

RUTGERS UNIVERSITY
School of Business - Camden

FINANCIAL MARKETS AND INSTITUTIONS – Fall 2016

52:390:325:01

Tu & Th 3:00 P.M. - 4:20 P.M.

BSB 106

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Office: BSB Adjunct Office

Office Hours: by appointment via scheduling through EMAIL

COURSE DESCRIPTION:

Roles of financial markets and institutions; Determination and structure of interest rates; Functions of the Federal Reserve System, its monetary policy and implications; Debt and equity securities markets; Commercial bank operations and bank regulation; Nonbank operations.

Prerequisite: 52:390:301.

COURSE OBJECTIVES:

Lectures will provide an introduction to the structure and function of financial markets and financial intermediaries, and students will learn about the importance of interest rates to individuals and institutions. Analyzing the flow of funds within our financial system will be viewed from the standpoint of different constituencies, especially a country's Central Bank (related to monetary policy). Regulatory issues and financial instruments will also be addressed.

REQUIRED TEXTS:

Textbook (required): Anthony Saunders and Marcia Millon Cornett, **Financial Markets and Institutions, 6th Edition**, 2015, McGraw-Hill, Loose Leaf with Connect Access Card ISBN 13: 9781259379055.

Connect: McGraw-Hill's **Connect** is a web-based assignment and assessment solution **required** for this course.

<https://connect.mheducation.com/class/r-giraud-fall-2016-tuth-300-pm---420-pm>

If you have any issues while registering or using Connect, please contact McGraw-Hill's Customer Experience team through <http://www.mhhe.com/support> or at 800-331-5094. To avoid problems related to unexpected technical issues, you are advised not to wait until the last moment to complete assignments. Please review your "Connect Student Quick Tips" document for further support.

Calculators and laptops: A calculator/financial calculator is a great tool that will facilitate your computations, which is relatively inexpensive compared to the cost of a laptop. However, **use of a laptop is strongly recommended**. If you choose to use a financial calculator, suggestions may include the Hewlett Packard HP 10BII or Texas Instruments BAII Plus. I will not bear any responsibility of teaching you how to use it.

TEACHING METHODS:

Lectures, class discussions, and exams/assigned work will be based mainly on material from course textbooks, supplemented by use of appropriate websites and other resources. It is your responsibility as a student to fulfill all individual AND group course requirements through thorough preparation for each class. This responsibility includes reviewing topics IN ADVANCE of scheduled classes. Additional responsibilities include perfect, timely attendance (in accordance with university policies), active participation, and completion and timely submission of assignments. Ask the professor for help immediately when necessary.

SYLLABUS UPDATES AND OTHER COURSE COMMUNICATION:

All changes and announcements will be made in class at least once, and/or through the SAKAI site for this course. If you anticipate being absent from class, find a classmate who can pick up handouts etc. for you, as you are responsible for keeping up with this course. Handouts will be brought to class only once, and may not be available in hard copy thereafter. I reserve the right as the Course Instructor to make changes to stated syllabus information at any time. If you do not use your **rutgers.edu** email domain for your primary email address, please insure that you forward messages to whatever email address you use. It is YOUR responsibility to “remain current” with course developments. Please check the SAKAI course web site on a daily basis.

COURSE REQUIREMENTS (Grade Weight):

1. **EXAMS:** There will be four Exams, Exam # 1 covering Chapters 1 – 5 (15%), Exam # 2 covering Chapters 6 – 10 (20%), Exam # 3 being on Chapters 11 – 13 & Chapter 15 (20%) and Exam # 4 (25%) being on Chapters 16 – 17 and Chapters 19 -22. Material for these exams will be based on financial applications and processes reviewed and employed during course lectures and homework assignments.

Exam Make-up Policy: The Course Outline does NOT allow any regularly scheduled class dates for “Make – up Exams.” If for some legitimate “university approved” reason you are not able to take a scheduled exam, you must immediately submit valid proof concerning the reason for your absence (e.g.: doctor’s note, an obituary, university approved excuse related to participation in university athletic event, military orders). Written notice regarding this absence must be provided at least one week in advance, so other options can be evaluated. Make-up exams for non-university approved reasons are NOT guaranteed.

