

FINS1612

Capital Markets and Institutions

Course Outline

Semester 2, 2017

Course-Specific Information

The Business School expects that you are familiar with the contents of this course outline. You must also be familiar with the School's Course Outlines Policies webpage which contains key information on:

- Program Learning Goals and Outcomes
- Academic Integrity and Plagiarism
- Student Responsibilities and Conduct
- Special Consideration
- Student Support and Resources

This webpage can be found on the Business School website:

<https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>

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COURSE-SPECIFIC INFORMATION

1 STAFF CONTACT DETAILS

Position	Name	Email	Consultation Details
Lecturer-in-charge	A/Prof Jason Zein	j.zein@unsw.edu.au	Monday 4-6pm, BUS 310 Tel: x55875
Lecturer	Dr. Natalie Oh	natalie.oh@unsw.edu.au	Wednesday 2-4pm BUS 344 Tel: x59883
Tutor-in-charge	Mr. Menglong Han	m.han@unsw.edu.au	TBA

All tutorial related enquiries should be directed to the tutor-in-charge.

2 COURSE DETAILS

2.1 Teaching Times and Locations

Lectures start in Week 1 (to Week 12): The Time and Location are:

Lecture Stream	Day	Start	End	Location
Lecture A	Thursday	13:00	15:00	Physics Theatre
Lecture B	Monday	18:00	20:00	Law Theatre G04
Lecture C	Monday	10:00	12:00	Rex Vowels Theatre

These lectures are restricted in size by the number of seats in each theatre. For occupational health and safety reasons, any student without a seat will be asked to leave the lecture. For the in-class quiz students **MUST** attend the lecture in which they are enrolled.

Online Lectures: Both the audio and video of every lecture in this course will be made available the day after the lecture through EchoCentre. Recordings can be accessed through the EchoCentre item on Moodle.

Tutorials start in Week 2 (to Week 13). The tutorial program will be available on Moodle

2.2 Units of Credit

The course is worth 6 units of credit.

2.3 Summary of Course

This course will provide students with an introduction to Australian financial markets and an evaluation of the institutions, instruments and participants involved in the industry. The mainstream markets to be evaluated include the equity, money, bond, futures, options and exchange rate markets. The subject systematically reviews each of the mainstream financial markets and investigates the various institutional participants and the different types of financial instruments offered.

2.4 Course Aims and Relationship to Other Courses

This course is a gateway course to the electives in each of the finance streams. It provides some of the basic tools that you will need in our advanced finance classes, as well as to contribute as a finance professional upon graduation.

2.5 Student Learning Outcomes

By the end of this course you should:

- L01: Understand the Australian banking system and describe the role of regulatory bodies in regulating how banks manage their capital.
- L02: Describe the types of equity securities that companies can use to raise equity capital and how these securities can be listed and traded on the Australian Stock Exchange.
- L03: Understand different ways in which a company's valuation, and thus its share price, is determined and make forecasts of a company's future share price.
- L04: Describe the characteristics of different types of debt securities and be able to price them.
- L05: Describe different theories of how interest rates are determined and explain the relationship between the term to maturity, risk, and interest rates.
- L06: Understand the mechanics and conventions of the foreign exchange market and the motivation of different participants in trading foreign currencies. This involves:
 - Reading, interpreting and transposing FX quotations.
 - Calculating cross-rates.
 - Identifying the factors that determine the value of a currency
- L07: Gain an understanding of the characteristics of derivatives instruments (futures and options contracts), the different motivations for their use and how they are traded. Specifically you should
 - Recognise which types of futures / options contracts to use to hedge various risk exposures
 - Appreciate the various risks involved in trading derivative instruments
 - Describe the factors that determine the pricing of derivative instruments.
- L08: Posses the ability to discuss and write about the links between the theory of financial markets and the reports in the financial press

The Course Learning Outcomes are what you should be able to DO by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Learning Outcomes in this course also help you to achieve some of the overall Program Learning Goals and Outcomes for all undergraduate students in the Business School. Program Learning Goals are what we want you to BE or HAVE by the time you successfully complete your degree (e.g. 'be an effective team player'). You demonstrate this by achieving specific Program Learning Outcomes - what you are able to DO by the end of your degree (e.g. 'participate collaboratively and responsibly in teams').

