

\*\*\*\*SUBJECT TO CHANGE\*\*\*\*

Course Syllabus  
MGT 470  
Financial Markets and Institutions  
Fall 2014

<b>INSTRUCTOR:</b>	Garrett Ray
<b>OFFICE:</b>	Room 2127 in ASM
<b>OFFICE HOURS:</b>	by appointment
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<b>CLASSROOM:</b>	GSM 128
<b>CLASS HOURS:</b>	Thursday: 7:00p.m. to 9:30p.m.

*“The number one problem in today’s generation and economy is the lack of financial literacy.” ~ Alan Greenspan*

**Course Pre-requisite:**

MGT 326 – Principals of Financial Management

**Course Requisite:**

MGT 473 – Commercial Banking

**Course Overview:**

Today, the financial markets operate in the hundreds of trillions of dollars. Due to Globalization and the rapid expansion of technological and financial innovations, even slight movements in the markets can have a substantial effect on national economies, as well as businesses and individuals around the world. Being able to understand the flow of funds and how financial markets influence interest rates, credit conditions, lending, investment, and liquidity policies, has become increasingly important to those in business and government, as well as to those who are involved in these markets as either traders, investors, or creditors. Astute use of the financial markets can make all the difference to the “bottom line” when firms invest and want reduce their exposure to risk or need to raise more capital. But to act astutely you must understand what you are doing.

MGT 470 is an introductory ASM finance course encompassing an array of financial academia, case studies, video, and practical business applications, that will help build a framework of how markets function with respect to cash flow and solvency. In general, students will be taught about financial markets in the context of fundamentally learning how to define a problem, and learning how to use financial statements and statistics to make informed decisions. There will be specific focus on the banking industry and the vital role it plays in our financial system and day-to-day lives. An overview of banking topics include: regulations and reform, importance of bank capital, earnings, liquidity, asset/liability structure, sub-prime mortgages, CDO’s, Fannie/Freddie (GSES), FDIC, OCC, the Federal Reserve Bank & Treasury policies, and commercial and consumer credit.

In regards to the credit crisis of 2007-2009, we will examine the factors that lead up to and the subsequent actions that lead to the downfall of our financial system and the institutions that were the major participants. Further, through the legislation overhaul of the Dodd-Frank Act of 2010, we will discuss the transitional on-going movement and direction the financial system has taken

in the wake of the second largest recession since the Great Depression. As we will see, “When multiple bank systems operate in silos, their ability to survive is at risk. To survive it is necessary to implement a robust banking platform to prevent another US Taxpayer bailout of our current ‘financial system’.” --HJHJR

Knowledge and understanding of Financial Literacy (FL) is the most important toolkit you will take with you in your financial endeavors. The ability to properly communicate, both written and verbally, is critical to your future in business. The more you can familiarize yourself with and comprehend FL, the better you will be able to concentrate on the *important* information in order to make informed decisions in our rapid and ever-changing financial industry. Throughout the course, students will be exposed to financial literacy using verbal lecturing, in-class readings, video, and assignments. We will make use of various Internet sites to discover current and relevant banking & financial information. Websites to be used include the following: [www.federalreserve.gov](http://www.federalreserve.gov); [www.financialservices.house.gov](http://www.financialservices.house.gov); [www.ustreas.gov](http://www.ustreas.gov); [www.FDIC.gov](http://www.FDIC.gov); [www.occ.gov](http://www.occ.gov); [www.worldbank.org](http://www.worldbank.org); & [www.bloomberg.com](http://www.bloomberg.com); [www.ft.com](http://www.ft.com); [www.cnn.com](http://www.cnn.com);

### **Course Objectives:**

My teaching objective is to provide the student with a conceptual and practical framework for understanding financial markets, players, and the institutions that comprise them. Specific focus will be centered on the banking industry and the intermediary roll it plays in the economy, as well as understanding the structure of bank products and their global effect, and most importantly FL terminology.

Some course topics will reiterate your understanding on financial theories previously learned. Although it is assumed that finance, accounting & economics are comprehended; repetition of core concepts and calculations in these subjects are paramount for understanding and interpreting cause & effect issues in the past and that are currently occurring in our financial system. In addition, classes are conducted with the assumption that all text and outside readings have been completed prior to class. The MGT 470 structure includes lecture(s), class discussions, films, homework, an individual analysis project, and two examinations.

A corollary effect of this course is the enabling of you to have the proper background and the most up-to-date skills needed to be successful in your hopeful ascent into the finance industry or just properly preparing you for the parent MGT 473 Commercial Banking class.

### Financial Regulatory Reform

In response to the collapse of the housing and exotic instrument boom ending in 2007-2008, the House of Representatives and Senate have passed a Financial Services Regulatory Reform Bill (Dodd-Frank Act of 2010) aiming to bring accountability to Wall Street and provide more protection to consumers. The current financial regulatory reform is the new banking law, which will shape how the financial services industry conducts future core operations as well as operations/policies in other complementary business units. Upon completion of this course, by using analytical reasoning, students will constructively dissect the main components of the Bill in order to understand the positive/negative implications each change has on financial institutions and for the economy in general.

**Required Text:**

Money, Banking, And Financial Markets – Stephen G. Cecchetti & Kermit L. Schoenholtz – 3<sup>rd</sup> edition

**Course Grading and Student Evaluation:**

Grading is not personal; it is a mirror reflection of the merit of your submitted work. Grades are a result of your homework, attendance & participation, Business Project & exam answers.

