

FIN 365: Financial Institutions & Capital Markets

Prerequisite: FIN 301

Spring 2017

Instructor: Chandan Jha

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Lectures: MI 113, MW 09:30AM–10:45AM

Office hours: MW 11AM–12PM

or by appointment.

Course website: <https://canvas.lemoyne.edu>

Log in with your Le Moyne ID and password.

Course Description

This course is designed with an objective to provide the students with a thorough understanding of financial institutions and capital market. Students in this course will learn how financial institutions and capital markets work in the real world and why are they so important for the well-functioning economy and stock market. The course is divided in three major parts. The first part provides an overview of money, interest rates, and the financial system. We explore the financial instruments and financial markets in the second part where we discover how bond and stock prices are determined. The next part provides a brief history of the central banks and their roles in determining the money supply. In this part we also explore the the role and functioning of the financial institutions and the regulations under which these financial institutions operate.

Learning Objectives

- Develop a thorough understanding of the evolution and functioning of the financial system and its importance for the economy.
- Understand the meaning and importance of money and the evolution of different payment systems.
- Learn how bond and stock prices are determined and how they are important for the economy and the economic growth.
- Learn how interest rates are determined for alternative financial assets.
- Learn the history of the Federal Reserve and its importance for the financial system.
- Understand the importance of the financial institutions in economic growth.

Course Materials

Required Textbook: *Money, Banking and Financial Markets (5th edition)* by Stephen Cecchetti and Kermit Schoenholtz. ISBN 13: 9781259746741 (Bookstore has details).

Recommended: A financial calculator, preferably Texas Instruments BAII Plus.

Additional Readings: Articles from the popular press such as *Wall Street Journal* and *The Economist* and Federal Reserve's website will be assigned periodically. Links to these articles or copies of the articles will be posted on [Canvas](#).

Grading Scale and Policy

90- < 94	A-	> 94	A		
80- < 84	B-	84- < 87	B	87- < 90	B+
70- < 74	C-	74- < 77	C	77- < 80	C+
60- < 70	D				
< 60	F				

Graded Item	Weight	Description
Homework	20%	Multiple homeworks will be assigned.
Group Presentation	20%	See the instructions below.
Exams	60%	There will be three exams with following weights Lowest grade exam: 10% Highest grade exam: 30% Median grade exam: 20%

Group Presentation Please make teams of 7 students and choose a coordinator who will be responsible for facilitating the discussions of the presentation. By Friday of the FOURTH WEEK, let me know about your topic. Suggested topics for presentation will be posted on the Canvas. Maximum presentation time is 20-minutes and minimum is 18-minutes. Any presentations less than 18-minutes or more than 20-minutes will be penalized by a full one-percent for every minute under 18 minutes or over 20 minutes.

The team will assign score (points) to each individual member except themselves, anonymously, based on Preparation (did each member come prepared to the meeting?); Contribution (did each member contribute productively to group discussion and work?); Respect for others (did each member encourage everyone to contribute and listen respectfully to different opinion?); and Flexibility (was each member flexible when disagreement occurred?). Each student will submit a score sheet evaluating every member of his/her team on the day of your presentation. The score will range from 1 (worst) to 5 (best). Failure to send your evaluations will cost you 20% of presentation grade. Your presentation will be scored by other groups. All evaluations are confidential.

Following Format will be used to grade your team presentation for each project.

Score assigned by the Team to its members	20%
Score assigned by other Teams to Presentation	20%
Score assigned on Presentation by me	60%

Students with Disabilities

If you have a disability and need accommodations, please meet with me within the first two weeks of the semester to review your accommodation sheet. You should meet with someone from the Office of Disability Support Services each semester to review your documentation. The Office is located in the Library (1st floor; 445-4118; dss@lemoyne.edu).

Missed Exam, Project, and Homework Policy

Any exams missed without a legitimate excuse and written documentation will receive a grade of zero. The college approved excuses can be found at <http://www.lemoyne.edu/tabid/3070/default.aspx>.

Observance of Religious Holidays

As provided in New York State Education Law Section 224-a, any student who is unable to register for class, attend class, or participate in any examination, study or classwork requirements on a particular day because of his or her religious beliefs is eligible for an equivalent opportunity to register for classes or make up any missed examination, study, or classwork requirements, without penalties or additional fees. For details, see the “Class Attendance” section of the College catalog or the “[Academic Life](#)” section of the Student Handbook.

Academic Standards

Students are expected to observe at all times the highest ethical standards as members of the academic community. Any form of dishonesty makes a student liable to severe sanctions, including expulsion from the College. For details, see the “Academic Standards” section of the College catalog or the Student Handbook.

Tentative Course Schedule

Chapter title	Chapter Number	Date
An Introduction to Money and the Financial System	1	
Money and the Payments System	2	
Financial Instruments, Financial Markets, and Financial Institutions	3	
Future Value, Present Value, and Interest Rates	4	
Exam 1	1–4	Monday, February 20
Understanding Risk	5	
Bonds, Bond Prices, and the Determination of Interest Rates	6	
The Risk and Term Structure of Interest Rates	7	
Stocks, Stock Markets, and Market Efficiency	8	
Exam 2	5–8	Monday, March 27
The Economics of Financial Intermediation	11	
Depository Institutions: Banks and Bank Management	12	
Financial Industry Structure	13	
The Structure of Central Banks: The Federal Reserve and the European Central Bank	16	
The Central Bank Balance Sheet and the Money Supply Process	17	
Group Presentations		Wednesday, May 3 Monday, May 8
Exam 3	11-13, 16-17	Wednesday, May 10 12:00PM–2:30PM