2. **“TAKE-HOME” ASSIGNMENTS (10%):** Take-home assignments will be given over the course of the semester, and homework submission must be made via McGraw – Hill Connect. Late submissions will not be accepted.
3. **CLASS PARTICIPATION (10%):** Punctual attendance for complete, regularly scheduled class sessions is MANDATORY, in accordance with university policy (50%). True class participation involves attentiveness, active “engagement” with course material, and contributing to class discussions (50%). Your questions and comments concerning course topics should be focused and relevant. Do not hesitate to ask any and all questions as may be necessary.
4. **OPTIONAL BONUS OPPORTUNITY (“Extra Credit,” worth 10%):** Those students who successfully pass (at 70%) all four Bloomberg Market Concepts Exams, emailing their Acknowledgement of Completion Certificate to me at ralph.giraud@camden.rutgers.edu, and to Bloomberg.Certificates@camden.rutgers.edu, will be awarded ten (10) points (i.e. : 10%) which will be added to the calculation of their final grade.

ACADEMIC INTEGRITY

Policy found at <http://academicintegrity.rutgers.edu/academic-integrity-at-rutgers>

“Academic integrity requires that all academic work be wholly the product of an identified individual or individuals. Joint efforts are only legitimate when the assistance of others is explicitly acknowledged... The principles of academic integrity entail simple standards of honesty and truth. Each member of the university has a responsibility to uphold the standards of the community and to take action when others violate them... Students are responsible for knowing what the standards are and for adhering to them. Students should also bring any violations of which they are aware to the attention of their instructors.”¹

Students are expected to know, understand and adhere to the policies on academic integrity outlined above.

Principles of academic integrity require that every Rutgers University student:

- properly acknowledge and cite all use of the ideas, results, or words of others
- properly acknowledge all contributors to a given piece of work
- make sure that all work submitted as his or her own in a course or other academic activity is produced without the aid of unsanctioned materials or unsanctioned collaboration
- obtain all data or results by ethical means and report them accurately without suppressing any results inconsistent with his or her interpretation or conclusions
- treat all other students in an ethical manner, respecting their integrity and right to pursue their educational goals without interference. This requires that a student neither facilitate academic dishonesty by others nor obstruct their academic progress
- uphold the canons of the ethical or professional code of the profession for which he or she is preparing.

Adherence to these principles is necessary in order to insure that:

- everyone is given proper credit for his or her ideas, words, results, and other scholarly accomplishments
- all student work is fairly evaluated and no student has an inappropriate advantage over others
- the academic and ethical development of all students is fostered
- the reputation of the University for integrity in its teaching, research, and scholarship is maintained and enhanced.

Student Code of Conduct

Violations of the Student Code of Conduct are considered serious infractions of student behavior and subject to penalties relative to the level of the matter. Students may not disturb normal classroom procedures by distracting or disruptive behavior. Examples of disruptive behavior include, but are not limited to, the following:

- Repeatedly leaving and entering the classroom without authorization
- Answering cellular phone or allowing pager to beep
- Making loud or distracting noises
- Repeatedly speaking without being recognized, interrupting the instructor or other students, or otherwise acting in disregard of the instructor’s requests
- Resorting to physical threats or violence directed toward the instructor or other students.*

*Physical threats or violence are a violation of the University’s Code of Student Conduct and incidents should

¹ Rutgers University Code of Academic Conduct, taken from the Student Advising Handbook - <http://camden-sbc.rutgers.edu/CurrentStudents/students/advising.pdf>.

be referred to the Dean of Students immediately. Please consult “Standards of Classroom Behavior,” in The University Code of Student Conduct

<http://studentconduct.rutgers.edu/files/documents/UCSCJuly2011.pdf>

and the University’s “Policy against Verbal Assault, Defamation and Harassment”

<http://studentconduct.rutgers.edu/files/documents/PolicyAgainstVerbalAssault.pdf> for further information

GRADING:

For the assignment of final grades, the course requirements will be weighted approximately as follows:

Exam # 1	.....	15%
Exam # 2	.....	20%
Exam # 3 - FINAL	.....	20%
Exam # 4 – FINAL	.....	25%
Assignments	.....	10%
Class Participation	.....	10%
Optional Extra Credit (Bloomberg Market Concepts, “BMC”)		10%

