



ECFS886

Debt Capital Markets

AFC Term 4 MB 2019

Department of Applied Finance

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General Information

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| Unit convenor and teaching staff Lecturer James Waddell james.waddell@mq.edu.au Contact via Email |
| Credit points 2 |
| Prerequisites (Admission to MAppFin or MAppFin(Adv) or GradDipAppFin) and ECFS867 |
| Corequisites |
| Co-badged status |
| Unit description This unit applies the principles outlined in AFCP801 and ECFS867 to the process of debt capital raisings within Australian, US and Asian markets. The unit aims to provide the student with a perspective on the development of debt capital markets, a theoretical understanding of the issues and a sense of the practical aspects and mechanics of executing a debt capital market transaction. This unit covers all short and term debt markets, securitisation and credit derivatives. |

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:

Analyse and explain, both as an individual and a group, local and international debt markets, issues and trends.

Critically evaluate debt capital market transactions.

Assess a company's debt capital market requirements and make reasoned recommendations.

Demonstrate and explain the uses of debt market instruments in the current environment.

General Assessment Information

To pass this unit the student needs to (1) Achieve an aggregate mark of 50 or more, and; (2) Pass the Final Exam.

Assessment Tasks

| Name | Weighting | Hurdle | Due |
|-------------------------------------|-----------|--------|--------------------|
| Pre-unit Quiz | 10% | No | Refer to iLearn |
| Class Participation | 15% | No | Ongoing |
| Assignment | 25% | No | Refer to iLearn |
| Final Exam | 50% | Yes | Refer to Timetable |

Pre-unit Quiz

Due: **Refer to iLearn**

Weighting: **10%**

Summary of Assessment Task

Individual / Group: Individual.

Due Date: Refer to iLearn.

Submission Method: Online via the unit's iLearn site.

Duration: 50 minutes.

Extension Requests:

- You are expected to make yourself available for assessment during the relevant quiz window.
- 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.
- Students who do not attempt the quiz receive a mark of zero. This penalty does not apply in cases where an application for Special Consideration has been made and approved.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at <https://mafstudents.mq.edu.au/> for information on the University's [Special Consideration Policy](#).

On successful completion you will be able to:

- Analyse and explain, both as an individual and a group, local and international debt markets, issues and trends.

Class Participation

Due: **Ongoing**

Weighting: **15%**

Summary of Assessment Task

Individual / Group: Individual / Group.

Due Date: In class.

Submission Method: In class.

Duration: 20 hours.

Extension Requests:

- Students who do not attend receive a mark of zero. This penalty does not apply in cases where an application for Special Consideration has been made and approved.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at <https://mafstudents.mq.edu.au/> for information on the University's [Special Consideration Policy](#).

On successful completion you will be able to:

- Analyse and explain, both as an individual and a group, local and international debt markets, issues and trends.
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Assignment

Due: **Refer to iLearn**

Weighting: **25%**

Summary of Assessment Task

Individual / Group: Individual.

Due Date: Refer to the unit's iLearn site.

Submission Method: Online via Turnitin on the unit's iLearn site.

Duration: Refer to Assignment Coversheet.

Extension Requests:

- 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 incurs a 20% penalty). This penalty does not apply for cases in which an application for Special Consideration is made and approved.
- Late submissions will be accepted up to 96 hours after the due date and time.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at <https://mafstudents.mq.edu.au/> for information on the University's [Special Consideration Policy](#).

Other Information:

- The Assignment requires the student to show an understanding of the key capital raising alternatives in relation to practical examples.
- Both standard corporate and securitised structures will be covered.
- The Assignment is available on iLearn and further details will be provided at the first lecture.

On successful completion you will be able to:

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- Critically evaluate debt capital market transactions.
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- Demonstrate and explain the uses of debt market instruments in the current environment.

Final Exam

Due: **Refer to Timetable**

Weighting: **50%**

This is a hurdle assessment task (see [assessment policy](#) for more information on hurdle assessment tasks)

Summary of Assessment Task

Individual / Group: Individual.

Submission Method: As per MAFC Program Rules at <https://mafcstudents.mq.edu.au/>.

Duration: 2 hours plus 10 minutes reading time.

Examination Conditions:

- All examinations are closed book. However a study sheet, prepared by the student (typically one double-sided A4 page), where the student can summarise their notes, is permitted. This piece of paper will be handed in with the exam. The exact form will be advised by the Lecturer prior to the Exam.
- Exam times and locations are noted in the unit timetable at <https://www.mq.edu.au/about/about-the-university/faculties-and-departments/business/study-with-us/macquarie-applied-finance-centre/timetables>.
- Refer to MAFC Program Rules at <https://mafcstudents.mq.edu.au/>.

Extension Requests:

- You are expected to present yourself for examination at the time and place designated in the relevant MAFC Timetable at <https://www.mq.edu.au/about/about-the-university/faculties-and-departments/business/study-with-us/macquarie-applied-finance-centre/timetables>.
- Deferral of an examination is not permitted unless an application for Special Consideration is made and approved.
- Students who do not attend receive a mark of zero. This penalty does not apply in cases where an application for Special Consideration has been made and approved.
- Note: Applications for Special Consideration must be made within 5 (five) business days of the due date and time.
- Refer to MAFC Program Rules at <https://mafcstudents.mq.edu.au/> for information on the University's [Special Consideration Policy](#).

On successful completion you will be able to:

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- Demonstrate and explain the uses of debt market instruments in the current environment.

Delivery and Resources

CLASSES

Face-to-Face Teaching: Generally 20 hours.

Timetable: Detailed timetable for classes are available at <https://www.mq.edu.au/about/about-the-university/faculties-and-departments/business/study-with-us/macquarie-applied-finance-centre/timetables>.

