

FINA232: Financial Markets  
Fall 2002  
School of Business and Management  
The Hong Kong University of Science and Technology

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Office Hours:

Monday	6:30 - 7:30
Wednesday	6:30 - 7:30

Webpage: <http://teaching.ust.hk/~na232/>

username: na232

password: nance

Prerequisites: FINA 111 or equivalent.

**Objectives:** This course covers the instruments and functions of financial markets and institutions. As such, this course will be mostly descriptive and will involve a very limited amount of theories. A stronger than usual emphasis will be put on issues related to the corporate finance. For example, students will learn how corporations raise capital and what the consequences are when corporations choose to issue certain securities. When dealing with financial markets per se, our focus will be on how the banking system copes with bank run and on how liquidity is created in the securities markets. Issues like how to price options and futures will not be discussed in this class because there are other courses for pricing issues. While we will discuss both the U.S. and the Hong Kong financial system, things related to China will not be covered.

**Recommended Books:**

1. There is no required textbook for the course. Yet, it is highly recommended that students read one of the following textbooks and fill in the details themselves

- <sup>2</sup> Mishkin, Frederic S. and Eakins Dtanley G. (2002). Financial Markets + Institutions (4th ed.). Mass.: Addison-Wesley.
- <sup>2</sup> Fabozzi, Frank J. and Modigliani, Franco (1996). Capital Markets: Institutions and Instruments (2nd ed.). New Jersey: Prentice Hall.
- <sup>2</sup> Federal Reserve Bank of Richmond (1993). Instruments of the Money Market (7th ed.), Richmond: Federal Reserve Bank of Richmond. On-line version of this book can be found at: <http://www.rich.frb.org/pubs/instruments/>

- <sup>2</sup> Ross Stephen A., Westerfeld Randolph W, and Ja®e Je®rey (2002). Corporate Finance. New York: McGraw-Hill.
- <sup>2</sup> Paul Gompers and Josh Lerner (1999). The Venture Capital Cycle. Cambridge, MIT Press.
- <sup>2</sup> George Fenn, Nellie Liang, and Steven Prowse (1997). The Private Equity Industry: An Overview, (Financial Markets, Institutions and Instruments Series, Volume 6, Number 4). Boston, Blackwell Publishers. An older version was published as The Economics of the Private Equity Industry, Washington: Federal Reserve Board, 1995, and is available at <http://www.federalreserve.gov/pubs/sta®studies/1990-99/ss168.pdf>.

Reserved Items:

- <sup>2</sup> The above recommended books.
- <sup>2</sup> Hong Kong Venture Capital Association Yearbook.

Exams: Midterm examination and final examination.

Grade:	assignment	10%
	midterm	35%
	final	55%

Late homework is unacceptable, unless sufficient reasons are given. Homework must be done in groups of 2 to 5 students. Students can come from different sections, but each student must turn in the class himself. Students are strongly encouraged to form a study group.

You have to remember these:

- <sup>2</sup> Check the course webpage regularly: Otherwise, you will miss a lot of things.
- <sup>2</sup> There are some cases in this course. Students are strongly encouraged to express their opinions in the class.
- <sup>2</sup> There are many small things. Be on time. You are not allowed to move around different sections of this course. The most important one: Please preview and review the course material.