

Introduction to Financial Markets (FINA 1303)
Spring 2022

1. GENERAL INFORMATION

Instructor:	Professor Veronique LAFON-VINAIS, Associate Professor of Business Education Department of Finance
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Office & office hours:	LSK Room 5078 – by appointment only
Teaching Assistant:	Benson Leung, Department of Finance
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Office & office hours:	LSK Room 5068 - by appointment only
Class Dates and Venue:	Monday 13:30 to 14:50 & Friday 9:00 to 10:20 LSK G012 and Zoom (for students out of HK,TBC)
Course Prerequisite(s):	N/A
Course Exclusion(s):	N/A
Course Add/drop deadline:	17 Feb (Any late add/drop will not be considered, please contact your program office)
Canvas course site:	https://canvas.ust.hk/courses/

2. COURSE DESCRIPTION

This course aims to provide the participants with basic and practical knowledge in the structure and function of the financial system.

Topics covered include: the fundamentals of interest rates and basic pricing of financial assets, including basic concepts such as the time value of money and the risk-return tradeoff; the structure and function of the financial system, the role and the types of financial institutions and financial intermediaries; and, if time allows, the goals of financial and banking regulations, the organization of central banks and the role of monetary policy.

There will be a **strong focus on financial institutions**, understanding the role that the different types of firms play and how they interact.

This course does **NOT** go into details of various markets for stocks, bonds and other securities, which are covered in other finance courses.

We will spend time in class discussing current events, such as the impact of technology changes on financial institutions. Special attention will be given to the Asian markets

The goal is to provide the students with a sound base of theoretical and practical information relating to the financial system and the financial institutions active in them.

3. COURSE OBJECTIVES

- Understanding
 - Fundamentals of interest rates and pricing
 - What are the major types of financial institutions
 - What they do in practice
 - How they overlap with each other
 - How they are regulated

4. COURSE LEARNING OUTCOMES

It is expected that after completion of the course, the students will:

- CLO1: Understand and apply **basic interest rate concepts in particular DCF**;
- CLO2: Be able to **calculate interest** on basic financial instruments
- CLO3: Apply **simple pricing** theories such as the DDM
- CLO4: Broaden and deepen their **understanding of finance**, in particular students should be able to explain the function and organization of financial markets and institutions and the interactions between them.
- CLO5: Understand **ethical and professional responsibility** of finance professionals through the discussion of current social responsibility and ethical issues in finance during class

5. COURSE TEACHING AND LEARNING ACTIVITIES

Course Teaching and Learning Activities	Expected hours	Study Load (% of study)
Lectures (and/or online Lectures)	37.5	49
In class discussions	3	4
Group exercises	2	2.6
Exams (two)	2	2.6
Online Quizzes (four)	2	2.6
Private study	30	39
Total	76.5	100%

Assessment Methods (Homework assignment, Exam, Quiz, Class participation etc.)	Brief Description (Optional)	Weight (%)	Aligned Course Learning Outcomes (CLO no in section 4)
Class Participation	Participation in person, via iPRS	10%	ALL
Group Assignment & Peer evaluation	Group work (market news + assignment)	20%	CLO 4,5
Online Quizzes	4 Time limited MCQ/TF questions quiz	20%	ALL
Online Exam I	Time limited MCQ/TF Mid-term exam	25%	ALL
Online Exam II	Time limited MCQ/TF Final exam	25%	ALL
	Total	100%	

Course Grade Descriptors

A+, A, A-	Excellent Performance
B+, B, B-	Good Performance
C+, C, C-	Satisfactory Performance
D	Marginal Pass
F	Fail

Grade distribution:

Distribution of course grades will be based on the university, school and department policies and guidelines, combining all of the course sections.

Assessment Rubrics For Each Assessment

Participation	10%
Group submission	20%
Online quizzes	20%
Exam 1 ("mid-term")	25%
Exam 2 ("final")	25%

Participation

Students are **required** to be actively involved in this class. It is an important part of the grade, representing **10%** of the overall grade. Participation includes without limitation: attendance, participating in class by asking and answering relevant questions **including with iPRS**, active involvement in group discussions and debates.

Group Assignment and peer evaluations

- 1) Group formation: Students will be formed into groups of 5 to 7 students.
- 2) Each group will be given 2 assignments to complement the course. These have to be prepared and presented on time.
- 3) Group submission will account for **20%** of the grade (10 % each)
- 4) Students will be asked to evaluate their team members at the end of the course (using iPeer)

Quizzes/Examinations

There will be four online quizzes and two exams.