Consultation Times: Students who wish to contact any of the teaching staff may do so through individual consultation with the lecturer by email in the first instance, if necessary.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Text: Nil.

Additional Readings:

- Additional readings and case study materials are available on iLearn.
- **Students should assume these readings are examinable unless otherwise advised.**

Lecture Notes: Available electronically via iLearn.

Useful References: The Handbook of Fixed Income Securities, Frank Fabozzi.

Assumed Access: Access to a computer with word processing and spreadsheet capability is assumed, as is general computer literacy.

TECHNOLOGY USED AND REQUIRED

Unit iLearn Site:

- Found by logging on to iLearn ilearn.mq.edu.au, then clicking on ***ECFS886 Debt Capital Markets***.
- This is where you will find forums, downloadable resources and links to important pages.

Important:

- It is important that you familiarise yourself with the unit's iLearn site.
- Students should check the unit's iLearn site regularly (minimum twice a week and prior to all lectures) and look for updates and distribution of materials (including case studies) related to the unit or assessments and, if relevant, participate in forum discussions.

Unit Schedule

TOPIC 1: OVERVIEW AND OBJECTIVES OF THE COURSE

- Definitions and Scope of the Debt Capital Markets

- Types of Debt Instrument
- Concept of Intermediation
- Capital Markets and their Interaction with Traditional Banking Markets

TOPIC 2: DEVELOPMENTAL HISTORY OF DEBT CAPITAL MARKETS

- History of Debt Capital Markets and Australian Finance
- Financial Deregulation in the 1980s

TOPIC 3: DETAILED ELEMENTS WITHIN DEBT SECURITIES MARKETS

- The Role of Agents and Parties to a Transaction
- Credit Rating Agencies and Credit Ratings
- Bringing a Bond or Debt Security to Market and the Steps Required
- The Concept of Security Interests and Covenants
- Derivatives Used to Hedge and Manage the Issuance of Debt Securities

TOPIC 4: DEBT SECURITIES IN DEPTH - PART 1

- Short Term Debt Securities
- Medium Term Debt Securities

TOPIC 5: DEBT SECURITIES IN DEPTH – PART 2 SECURED DEBT INSTRUMENTS

- Conduits and Asset Backed Commercial Paper
- Concept of Residential Mortgage Backed Securitisation
- Covered Bonds In Detail
- Credit Default Swaps and How They Interact with Debt Capital
- Credit Indexes and Other Credit Derivatives
- Case Studies Credit Derivatives and the GFC

TOPIC 6. PRICING SIGNALS AND HEDGING INSTRUMENTS FOR DEBT OBLIGATIONS

- Risk Free Yield Curves, Credit Spreads and the Derivation of Risk Neutral Credit Spreads Using Probability of Default Methodology

Learning and Teaching Activities

Strategy

The Master of Applied Finance degree adopts a deep teaching and learning strategy, in which students acquire and retain knowledge and also are able to make sense of the issues and

concepts and apply them in the “real world”. The degree relies heavily on student engagement and participation by: (a) Continuous learning throughout the term. This is encouraged through a combination of students undertaking prescribed reading throughout the units and/or completion of practice problems, case studies, assignments, class presentations etc and interaction via forums in the unit’s iLearn site; and (b) Assessments, which enable the student to demonstrate his/her understanding of the learning objectives achieved through the continuous learning.

Student Participation

Students participate in this unit by: (a) Attending lectures and participating in class discussion; (b) Before each class, completing the recommended readings of notes and text, and working systematically through suggested problem sets; (c) Interacting on the unit’s iLearn site; and (d) Completing all assessment tasks and exams. On average, the unit will require students to complete, for every hour of class time, approximately 3 hours private study.

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 \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central).

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 or if you are a Global MBA student contact globalmba.support@mq.edu.au

Students should also consult the MAFC Program Rules at <https://mafcstudents.mq.edu.au/>.

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 enquiry service (MAFC-specific)

For all student enquiries, please contact studentsupport@mafc.mq.edu.au

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

If you are a Global MBA student contact globalmba.support@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 - Capable of Professional and Personal Judgment and Initiative

Our postgraduates will demonstrate a high standard of discernment and common sense in their professional and personal judgment. They will have the ability to make informed choices and decisions that reflect both the nature of their professional work and their personal perspectives.

This graduate capability is supported by:

Learning outcomes

- Analyse and explain, both as an individual and a group, local and international debt markets, issues and trends.
- Critically evaluate debt capital market transactions.
- Assess a company's debt capital market requirements and make reasoned recommendations.
- Demonstrate and explain the uses of debt market instruments in the current environment.

Assessment tasks

- Class Participation
- Assignment

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

- Analyse and explain, both as an individual and a group, local and international debt markets, issues and trends.
- Critically evaluate debt capital market transactions.
- Demonstrate and explain the uses of debt market instruments in the current environment.

Assessment tasks

- Pre-unit Quiz
- Class Participation
- Assignment

- Final Exam

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

- Analyse and explain, both as an individual and a group, local and international debt markets, issues and trends.
- Critically evaluate debt capital market transactions.
- Assess a company's debt capital market requirements and make reasoned recommendations.
- Demonstrate and explain the uses of debt market instruments in the current environment.

Assessment tasks

- Class Participation
- Assignment
- Final Exam

Important Notice

This Unit Guide may be subject to change. Students will be advised, via an "Announcement" on iLearn, if the Unit Guide is changed.

The latest version is available at <https://unitguides.mq.edu.au/>.

Students should read the Unit Guide carefully at the start of term. It contains important information about the unit. If anything is unclear, please consult one of the unit lecturers.