguard | Investment Bank / Asset Management / Insurance |
| Banque Nationale Suisse | Commercial Bank / Central Bank / FinTech |



Reflection

What are the key services that each of these companies provides, and how do they impact everyday life?



Case Study: Influence of the Federal Reserve (FED)

The Federal Reserve, the central bank of the United States, plays a vital role in guiding the national economy. It manages monetary policy, regulates banks, and ensures financial stability. Its decisions influence everything from interest rates to employment.

<https://www.youtube.com/watch?v=JV5VtyBDLDg>



Case Study: Influence of the Federal Reserve (FED)

Your Challenge:

1. How does the Federal Reserve balance its dual mandate of full employment and price stability during periods of high inflation or recession?
2. Discuss the importance of the Federal Reserve's independence from political pressures. What are the potential risks if this independence is compromised?
3. Beyond interest rates, how do the Fed's less conventional tools, such as quantitative easing, directly or indirectly affect the average consumer or small businesses?



Case Study: Influence of the Federal Reserve (FED)

4. What emerging challenges (for example, digital currencies, climate-related financial risks) could significantly reshape the role of the Federal Reserve in the coming decade?
5. Given its considerable power, to what extent should the Federal Reserve be transparent and accountable to the public and to Congress for its decisions?