- 1) The four quizzes will be open book and online, outside class time, time limited, designed to test students' understanding of the concepts learned in class, and will also help prepare students for the exams. A financial calculator/excel spreadsheet will be needed. The questions will be MCQ or True/False questions. The quizzes will be non-cumulative. The four quizzes will represent **20%** of the grade (5% each)
- 2) There will be two exams, one around mid-term and one final. These will be non-cumulative. Midterm will be on TBC during class time. The Final exam will be scheduled by the school. Please do not plan to travel during the exam periods as there will be absolutely **NO MAKE UP exams**. The questions will be mainly MCQ or True/False questions. There may be short open questions as well. A financial calculator/excel spreadsheet will be needed. The two exams will represent **50%** of the grade (25% and 25% respectively).

6. COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE

Week/Session	Course Content (tentative)
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|----|---|
| 1 | Introduction; overview of financial markets |
| 2 | Foundations of Interest Rates Parts 1 and 2 |
| 3 | Financial intermediation; types of FIs (Part I) |
| 4 | Financial intermediation; types of FIs (Part II) |
| 5 | The sell-side: commercial banks (Part I) |
| 6 | The sell-side: commercial banks (Part II) |
| 7 | The sell-side: investment banking |
| 8 | The buy-side: institutional investors and other FIs (Part I) |
| 9 | The buy-side: institutional investors and other FIs (Part II) |
| 10 | The buy-side: alternatives |
| 11 | Fundamentals of pricing and valuation |
| 12 | Financial & Banking Regulation (if time allows) |
| 13 | Central banking & monetary policy (if time allows) |

7. TEACHING MATERIALS (e.g. journals, textbooks, website addresses etc.)

Recommended Textbook: (Please note that the textbook is not required but may be helpful for your study.)

Financial Markets and Institutions Mishkin/Eakins latest edition (Other textbooks on the same topic are also useful.)

Supplementary Materials:

Selected reading materials will be posted on CANVAS and/or distributed in class.

I strongly recommend that students familiarize themselves further with the financial markets by reading such market oriented newspapers as the Financial Times and the Asian Wall Street Journal; magazines such as Bloomberg Business Week, The Economist, Forbes and Fortune; watching CNBC and/or CNN; and exploring the Internet for subjects discussed in class.

8. MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE

- Ongoing active feedback is encouraged at any time in person, via discussion board or email with the lecturer or TA as students prefer
- A mid-course survey will be taken in-class/online halfway through the course
- Complete online Student Feedback Questionnaires (SFQ) Survey during two weeks before the course ends at:
 - Canvas website (<https://canvas.ust.hk>) or
 - SFQ Mobile website (<http://sfq.ust.hk/mobile/>) or
 - HKUST iLearn App at smartphones/tablets

9. COURSE POLICY (e.g. plagiarism, academic honesty, attendance, etc.)

These are based on common-sense, real business life practice that you should be familiar with. You should behave as you would in a business environment, showing appropriate behavior and respect for classmates, staff and faculty. **Cheating, dishonesty and plagiarism will not be tolerated at any time and may result in strict sanctions.** Please refer to HKUST policies on academic integrity.

- Attendance:** Just as you would for business meetings, I expect each student to be on time for classes. Late arrival/early departure is disruptive and disrespectful.
- Participation:** Active participation is **required**, and is an important part of the grade. You are very welcome to make suggestions, comments and generally contributions to the course. This can be done in person, by raising hand physically or online, via chat and/or iPRS/polling or by posting on the Discussion Board in Canvas. I also expect each student to behave as you would in a business environment, showing respect for each other and generally not disrupting the class with inappropriate behavior.

3. Mobile phones and other beeping devices need to be **turned off** or put on silent mode. Portable computers, laptops and tablets are allowed so long as they do not lead to inappropriate behavior and disturbance.
4. Video recording of lectures will be arranged by the School and the Lecturer. Any other recording (photo, audio or video) is **strictly prohibited**. Lectures are the copyright property of the Lecturer, as such any posting of course materials on ANY other websites is ILLEGAL. Any recording can only be produced with the express consent of the Lecturer.
5. Exams and Quizzes: There will be no make-up exams. Unexcused absence will result in *zero* grading for that test. Each exam will be open-book.
6. Course Materials, Copyright, Questions and contact with instructor: The course materials will be posted on the University's CANVAS (FINA1303), please check the website on a regular basis for new postings. The Lecture notes are the copyright property of the Lecturer and are provided for the sole private use of the students. They may not be reproduced or disseminated without the express consent of the Lecturer as such, any posting of course materials on ANY other websites is ILLEGAL.

10. ADDITIONAL COURSE INFORMATION (e.g. e-learning platforms & materials, penalty for late assignments, etc.)

For administrative queries, please contact the Teaching Assistant or the staff at the Department of Finance Office, who will be able to assist you. For any lecture related queries, feel free to contact me directly, [preferably by email](#).