

---

# FINANCIAL MARKETS AND INSTITUTIONS

## FINC 343

ALBERS SCHOOL OF BUSINESS AND ECONOMICS  
SPRING QUARTER 2009  
Monday & Wednesday: 1:30pm – 3:35pm Pigott 204

---

**Professor:** Fiona Robertson, PhD  
**Office:** Pigott 525  
**Phone:** (206) 296-5791  
**Email:** robertsf@seattleu.edu  
**Fax:** (206) 296-2486  
**Course website:** <http://angel.seattleu.edu>  
**Office Hours:** Mon & Wed 11:30am – 1pm  
Tues & Thurs 1 – 2pm  
or by appointment

---

### PREREQUISITES:

The prerequisites for this class are ECON 271 and Junior standing (FIN 340 is highly recommended). It is expected that you are up to speed with respect to simple algebra and calculus.

### REQUIRED TEXT:

*Financial Markets and Institutions*, 8<sup>TH</sup> edition Jeff Madura

### SUPPLEMENTARY MATERIAL:

Daily reading of the *Wall Street Journal* or the *Financial Times* is strongly recommended. Other periodicals that you will find very informative are *Business Week*, *Forbes* and *Fortune*. For a more international view point on current events, the *Economist* is one of the best periodicals you will find. We will also make use of Federal Reserve Publications (available in the library) through out the course. There are also many Internet sites with useful information (see your textbook for selected sites). Be prepared to undertake readings from some or all of these publications.

### COURSE MATERIALS:

All materials necessary for this class will be available on the class angel site. You will find all the lecture handouts, as well as the weekly homework assignments (look for them every Wednesday after class), the short paper topics and the information on the service learning project in the appropriate folders on the angel site. There will be links to the various Fed sites as well as any pertinent information that you will require for the course. What does this mean to you? Well, it means that you are responsible for accessing the appropriate class site and downloading any information you deem pertinent. The joy of this of course is you will always be able to keep abreast of any and all class materials - even if you should have to miss a class due to work/family commitments.

### COURSE OBJECTIVES:

The objective of this class is to grasp a better understanding of both financial markets and institutions and to analyze the impact of structural, policy, operational and legislative changes on the system. We will operate primarily via the lecture method, but questions and comments from you are both welcome and necessary to fully

appreciate the material presented. This approach will borrow from your understanding of macroeconomics and basic finance. This material may be the most "practical" of all the material you study, but to further enhance the applicability to real life situations you will have the opportunity to participate in a service learning project.

### **COURSE REQUIREMENTS:**

1. Students are expected to have read the appropriate chapters in the text and read/downloaded the lecture material provided for you on the angel site prior to class.
2. Students are responsible for all material and assignments presented in class. If you miss a class, then it is your responsibility to obtain any missed lecture notes from a class colleague.
3. Students are required to take exams and hand in assignments at their scheduled time. There will be no make up exams except in very rare circumstances (see Seattle University Handbook). In the event of illness or family emergency, official written documentation must be provided to the instructor within seven days of the exam. Barring this, if you do not show up for a quiz or an exam, you will earn a grade of zero.
4. Successful completion of all graded work must be achieved in order to receive a passing grade for the class.

### **RULES OF BEHAVIOUR:**

1. You will be here on time.
2. Once here, you will act in a polite manner. That means you do not leave the room unless we are at break or the end of class. You give your attention to whomever is speaking, listening to what they have to say before responding.
3. Although discussion is encouraged, if you talk merely to hear the sound of your own voice this will be discouraged. Should you monopolize the conversation, we will move on to another person and allow them to speak.
4. There will be no cell phone use during class time. Turn them off and they are to remain off for the entire class period. During exams, cell phones are to be placed on the desk in front of you. Use of a cell phone during an exam will constitute cheating and will be treated as such.
5. You will treat each other with respect - treat others as you would like to be treated yourself.
6. There will be no whining as to work load. You are finance majors and as such, obviously enamored with the material and want to learn as much as you possibly can so you can get the best job possible.