For more information on Program Learning Goals and Outcomes, see the School's Course Outlines Policies webpage available at <https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>

The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed (they may also be developed in tutorials and other activities):

Program Learning Goals and Outcomes		Course Learning Outcomes	Course Assessment Item
<i>This course helps you to achieve the following learning goals for all Business undergraduate students:</i>		<i>On successful completion of the course, you should be able to:</i>	<i>This learning outcome will be assessed in the following items:</i>
1	Knowledge	Explain the role of markets, institutions and instruments in the Australian financial industry	<ul style="list-style-type: none"> • Tutorial Problems • Quiz • Exams
2	Critical thinking and problem solving	Use standard models to interpret and analyse problems in the financial industry	<ul style="list-style-type: none"> • Tutorial Problems • Quiz • Exams
3a	Written communication	Construct written work which is presented in a logical, profession and convincing manner, with the aim of persuading a venture capitalist to provide funding.	<ul style="list-style-type: none"> • Tutorial Problems and part of participation mark
3b	Oral communication	Communicate ideas in a succinct and clear manner.	Part of tutorial participation mark
5a.	Ethical, social and environmental responsibility	Understand some of the ethical issues present in the financial sector and how to recognise and address conflicts of interest	<ul style="list-style-type: none"> • Tutorial on Ethics • Quiz question on Ethics

3 LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course

There is a lot of material to cover in this class and we want to ensure that it will be relevant and meaningful to you in class and after your graduate. To promote and help achieve this objective we have a number of teaching aims.

- Create a climate of engagement, dialogue and ongoing feedback between students and teaching staff regarding the course content, teaching strategies, learning experiences and outcomes (Guidelines on Learning that Inform Teaching at UNSW (GLIT) numbers 2,7,10);
- Cater for a variety of learning preferences and abilities by providing a range of learning activities and teaching methods (GLIT number 9);

- Develop independent learning skills and create an environment that both provides structure and guidance as well as encouraging students to extend their learning (GLIT numbers 2,11);
- Develop skills in collaboration and teamwork, which is directly relevant to the skills required of a Finance professional (GLIT numbers 6, 14).

We employ a number of strategies to help us achieve, including:

- Discussions are designed to be interactive to allow feedback
- Discussion questions are developed to be independent sessions that allow the students to focus their understanding.
- Discussions will often be sectioned into team based learning to develop skills in collaboration

3.2 Learning Activities and Teaching Strategies

This course consists of weekly three-hour sessions. These sessions will be divided into two parts. The first part will be delivered as a lecture. This session include a periodic media focus where students may participate by asking questions and leading discussion. Obviously this may be difficult in a lecture format, thus the second part of the session will consist of a tutorial-style class designed to have high levels of interaction. Consequently students need to be fully prepared for this part of the class.

Students are given continuous feedback about their progress throughout the term. Each student is graded on their individual performance.

When possible we will bring current research to class. We do this through discussion, referring to topical papers and showing footage of current events

4 ASSESSMENT

4.1 Formal Requirements

In order to pass this course, you must:

- ☐ achieve a composite mark of at least 50; and
- ☐ make a satisfactory attempt at all assessment tasks (see below).

4.2 Assessment Details

Assessment Task	Weighting	Learning Outcomes Assessed	Length	Due Date
Quiz 1	20%	L01, L02, L03	30 minutes	Week 4
Quiz 2	30%	L04, L05	60 minutes	Week 9
Tutorial Participation	5%	L06	-	-
Final Exam	45%	L04, L05, L06 L07, L08	2 hours	TBA

In Class Quizzes

Quiz 1 Weight: 15%, Quiz 2: 35%, (50% in total)

In Class Quizzes will be set 2 times throughout the semester to ensure students have a solid grasp of the material at regular intervals. The quiz questions will be drawn from material in the preceding few weeks.

The timing and coverage of the quizzes is as follows:

Quiz	Held in week beginning	Coverage
1	August 14 th (Week 4)	Introduction, Banking System, Equity Markets I
2	September 18 th (Week 9)	Equity Markets II & III, CFA Ethics & Debt Markets

You must sit your quiz in your assigned lecture time. If you are unable to sit a quiz for any reason you need to contact lecturer in charge who may direct you to apply for special consideration. Students who miss a quiz will receive a grade of 0 for that quiz unless they are granted special consideration via the normal process, in which case they may be offered a supplementary quiz.

Following the quiz, the normal lecture will proceed.

Students must provide their own scientific calculator in accordance with the University's regulations

Tutorial Participation

Weight: 5%

You must enrol in a tutorial class and attend the class in which you are enrolled. You may make changes to your tutorial class during the first two weeks by accessing the online system. No changes will be permitted after this time. If you have any questions about your tutorial enrolment you should contact the tutor in charge.

