

FINANCIAL INSTITUTIONS IN PRACTICE (FINA 691B) MBA

Instructor: Veronique Lafon-Vinai, Adjunct Associate Professor

Venue: Cliftons Ltd, 33/F, 9 Queen's Road, Central

Class Duration/Dates: 03-Sep-2009 to 24-Sep-2009

Add/Drop Deadline: 07-Sep-2009

Course objective:

Have you ever wondered about the difference between investment and commercial banking? Read about the capital adequacy of banks and being puzzled about what it meant? Wished you understood what your investment bankers friends were talking about?

This course is designed to guide you through the maze of financial institutions and help you overcome the complexities of the financial markets jargon.

After taking this course, you will be able to understand what are the major types of financial institutions, what they do in practice, how they are regulated and how they overlap with each other; and you will be able to understand the different types of careers available in financial institutions and the skills required to succeed in each.

The course is purely practical, solidly grounded in the reality of the markets and will include many real life examples. This course is NOT designed to teach financial theories, nor to price any instruments – quantitative skills not required.

The classes will be highly interactive and require active participation throughout.

Course outline:

Week One: Understanding the foundations:

- a) the different types of financial institutions;
- b) the concept of financial intermediation and its applications;
- c) the basic concept of regulation of financial institutions; and some underlying trends;
- d) role and impact of market organization : organized markets, exchanges, dark and lit pools, etc...
- e) *Group formation and topic allocation; distribution of mini case study*

Week Two: the sell side: commercial and investment banks

- a) commercial banks: understanding retail and wholesale banking and the role of C&IB
- b) investment banking: what are i-banks? What do they do? Did the financial crisis kill investment banking?
- c) *Market News Presentation One*

Week Three: the buy side: traditional institutional investors

- a) insurance companies
- b) pension funds
- c) mutual funds and asset managers
- d) *Market News Presentation Two*
- e) *Mini case study due*

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Week Four: the shadow market: alternative investments

- a) hedge funds
- b) PE & VC
- c) SWF
- d) Putting it all together: careers in financial markets
- e) *Market News Presentation Three*
- f) *Quiz*

This outline is given as a reference only. We will aim to actively discuss domestic Asian markets and current issues during the course.

If time allows, we will endeavor to cover other subjects which might be of particular interest to students or the result of recent events.

Course grading:

The students will form groups to work together during the class. Each of the groups will need to prepare one “market news” and one “mini case study”.

The final grading will be determined as follows:

Participation	15%
Market news presentation	20%
Case study	20%
Quiz	45%

The grading will be composed of:

- 1) One quiz taken in class at the end of week 4 – the quiz will account for 45% of the grade – NO MAKE UP!
- 2) one mini case study to be handed out at the end of week 3 - to be prepared in teams – the case study will represent 20% of the grade
- 3) one “market news” presentation in each of weeks 2, 3 and 4 – groups will be assigned their topics during week 1. Market news will represent 20% of the grade
- 4) participation will represent 15% of the overall grade.

Peer evaluation forms will be included in the overall evaluation.

Reference Materials:

- There is no course textbook for this course. Suggested textbooks on this and other topics include, *inter alia*:
 - o Financial Markets & Institutions, Mishkin/Eakins
 - o Financial Institutions, Instruments & Markets, Viney
 - o Financial Markets & Institutions, Madura
 - o Financial Markets & Institutions, Saunders/Cornett
 - o Money & Capital Markets, Rose
- Reading Materials:
- Selected reading materials will be posted on LMES and/or distributed in class

I strongly recommend that students familiarize themselves further with the financial markets by reading such market oriented newspapers as the Financial Times and the Asian Wall Street Journal; magazines such as Business Week, The Economist, Forbes and Fortune; watching CNBC and/or CNN; and exploring the Internet for subjects discussed in class.

Rules of the Game

These are based on common-sense, real business life practice that you should be familiar with. **Cheating, dishonesty and plagiarism will not be tolerated at any time and may result in strict sanctions.**

1. **Attendance:** Just as you would for business meetings, I expect each student to attend all classes unless you notify me in advance (an email will suffice). Similarly, as for business appointments, each student is also expected to be on time. Late arrival is disruptive and disrespectful. Repeated late arrival will result in lower rating. Attendance (and punctual arrival) to guest speakers (if any) sessions is *mandatory*.
2. **Participation:** Active participation is **required**, and is an important part of the grade. I expect you to join actively in class discussions and Q&A sessions following presentations. I also expect each student to behave as you would in a business environment, showing respect for each other and generally not disrupting the class with inappropriate behavior.
3. **Groups:** Students will be required to form themselves into groups. Whenever possible, ***I strongly encourage groups to be formed on a multi-cultural basis*** to broaden the overall students' experience. **How you run the groups is your concern**; it is up to you to decide the group composition and to make sure each group member does his/her fair share of the work. I will not be involved in intra-group disputes
4. **Assignments & Homework:** Each group will be given assignments/homework to complement the course. These have to be prepared and presented on time. Given the short duration of this elective, there will be only one case study.
5. **Market News:** For each group, a subject will be given. Each group will be expected to prepare a presentation to last no more than 20 minutes, followed by a 10 minutes Q&A. Just as in a business environment, the time constraint will be strictly enforced. All members of the group will be required to be involved in the presentation, and each should have the opportunity to speak for a few minutes. Grading of these assignments will take into account not only the content but also the presentation itself, including time management, style, spelling, grammar, as well as oral skills, and the way you handle questions. Most importantly, ***an important part of the grade will cover your ability to engage the class in active discussion***. For each topic, students who are not presenting are expected to prepare questions for the presenting group and participate actively in the discussion. **Due note will be taken of all students involvement.**
6. **Quizzes:** **There is no final exam; instead, there will be 1 in-class quizz.** There will be no make-up quiz. Unexcused absence will result in *zero* grading for the test. Excused absence will result in the points being spread out over the remaining grades. The quiz will last approximately 20 to 30 minutes and will cover basic concepts and themes studied during the course. The quiz will be **closed-book**. The idea here is to check that you have really understood the subjects covered.
7. **Mobile phones** and other beeping devices need to ***be turned off*** or put on silent mode. Portable computers are allowed so long as they do not lead to inappropriate behaviour and disturbance.

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8. Video recording of lectures may be arranged by the School and the Lecturer. Any other recording (audio or video) is strictly prohibited. Lectures are the copyright property of the Lecturer. Any recording can only be reproduced with the express consent of the Lecturer.
9. Course Materials, Copyright, Questions and contact with instructor: The course materials will be posted on the University's LMES, please check the website on a regular basis for new postings. **The Lecture notes are the copyright property of the Lecturer** and are provided for the sole private use of the students. **They may not be reproduced or disseminated without the express consent of the Lecturer.** For administrative queries, please contact the Teaching Assistant or the staff at the Department of Finance Office, who will be able to assist you. For any lecture related queries, feel free to contact me directly, preferably by email.
10. *Consultation hours: by appointment only*

Contact Details for Instructor:

E-Mail: vlafon@ust.hk

Room 2445 ext 7686 (please do NOT leave voice mail)

Personal Telephone (for emergency ONLY): 9042-6753

Mail: address to Department of Finance at HKUST, clearly indicating course reference and instructor's name.