



# ECON335

## The Economics of Financial Institutions

S2 Day 2017

*Dept of Economics*

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#### **Disclaimer**

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## General Information

Unit convenor and teaching staff

Unit Convenor

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Contact via [ha.vu@mq.edu.au](mailto:ha.vu@mq.edu.au)

E4A 429

Available on iLearn

Credit points

3

Prerequisites

6cp at 200 level including (ECON200 or ECON201 or ECON203 or ECON204)

Corequisites

Co-badged status

Unit description

This unit provides an overview of the Australian and global financial systems and examines, in depth, the various aspects of financial institutions management. Topics include: the objectives and performance of financial institutions; risks and their controls; asset and liability management; off balance sheet banking; merchant banking; central banking; capital adequacy; and regulation. The unit pays particular attention to the events and circumstances that, in recent times, have caused great difficulties in the financial sector, as well as the lessons learnt as a consequence. The role that financial institutions play in economic development is explored, as are the problems and possibilities of what has become known as microfinance. Rigorous economic analysis is central to the methodological approach of this unit but other disciplines, such as history, are also employed to provide a fully rounded picture.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

To be open to new ways of thinking and appreciate the importance of intellectual curiosity and reflection as the foundation for continuous learning.

To demonstrate a capacity to work independently including the ability to plan and achieve goals.

To identify, define and analyse problems and recommend creative solutions within real-world constraints.

To critically evaluate underlying theories, concepts, assumptions, limitations and arguments in disciplinary and cross-disciplinary fields of study.

To be intellectually ready to participate in public policy discussions arising in social, business and policy environments.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#">Online Quizzes</a>	5%	No	Weeks 4, 10, 12
<a href="#">Assignment</a>	20%	No	4 pm Wednesday 6th September
<a href="#">Class Test</a>	25%	No	Week 8
<a href="#">Final Examination</a>	50%	No	University Examination Period

### Online Quizzes

Due: **Weeks 4, 10, 12**

Weighting: **5%**

There will be 3 online quizzes in this course, and each containing 20 true/false and multiple choice questions. The highest two will be counted and together they are worth 5%. Each student will most likely face a slightly different set of questions. The quizzes will be accessed online through the unit web page at <http://ilearn.mq.edu.au>. The opening and closing dates for each quiz are as follows:

*Quiz 1: Open: 9am Saturday 26 August; and Close: 11pm Monday 28 August.*

*Quiz 2: Open: 9am Saturday 21 October; and Close: 11pm Monday 23 October.*

*Quiz 3: Open: 9am Saturday 04 November; and Close: 11pm Monday 06 November.*

Please note that no extensions will be granted. Failure to complete any quiz will result in a zero mark for that quiz. The penalty does not apply for cases in which an application for Disruption to Studies is made and approved. In this case, students will have to complete an alternative assessment.

Students must be aware that IT failures may occur, and that with large numbers of students, congestion can at times limit access. It is the student's responsibility to plan for these possibilities, and completion of the quiz soon after released is strongly advised.

**Read the "Instruction for Online Quizzes" carefully before attempting.**

On successful completion you will be able to:

- To demonstrate a capacity to work independently including the ability to plan and achieve goals.
- To critically evaluate underlying theories, concepts, assumptions, limitations and arguments in disciplinary and cross-disciplinary fields of study.

## Assignment

Due: **4 pm Wednesday 6th September**

Weighting: **20%**

The assignment will contain a number of discussion questions based on the provided articles. The assignment questions and related readings will be released on iLearn two weeks before the submission date.

Please note, designated reading material for the assignment may cover topics which have not been discussed in class.

The Assignment must be submitted in the relevant box in BESS by **4pm on Wednesday, 06 September**.

Before the due date and time the assignment must also be submitted through 'Turnitin'. Assignments not submitted through this programme will receive zero marks.

No extensions will be granted. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 20% penalty). This penalty does not apply for cases in which an application for disruption to studies is made and approved.

Severe penalties will apply for cases of plagiarism, up to and including exclusion from the unit.

On successful completion you will be able to:

- To be open to new ways of thinking and appreciate the importance of intellectual curiosity and reflection as the foundation for continuous learning.
- To demonstrate a capacity to work independently including the ability to plan and achieve goals.
- To identify, define and analyse problems and recommend creative solutions within real-world constraints.
- To critically evaluate underlying theories, concepts, assumptions, limitations and arguments in disciplinary and cross-disciplinary fields of study.
- To be intellectually ready to participate in public policy discussions arising in social, business and policy environments.

## Class Test

Due: **Week 8**

Weighting: **25%**

In week 8 there will be a written Class Test for all students in Econ335. The test will take place in lectures (the first hour).

Normal examination conditions will apply of course, and you must bring with you your official University ID card.

The test will be of 60 minutes, and a combination of true/false with explanation, and short-answer questions.

