

Syllabus¹

FIN 435: Banking and Capital Markets

Spring, 2018

January 9, 2018

Course:	FIN435 Section 001.
Lecture Time and Location:	Wednesday and Friday 1:30-2:45pm at BusAd C102.
Instructor:	Prof. Jiakai Chen.
Phone:	(808) 956-7610.
E-mail:	jiakai@hawaii.edu. ²
Graduate Assistant:	Emma Wang.
E-mail:	xwang7@hawaii.edu.
Office Hours and Location:	Friday 3:00-4:00pm at BusAd E602h, or by appointment.
Final Exam Time and Location:	TBD.

1 Objective

The purpose of FIN435 is to help students to develop the analytical skills necessary to work in the banking and financial services industry, in particular in the treasury function or the fixed income market sector. In addition, for the students who plan to take the CFA exam, this class serves as a preparation for the fixed income session for both level I and II. Based on the knowledge gained in introductory business and finance courses, this course teaches students how to apply a series of economics and finance principles listed below to the modern financial markets and institutions.

- Overview of Fixed Income Markets;
- Money market;
- Bond market;
- Bank risk management;

Consistent with the mission and academic focus of the Shidler College of Business, the global emphasis of this course will be on the Asia-Pacific region.

The course compliments FIN430 Bank Financial Management, and FIN460 Special Topics in Banking.

¹The syllabus is subject to change as the semester progresses. Please check the Laulima site for the latest update.

²E-mail is the preferred communication method. Please begin the subject line with [FIN435-001] so that it will not be intercepted by my spam filter.

2 Prerequisites:

BUS314.

3 Materials

Required Textbook: Madura, Jeff, *Financial Markets and Institutions (12th Edition)*, 2017. An eBook version with reduced price is available.

Required Readings: Madura's textbook makes frequent reference to the Wall Street Journal. You are encouraged to subscribe the Wall Street Journal and develop a habit of reading it daily.³

A practical guide to risk management, CFA Institute. Available at <http://www.cfapubs.org/doi/pdf/10.2470/rf.v2011.n3.1>.

Lecture Notes and Readings: Lecture notes and readings will be posted in advance on Laulima, as will web links to videos and articles referenced in class. You are encouraged to download lecture notes and bring them to class, to facilitate note-taking and comprehension of the material presented. This syllabus can be downloaded from Laulima as well.

Optional Textbook: Tuckman and Serrat *Fixed Income Securities: Tools for Today's Markets (3rd Edition)*, 2011.

Optional Readings: There are many other great books in the area of financial institutions, capital markets, as well as the fixed income securities. Here is an incomplete list for those who want to explore further:

- Fabozzi, Frank J. *Capital markets: institutions, instruments, and risk management*, (5th ed.). MIT Press, 2015.
- Fabozzi and Mann *The Handbook of Fixed Income Securities (8th Edition)*, 2012
- Mishkin and Eakins *Financial Markets and Institutions (8th Edition)*, 2014

4 Requirements

Attendance Policy: Attendance is highly recommended. Experience indicates that there is a strong and positive correlation between attendance and exam scores. It is essential that you read the material *before* the class to maximize the effectiveness of the lecture. Reading assignments are from the textbook as well as the articles available on Laulima. Students are also encouraged to come to office hours.

³There is an UH student discount subscription link at <http://r.wsj.net/121tt> to allow you to subscribe Wall Street Journal for 15 weeks (Spring 2018 semester) for \$15.

Homework: Doing homework is probably the most effective way of mastering the course content. It is also important since it reflects the priority areas to which you should give attention. Regular homework assignments will be made. Homework will be graded on a scale of 0-10, where 10 means “excellent”, and 0 means “not submitted”. Unless stated otherwise, please submit the homework through Laulima at the beginning of class on the day it’s due - **late homework will not be accepted**. Please note that word-processed assignments are preferred.

Group Project and Presentation: In a group of four to five individuals, students will make presentations regularly in class. Each project will focus on a specific assignment that relates to assessment of countries as places to do business. Each in-class group project is worth up to 15 points (5 points for individual participation and 10 points for quality of the group work product). You will be allowed to drop two low group assignment (both participation and quality) scores. (This basically means that you can have two absences for the group assignments. No additional accommodations for absences will be made.)

