

**Amrita School of
Business Amrita
Vishwa Vidyapeetham**
Coimbatore

Term IV (2019 – 2020)
20 June 2019 – 17 Sep
2019

Course Title: Financial Markets and Institutions

Course Code: FI631E

Credits: 3

Total Sessions: 24

Course Instructor: Dr. A.Senthil Kumar.

Contact Information: a_senthilkumar@cb.amrita.edu

Course Link: Refer course page in AUMS

Office: F-3, ASB Faculty Room Floor I

Office hours: Thursdays 2 – 4 pm.

Course contributes mostly to: Employability

Course Description The course aims to help students to appreciate and understand how financial markets and institutions operate. It introduces financial institutions and other market participants, their roles in the financial system and the ways they interact with each other. The main objective of the course is to enable the students to see financial markets in right perspective so that it enables them to make informed decisions both as users as well as managers of financial markets. A second and equally important objective is to help students to understand commonly used financial instruments and how they work.

Course Objectives The course introduces the structure and components of the Financial Markets and Institutions functioning in a financial system. It introduces the concepts of financial system, the structure and institutional framework in which the financial markets operate and the regulatory framework governing them. The course will provide a global perspective with emphasis on the Indian markets and institutions. The objectives of the course are to:

1. Introduce the functioning of the Financial Markets and Institutions with Indian and global perspective, 2. Discuss the regulatory framework governing the financial markets and institutions with Indian and global perspective, and 3. Discuss the ethical and unethical practices present in the functioning of these markets and institutions.

Course Learning Outcomes At the end of the course, the students will be able to:

1. Describe the role and structure of the financial system; 2. Explain the concepts and functions of different types of financial instruments. 3. Analyse theories on financial markets and institutions and Evaluate the regulatory framework that supports ethical practices.

Alignment of course objectives (CO) with learning goals (LG) of Assurance of Learning

Derived from its mission, ASB has adopted five learning goals, (apart from the discipline competency) - the management- specific attributes, knowledge and skills that its graduates are expected to possess when they complete the programme. The three outcomes of this course are mapped to the 'Ethical Reasoning' learning goal. Fulfillment of this learning goal is evidenced by an assignment in which a *group of four students* will select a particular behavior / event of a financial institution/market/regulator which can be considered either ethical or unethical. The study will be submitted as a written submission to the instructor and also presented in the class for evaluation purposes.

**S.No. Learning outcomes Critical and integrative Thinking
Effective written and oral communication
Societal and Environmental Awareness**

Ethical Reasoning Leadership

Describe the role and 1
structure of the financial system
collect relevant information (2)

Explain the concepts and 2
functions of different types of financial instruments
collect relevant information (2)

3
Analyse theories on financial markets and institutions and Evaluate the regulatory framework that supports ethical practices
collect relevant information (3)

Assessed With

Learning Assignments and Quizzes, class

Market study report, class participation & discussion.

Amrita School of Business Page 2 of 7 2019 -20

participation & discussion. Key: 3 – Highly relevant; 2 –Moderately relevant; 1 – Low relevance; 0- No relevance

Unit-wise scope for outcomes and Bloom's taxonomy The objectives and outcomes of this course is mapped to Bloom's levels of cognitive learning.

Bloom's Levels of Learning Describe the role and structure of the financial system

Explain the concepts and functions of different types of financial instruments

Analyze theories on financial markets and institutions and Evaluate the regulatory framework that supports ethical practices Creating Evaluating Analysing X Applying X X Understanding X X Remembering X

Pedagogy The class will divided into teams with 3 members each. The teams will choose the Indian and a foreign financial market of their choice, relate the concepts learnt in the course, discuss the ethical issues in those markets and submit a report at the end of the term. The report will be a group-based work. This exercise is to give the students an opportunity to identify, use and analyse appropriate financial market information. The sessions will be delivered through lectures, discussions, videos and news connects. Every session will have readings assigned for the teams (which will be shared to the class through e-mail in advance) and the teams at random will be asked to summarize the readings.

Course Requirements Throughout this course, the students are expected to demonstrate highest levels of involvement and commitment, in terms of efforts, quality of work, and conduct both at individual level and as groups. The potential of making learning interesting and effective lies primarily in the hands of the students and are expected to use the same for this course throughout the term. The course demands **study efforts of 6 hours/week outside classroom (3 hours for every one session of class). Preparation is mandatory for attending the classes.** Students are required to bring newspapers to the class.

Course Text

• Mishkin, Frederic S.; Eakins, Stanley G., Jayakumar, Tulsi and Pattnaik, R. . (2018). Financial Markets and Institutions (Edition 8). Noida: Pearson India Education Services Pvt. Ltd.

