Financial Markets and Institutions

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Office hours: by appointment

Course Description

The course is devoted to the study of the financial system, the collection of markets, institutions, regulations, and techniques aimed at reallocating funds across economic agents and through which securities (stocks, bonds, etc.) are traded, interest rates are determined, and financial services are delivered to meet investment and financing needs.

We will first provide an overview of financial markets and participating agents such as financial institutions, followed by a discussion of basic concepts such as the time value of money and interest rates. We will then look at factors that determine interest rate levels as well as their expected future movements, and analyse how monetary policy is implemented by Central Banks around the world.

Then we should study in detail the main markets and their corresponding securities from short-term claims (traded in money markets) to longer dated claims such as stocks and bonds (traded in capital markets). We will also consider the more specialised loan markets, foreign exchange, derivative markets and other financial products such as securitisations (time permitting).

The key operations of banks will be presented throughout the course, focusing on their strategy and operations, balance sheet management, risk management and regulation.

Objectives

The course objectives broadly include:

- Understanding financial market products, dynamics and key participants.
- Exploring different research analysis techniques such as technical and fundamental analysis from a practical perspective.
- Understanding how central banks set interest rates and how these affect financial markets and institutions.
- Understanding the mechanics of real-time trading with an emphasis on risk management.
- Exploring derivatives markets, and their use for hedging and speculation.
- Exploring how banks and other intermediaries work and interact with financial markets.
Methodology

There are 10 three-hour sessions distributed over ten weeks. Lectures are aimed at being interactive and participative and develop the concepts and methodologies that make up the different items of the course list.

The course sessions are based on the textbooks that support the course but several topics that are not covered in the essential references will also be discussed. A set of slides will be provided beforehand setting out the main material being covered. The slides as well as the case studies discussed will be the fundamental support for personal preparation before and after the lectures.

Case studies will be discussed towards the end of each session and they will need to be prepared and completed in small teams, and handed in prior to the time when they will be discussed. Discussions relating to each case study will be introduced and led by a designated team. All the team members will receive the same score based on the case completion, the quality of their presentation and the discussion generated in the classroom.

Participation in the discussions and in the lectures more generally will be evaluated individually, and is essential to achieve the learning objectives of the course.

Evaluation criteria

To pass, you should get at least 50 points out of 100, according to the following distribution:

- Final exam: 70 points (must get at least 35 to pass the course).
- Case studies completion, presentation and moderation: 15 points.
- Attendance and active participation in the lectures and case study discussions: 15 points.

Students are required to attend 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program.

As with all courses taught at the UPF BSM, students who fail the course during regular evaluation will be allowed ONE re-take of the examination/evaluation. Students that pass any Retake exam should get a 5 by default as a final grade for the course. If the course is again failed after the retake, students will have to register again for the course the following year.

In case of a justified no-show to an exam, the student must inform the corresponding faculty member and the director(s) of the program so that they study the possibility of rescheduling the exam (one possibility being during the “Retake” period). In the meantime, the student will get an “incomplete”, which will be replaced by the actual grade after the final exam is taken. The “incomplete” will not be reflected on the student’s Academic Transcript.

Plagiarism is to use another’s work and to present it as one’s own without acknowledging the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at any UPF BSM Master of Science and signing the “Honor Code,” students acknowledge that they understand the schools’ policy on plagiarism and certify that all course assignments will be their own work, except where
indicated by correct referencing. Failing to do so may result in automatic expulsion from the program.”

Calendar and Contents (Tentative)

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Reading Materials/ Bibliography/Resources

- The Principles of Banking by Moorad Choudhry. Wiley.

Bio of Professor

Enrique Benito is a Senior Manager within Deloitte’s Banking and Capital Markets practice in London where he provides advice on risk management, ALM and regulatory matters to global financial institutions. His past experience includes roles with GE Capital Bank, a new UK bank set up by General Electric, contributing to its licensing, launch and set-up of its Treasury function, and latterly being responsible for the bank’s liquidity and funding management of its €6bn Pan-European commercial lending business. Prior to that, he was with the former Financial Services Authority, now part of the Bank of England, and Banco de España, the Spanish central bank.

Enrique is an adjunct professor at the UPF Barcelona School of Management and former fellow at Said Business School, University of Oxford. He sits in the advisory council of the Centre for the Study of Financial Innovation (CSFI) and is a member of the Global Association of Risk Professionals (GARP). He holds a Ph.D in Economics from City, University of London.