- 90-100%...A
- 85-89%...B+
- 80-84%...B
- 75-79%...C+
- 70-74%...C
- 60-69%...D
- Less than 60%...F

ADMINISTRATIVE DETAILS:

- Students who are seeking an accommodation because of a disability are directed to the website <http://learn.camden.rutgers.edu/disability-services>, or they can contact the Camden campus Disability Coordinator: Tim Pure, Disability Services Coordinator / Armitage Hall, EOF Suite, third floor (elevator accessible), 856-225-6442, tpure@camden.rutgers.edu.
- **Cell Phones and Lap-Tops:** Students are required to *turn off* their phones, and laptops are allowed on-ly for coursework in class. Please inform me BEFORE CLASS if you are expecting an emergency call and must leave your phone turned on.
- Students should come to class on time. They should **stay** in class throughout the class period.

November 15th is the last day to withdraw from this class to receive a “W” grade. For more information see the registrar’s website. <http://registrar.camden.rutgers.edu/>

COURSE OUTLINE: TOPICS / EXAMS (subject to change)

Class 1: 9/06/2016
Course Introduction
CHAPTER 1 – Introduction and Overview of Financial Markets

Class 2: 9/08/2016
CHAPTER 1 – Introduction and Overview of Financial Markets

Class 3: 9/13/2016

CHAPTER 2 – Determination of Interest Rates

Class 4: 9/15/2016

CHAPTER 3 - Interest Rates and Security Valuation

Class 5: 9/20/2016

CHAPTER 4 – The Federal Reserve System, Monetary Policy, and Interest Rates

Class 6: 9/22/2016

CHAPTER 5 – Money Markets

Class 7: 9/27/2016

EXAM # 1 REVIEW: CHAPTERS 1 - 5

Class 8: 9/29/2016

EXAM # 1: CHAPTERS 1 - 5

Class 9: 10/04/2016

CHAPTER 6 – Bond Markets

Class 10: 10/06/2016

CHAPTER 7 – Mortgage Markets

Class 11: 10/11/2016

CHAPTER 8 – Stock Markets

Class 12: 10/13/2016

CHAPTER 9 – Foreign Exchange Markets

Class 13: 10/18/2016

CHAPTER 10 – Derivatives Markets

Class 14: 10/20/2016

EXAM # 2 REVIEW: CHAPTERS 6 - 10

Class 15: 10/25/2016

EXAM # 2: CHAPTERS 6 - 10

Class 16: 10/27/2016

CHAPTER 11 – Commercial Banks: Industry Overview

Class 17: 11/01/2016

CHAPTER 12 – Commercial Banks' Financial Statements and Analysis

Class 18: 11/03/2016

CHAPTER 13 – Regulation of Commercial Banks

Class 19: 11/08/2016

CHAPTER 15 – Insurance Companies

Class 20: 11/10/2016
EXAM # 3 REVIEW: CHAPTERS 11 – 13, 15

Class 21: 11/15/2016
EXAM # 3: CHAPTERS 11 – 13, 15

Class 22: 11/17/2016
CHAPTER 16 – Securities Firms and Investment Banks

Class 23: 11/22/2016
CHAPTER 17 – Investment Companies

Class 24: 11/24/2016
No class – HAPPY THANKSGIVING!

Class 25: 11/29/2016
CHAPTER 19 – Types of Risks Incurred by Financial Institutions

Class 26: 12/01/2016
CHAPTER 20 – Managing Credit Risk on the Balance Sheet

Class 27: 12/06/2016
CHAPTER 21 – Managing Liquidity Risk on the Balance Sheet

Class 28: 12/08/2016
CHAPTER 22 – Managing Interest Rate Risk and Insolvency Risk on the Balance Sheet

Class 29: 12/13/2016
EXAM # 4 REVIEW: CHAPTERS 16 – 17, 19 - 22

Class 30: 12/15/2016
OPTIONAL EXTRA EXAM # 4 REVIEW: CHAPTERS 16 – 17, 19 - 22

Class 31: 12/20/2016
EXAM # 4: CHAPTERS 16 – 17, 19 - 22