

MIDDLE EAST TECHNICAL UNIVERSITY
Department of Business Administration

BA 4819 & BA 5819 – Financial Institutions and Markets

Fall, 2008

Z. Nuray Güner

Office: H 113

Office Phone: 210-3075

Class hours: MW 13:15 – 14:30 (G 108)

Email: nguner@ba.metu.edu.tr

Office Hours: MW 8:45 – 10:00 or by appointment

Yahoo groups for this course: <http://groups.yahoo.com/group/ba4819f08>

Course Objectives

Financial markets are essential for a well functioning market economy. These are the places where funds are transferred from those who have extra to those who are in need of. Financial institutions are an important part of these markets and they make financial markets works. In order to study business, and especially finance, one has to have at least a general understanding of how financial markets and the institutions function. This course examines financial markets and institutions, and aims to provide students with the knowledge required to form a basis for more detailed and advanced topics in all areas of finance.

Learning Outcomes

Upon successful completion of the course, students will be able to:

- Understand the role of the financial markets in the economy and the role of the institutions in the financial markets.
- Understand the importance of the interest rates in the economy and evaluate the impact of changes in interest rates.
- Analyze the function of central banks and the role of monetary policy.
- Describe and compare different types of financial markets such as money markets, capital markets, etc.
- Analyze the international financial system and its importance to national counterparts.
- Describe and compare different types of financial institutions such as banks, pension funds, etc.

Assessment

To achieve these goals and learning outcomes, I will be evaluating your performance in class on a continuous basis and giving you timely feedback on your performance. This assessment will be done via the interim and final exams, periodic homework assignments from the end of chapter problems, class participation.

Course Prerequisites

Students enrolled in this course should have completed the equivalent of a course in Financial Management (BA 2802, BA 5802 or an equivalent). In addition to this, students should also have completed basic courses in economics, accounting and statistics. If you haven't taken these courses and you are still interested in taking this course, please talk to me as soon as possible.

Course Material:

- (a) Required Textbook: Financial Markets and Institutions by Frederic S. Mishkin, Stanley G. Eakins, 6th edition, Addison Wesley, 2008.
- (b) Regular reading of financial magazines and newspapers.

Course Requirements

Interim Exams

Students will take two interim exams. These exams will be administered in the evenings and will start at 17:45. These exam dates are **October 24** and **November 27, 2007**. Please make a note of these exam dates since they are firm and will not be changed unless something *very important* and *unforeseeable* comes up during the term.

Final Exam

A comprehensive final exam will be given on **December 29 or 30, 2008** (Monday or Tuesday) at 17:45. For the exact date, please check the bulletin boards or the website of the Department. Please note that this is **NOT** during regularly scheduled final exam week.

No exam make-ups will be given, except for extreme reasons. If you believe that you have an extreme reason, please try to notify me in writing before the exam and obtain my permission for not taking the exam. Please make sure that you added all supporting documents to your letter. If you cannot notify me before the exam, then try to do so as soon as possible after the exam in writing. If I am convinced that you had an extreme reason, I will redistribute the weight of the exam that you missed to the remaining exams.

Class Participation

Students are expected to participate in class discussions. A student who did not participate at all but came to all the class sessions will only get 40% of the class participation grade. A seating chart is maintained and absences are recorded periodically.

Homeworks

Students will be required to submit their solutions to some end of chapter problems from the book on a regular basis. These problems will be discussed in class on the day that they are due. Therefore, late homeworks will not be accepted. Students can work in groups on these homeworks as long as they provide the list of students that they worked together at the upper right hand corner of the first page of their own homework. If a student does not provide the list of students with whom s/he worked together on the homework, this student will be penalized for cheating on the homework and get a grade of 0. Even if homework is a group product, each student should still submit a separate individual homework for herself or himself to get a grade for that homework.

Unannounced Quizzes

Unannounced quizzes will be given throughout the semester. These quizzes will be taken at the beginning of the class. You will have 10-15 minutes to complete the quiz. Each quiz will consist of material that is covered previously. **No make up quizzes will be given.**

Student Background Form

Students are expected to fill out a student background form. Due date for these forms is **September 24, 2008**. Students should submit their forms in class on that day. At the beginning of the class on **September 24, 2008**, the instructor will take digital photos of the students in class. Five points will be deducted from the overall grade of students for late submission regardless of how late the submission is. These forms will help the instructor learn the names of students and associate names with faces.

