FINANCE 451: FINANCIAL MARKETS AND INSTITUTIONS:
Fall Quarter, 2014: Wednesday, 6 - 9pm
Room TBA

Catalog Description

(Prerequisites): FINC 450

Introduction to the financial system in the United States, including the fundamentals and role of money and capital markets, the institutions operating in these markets, the instruments traded, and the organization, functioning and operation of the Federal Reserve System.

Outcome: Students will be able to demonstrate an understanding of how financial markets and institutions work and are important to financial decision making, how interest rates and bond prices are determined and interrelated, why and how financial institutions are regulated by the government, and who the Federal Reserve is and how its actions affect the economy.

Course Overview

This course introduces students to the financial system in the United States. It discusses the fundamentals and role of money and capital markets, including the institutions operating in the markets, the instruments being traded, and the organization and regulation of the markets. Particular attention is devoted to commercial bank management, structure, and regulation, including the development of public policy towards banking and to the globalization of financial markets. The determinates of the level of interest rates and the structure of rates are developed. The organization, functioning and operation of the Federal Reserve System and the way that it interacts with the private financial sector through regulatory and monetary policies are analyzed. The theories developed in the class are brought to bear on current and recent financial and monetary problems, such as bank failures, the financial crisis of 2007-09, and inflation. The ethical dimensions of financial institution management are introduced and the short and long-run implicational analyzed. The focus is on developing responsible financial managers and leaders.
Course Objectives and Learning Outcomes

1. An understanding of the U.S. financial system.
2. The basics of the U.S. money and capital markets
3. The fundamentals of interest rates and bond pricing.
4. How banks work and influence the economy.
5. The differences between different types of financial institutions, e.g., commercial banks, savings and loan associations, pension funds, insurance companies, mutual funds and so on.
6. Elements of managing financial institutions.
7. How and by whom financial institutions and markets are regulated, recent changes in regulation and deregulation, and the structure of the regulatory agencies.
9. The fundamentals of international finance and exchange rates and how domestic and foreign financial markets are interrelated.
10. The importance and organization of the Federal Reserve.
11. The tools and operation of monetary policy.
12. How the Fed influences the economy through monetary policy.
13. Current financial and monetary issues, e.g., financial market turmoil and bank failures.

Required Materials
The basic textbook and study guide, plus supplementary handouts on current developments.

1. Required textbooks:
   Frederic Mishkin, The Economics of Money, Banking and Financial Markets
   (3rd Business School Edition), (Addison Wesley) ISBN # 0132741377

   Aaron Jackson, Edward Gamber and David Hakes, Study Guide, 3rd Business School Ed.
   ISBN # 0132769425

2. Other weekly reading, assignments distributed through Sakai:
   Weekly handout – BRING TO CLASS.
   Basic reading – Required
   Supplementary reading – Voluntary for fuller picture
   Other class materials available on Sakai – Homework exercises, PowerPoint slides, etc.

Course Requirements and Grading Criteria

Quizzes: From study guide questions; nearly every class (5 minutes at class-end)

Examinations: One mid-term and a final examination.

Grade:

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<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Mid-term</td>
<td>30%</td>
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<tr>
<td>Final examination</td>
<td>40%</td>
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<tr>
<td>Quizzes</td>
<td>25%</td>
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<tr>
<td>Homework and misc.</td>
<td>5%</td>
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<tr>
<td>Total</td>
<td>100%</td>
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**Quinlan School of Business Policies:**

**Attendance**

Class attendance and participation are fundamental components of learning, so punctual attendance at all classes, for the full class meeting period, is expected of Quinlan students. The student is responsible for any assignments or requirements missed during an absence.

**Make-Up Examinations**

Examinations represent a critical component of student learning, required examinations should be taken during the regularly scheduled class period. Make-up examinations are discouraged.

**Academic Integrity**

All members of the Quinlan School shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication, and falsehood. Plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result minimally in the instructor assigning the grade of “F” for the assignment or examination. In addition, all instances of academic dishonesty will be reported to the chairperson of the department involved. All students are required to sign the Quinlan School of Business Honor Code at the beginning of the term.

For further information about expectations for academic integrity and sanctions for violations, consult the complete Quinlan School of Business Honor Code and Statement of Academic Integrity on the Quinlan website:


**Instructor Policies**

Cell phones must be turned off during class period. No electronic devices are allowed during the examinations.
# Required Weekly Assignments

*(Subject to change with notice)*

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<tr>
<th>Week</th>
<th>Date Due</th>
<th>Assignment Details</th>
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| 1    | Aug. 27, 2014 | **Introduction to the Financial System and Financial Markets**  
Mishkin, Chapters 1 (skip appendix), 2, 3  
Jackson, Chapter 1: MC*  
Chapter 2: T+F*, MC  
Chapter 3: MC |
| 2    | Sept. 3   | **Interest Rates I**  
Mishkin, Chapters 4, 5 (and Web Appendix 5-3)  
Jackson, Chapter 4: Practice Problems 1, 2, 4 T+F, MC  
Chapter 5: T+F, MC |
| 3    | Sept. 10  | **Interest Rates II**  
Mishkin, Chapter 6  
Jackson, Chapter 6: T+F, MC and Practice Problems 1, 2, 3, 4 + 5 |
| 4    | Sept. 17  | **Finish Interest Rate II and Introduction to the Fed**  
Mishkin, Chapters 16, 18, 25 (page 628 – 630)  
Jackson, Chapter 13 †: T+F, MC and Practice Problem 2  
Chapter 15 †: T+F, MC |
| 5    | Sept. 24  | **The Fed and Monetary Policy and MIDTERM Exam** |
| 6    | Oct. 1    | **The Fed and Monetary Policy (Cont.)**  
Mishkin, Chapter 19, 19 Appendix, 25  
Jackson, Chapter 19 †: T+F, MC  
Chapter 25: T+F, MC |
| 6A    | XX    | **Tour of the Federal Reserve Bank of Chicago**  
TBA |

* References are to Self-Test true and false (T+F) and multiple choice (MC) questions  
† Note chapter numbers and titles in text and study guide are not always the same. If different, use study guide number in parenthesis. Always check and match titles in text and guide.
7 Oct. 8  **Bank Management, Structure and Regulation**
Mishkin, Chapters 8, 10, 11, 12
Jackson, Chapter 8: T+F, MC
    Chapter 10: T+F, MC
    Chapter 11: T+F, MC
    Chapter 12: T+F, MC

8 Oct. 15  **Other Financial Institutions, Crises**
Mishkin, Chapters 3 (pp. 56-59), 9, 13, 15, 17
Jackson, Chapter 9: T+F, MC
    Chapter 13: T+F, MC
    Chapter 15, MC
    Chapter 17 †, MC

9 Oct. 22  **International Finance and the Payments System**
Mishkin, Chapters 20, 21
Jackson, Chapter 20: T+F, MC
    Chapter 21: T+F, MC

10 Oct 29  **FINAL EXAMINATION**