Failure to attend the class test without the submission of an application for Disruption to Studies on the grounds of illness or unavoidable mishap together with the required supporting documentation (see the *Policies and Procedures* section for details) will result in a mark of **zero** for the assessment.

If the application for Disruption to Studies is accepted, the student will have to take a supplementary test which could be an oral test.

On successful completion you will be able to:

- To be open to new ways of thinking and appreciate the importance of intellectual curiosity and reflection as the foundation for continuous learning.
- To demonstrate a capacity to work independently including the ability to plan and achieve goals.
- To critically evaluate underlying theories, concepts, assumptions, limitations and arguments in disciplinary and cross-disciplinary fields of study.

## Final Examination

Due: **University Examination Period**

Weighting: **50%**

The final examination will consist of true/false, short-answer, and essay-type questions. Further details relating to the number of questions and so on will be given closer to the Exam.

This two hour final exam will be held during the University Examination period.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations: <http://www.exams.mq.edu.au/>

The only exception to not sitting an examination at the designated time is because of **documented** illness or **unavoidable** disruption. In these circumstances you may consider applying for Disruption to Studies (See the Policies and Procedure section for details). If a

Supplementary Examination is granted as a result of the Disruption to Studies process, the examination will be scheduled after the conclusion of the official examination period. Also, although the material coverage for the Supplementary exam would be the same as the final exam, **it may include only essay-type questions.**

You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, the final day of the official examination period.

In the unlikely event of documented illness or misadventure a supplementary exam **may** be awarded. Such an exam would consist of essay-type questions only.

On successful completion you will be able to:

- To be open to new ways of thinking and appreciate the importance of intellectual curiosity and reflection as the foundation for continuous learning.
- To identify, define and analyse problems and recommend creative solutions within real-world constraints.
- To critically evaluate underlying theories, concepts, assumptions, limitations and arguments in disciplinary and cross-disciplinary fields of study.

## **Delivery and Resources**

### **Classes**

Students attend three classroom hours most weeks, comprising lectures using a mix of theory and practical applications, and practice questions delivered in Second Session in the following session:

Wednesday, 12noon to 3pm, Price Theatre.

Students are expected to attend the full quota of lectures; all the material covered in class is examinable.

If you are ever in doubt about timetabling and class time and place, see the University's website: <http://www.timetables.mq.edu.au/>

### **Required and Recommended Texts and/or Materials**

There is no 'set' textbook for Econ 335.

However, one very useful source for this unit is this report from the Basel Committee on Banking Supervision, Bank for International Settlements, *Tenth Progress Report on Adoption of the Basel Regulatory Framework*, April 2016. This Report is available for free download at:

<http://www.bis.org/bcbs/publ/d366.pdf>

One very worthwhile textbook for the course is Kidwell, D. et al. 2012, *Financial Markets, Institutions and Money*, (11th edition or 3rd Aus edition) John Wiley & Sons, Milton, Qld.

Other (possibly) useful books include:

(a) Australian

Gup, B.E., Avram, K. et.al., (2007) Commercial Banking: The Management of Risk, Melbourne: John Wiley & Sons Australia.

Saunders, A. and Lange, H. (2015), Financial Institutions Management: A Modern Perspective, 4th Edition, Sydney: Irwin.

Valentine, T. et al. 2011, Financial Markets and Institutions in Australia, Pearson, Frenchs Forest, NSW

Hunt, B. and Terry, C. 2014, Financial Institutions and Markets, 7th edn, Thomson

(b) International

A. Saunders and Cornett, M.M. (2013) Fundamentals of Financial Institutions Management, 8th Edn, Boston: Irwin.

Sinkey, J.F. (2002), Commercial Bank Financial Management, 5th ed., Macmillan.

(c) Other resources useful for this course:

Banking Weekly Podcasts - Financial Times: [podcast.ft.com/banking-weekly](http://podcast.ft.com/banking-weekly)

[www.bloomberg.com](http://www.bloomberg.com)

[www.theeconomist.com](http://www.theeconomist.com)

IMF Podcasts

## Technology Used and Required

It is my expectation that the lectures of Econ 335 will be recorded on the University's i-Lecture facility. This can be found at: <http://ilearn.mq.edu.au>

The iLearn facility at this same site will also be the main vehicle through which unit communications will be made, and via which students can communicate with each other.

## Learning and Teaching Activities

As noted above, this unit is taught via three hours of lectures per week. In terms of student activity in relation to this, it is suggested that lecture slides and/or any readings be read in advance. Meanwhile, keeping up to speed on events impacting financial institutions and markets will be highly advantageous.

## Unit Schedule

Topic	Lecture Topics
1	Introduction – Functions and Forms of Banking, Regulatory Overview
2	The Theoretical Rationale of Financial Institutions.
3	Liabilities Management.

