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| Subject Code | : | AF3314 | |
| Subject Title | : | Financial Institutions and Markets | |
| Level | : | 3 | |
| Credits | : | 3 | |
| Mode of Study | : | Lectures | 28 hours |
| | | Seminars | 14 hours |
| Pre-requisites | : | Global Economics Environment (AF2602) <i>OR</i> Business Finance (AF3313) | |
| Assessment | : | Coursework | 50% |
| | | Final Examination | 50% |
| Minimum Pass Grade | : | Coursework | (D) |
| | | Final Examination | (D) |

ROLE AND PURPOSE

This subject builds upon Economics and Finance studies to offer students the opportunity to extend their knowledge of the financial system.

LEARNING OUTCOMES

On successfully completing this subject, students will be able to:

- Classify and compare key differences in the regulatory structures and roles of the principal financial institutions and markets;
- Understand and analyse the movements of interest rates and funds in financial markets;
- Assess the development of the financial markets and the institutions in Hong Kong and other major developed countries with respect to their importance to the financial system; and
- Examine the rationale for financial regulation and its impact in the financial markets.

The subject also trains students to appraise the implications, including ethical considerations, of current developments on the financial systems of the major economies in the world.

INDICATIVE CONTENT

Nature/Function of Financial Markets

The nature and functions of financial markets; the institutionalisation of savings; analysis of intersectoral flow-of-funds; determination of interest rate level and the term structure of interest rates.

Financial Markets

Financial markets in different types of financial systems; development of the markets; market participants and their activities; the impact of regulations on the financial markets and protection of the public.

Financial Institutions

Banks and nonbank financial institutions; their structure and contribution to the financial sector; their activities and legal and factual limitations; protection of the public and the impact of regulations.

Regulation of the Financial System

Theories and rationale underlying regulations; development of the regulatory framework in different financial systems; government and quasi-government regulatory bodies; the purpose of their formation and their mode of formations; their powers, development through time and current problems; deregulation of the financial markets.

TEACHING/LEARNING APPROACH

Teaching will include lectures and seminars. Lectures will be used to introduce topics and outline the underlying concepts. Seminars will discuss various aspects and current issues in the financial markets and institutions in different financial systems. Students may be required to submit and present a term paper or a mini project report on a topic within the subject area.

INDICATIVE READING

Recommended Textbook

Miskin, F.S. and S.G. Eakins, *Financial Markets and Institutions*, 5/e, Addison Wesley Longman, 2006.

Saunders, A. and M.M. Cornett, *Financial Markets and Institutions – a modern perspective*, 3/e, McGraw Hill, 2006.

Rose, P.S. and Marquis, M.H., *Money and Capital Markets – Financial Institutions and Instruments in a Global Marketplace*, 9/e, McGraw Hill, 2006.

References

Madura, J., *Financial Markets and Institutions*, 7/e, South-Western, 2006.

Valdez, S., *An Introduction to Global Financial Markets*, 4/e, Palgrave, 2003.

Fabozzi F.J., F. Modigliani, F.J. Jones and M.G. Ferri, *Foundations of Financial Markets and Institutions*, 3/e, Prentice Hall, 2002.

Levich, R.M., *International Financial Markets – Prices and Policies*, 2/e, McGraw Hill, 2001.

Santomero A.M. and D.F. Babbel, *Financial Markets, Instruments, and Institutions*, Irwin, 2001.

Low Chee-Keong ed., *Financial Markets in Hong Kong*, Springer, 2000.

McGuinness, P.B., *A Guide to the Equity Markets of Hong Kong*, OUP, 1999.

Arshadi, N. and G.V. Karels, *Modern Financial Intermediaries & Markets*, Prentice Hall, 1997.

Young, L.S.F. and R.C.P. Chiang, *The Hong Kong Securities Industry*, The Hong Stock Exchange, 1997.

Crane, *et al*, *The Global Financial System – A Functional Perspective*, Harvard Business School, 1995.

Journals/ Magazines

Asian Finance

Asiamoney

Bank of England Quarterly Bulletin

Banking World (Hong Kong)

BIS Publications / Reports

Financial Management

Hang Seng Economic Monthly

Hong Kong Stock Exchange Monthly Bulletin

Hong Kong Stock Exchange Fact Book

Hong Kong Monetary Authority Quarterly Bulletin

Hong Kong Monetary Authority Monthly Statistical Bulletin

Hong Kong Monetary Authority Annual Report

Journal of Banking and Finance

Journal of Financial Markets

OECD publications

Pacific Basin Journal of Finance

US Federal Reserve Bank Publications/ Reports

SUBJECT CO-ORDINATOR

YU Bosco