Reference Text Books

- Madura, J. (2015). Financial Institutions & Markets (Edition 10). Delhi: Cengage Learning India Private Limited.
- Bhole, L. (2017). Financial Institutions and Markets - Structure, Growth & Innovations (Edition 6). Chennai: McGraw Hill Education (India) Private Limited.
- Fabozzi, Frank J.; Modigliani, Franco; Jones, Frank J.; Ferri, M. G. (2002). Foundations of Financial Markets and Institutions (Edition 3). New Delhi: Pearson Education Inc.
- NISM Series-XII: Securities Markets Foundation Certification Examination – study material.

Assessment (Grading Policy: Relative)

S. no Assessment

exercise Description Weight Group assessment (30%)

Amrita School of Business Page 3 of 7 2019 -20

1 Assignments and

Presentation *Report on Financial Markets & Team Presentation* 20% 2 Class Participation *Questions at random will be asked to the teams on the team-assigned pre-class*

readings and news articles 10%

Individual Assessment (70%)

1 Attendance *Expected attendance, as per the rules* 5%

2 Certification *NISM Certifications –NISM Series XII or as per Instructor's suggestion* 5%

3 Quiz *End Chapter Quizzes will be conducted one each before the mid-term and end*

term exam. 10%

4 Mid-term

examination

A closed book exam with emphasis on remembering, understanding and application of concepts 20%

5 End-term

examination

A closed book comprehensive exam with emphasis on remembering, understanding, applying and analysing 30%

Contribution to Placements The knowledge, readings, exercises and assignments for the course make explicit contributions to success during the placement process.

- Market report: Group Discussion, Interview (*as critical thinking practice*)
- Quizzes & Discussion: Interview, Group Discussion (*for Domain knowledge ready reference*)
- Financial Market Analyst positions and JD for these positions are mapped with course objectives and discussed

Session Plan

SN NO TOPIC CLASS PREPARATION POST-CLASS READING *Module 1: Financial Markets*

Chapter 1-5

1 - 3

Fundamentals of Financial Markets

Mishkin: Chapters 1-5.

Behavioral economics from nuts to 'nudges' A bowl of cashews led to a research breakthrough - RICHARD H.

THALER | MAY 07, 2018 <http://review.chicagobooth.edu/behavioral-science/2018/article/behavioral-economics-nuts-nudges#.WzJ0Wogt-YM.link>

IMF - Indian Financial System Stability Report April 2019.

<https://www.imf.org/en/Publications/GFSR/Issues/2019/03/27/Global-Financial-Stability-Report-April-2019>

RBI Financial Stability Report – Dec 2018 <https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/0F>

[SRDECEMBER2018DAFEDD89C01C432786925639A4 864F96.PDF](https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/0F)

IMF Global Financial Stability Report April 2019.

RBI Indian Financial Stability Report December 2017 & Dec 2018

Module 2: Financial Institutions Chapter 6 - 8

4-6

Mishkin: Chapters 6-8.

Efficient Market Hypothesis (EMH) – Meaning, Assumptions, Rationale.

EMH & Financial Markets Efficiency, Behavioural Finance. Along with Mini Case p131.

Arguments in favor & against EMH along with Mini Cases –

Need for financial

Galleon, Forex & RW.

institutions and regulations

Practical guide to investing in the stock market along with Mini Case in p128.

Amrita School of Business Page 4 of 7 2019 -20

Transaction Costs & financial structure, intermediaries. Meaning of Asymmetric information, Averse Selection and Moral Hazard. The Lemons Problem – Causes, Consequences & Tools along with Enron Mini Case.

<https://www.investopedia.com/terms/l/lemons-problem.asp>

Moral Hazard in Debt & Equity contracts – Principal- Agent problem & Tools to help solve.

Conflicts of Interest – Meaning, Reasons along with Mini Case on credit rating agencies and the financial crisis.

<https://www.thequint.com/voices/opinion/india-corporate-governance-problem-continues> Key features of SOX,

GLS 2002 in US. Mini Case on Indian Companies and Internal Control Requirements

Financial Crisis – Meaning, Linkage with Agency Theory. Stages & Sequence of Financial Crisis in Advanced Economies

Eight Facts about the financial structure across the world.

Lesson for India from the financial Crisis. (p182) Table 8.1 Anatomical Structure of External Financial Crisis

(p183) The European Sovereign Debt Crisis (p179)

Module 3: Central Banks Chapter 9,10

7-9

Mishkin: Chapters 9 and 10.