4	Credit Evaluation.
5	Commercial, Real Estate and Consumer Lending.
6	Securities Portfolio Management.
7	Interest Rate Risk Management.
8	Liquidity Management.
9	Capital Management.
10	Financial Institutions and Economic Development
11	Non-bank financial institutions
12	Moneylenders, Informal FIs, and Microfinance Institutions.
13	Shadow banking; P2P Lending.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy [http://mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://mq.edu.au/policy/docs/academic_honesty/policy.html)

Assessment Policy [http://mq.edu.au/policy/docs/assessment/policy\\_2016.html](http://mq.edu.au/policy/docs/assessment/policy_2016.html)

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Complaint Management Procedure for Students and Members of the Public [http://www.mq.edu.au/policy/docs/complaint\\_management/procedure.html](http://www.mq.edu.au/policy/docs/complaint_management/procedure.html)

Disruption to Studies Policy (in effect until Dec 4th, 2017): [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html)

Special Consideration Policy (in effect from Dec 4th, 2017): <https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policies/special-consideration>

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: [https://students.mq.edu.au/support/student\\_conduct/](https://students.mq.edu.au/support/student_conduct/)

## Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](http://ask.mq.edu.au).



## Academic Honesty

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at [http://www.mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://www.mq.edu.au/policy/docs/academic_honesty/policy.html)

## Grades

Macquarie University uses the following grades in coursework units of study:

- HD - High Distinction
- D - Distinction
- CR - Credit
- P - Pass
- F - Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:

<http://www.mq.edu.au/policy/docs/grading/policy.html>

## Grading Appeals and Final Examination Script Viewing

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

[http://www.businessandconomics.mq.edu.au/new\\_and\\_current\\_students/undergraduate\\_current\\_students/how\\_do\\_i/grade\\_appeals/](http://www.businessandconomics.mq.edu.au/new_and_current_students/undergraduate_current_students/how_do_i/grade_appeals/)

## Special Consideration Policy

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is

available at:

[http://www.mq.edu.au/policy/docs/special\\_consideration/policy.html](http://www.mq.edu.au/policy/docs/special_consideration/policy.html)

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

## Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.

## Graduate Capabilities

### Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

## Learning outcomes

- To be open to new ways of thinking and appreciate the importance of intellectual curiosity and reflection as the foundation for continuous learning.
- To demonstrate a capacity to work independently including the ability to plan and achieve goals.
- To identify, define and analyse problems and recommend creative solutions within real-world constraints.
- To critically evaluate underlying theories, concepts, assumptions, limitations and arguments in disciplinary and cross-disciplinary fields of study.
- To be intellectually ready to participate in public policy discussions arising in social, business and policy environments.

## Assessment tasks

- Online Quizzes
- Assignment
- Class Test
- Final Examination

## Critical, Analytical and Integrative Thinking

We want our graduates to be capable of reasoning, questioning and analysing, and to integrate and synthesise learning and knowledge from a range of sources and environments; to be able to critique constraints, assumptions and limitations; to be able to think independently and systemically in relation to scholarly activity, in the workplace, and in the world. We want them to have a level of scientific and information technology literacy.

This graduate capability is supported by:

## Learning outcomes

- To be open to new ways of thinking and appreciate the importance of intellectual curiosity and reflection as the foundation for continuous learning.
- To demonstrate a capacity to work independently including the ability to plan and achieve goals.
- To identify, define and analyse problems and recommend creative solutions within real-world constraints.
- To critically evaluate underlying theories, concepts, assumptions, limitations and arguments in disciplinary and cross-disciplinary fields of study.
- To be intellectually ready to participate in public policy discussions arising in social, business and policy environments.

## Assessment tasks

- Assignment
- Class Test
- Final Examination

## Problem Solving and Research Capability

Our graduates should be capable of researching; of analysing, and interpreting and assessing data and information in various forms; of drawing connections across fields of knowledge; and they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

### Learning outcomes

- To be open to new ways of thinking and appreciate the importance of intellectual curiosity and reflection as the foundation for continuous learning.
- To demonstrate a capacity to work independently including the ability to plan and achieve goals.
- To identify, define and analyse problems and recommend creative solutions within real-world constraints.
- To critically evaluate underlying theories, concepts, assumptions, limitations and arguments in disciplinary and cross-disciplinary fields of study.
- To be intellectually ready to participate in public policy discussions arising in social, business and policy environments.

## Assessment tasks

- Assignment
- Final Examination

## Effective Communication

We want to develop in our students the ability to communicate and convey their views in forms effective with different audiences. We want our graduates to take with them the capability to read, listen, question, gather and evaluate information resources in a variety of formats, assess, write clearly, speak effectively, and to use visual communication and communication technologies as appropriate.

This graduate capability is supported by:

### Learning outcome

- To be intellectually ready to participate in public policy discussions arising in social,

business and policy environments.

## **Assessment task**

- Assignment

## **Research and Practice**

This unit makes extensive use of Macquarie University researchers, as can be seen from the reading guide, lecture slides, and elsewhere.

The Unit Convenor is an active researcher in financial sector reform in Asia and the latest findings of her empirical and theoretical work will be used throughout Econ335.