

**Course Outline 2017**  
**FINANCE 383: BANKING AND FINANCIAL INSTITUTIONS:**  
**SPECIAL TOPIC (15 POINTS)**

**Semester 2 (1175)**

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**Course Description**

An introduction to banking and the role of banks in the economy, not just in New Zealand but round the world, complemented by a survey of the role of the other institutions in the financial system, including those controlling it, such as the central bank and those operating in it such as insurance companies, covering the purpose and practice of regulation, leading up to a discussion of the role of banks in the global financial crisis.

**Programme and Course Advice:**

Prerequisite: either Finance251

or Economics201 and Economics 211.

This course acts as a bridge for those thinking of going on to honours and those interested in pursuing careers in central banking and the financial services sector. It therefore involves class discussion focussing on current financial market developments and their implications and where active student participation is expected. Lecture slides and associated material serve as a guide only and do not substitute for the oral presentation. The course is not suitable for students who cannot attend and participate in class discussion on a regular basis and there will be no recordings of class lectures.

**Goals of the Course**

To provide students with a good understanding of the role of banks and other financial institutions in the financial system, the rationale for their regulation, the ways in which they are regulated and their contribution to the global financial crisis, so this can be used for advanced study or participation in financial markets.

**Learning Outcomes**

At the end of the course students will be able to:

1. Describe and understand the function of the banking system and the other main financial institutions in New Zealand and round the world
2. Understand the structure and degree of independence of central banks and conduct of monetary policy
3. Demonstrate knowledge of the theory and practice of regulation of the financial system and banking in particular
4. Show an understanding of the role of banks in causing the global financial crisis and how central banks responded to the crisis
5. Understand how to benefit from the role of banks as intermediaries in the economy and to understand the risks that are involved in banking as bankers, depositors and borrowers

## **Course Schedule**

List of topics (Sessions 1-12) **Note: while this list shows the ordering of the topics they do not necessarily correspond to exact weeks**

1. Chapter 1 (CGM/SC) - Introduction. What is special about banks/financial intermediaries? (Michelle Li)
2. Chapters 2/3 (CGM) - Historical development of the banking industry, financial deregulation and innovation; financial development and economic growth (Michelle Li)
3. Chapter 4 (CGM) - International banking (Michelle Li)
4. Chapters 9/10 (CGM)/ Chapter 12 (SC) - Bank balance sheets and the business of banking/measures of bank performance (Michelle Li)

### **Quiz (August 24)**

5. Chapters 11/12/18 (CGM)/ Part 5 (SC) - Managing bank risks – capital and liquidity (David Mayes)
6. Chapters 13/14/15 (CGM)/Chapter 11 (SC) - The financial system: New Zealand in contrast to others (UK/EU/US) (David Mayes)
7. Chapter 5 (CGM)/ Chapter 4 (SC) - The central bank and monetary policy (David Mayes)
8. Chapter 6 (CGM) – Central banks in practice (David Mayes)

### **Mid-Term Test (October 5)**

9. Chapter 7 (CGM)/ Chapter 13 (SC) - Bank regulation and supervision (David Mayes)
10. Chapters 8, 13-15 (CGM) Current issues in banking: Bank Failures (David Mayes)

### **Assignment due October 18**

11. Chapters 8, 13-15 (CGM) Current issues in banking: Financial Crises (David Mayes)
12. Chapters 8, 13-15 (CGM) Current issues in banking: The Global Financial Crisis – causes, progress, lessons and reactions (David Mayes)

Notes: Casu, Girardone and Molyneux (CGM); Saunders and Cornett (SC). Both textbooks are available for Short Loan at Kate Edger. Additional material is contained in Canvas resources. Andrew Sheng, From Asian to Global Financial Crisis, Cambridge University Press, 2009, provides a helpful description of the Asian Crises.

## Learning and Teaching

This course is taught on the city campus. To achieve the outcomes outlined above a variety of teaching approaches will be utilised including lectures, video recordings, tutorial assistance with student queries, workshops, drop-in clinics, discussion of practical examples and current issues, tests and written assignments.

**Meetings will be on Wednesdays noon to 2pm in HSB2-352, Thursdays 2pm to 3pm in HSB2-352 and Fridays noon to 1pm in ClockT039.** At the end of each topic a workshop will be held in class time. The workshop is designed to consolidate and extend material covered in lectures through worked practical examples and discussion of issues raised in lectures. Students are expected to complete the required reading before the lectures. Lecture note summaries, assignment questions, workshop material will be available online through Canvas.

## Student Help

A tutor will be available to assist students with queries relating to assignments and understanding of class materials. Before seeking advice students should have thoroughly studied the lecture summaries and supplementary notes taken during class and have completed the prescribed readings.

## Teaching Staff:

Professor David Mayes  
Room 551, Owen G Glenn Building  
E-mail [d.mayes@auckland.ac.nz](mailto:d.mayes@auckland.ac.nz)

Dr Michelle Li  
Room 569, Owen G Glenn Building  
E-mail [michelle.li@auckland.ac.nz](mailto:michelle.li@auckland.ac.nz)

Tutor  
Aria Zhang  
E-mail [aria.zhang@auckland.ac.nz](mailto:aria.zhang@auckland.ac.nz)

Office Hours: the first port of call is the tutor, who can be contacted by email. The lecturers are available by appointment which can be made by email.