The tutorial questions are the end of chapter problems in your prescribed text. In order to keep current with the financial press these questions will be updated when necessary. Please check the website in the week prior to the tutorial to ensure you have the full set of questions.

Active participation is **STRONGLY** encouraged in class. By discussing and preparing formal written answers, ample opportunity is provided to allow you to develop your written and oral skills. You should look upon tutorials as a way in which you can (1) extend your understanding and knowledge of basic finance principles and (2) develop problem solving techniques particular to the discipline. You are expected to regularly attend your assigned tutorial classes as they contribute to the understanding of lecture material through a small group setting.

If you turn up every week but you rarely answered any questions you would most likely get 2.5. Disruptive students should expect a zero mark. Please note that no credit will be given for attendance at tutorials other than your official tutorial. You are expected to

prepare detailed answers to the problems BEFORE attending tutorials. You will be called upon on a random basis throughout the tutorial stream to present answers to the class. You will be assessed on these presentations and the clarity of your discussion.

Solutions to key problems will be discussed in class and the final answers will be posted to Moodle in the week following the tutorials. Note also that not all of the set problems will be fully discussed in tutorials. However, the questions are indicative of the breadth, style and level of difficulty of the questions and problems asked in the examinations.

Final Exam

Weight 45%

Date: The final exam is centrally administered and will be scheduled during the university examination period. Details will be available later in the semester.

Duration: 2 hours plus 10 minutes reading time

Calculators: UNSW approved calculators are permitted for use by students.

More details relating to the final exam will be given closer to the time.

The final course grades will be given in accordance with UNSW guidelines:

Quality Assurance

The Business School is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential.

5 COURSE RESOURCES

The website for this course is on Moodle at:
<http://moodle.telt.unsw.edu.au>

The prescribed textbook for this course is **Christopher Viney and Peter Phillips, *Financial Institutions, Instruments and Markets (2015), 8th Edition*** published by McGraw Hill and available at the university Bookshop.

The 7th edition of the text is available second hand. If you chose to use the 6th or 7th edition then you should do so at your own risk. The content is about 95 percent the same.

Weekly lecture notes and tutorial materials will be available for download through Moodle.

6 COURSE EVALUATION AND DEVELOPMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process (http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm) is one of the ways in which student evaluative feedback is gathered. Significant changes to courses and programs within the School are communicated to subsequent cohorts of students.

This course has evolved over the past few years directly due to feedback from students. For example, a larger number of derivative instruments were examined in a shorter number of weeks. Student feedback indicated that this was too overwhelming especially given that this is an introductory finance course. As results only two broad kinds of derivative instruments are examined in the course.

Another important feature of this course which has evolved from student feedback is relating the concepts and theories discussed in class with real life examples. Student feedback from the past has been that when a theory is applied to a real life economic or financial issue covered in the media, learning is much more effective.

Finally the use of supplementary audio visual materials such as documentaries, comic strips, and power point shows used in this course have also come about from student feedback pointing to the effectiveness of such materials in enhancing the learning experience.

7 COURSE SCHEDULE

Please note there are no tutorials in Week 1 and no lectures in Week 13

Week	Week Beg.	Lecturer	Topic	Viney Chapter Ref.	Quiz
1	24 Jul	NO	Introduction to Financial System	1	
2	31 Jul	NO	The Banking System	2	
3	7 Aug	NO	Equity Markets I	4 & 5	
4	14 Aug	NO	CFA Ethics and Standards of Practice	TBA	Q1
5	21 Aug	NO	Equity Markets I	6 & 7	
6	28 Aug	NO	Debt Markets I	9	
7	4 Sep	JZ	Debt Markets II	10	
8	11 Sep	JZ	Foreign Exchange Markets	15 & 16	
9	18 Sep	JZ	Interest Rate Determination	13	Q2
Mid-semester break: 23 September – 2 October inclusive (2 Oct = Labour Day Public Holiday)					
10	2 Oct	JZ	Futures and Forwards	19	
11	9 Oct	JZ	Options	20	
12	16 Oct	JZ	Review	-	-

Note: This course includes a unit which covers the code of ethics used by the Chartered Financial Analysts (CFA) Institute. This unit is a key requirement for finance majors to be accredited under the CFA Institute's University Recognition Program. The CFA Code of Ethics and Standards of Professional Conduct promote ethical behaviour in finance and banking industry. The unit will examine the basis of Ethics and how it impacts investment and capital markets as well as heighten awareness to recognise ethical dilemmas and respond to ethical dilemmas in an appropriate manner.