



ACST734

Financial Institutions Management and Regulation

S1 Evening 2017

Dept of Applied Finance and Actuarial Studies

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General Information

Unit convenor and teaching staff

Unit Convenor

Shauna Ferris

shauna.ferris@mq.edu.au

Contact via shauna.ferris@mq.edu.au

E4A 617

Thursday 1pm to 3pm

Administrator

Hong Xie

[via the iLearn messaging system](#)

Credit points

4

Prerequisites

Admission to MRes

Corequisites

Co-badged status

Unit description

This unit will focus on special topics on financial institutions which fail. We will look at empirical studies of insolvencies from different countries and for different types of financial institutions (including life and general insurers, health funds, banks, superannuation funds, hedge funds, and other investment management and risk management organisations). We will consider factors such as product design, pricing, reserving, investment, asset-liability management, liquidity management, reinsurance, accounting issues, regulatory arbitrage, and corporate governance. We will also be looking at the effectiveness of regulation, both in preventing failures and dealing with the consequences of failures (eg, using guarantee schemes).

This unit provides students with essential understanding on insolvencies that develop the concepts and skills necessary for advanced research in finance and actuarial studies.

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:

Understanding of the regulatory framework for financial institutions, including both market conduct and prudential regulation

Understanding of common causes of banking failures; how systemic risks can destabilise financial systems; management of credit risks

Understanding of common causes of insurance company losses; management of different types of risk

The role of auditor, actuaries, accounting standards and actuarial standards in managing solvency (including case studies on financial reinsurance)

Understanding different theories of regulation, objectives of regulators and the causes of regulatory failure

General Assessment Information

Assessment criteria for all assessment tasks will be provided on the unit iLearn site. The grades and comments for assessment tasks will be posted on on iLearn. We will make an Announcement when the grades are available, so students should receive an email notification. Then students will be able to look at their marks via the Gradebook on iLearn. It is the responsibility of students to view their marks for each within-session assessment task on iLearn within 20 days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment tasks (not including the final exam mark) will not be addressed.

Assessment Tasks

| Name | Weighting | Hurdle | Due |
|--------------------------------------|-----------|--------|---------------------------|
| 1. Reports | 30% | No | Mar13, Mar27, May1, June5 |
| 2. Essay | 15% | No | May 1 |
| 3. Research Report | 15% | No | May 29 |
| 4. Final Examination | 40% | No | Exam period |

1. Reports

Due: **Mar13, Mar27, May1, June5**

Weighting: **30%**

Submission

Each week, the lecturer will provide some research questions which relate to the material covered in that week's lecture and readings. Students will be asked to choose one of these questions and write a 2-page report answering that question. As an example, one week we will discuss Ponzi schemes. Students may choose to do a case study describing a Ponzi scheme from their own country, explaining how it was operated, how the authorities discovered the fraud, and how authorities might be able to prevent future Ponzi schemes. Students are usually given a wide choice of questions, so that they can research the ones which they are most interested in.

Students must hand in five reports during the term, each worth 6% (total 30%). The reports are handed in electronically via the iLearn drop box. The first report must be handed in by 5 pm Monday March 13 (week 3) The second report must be handed in by 5 pm Monday March 27 (week 5) The third report must be handed in by 5 pm Monday May 1 (week 8) The last two must be handed in before 5 pm Monday June 5 (week 13).

Extension No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task. This penalty does not apply in cases in which an application for Disruption of Studies is made and approved.

On successful completion you will be able to:

- Understanding of the regulatory framework for financial institutions, including both market conduct and prudential regulation
- Understanding of common causes of banking failures; how systemic risks can destabilise financial systems; management of credit risks
- Understanding of common causes of insurance company losses; management of different types of risk
- The role of auditor, actuaries, accounting standards and actuarial standards in managing solvency (including case studies on financial reinsurance)
- Understanding different theories of regulation, objectives of regulators and the causes of regulatory failure

2. Essay

Due: **May 1**

Weighting: **15%**

Submission

Essay 1: Students will be asked to write an analysis of ONE case study of a failed (or troubled) financial institutions. The case study will include a description of the events; the causes of the failure (including any weaknesses in risk management); and evaluate the regulatory response to the failure (identifying any weaknesses in the legislation / prudential regulations and or the quality of supervision). The essay is worth 15%. The maximum word length is 1750 words. The

first essay is due in Week 8 (May 1)

Essays must be submitted via the iLearn Dropbox.

Extension No extensions will be granted. Late tasks will be accepted, but there will be a deduction of 10% of the total marks made from the total awarded mark for each 24-hour period or part thereof that the submission is late (for example, if submitted 25 hours late, a penalty of 20% will be applied). This penalty does not apply for cases in which an application for Disruption to Studies is made and approved.

On successful completion you will be able to:

- Understanding of the regulatory framework for financial institutions, including both market conduct and prudential regulation
- Understanding of common causes of banking failures; how systemic risks can destabilise financial systems; management of credit risks
- Understanding of common causes of insurance company losses; management of different types of risk
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3. Research Report

Due: **May 29**

Weighting: **15%**

Students will be asked to do a report on a topic which is related to their research interests (i.e. the topic which has been proposed for their Master of Research Thesis in second year of the MRes project). The nature of the report will be determined for each student after discussions with the lecturer in charge of this unit. Students should arrange a meeting with the lecturer in the first fortnight of semester to specify the topic. The report must be submitted via iLearn by Monday May 29.

Extension - No extensions will be granted. Late tasks will be accepted, but there will be a deduction of 10% of the total marks made from the total awarded mark for each 24-hour period or part thereof that the submission is late (for example, if submitted 25 hours late, a penalty of 20% will be applied). This penalty does not apply for cases in which an application for Disruption to Studies is made and approved.