Examinations: There will be three exams: two midterms and a final exam. (See schedule below for dates.) Each exam will consist of a combination of multiple choices, analytical problems, and short essays. The exams are closed-book and closed-note but you will be allowed to bring in a single sheet of notes on 8.5x11 inch paper, both sides. Students must have a written medical excuse to be absent from an exam. The make-up exams are generally harder than the regular exam.

Grading: Your course grade will be based on a reasonable curve over the weighted sum of grades accumulated on the assignments, projects and exams. The weighting scheme is:

- Homeworks 10%
- Group projects 10%
- Midterm exams 40%
- Final exam 40%

The guidelines for letter grades are as follows. Plus or minus grades will be used to distinguish performance within letter grades.

- A = demonstrates outstanding mastery of topics and outstanding ability to apply and extend concepts;
- B = demonstrates above-average mastery of topics and ability to apply them;
- C = demonstrates mastery of topics and ability to apply them;
- D = inadequate demonstration of topic mastery and application;
- F = grossly inadequate demonstration of topic mastery and applications.

5 Schedule

The schedule is subject to change as the semester progresses. Students should check the Laulima course website one day before each class meeting.

WEDNESDAY		FRIDAY	
Jan 10th	1	12th	2
[Ch. 1] Role of financial markets and institutions.		[Ch. 1] Role of financial markets and institutions.	
17th	3	19th	4
[Ch. 2] Determination of interest rates.		[Ch. 3] Structure of interest rates.	
24th	5	26th	6
[Ch. 3] Structure of interest rates.		[Ch. 4] Functions of the Fed.	
31st	7	Feb 2nd	8
[Ch. 5] The Fed and monetary policy.		[Ch. 6] Money markets.	
7th	9	9th	10
[Ch. 6] Money markets.		Review for Midterm Exam I.	
14th	11	16th	12
Midterm Exam I.		[Ch. 7] Bond markets.	
21st	13	23rd	14
[Ch. 8] Bond valuation and risk.		[Ch. 8] Bond valuation and risk.	
28th	15	Mar 2nd	16
[Ch. 8] Bond valuation and risk.		[Ch. 9] Mortgage markets.	
7th	17	9th	18
[Ch. 13 & 14] Future markets and option markets.		[Ch. 13 & 14] Future markets and option markets.	
14th	19	16th	20
[Ch. 15] Swap markets.		[Ch. 15] Swap markets.	
21st	21	23rd	22
Review for Midterm Exam II.		Midterm Exam II.	
28th		30th	
Spring Break		Spring Break	
		Good Friday	
Apr 4th	23	6th	24
[Ch. 16] Foreign exchange derivative Markets.		[Ch. 17] - Commercial bank operations.	
11th	25	13th	26
[Ch. 18] - Bank regulation.		[Ch. 19] - Bank management.	
18th	27	20th	28
[Ch. 19] - Bank management.		[Ch. 20] - Bank performance.	

WEDNESDAY		FRIDAY	
25th	29	27th	30
[Ch. 21 & 22] - Nonbank operations and finance company operations.		[Ch. 21 & 22] - Nonbank operations and finance company operations.	
May 2nd	31	4th	
Last Lecture: Review for the Final Exam			

6 Administration

Students with Disabilities: Students with disabilities are encouraged to contact me and the KOKUA Program for accommodations. For more information about the KOKUA Program, visit <http://www.hawaii.edu/kokua/>.

Academic Honesty: Students are expected to be responsible in relations with other members of the UH Manoa community, respect the interests of the institution, and follow the Student Code of Conduct, which is available at: http://www.studentaffairs.manoa.hawaii.edu/policies/conduct_code/. Violations of this code include matters of alleged academic dishonesty, such as cheating and plagiarism. According to the Code of Conduct:

The term "cheating" includes, but is not limited to: (1) use of any unauthorized assistance in taking quizzes, tests, or examinations; (2) use of sources beyond those authorized by the instructor in writing papers, preparing reports, solving problems, or carrying out other assignments; (3) the acquisition, without permission, of tests or other academic material belonging to a member of the UH faculty, staff or student (4) engaging in any behavior specifically prohibited by a faculty member in the course syllabus or class discussion.

The term "plagiarism" includes, but is not limited to, the use, by paraphrase or direct quotation, of the published or unpublished work of another person without full and clear acknowledgement. It also includes the unacknowledged use of materials prepared by another person or agency engaged in the selling of term papers or other academic materials.

All incidents will be handled in accordance with the UH Student Code of Conduct.