RBI – origin, structure, functions, Research Documents Functional independence/autonomy of RBI – current status, arguments supporting/against autonomy

Goals of Monetary Policy including the Case in Ch10 p222 - The Price Stability Goal and the Nominal Anchor as a prime objective – Pros and Cons. (Ch10 p217) - Other 5 Goals. (Ch10 p219)

Structure & independence of Central Banks around the world – USA, Europe, Canada, England and Japan. Ch9 p199

Role of Central

Balance Sheet of RBI – Bank and

Structure & Movements. (Ch10 monetary policy)

p209) Monetary Policy Tools (Ch10 p213) Case: How RBI responded during the crisis? (Ch10 p214)

Module 4: Role of different financial Markets Chapter 11-15

10-11 Stock markets

Mishkin: Chapters 13

P.315 Investing in Stocks P325 How the market sets security prices P326 Errors in Valuation pp.334-335

Regulation of the stock market & SEBI

pp.330-333 Stock Market Indices

12

Money markets Mishkin: Chapters 11

P264 Purpose & participants in money market P269 Money market instruments

Mishkin: Chapters 11 P289 Comparing money market securities

13-14

Bond markets Mishkin Ch 4,5 & 12

Bond Market - purpose, participants & trading. Types of Bonds - Treasury Bills and Dated Government Securities and Bonds, T-bills & Bond interest rates, Types of dated securities in India.

Ch3 p49 Real and Nominal interest rates, Interest Rates and Rate of Return – distinction. Relationship between Bond Price, interest rate, YTM, Rate of Return

Ch12 p303 Corporate Bonds – characteristics, Classification/Types of Corporate Bonds in India. Ch12 p305

Financial Guarantees for Bonds & Credit Rating Symbols, Credit Default Swaps (CDS)

Amrita School of Business Page 5 of 7 2019 -20

Ch4 p66 factors affecting asset demand, Theory of Portfolio Choice Ch4 p69. Demand & Supply, Market

Equilibrium in bond market Ch4 p74-77. Shifts in the Demand for bonds, Shifts in the Supply for bonds Ch5

p88-92. Risk structure of interest rates. Ch5 p96. Term Structure of interest rates, Yield Curve, Inverted Yield

Curve Ch5 p98-104. Theories of Term Structure of Interest rates - The Expectations Theory

Ch3 p53 Maturity and Volatility of bond returns, Concept of Duration and risk

15-16

Forex markets Mishkin: Chapters 14

P339 About Forex market. pp.341-349 Exchange Rates in the long run & short run

Ch14 p.348 Explaining changes in exchange rates **Module 5: Structure & Regulatory framework of Financial Institutions Chapter 16-18** 17- 18

Banks

Stressed assets: Big bank clean-up enters the last lap *Mishkin: Chapter 16*

//economictimes.indiatime

How insurance firms are dealing with fraud claims <https://economictimes.indiatimes.com/news/economy/finance/how-insurance-firms-are-dealing-with-fraud-claims/articleshow/59448276.cms>

s.com/articleshow/65571764.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cps t

RBI - Revised Prompt Corrective Action (PCA) Framework for Banks

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10921 &Mode=0>

Two years of the Insolvency and Bankruptcy Code: The hits and misses <https://www.business->

RBI - Revised Prompt Corrective Action (PCA) Framework for Banks

<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10921 &Mode=0>

standard.com/article/economy-policy/two-years-of-the-insolvency-and-bankruptcy-code-the-hits-and-misses-118052700614_1.html

19-20 Mutual Funds Mishkin: Chapter 17

<https://www.amfiindia.com/research-information/mf-history>

NCFE - Mutual Fund for Beginners <http://www.nceindia.org/financial-education/mutual-fund>

AMFI - Knowledge Center / What Are Mutual Funds? <https://www.amfiindia.com/investor-corner/knowledge-center/what-are-mutual-funds-new.html>

<https://www.amfiindia.com/Themes/Theme1/downloads/home/industry-trends-july-2018.pdf>

Mutual Funds: Balancing ethics with performance [https://www.livemint.com/ Money/dX9KabMjTEYXGPeUpAvzXM/Mutual-Funds- Balancing-ethics-with- performance.html](https://www.livemint.com/Money/dX9KabMjTEYXGPeUpAvzXM/Mutual-Funds- Balancing-ethics-with- performance.html)

21-22 Insurance companies Mishkin: Chapter 18. Bhole, Chapter 10-12

7 Principles of Insurance - Explanation with Examples <https://www.bankexamstoday.com/2015/02/7-principles-of-insurance-explanation.html>

How insurance firms are dealing with fraud claims <https://economictimes.indiatimes.com/news/economy/finance/how-insurance-firms-are-dealing-with-fraud-claims/articleshow/59448276.cms>

About Indian Insurance Industry <https://www.ibef.org/industry/insurance-presentation>

Amrita School of Business Page 6 of 7 2019 -20

23-24 Class Presentations Submission of team report on financial markets.

Team

presentati

on.

Coimbatore, June 19, 2019. (Dr.A.SENTHIL KUMAR)

Asst. Professor (Sr.Gr) in Management, ASB CBE & Course Faculty -
FI631E Financial Markets and Institutions – June-Sept 2019.