### **ACADEMIC HONESTY:**

It goes without saying, anyone caught cheating will earn an automatic grade of zero and will be immediately reported to the Dean and dealt with in as severe a manner as possible. Seattle University is committed to the principle that academic honesty and integrity are important values in the educational process. All students must comply with Seattle University policies for conduct and academic honesty at all times during this course. The Seattle University Honesty Policy can be found at the following address:

<http://www.seattleu.edu/registrar/page.aspx?ID=87>

Any violations of these policies will result in referral to the appropriate administrative body. If you are not sure whether a particular action is acceptable according to the Academic Honesty Policy you should check with the instructor before engaging in such an activity.

### **DISABILITIES:**

If you have, or think you may have, a disability (including an 'invisible disability' such as a learning disability, a chronic health problem, or a mental health condition) that interferes with your performance as a student in this class, you are encouraged to arrange support services and/or accommodations through the Disabilities Services staff in the Learning Center, Loyola 100, (206)296-5740. Disability-based adjustments to course expectations can be arranged only through this process.

## EVALUATIONS:

The final course grade will be based upon two mid-term exams, one comprehensive final, weekly homework assignments, a series of small papers and participation in the group service learning project.

The break-down of marks is as follows:

Exam One	150 points
Exam Two	150 points
Final Exam	250 points
Homeworks	100 points
Short papers	100 points
Service Learning Project	<u>250 points</u>
Total Points:	1000 points

Breakdown of Service Learning project:

Service Learning:	Journal :	30 points
	Portfolio:	150 points
	Presentation;	<u>70 points</u>
	Total:	250 points

## Short Papers:

There will be 2 very short papers through out the quarter. This may be reflection piece that relates to the service learning project or it may involve a Fed Reserve Bulletin that covers similar ideas/material that we are covering in class. The reflection piece will give you a chance to think about what you are learning as you progress through the project. The two short papers will also give you a chance to hone your communication skills. You will often be required, as finance professionals, to communicate ideas and processes to a third party. These may be fellow workers, your immediate boss or their boss, or may be to outside clients. It is important to be able to convey the necessary information in a clear, concise and professional manner. With the papers you are going to get practice at communicating via the written medium.

**Whether it be a reflection piece or an analysis of a Fed Reserve piece, all papers are to be done individually. If I find you have used another's work, or have plagiarized from some other source you will automatically earn a grade of zero.**

Keep in mind the following general format for all the papers, always type your paper with 1 1/2 spacing. Grammar counts in these written pieces, make sure you spend a reasonable amount of time editing your papers. If you slap something together with little thought or effort, you will find your grade reflects the energy you put into the assignment.

## Weekly Homework:

The weekly homework assignments will be available on the angel site after class on Wednesday and due in class the following Monday (please note in your schedule of events when exactly homework assignments are due, since we have exams to work around). There will be approximately 7 homework assignments.

**NO HOMEWORK HANDED IN LATE WILL BE GIVEN A GRADE.**

Again, imagine yourself in the workplace, the assignments should be treated as projects given to you by your boss, due date is not negotiable. If for some reason you are going to miss a class, you may turn the homework in early. Please make sure you make arrangements with me. Although each homework assignment may be graded out of different amounts, each is equally weighted when determining the total points awarded for homeworks. These homework assignments will consist of questions from your textbook and other sources as well as questions based on selected Federal Reserve articles.

**Exams:**

The exams will consist of multiple choice questions, essay questions and problem oriented questions as well. Each exam is to be written in class, and is closed book. I will provide appropriate equations with each exam. You will have the full class time to complete each midterm. The first exam will be written at the end of week four (***Wednesday April 22<sup>nd</sup>***). The second exam will be written in class at the end of week eight (***Wednesday May 20<sup>th</sup>***). The second exam will cover material from exam one onwards - so it is not comprehensive. The final exam however, is comprehensive and will be written during final exam week (***Friday June 12<sup>th</sup> from 2 - 4pm***). **Please note, the date for the final exam is written in granite. Do not book a flight, or make plans to be anywhere other than here prior to this date.**

**THERE ARE NO MAKE UP EXAMS.**

You have been given ample warning as to dates of exams etc., if you do not show up to class to write the exam, then you earn a grade of zero. (See Course Requirement 3). If you miss a midterm due to illness, the weight will then be placed on the comprehensive final.