On successful completion you will be able to:

- Understanding of the regulatory framework for financial institutions, including both market conduct and prudential regulation
- Understanding of common causes of banking failures; how systemic risks can destabilise financial systems; management of credit risks
- Understanding of common causes of insurance company losses; management of different types of risk
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4. Final Examination

Due: **Exam period**

Weighting: **40%**

The final exam will be a 3 hour exam with 10 minutes reading time (closed book exam). The final exam will be held during the University exam period between June 12 and July 3. The examination timetable will be posted on the University website later in the term.

On successful completion you will be able to:

- Understanding of the regulatory framework for financial institutions, including both market conduct and prudential regulation
- Understanding of common causes of banking failures; how systemic risks can destabilise financial systems; management of credit risks
- Understanding of common causes of insurance company losses; management of different types of risk
- The role of auditor, actuaries, accounting standards and actuarial standards in managing solvency (including case studies on financial reinsurance)
- Understanding different theories of regulation, objectives of regulators and the causes of regulatory failure

Delivery and Resources

Classes

- Lectures are held on Monday evenings between 6 and 9 pm (3 hours) in building E5A 130.
- The timetable for classes can be found on the University web site at: <http://www.timetable.mq.edu.au>

Required and Recommended Texts and/or Materials

Required texts

There are no compulsory textbooks for this unit. We will be reading case studies from a variety of sources. Readings will be placed online (via the iLearn system) where possible. For example we might look at some of the case studies on the eRISK website <http://www.erisk.com/Learning/Casestudies.asp>.

Technology Used and Required

Students will find it useful to look up material using the electronic databases available via the University library page (e.g. Factiva).

Unit Web Page

- Course material is available on the learning management system (iLearn)
- We will be distributing lecture notes, readings, and assignments via iLearn.
- Students will need Internet access in order to obtain some of the readings which are available online and /or via the Library's electronic databases. Internet access is available at the University library.

Teaching and Learning Activities

Each week we have a 3-hour lecture on Monday evenings. We will look at one or more case studies each week. In some weeks we will also be watching TV documentaries about certain events (e.g. from the American Public Broadcasting Service). This will be followed by a class discussion of the issues - the emphasis will be on problem-solving, i.e. ways to improve risk management and regulation. A set of course notes and/or readings will be provided for each topic. Students are expected to participate in class discussions and read the required readings.

For each topic, we will provide a set of questions which will allow students to extend their knowledge by reading and by summarising additional readings. Students are expected to hand in 5 reports over the term. Students will have a choice of topics.

Students will also be expected to research two case studies, and prepare an essay on each one.

Students may be asked to do a short (5 minute) presentation of one of the topics covered in their report (if the class size is large, then it will not be possible for every student to do a presentation, but we will try to give this opportunity to as many students as possible).

Changes in 2017

This year we have updated the course material to reflect new developments in the financial services industry. The student feedback for this unit was quite positive so we have not made any other significant changes to the unit.

Unit Schedule

Please refer to the iLearn website for the unit schedule.

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

Assessment Policy 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

Disruption to Studies Policy (in effect until Dec 4th, 2017): 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/

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.

Supplementary Examinations Policy -

Further information regarding supplementary exams, including dates, is available here:

http://www.businessandconomics.mq.edu.au/current_students/undergraduate/how_do_i/special_consideration

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) 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

IT Help

For help with University computer systems and technology, visit 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

PG - Discipline Knowledge and Skills

Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

Learning outcomes

- Understanding of the regulatory framework for financial institutions, including both market conduct and prudential regulation
- Understanding of common causes of banking failures; how systemic risks can destabilise financial systems; management of credit risks
- Understanding of common causes of insurance company losses; management of different types of risk
- The role of auditor, actuaries, accounting standards and actuarial standards in managing solvency (including case studies on financial reinsurance)

- Understanding different theories of regulation, objectives of regulators and the causes of regulatory failure

Assessment tasks

- 1. Reports
- 2. Essay
- 3. Research Report
- 4. Final Examination

PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

Learning outcomes

- Understanding of the regulatory framework for financial institutions, including both market conduct and prudential regulation
- Understanding of common causes of banking failures; how systemic risks can destabilise financial systems; management of credit risks
- Understanding of common causes of insurance company losses; management of different types of risk
- The role of auditor, actuaries, accounting standards and actuarial standards in managing solvency (including case studies on financial reinsurance)
- Understanding different theories of regulation, objectives of regulators and the causes of regulatory failure

Assessment tasks

- 1. Reports
- 2. Essay
- 3. Research Report
- 4. Final Examination

PG - Research and Problem Solving Capability

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and

problem solving.

This graduate capability is supported by:

Learning outcomes

- Understanding of the regulatory framework for financial institutions, including both market conduct and prudential regulation
- Understanding of common causes of banking failures; how systemic risks can destabilise financial systems; management of credit risks
- Understanding of common causes of insurance company losses; management of different types of risk
- The role of auditor, actuaries, accounting standards and actuarial standards in managing solvency (including case studies on financial reinsurance)
- Understanding different theories of regulation, objectives of regulators and the causes of regulatory failure

Assessment tasks

- 1. Reports
- 2. Essay
- 3. Research Report
- 4. Final Examination

Research and Practice

This unit will

- (a) provide students with an opportunity to do their own research, with flexibility to focus on areas which interest them
- (b) present research papers written by Macquarie University staff
- (c) present research findings from other academic sources as well as research papers from regulatory authorities