



# ECON335

## The Economics of Financial Institutions

S2 Day 2019

*Dept of Economics*

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#### **Disclaimer**

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## General Information

### Unit convenor and teaching staff

Unit Convenor

Ha Vu

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

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

E4A 429

Thursday 11 - 12, and by appointment

### Unit Moderator

Wylie Bradford

[wylie.bradford@mq.edu.au](mailto:wylie.bradford@mq.edu.au)

### Credit points

3

### Prerequisites

6cp at 200 level including (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:

Understand broadly various aspects in the operation and management of banks, as well as the associated roles and functions of other types of financial institutions evolving in a fast-changing financial world.

Identify, define and analyse real world problems, and to recommend creative solutions within real-world constraints.

Demonstrate a capacity to work independently, including the ability to research, form challenging and coherent arguments, and write short-discussion pieces.

Be intellectually ready to participate in discussions of alternative theories and practices in the financial industry, and in the realms of financial regulation.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<a href="#"><u>Online Assessments</u></a>	10%	No	Weeks 3, 5, 10, and 12
<a href="#"><u>Class Test</u></a>	20%	No	Week 7
<a href="#"><u>Assignment</u></a>	20%	No	11pm Sunday 6th October
<a href="#"><u>Final Examination</u></a>	50%	No	University Examination Period

### Online Assessments

Due: **Weeks 3, 5, 10, and 12**

Weighting: **10%**

There will be 2 online quizzes and 2 online discussions in this course, each worth 2.5%.

The opening and closing times and dates for each assessment can be found on ilearn.

*Late submission: Students who do not submit this task by the due date and time receive a result of zero. This penalty does not apply when an application for Special Consideration has been made and approved.*

On successful completion you will be able to:

- Understand broadly various aspects in the operation and management of banks, as well as the associated roles and functions of other types of financial institutions evolving in a fast-changing financial world.
- Identify, define and analyse real world problems, and to recommend creative solutions

within real-world constraints.

- Demonstrate a capacity to work independently, including the ability to research, form challenging and coherent arguments, and write short-discussion pieces.
- Be intellectually ready to participate in discussions of alternative theories and practices in the financial industry, and in the realms of financial regulation.

## Class Test

Due: **Week 7**

Weighting: **20%**

The test will take place in the first hour of the lecture in week 7. The test will be of 60 minutes, and a combination of true/false with explanation, and short-answer questions. Normal examination conditions will apply of course, and you must bring with you your official University ID card.

Failure to attend the class test without the submission of an application for Special Consideration will result in a mark of zero. If the application for Special Consideration is made and approved, students will have to take a **supplementary test which will include only short-answer questions**.

On successful completion you will be able to:

- Understand broadly various aspects in the operation and management of banks, as well as the associated roles and functions of other types of financial institutions evolving in a fast-changing financial world.
- Identify, define and analyse real world problems, and to recommend creative solutions within real-world constraints.

## Assignment

Due: **11pm Sunday 6th October**

Weighting: **20%**

The assignment will contain a number of discussion/explanation questions based on the provided articles. The assignment questions and related reading articles will be released on iLearn in due course.

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

*Late submission: No extensions will be granted. There will be a deduction of 10% of the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission incurs a 20% penalty). Late submissions will be accepted up to 96 hours after the due date and time. This penalty does not apply for penalty does not apply for cases in which an application for Special Consideration is made and approved. Note: applications for Special Consideration must be made within 5 (five) business days of the due*

*date and time.*

On successful completion you will be able to:

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- Identify, define and analyse real world problems, and to recommend creative solutions within real-world constraints.
- Demonstrate a capacity to work independently, including the ability to research, form challenging and coherent arguments, and write short-discussion pieces.
- Be intellectually ready to participate in discussions of alternative theories and practices in the financial industry, and in the realms of financial regulation.

## Final Examination

Due: **University Examination Period**

Weighting: **50%**

The final examination will consist of true/false with explanation, 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 Special Consideration (See the Policies and Procedure section for details). If a Supplementary Examination is granted as a result of the Special Consideration 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 will 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.

On successful completion you will be able to:

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fast-changing financial world.

- Be intellectually ready to participate in discussions of alternative theories and practices in the financial industry, and in the realms of financial regulation.

## Delivery and Resources

### Classes

Students are expected to attend the weekly three-hour class, comprising lectures using a mix of theory and practical applications, and practice questions. All the material covered in class is examinable.

During the in-class practice questions time, there might be opportunities for students to earn some extra credit (details will be specified in class in week 1).

There is ***no prescribed textbook*** for the unit.

### Recommended Texts and/or Materials

(i) Kidwell, D. et al. (2019). Financial Markets, Institutions and Money (4th edn). Australian Edition, John Wiley & Sons Australia.

(ii) Madura, J. (2018). Financial Markets and Institutions (12th edn). Cengage Learning,

(iii) Saunders, A. and Cornett, M. M. (2019). Financial Markets and Institutions (7th edn). McGraw Hill Education.

### ***Other resources useful for this unit:***

<https://www.apra.gov.au/>

<https://rba.gov.au/>

<https://www.bis.org/>

<https://www.wsj.com/asia>

<https://www.ft.com/>

<https://www.theaustralian.com.au/business>

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

IMF Podcasts

### Technology Used and Required

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

1	An Overview of Financial Institutions, Risks and Regulations
2	The Theoretical Rationale of Financial Institutions
3	Liabilities Management
4	Credit risk Management
5	Securities Portfolio Management
6	Interest Rate Risk Management
7	Liquidity Management
8	Capital Management
9	Financial Institutions in Less Developed countries
10	Non-bank Financial Institutions and Fintech

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Undergraduate students seeking more policy resources can visit the [Student Policy Gateway \(https://students.mq.edu.au/support/study/student-policy-gateway\)](https://students.mq.edu.au/support/study/student-policy-gateway). It is your one-stop-shop for the

key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central \(http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/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/study/getting-started/student-conduct>

## Results

Results published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) 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) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@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)

If you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/](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

- Understand broadly various aspects in the operation and management of banks, as well as the associated roles and functions of other types of financial institutions evolving in a fast-changing financial world.
- Identify, define and analyse real world problems, and to recommend creative solutions within real-world constraints.
- Demonstrate a capacity to work independently, including the ability to research, form challenging and coherent arguments, and write short-discussion pieces.
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#### Assessment tasks

- Online Assessments
- Class Test
- Assignment
- 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

- Understand broadly various aspects in the operation and management of banks, as well as the associated roles and functions of other types of financial institutions evolving in a fast-changing financial world.
- Identify, define and analyse real world problems, and to recommend creative solutions within real-world constraints.
- Demonstrate a capacity to work independently, including the ability to research, form challenging and coherent arguments, and write short-discussion pieces.
- Be intellectually ready to participate in discussions of alternative theories and practices in the financial industry, and in the realms of financial regulation.

## Assessment tasks

- Class Test
- Assignment
- 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

- Understand broadly various aspects in the operation and management of banks, as well as the associated roles and functions of other types of financial institutions evolving in a fast-changing financial world.
- Identify, define and analyse real world problems, and to recommend creative solutions within real-world constraints.
- Demonstrate a capacity to work independently, including the ability to research, form challenging and coherent arguments, and write short-discussion pieces.
- Be intellectually ready to participate in discussions of alternative theories and practices in the financial industry, and in the realms of financial regulation.

## 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:

### 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.