**Service Learning Project:**

The final asset in your portfolio of material to be completed for this course is the service learning project. We will be working with "Neighborhood House" this quarter. The complete details of the project will be provided to you separately – on the second day of classes and will be available on the class angel site in the appropriate folder. The aim of the service project is to introduce you to your profession and to your community. To be successful you will have to use the knowledge that you have gained from your various finance and business classes.

There will be three broad questions that Neighbourhood House wants the class to analyze. Each topic will have 3 groups assigned to different aspects of the problem. The three groups working on each question will work independently for the most part, but will need to communicate and share information with the other two groups to best meet the needs of the community partner. Amongst other things, you will be required to provide your community partner (and me) with both an interim report and a final report. **You are considered to be an outside consultant – a professional and your work with the community partner should reflect this.**

Each group, once formed will have their own discussion board on the angel site. This will allow each group to be able to converse with their members, and only their members. This should make meeting between group members a little easier to handle, since they will not have to be face to face all the time. The end result will consist of a portfolio of information that you will hand in to me as well as a presentation of your group's experience to the rest of the class

Along with the portfolio of information you will hand in to me, you will also be writing a journal of your experiences with the service learning project. Each of you will have their own private discussion board where you can write anything that you feel. I will periodically read your journals and make comments as I see fit. The whole portfolio of material required for the service learning project will consist of each individual's journal, the group's interaction and presentation to their community partner and target audience and the presentation of your experience to your classmates. You will also be asked to comment on your own input into the project as well as comment on the input provided, and work ethic of your fellow group members. No one will see this analysis except me – so please be brutally honest in evaluating yourself and your fellow group members.

## LECTURE TOPICS

Introduction	chpt 1
♦ Financial systems in the global economy	
♦ Financial assets and transactions	
♦ Sources of information	
♦ Basic definitions of money	
Interest Rates	chpt 2,3,8,9
♦ determination	
♦ loanable funds	
♦ liquidity preference framework	
♦ theories of term structure	
♦ inflation; duration; default risk	
♦ forecasting interest rates	
Monetary Policy	chpt 4,5
♦ Federal Reserve System	
♦ Tools of monetary policy	
♦ policy goals	
Managing Risk Exposure	chpt 13,15
♦ Futures; Options; Options on Futures	
♦ Interest Rate Swaps	
Depository Institutions	chpt 17,18 (read only)
♦ Commercial Banks	
♦ regulation	chpt 19,20,21
♦ management	
♦ performance	
♦ Savings and Loan Institutions	
♦ International Banking	
NonDepository Institutions	chpt 23,25
♦ Savings Institutions	
♦ Credit Unions	
♦ Finance Companies	
♦ Mutual Funds	
♦ Pension Funds	
♦ Insurance Industry	

**SCHEDULE OF EVENTS:**  
**FINANCE 343**

<u>DAY</u>		<u>DATE</u>	<u>ITEM DUE</u>
Mon	March	30	
Wed	April	1	
Mon		6	homework #1
Wed		8	<b><i>Paper #1 due</i></b>
Mon		13	homework #2
Wed		15	
Mon		20	homework #3
Wed		22	<b><i>EXAM #1</i></b>
Mon		27	
Wed		29	
Mon	May	4	homework #4 <b><i>Interim-Report</i></b>
Wed		6	<b><i>Paper #2 due</i></b>
Mon		11	homework #5
Wed		13	
Mon		18	homework #6
Wed		20	<b><i>EXAM #2</i></b>
Mon		25	<b>HOLIDAY – NO CLASS</b>
Wed		27	
Mon	June	1	
Wed		3	homework #7
Mon		8	<b>Group Projects Due</b> <b>Final Group Presentations</b>

**FRIDAY JUNE 12<sup>th</sup>**

***FINAL EXAM (2pm – 4pm)***

**\* NOTE: GROUP PRESENTATIONS WILL TAKE PLACE ON MONDAY JUNE 8<sup>TH</sup> . EACH SET OF THREE GROUPS WILL HAVE 40 MINUTES TO PRESENT THEIR FINDINGS TO THE CLASS AND COMMUNITY REPRESENTATIVES. THIS MEANS APPROXIMATELY 12 MINUTES PER INDIVIDUAL GROUP.**