## Learning Resources

- (i) Prescribed text: Casu, Girardone and Molyneux, Introduction to Banking, 2015, **2<sup>nd</sup> edition**, Prentice Hall/Financial Times. (CGM)
- (ii) Material on financial institutions will draw on Saunders and Cornett, Financial Markets and Institutions, 5<sup>th</sup> Ed., McGraw-Hill, 2012. (SC) particularly chapters 15-17.
- (iii) Lecture, video and readings material
- (iv) Canvas resources

## Assessment

Assessment will be through one written assignment (20%), a mid-semester test (25%), one quiz (15%) and a comprehensive final examination (40%). All course material is examinable. These four forms of assessment will assess your ability to demonstrate an understanding of the learning objectives.

## **Inclusive Learning**

Students are urged to discuss privately any impairment-related requirements face-to-face and/or in written form with the course convenor/lecturer and/or tutor.

## **CHEATING IN EXAMINATIONS AND COURSEWORK**

The University of Auckland will not tolerate cheating, or assisting others to cheat, and views cheating in coursework as a serious academic matter. The work that a student submits for grading must be the student's own work, reflecting his or her learning. Where work from other sources is used, it must be properly acknowledged and referenced. This requirement also applies to sources on the world-wide web. A student's assessed work may be reviewed against electronic source material using computerised detection mechanisms. Upon reasonable request, students may be required to provide an electronic version of their work for computerised review.

The following information should be read in conjunction with the University of Auckland's Examination Regulations (see University Calendar, General Statutes and Regulations).

### **What is cheating?**

To cheat in the context of university assignments and examinations is to attempt to gain an unfair advantage by violating the principles of intellectual and scholarly integrity. To cheat is to be intellectually dishonest by passing off as your own work that which has been done by someone else. To cheat is also unjust in that it devalues the grades and qualifications gained legitimately by other students. All students and staff have a responsibility to prevent, discourage and report cheating.

Cheating may take various forms, some of which are:

- Copying from another student during a test or examination. This is cheating whether or not there is collusion between the students involved. Collusion with another student who wishes to cheat from you exposes both parties to penalties under University Regulations.
- Using the work of other scholars or students when preparing an assignment or writing an examination, and pretending it is your own work by not acknowledging where it came from. This is called plagiarism and is outlined in a separate section below.
- Copying from another student's on-course work whether that copying is with or without the knowledge of that student. This includes:
  - Copying all or part of someone else's assignment
  - Allowing someone else to copy all or part of your assignment
  - Having someone else do all or part of an assignment for you
  - Doing all or part of someone else's assignment for them.
- Impersonating someone else in an examination, or arranging such impersonation.
- The use of forbidden material in a test or examination, whether printed or in electronic form. For example, the attempted use of a non-standard calculator in a restricted calculator examination.

### **What is plagiarism?**

Plagiarism is a form of cheating. A definition of plagiarism is: "The deliberate copying of another person's material and the presentation of it as one's own". Plagiarism is the inclusion in your work of material closely copied or paraphrased from someone else's writings (including work by other students or material off the internet) without explicit indication of the source of the material, that is, not referencing. Any material downloaded from the internet must have the source properly acknowledged (such as a reference and URL in the bibliography). Plagiarism is not acceptable in any written work presented for assessment.

### **How to avoid plagiarism**

The work and the ideas of other people must be acknowledged by correct referencing procedures. While students are encouraged to consult expert opinion, particularly in the form of books and journals and websites, to assist them in better understanding and in the completion of their assignments, such opinion must be acknowledged by explicit reference to the work consulted. In this course, students are encouraged to work collaboratively with another and this is an important part of the University experience. However, within the particular permission granted in this course to submit in pairs, it is also expected that the submitted work reflects the student's own understanding of the topic. If in any doubt about any of these issues, you should talk with a staff member to clarify your concerns.

### **Preventing cheating**

Typically students cheat because they are having difficulty with the course content, the language of the course or both. Cheating and/or plagiarism can be a temptation when students are having difficulty with a heavy workload in the course and seek to save time by copying others work. The University provides many services to help students do better or to make thoughtful decisions about whether to continue. Within the Department, students should first seek help from the lecturer. Outside the Department, the University offers help at the Student Learning Centre, and the English Language Acquisition Programme offers a range of courses to assist students whose first language is not English. There is a difference between getting help and cheating. The former is directed towards assisting you to understand the material and the assignment questions so that you are in a better position to create your own answers. Cheating involves supplying or being supplied with other people's answers.

### **CLASS REPRESENTATIVE**

The course is entitled to a class representative. The class representative will freely discuss any student concerns with the lecturer. The representatives are also invited to staff/student consultative meetings if these are operative. This is the appropriate forum for raising any unresolved concerns you have about the running of the paper. Student representatives will be made known to the class as a whole.

We emphasise "unresolved concerns" since most problems can be resolved very simply by approaching the lecturer concerned (or any of the teaching staff). We are there to help.