

BUSINESS ADMINISTRATION

Course: FIN503_Financial Institutions & Markets
Semestre: Fall 2006-2007

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Office Hours: Saturday 13:00am/16:00pm

COURSE OBJECTIVES

The focus of the “Financial Institutions, Markets, and Money” lecture is to provide a balanced introduction to the operation, mechanics, and structure of the U.S.& Turkish financial system, emphasizing its institutions, markets, and financial instruments.

COURSE DESCRIPTION & REQUIREMENT

The meetings stress the mastery of fundamental material of financial inst., placing an emphasis on how things really work in a market structure. The book has a balanced coverage of the U.S. financial system with a strong emphasis on both institutions and markets. Besides of this perspectives Turkish financial market & institutions working principles will be discussed in an additional meeting out of textbook concept. Special attention will be given to the Federal Reserve System and its conduct of monetary policy. We will also stress the risks that the financial institutions face (interest rate risk, credit risk, liquidity risk, foreign exchange risk) and how these can be managed & eliminated in financial markets. As a whole we will also address the impact that technology and globalization have on the operations and structure of the financial system. International finance related basic knowledge will be an advantage point.

LEARNING OUTCOMES

After a successful completion of the all meetings, students will understand the function of financial institutions systems in the context of the broad structure of public and private sector banks, insurance, brokers, regulators, exchanges, clearing houses, and infrastructure utilities that together support the effective and liquid global financial market place. We will have an overview of the dynamics and comparative advantages between issuer, intermediary and investor; will understand the different motivations within the regulatory and compliance environment, and how participants navigate around market, credit, operational and reputation risk; and risk within exchange and off-exchange market.

TEXTBOOK AND READINGS

- ▶ **Financial Markets and Institutions, 5th Edition, 2006, Pearson Addison Wesley**
Frederic S. Mishkin & Stanley G. Eakins
ISBN: 0-321-30812-3

Additional Resources:

- ▶ **Financial Institutions, Markets, and Money, 9th Edition, 2005, John Wiley & Sons**
David S. Kidwell, David W. Blackwell, David A. Whidbee, Richard L. Peterson
ISBN: 0-471-69757-5

<http://www.bankofengland.co.uk/>

<http://www.federalreserve.gov/>

GRADING POLICY

The components of the course grade will be weighted as follows. The instructor reserves the right to modify the weightings to adjust for more or less material covered during the semester.

- ▶ Grading policy: a final exam, a well researched & presented homework assignment & class participation will be counted as a final grade.

Components and Weights

Class Participation :	% 10
Project Research & Presentation :	% 30
Final Examination:	% 60
Total	% 100

The examination will have two sections. One will cover of objective questions, (such as short answer, true/false, or multiple choice) and the other will consists of essays and/or problem solving calculations. The goal of the essays will be to apply the major concepts of financial markets into a specific situation problem solvings and draw valid conclusions. The point is not to show everything you know, but to use what is relevant for the case at hand.

You will need calculator in the examinations so be prepared in hand before the final exam.

There are no provisions for make up for Final Exam. It is imperative that your schedule permits you to take the exam on mentioned date and time. (check with admin!)

The grades will be based on the following expected scale:

90 - 100	AA	60 – 69	DC
85 – 89	BA	50 – 59	DD
80 - 84	BB	49 – 00	F
75 - 79	CB		
70 - 74	CC		

I take academic honesty very seriously. Cheating will not be tolerated in the examinations. Finally %80 of class attendancy is the requirement in order to take the final examinations.

* Project and/or research topics must be finalised in the 2nd meeting.

WEEKLY CLASS SCHEDULE

Meeting #	Topic	Assignments in Textbook
1	PART I: INTRODUCTION An Overview of the Financial System	Chp.2
2	PART II: FUNDAMENTALS OF FINANCIAL MERKETS What Do Interest Rates Mean & What Is Their Role in Valuation	Chp.3
3	How Do Risk & Term Structure Affect Interest Rates	Chp.5
4	PART III: CENTRAL BANKING & THE CONDUCT OF MONETARY POLICY Structure of Central Banks & The Federal Reserve System	Chp.7
5	PART IV: FINANCIAL MARKETS The Money Markets	Chp.9
6	The Bond Markets	Chp.10
7	The Stock Markets	Chp.11
8	Project Presentation Begins	
9	The Foreign Exchange Markets	Chp.13
10	The International Financial System	Chp.14
11	PART V: FUNDAMENTALS OF FINANCIAL INSTITUTIONS Why Do Financial Institutions Exist	Chp.15
12	PART VI: THE FINANCIAL INSTITUTIONS INDUSTRY Banking & The Management of Financial Institutions	Chp.17
13	Commercial Banking Industry: Structure & Competiton	Chp.18
14	PART VII: THE MANAGEMENT OF FINANCIAL INSTITUTIONS Risk Management in Financial Institutions	Chp.24
15	Hedging with Financial Derivatives	Chp.25
16	Understanding Turkish Financial Market & Institutions	Additional Chp.
Final Examination		

Project Research & Presentation Topics:

1.	Historical Developments in International Finance
2.	Globalization & Liberalization Effects in Financial Markets
3.	International Foreign Capital Flows
4.	The Euro versus Dollar Parity Forecasting
5.	Interest Swap Markets
6.	FX Option Pricing Models & Strategy Determination
7.	Balance of Payment Accounts Effect on Parity Conditions
8.	Exchange Rate Systems
9.	Purchasing Power Parity
10.	Turkish Financial System & its Operations
11.	European Monetary Union & System Principle (EMS)
12.	Crises & Turbulance Analysis in the Emerging Markets (EMEA)
13.	International Trade Policies & Recent Developments
14.	International Facility Useages from IMF
15.	Market Volatility Analysis in Latin America & East Asia Countries
16.	Hedge Fund Business & Strategies
17.	Private Banking
18.	Credit Derivatives