

Hong Kong University of Science & Technology

Financial Markets (FINA232)

Instructor: Veronique Lafon-Vinai, Adjunct Associate Professor

Consultation hours: by appointment only

Session 1: Mondays & Wednesdays 2:00 – 3:20pm, Room 4503

Session 2: Mondays & Wednesdays 3:30 – 4:50pm, Room 4503

COURSE DESCRIPTION

The course will cover the organization and functions of money and capital markets; the various instruments traded therein; financial institutions; and the markets for various securities, such as government and corporate bonds and mortgage securities.

There is no denying the vital role that financial markets, and the financial instruments which are traded in those markets, play in the economy, both domestically and globally. We will focus on understanding how these markets are organized and why; who are the players, what role(s) they play and what motivates them; what instruments are used and how; and finally sum it up trying to ascertain the trends that are emerging which will shape the financial world of tomorrow.

Special attention will be given to the Asian markets.

The goal is to provide the students with a sound base of practical information relating to capital markets and the financial institutions active in them.

The approach will be very practical, drawn from real life experience as well as exposure to market practice.

PREREQUISITES

The prerequisite for this course is FINA 111 or equivalent.

REQUIRED READING MATERIALS

1. Textbook

Frederic S. Mishkin & Stanley G. Eakins, **Financial Markets & Institutions** (5th edition), Pearson; a copy will be put in the library reserve.

2. Supplementary Materials

- Selected reading materials will be posted on WebCT and/or distributed in class
- *Students are encouraged to consult the following books, available from the University library:*
 - **Asia's Credit Markets** by Florian Schmidt
 - **The Money Markets Handbook** by Moorad Choudhry
 - **Fixed Income Markets and their Derivatives** by Suresh Sundaresan
 - **How to Understand the Financial Pages – a Guide to Money & Jargon** by Alexander Davidson

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. *I would expect students specializing in finance to read at least one business paper daily (online or paper) and to keep abreast of financial news.*

EVALUATION

The course evaluation is as follows:

Participation & Attendance	10%
Assignments & Homework	15%
Group Presentations	15%
Midterm exam	30%
Final exam	30%

Assignments, Homework, Group Presentations

1. I will give individual assignments/homework to complement the course. These should be typed and handed on time. As in business life, there are few valid excuses for not meeting the deadlines and therefore assignments or homework which are not handed on time will be graded zero. There may be 2-3 such assignments/homework.
2. Students will be formed into groups of maximum 6 students (maximum 10 groups for each session). Groups are required to include students from the same session. 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. 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. The presentations will take place on assigned days of the course. All students will be required to attend the presentations and participate in the 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. Preliminary copies of the presentation (slides) should be sent to me by email for comment one week before the presentations. Just as in business life, my grading will take into account not only the content but also the presentation itself, including style, spelling, grammar, as well as oral skills, and the way you handle the Q&A session.

Examinations

There will be a mid-term and final examination. Most questions will be MCQ or True/False questions. There may be short and long questions as well.

COURSE OUTLINE

We will aim to cover the basics of the following topics:

Week 1 Introduction

Reading: M&E Chapter 1 & 2

Week 2 Types of financial institutions; financial intermediation

Reading: M&E Chapter 2 & 15

Week 3 Commercial Banking

Reading: M&E Chapter 17 & 18

Week 4 Investment Banking

Reading: M&E Chapter 16, 19, 23

Week 5 Other FIs: the buy-side

Reading: M&E Chapter 21 & 22

Week 6 Banking regulation; Basel I and II

Reading M&E Chapter 20

Week 7 Mid-term**Week 8 Central Banking**

Reading: M&E Chapter 7

Week 9 Monetary Policy

Reading: M&E Chapter 8

Week 10 FX and Money markets

Reading: M&E Chapter 13 & 14, Chapter 9

Week 11 Debt Capital Markets

Reading: M&E Chapter 10

Week 12 DCM continued; Credit and Debt Markets

Reading: M&E Chapter 10

Week 13 Securitization

Reading: M&E Chapter 12

Week 14 Derivatives and Equity Markets overview

Reading: M&E Chapter 11 and 25

This outline is given as a reference only. We will aim to actively discuss domestic Hong Kong markets as well as selected Asian markets 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. Reciprocally, we may not be able to cover all the topics.

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.**

3. Attendance: Just as you would for business meetings, I expect each student to attend all classes unless a valid excuse is produced (such as medical emergency for a close member of the family). Unexcused, repeated absences will result in a *zero* grading for the Attendance portion of the grade. 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.
4. Participation: Active participation is highly encouraged, and will be duly noted. 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.
5. Exams: There will be no make-up exams. Unexcused absence will result in *zero* grading for that test. Each exam will be closed-book.
6. Course Materials, Questions and contact with instructor: The course materials will be posted on the University's WebCT (FINA232), please check the website on a regular basis for new postings. 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](#).

Contact Details for Instructor:

E-Mail: vlafon@ust.hk

Email is the preferred medium of contact. Students who wish to see me should make an appointment by email.

Room 2445 ext 7679 (please do NOT leave voice mail)

Teaching Assistant: TBA

Personal Telephone (for emergency ONLY): 9042-6753

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