Yahoo Groups

Students are required to become a member of the yahoo groups that I created for this course. All the course material, your grades, assignments and announcements will be posted there. So, if you are not a member then you will not have access to this material. To become a member of this group, you need have a yahoo ID. If you don't have one, you need to get one. It does not take that long to get a yahoo ID. Once you have your yahoo ID, please to go to the following web site: <http://groups.yahoo.com/group/ba4819f08> and select "Join this Group". Then it will ask for your yahoo ID and password. After you enter the required information, it opens up a page for you. In the "Comment to Owner" section on that page, enter your full name. I check these names against the student list and give approval to those who are on my list of students for this course. Please do this as soon as possible.

Grade Determination

Grades are based on judgmental evaluation of student performance by the instructor as in any other course. Students' grades in this course will be based on their performance on two interim exams, a final exam, two homework projects, several end of chapter problem assignments, Virtual Stock Exchange Game and class participation. The following approximate weights will be used in determining final grades of students:

Interim Exams (Oct. 24 and Nov. 27, 2008)	22.5% each
Final Exam (Dec. 29 or 30, 2008)	25%
Class Participation	10%
Homeworks	10%
Quizzes	10%

Rules of Academic Honesty September 2008

Cheating: All university, faculty, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure in the course and additional disciplinary action. Examinations are individual and are to be completed without unauthorized outside assistance. Persons observed cheating during examinations will automatically receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without unauthorized outside assistance as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such

assignments. In addition to the consequences above, the instructor will initiate disciplinary action against the student(s) involved in academic dishonesty.

Plagiarism: The instructor assumes that students will do their own work. By placing their names (individual or team) on assignments, students are affirming that the contents are their original work. Ideas should be stated in the student's own wording. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time.

Civility in the Classroom: Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, students are prohibited from using cellular phones or beepers, eating or drinking in class, arriving late or leaving early without prior permission, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result in, minimally, a request to leave class.

Examination Rules: Students must present a valid METU Student ID before they can be allowed into the examination rooms. Those students who cannot present this ID will not be allowed into the examination room under any circumstances. Cellular phones must be turned off and stowed away during the examinations. Students whose phones are observed to be turned on and/or not stowed away will receive a score of zero for the examination.

Tentative Class Schedule (subject to change)

<u>Date</u>	<u>Topic</u>	<u>Reading</u>
Sept. 17	Why Study Financial Markets and Institutions	Chap. 1
Sept. 22	Overview of the Financial System	Chap. 2
Sept. 24	What Do Interest Rates Mean and What is Their Role in Valuation?	Chap. 3
<i>Sept. 24</i>	<i>Student Background forms are due in class.</i>	
<i>Sep. 29-Oct. 1</i>	<i>No Class (Religious Holiday)</i>	
Oct. 6-8	Why Do Interest Rates Change?	Chap. 4
Oct. 8-13	How Do Risk and Term Structure Affect Interest Rates?	Chap. 5
Oct. 15-20	Are Financial Markets Efficient?	Chap. 6
	There will be two extra sessions either on Oct. 18 or 25, 2008 (Saturday)	
<i>Extra Class</i>	Structure of Central Banks and the Federal Reserve System	Chap. 7
	Conduct of Monetary Policy	Chap. 8
Oct. 20-22	The Money Markets	Chap. 9
<i>Oct. 24</i>	<i>First Interim Exam (Chap. 1, 2, 3, 4, 5, 6, 7 and 8)</i>	
Oct. 27	The Bond Market	Chap. 10
<i>Oct. 29</i>	<i>No Class (National Holiday)</i>	

Nov. 3-5	The Stock Market	Chap. 11
Nov. 5-10	The Mortgage Market	Chap. 12
	There will be two extra sessions on Nov. 8 or 15, 2008 (Saturday)	
<i>Extra Class</i>	The Foreign Exchange Market	Chap. 13
	The International Financial System	Chap. 14
Nov. 12-17	Why Do Financial Institutions Exist?	Chap. 15
Nov. 17-19	What Should Be Done about Conflicts of Interest?	Chap. 16
Nov. 24-26	Banking and Management of Financial Institutions	Chap. 17
Nov. 27	<i>Second Interim Exam (Chap. 8, 9, 10, 11, 12, 13, 14, 15 and 16)</i>	
Dec. 1-3	Commercial Banking Industry	Chap. 18
Dec. 3-15	Banking Regulation	Chap. 20
Dec. 8-10	<i>No Class (Religious Holiday)</i>	
Dec. 15-17	The Mutual Fund Industry	Chap. 21
Dec. 17-22	Insurance Companies and Pension Funds	Chap. 22
Dec. 24	Investment Banks, Security Brokers and Dealers, VC Firms	Chap. 23
Dec. 24	Exam Review	
Dec. 29 or 30	<i>Comprehensive Final Exam (at 17:45)</i>	