Attendance & Class Participation	5%
Homework	25%
Current Event	5%
Deliverable	20%
Mid-Term	25%
<u>Final</u>	<u>25%</u>
Total	100%

Letter Grades are based on the following grading scale:

A+ = 100% - 98%	B+ = 89% - 87%	C+ = 79% - 77%
A = 97% - 93%	B = 86% - 83%	C = 76% - 73%
A- = 92% - 90%	B- = 82% - 80%	C- = 72% - 70%

Extra credit (up to 2%) may be earned by writing a White Paper. *You must receive approval in advance for the White Paper.* The length will be 20 pages (email & hard copy).. White papers must be turned in by 11/20/14. Final Exam will be held in GSM 128 on Monday 12/8/14 from 7:45-9:45pm.

**Examinations:**

There will be a midterm exam and a final. The midterm exam will consist of multiple choice, true/false, and essay questions. The material will reflect the textbook reading, in-class videos, handouts, guest speakers, and class discussion. Using the same format as the midterm, the final examination encompasses what you have learned throughout the semester as well as applying the curriculum to real world scenarios that occur in the financial markets.

**Financial Calculators:**

A Financial Calculator is **imperative** to get through the course. Many of the problem sets covered in the semester involve complex arithmetic and financial calculations, and a financial calculator is essential to solve them.

The ASM Finance department requires acquiring the Texas Instruments BAI-Plus Professional, which will provide the essential functions needed in class. I will personally use the BAI-Plus Professional to help demonstrate the arithmetic problems in class, so you can follow the session more easily if you use that calculator. As I will provide some guidance on the BAI-Plus Professional, *you are fully responsible for learning how to use your calculator.*

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Students may **NOT** under any circumstances share calculators on exams. Please be sure to check your batteries before exams. **You are fully responsible for the proper functioning of your calculator during exams.**

### **Course Policies:**

**“MAKEUP EXAMS NEED TO BE DISCUSSED IN ADVANCE  
UNLESS THE STUDENT HAS A MEDICAL EMERGENCY.”**

#### Homework

Homework will consist of **reading** all assigned textbook chapters, as well as handouts. Assignments will consist of problems at the end of chapters, current economic news events, and case studies. **These assignments are to be completed prior to coming to class providing a hard copy AND an electronic submission to the GA.** The instructor may randomly select students each class period to answer questions about that day's assignment.

#### Class Attendance

The UNM expectation is that all students will attend all classes throughout the semester. If a student is unable to attend class he or she will be responsible for obtaining class assignments & notify me by email in advance. Contact the UNM hotline @ 277-7669 to see if classes are cancelled. Exams will be rescheduled for the next class. Three missed classes without proper documentation will result in a withdrawal.

#### Class Participation

The key advantage of class participation is that it forces each student to be well prepared and thus become an active, rather than passive, learner. Participation also provides you with the opportunity to gain from the experiences and talents of everyone in the class. Utilizing proper organizational behavior skills you should feel free to ask questions, provide supportive comments, or challenge **constructively** what has been said. As this course is structured in more of a seminar type class, preparation and participation in the lectures are vital to achieving a desired grade.

#### Written Assignments

All written assignments are to be typed using a word processor. All written assignments are to be double-spaced using Times New Roman 12-point font with a 1-inch margin for all borders. No late assignments will be accepted. It is expected that all written assignments will be free of errors (this includes typos and spelling or grammatical errors). Handwritten submissions or corrections are **not** acceptable. There will be a discussion of the assignment on the date it is due. There is a Center for Academic Support on campus and you are welcome to have them assist you with your assignments. <http://www4.unm.edu/caps/old/hours/writing.php>

#### Withdrawals

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Students may withdraw from MGT 470. Reasonable conditions are required. A grade of “WP” is subject to my approval. Students are advised to keep all graded assignments & exam sheets returned to them until their MGT 470 grade has been finalized.

Attendance/Promptness

It is expected that you will attend every class and that you will arrive on time. Recurring lateness or repeated absences will be considered grounds for removal from the course. If a guest speaker is scheduled for class, it is imperative that you arrive promptly.

**University Policies:**

Academic Dishonesty

See the UNM Policy on Academic Dishonesty in the UNM Student Handbook.

<http://www.unm.edu/%7Esac/policies.html#academicdishonesty>

Qualified Students

If you are a qualified person with disabilities and need appropriate academic adjustments, please communicate with me as soon as possible. We can make appropriate arrangements to meet your needs in a timely manner. Frequently, we need to coordinate activities with other offices on campus. Course materials will be available through WebCT.

WebCT

This class will make extensive use of WebCT. You should check WebCT frequently as you will find class announcements, assignments, weekly schedule, database of study material, and web links. To register, please see [http://webctinfo.unm.edu/student/how\\_to\\_register.html](http://webctinfo.unm.edu/student/how_to_register.html)

If you are having problems with WebCT, you can contact free technical support via telephone (505-277-7490) or email (webct@unm.edu). It is your responsibility to learn and effectively use WebCT and questions are not to be directed to your instructor as other resources are available to assist you.

*Any component of syllabus is subject to change at the discretion of the Professor. Changes will be announced timely before any change takes effect. Check WebCT often to see the schedule.*

**Specialty Areas in Financial Markets that we will cover:**

(A) *High-Frequency Trading*

(B) *Shadow Banking System*

(C) *History of Money & Currency*

(D) *Custodian Banking*

(E) *CAMELS Rating System – Regulatory analysis of depository institutions*

(F) *Primary/Secondary Market*