



# ACST834

## Financial Institutions Management and Regulation

S1 Evening 2019

*Department of Actuarial Studies and Business Analytics*

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## General Information

Unit convenor and teaching staff

Unit Convenor

Shauna Ferris

[shauna.ferris@mq.edu.au](mailto:shauna.ferris@mq.edu.au)

Contact via [shauna.ferris@mq.edu.au](mailto:shauna.ferris@mq.edu.au)

E4A 617

Tuesday 3:00 to 5:00

Administrator

Hong Xie

[via the iLearn messaging system](#)

Credit points

4

Prerequisites

ACST603 or (admission to MActPrac post 2014 or MBkgFin)

Corequisites

Co-badged status

Unit description

In this unit we will look at 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).

## 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
<a href="#">1. Reports</a>	40%	No	various - see iLearn
<a href="#">3. Final Examination</a>	60%	No	Exam period
<a href="#">Early Assessment Task</a>	0%	No	Week 3 Friday 5pm

### 1. Reports

Due: **various - see iLearn**

Weighting: **40%**

Submission

Students will be asked to do five reports during the term, each worth 8% (total 40%). The maximum word-length is 1000 words per report. The reports relate to various topics which are covered in lectures, but also require students to do some more research. For example, in class we will discuss some financial institutions which were run as Ponzi schemes - then students might be asked to write a report on a Ponzi-type scheme from their own country. For example, in class we will look at some of the problems caused by weaknesses in accounting standards - then

students might be asked to write a report on loan loss reserving standards for banks or the use of financial reinsurance by life insurance companies. For example, in class we will look at the impact of boom / bust cycles on financial institutions - and then students might be asked to report on particular historical bubble (such as the Asian Crisis in 1998 or the Dot.Com crash in 2001).

The report topics will be posted on iLearn. Students will be given a wide choice of questions, so that they can research the topics which they are most interested in.

The reports are handed in electronically via the iLearn drop box. The first report must be handed in by 5 pm Friday March 29. The second and reports must be handed in by 5 pm Friday April 26. The third report must be handed in by 5pm Friday May 24. The fourth report must be handed in by 5 pm Friday May 24. The last report must be handed in before 5 pm Friday June 7.

Further instructions will be posted on iLearn.

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 Special Consideration 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

### 3. Final Examination

Due: **Exam period**

Weighting: **60%**

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. 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

## Early Assessment Task

Due: **Week 3 Friday 5pm**

Weighting: **0%**

Students will be asked to answer an online quiz on iLearn. Please use this task as an indicator of whether you are progressing satisfactorily in the unit. If you are having difficulties, please see the Unit Convenor and consider withdrawing before the end of Week 4.

On successful completion you will be able to:

- Understanding of the regulatory framework for financial institutions, including both market conduct and prudential regulation
- Understanding different theories of regulation, objectives of regulators and the causes of regulatory failure

## Delivery and Resources

### Classes

- Lectures are held on Thursday evenings between 6 and 9 pm (3 hours) in the Forum at 17 Wally's Walk.
- The timetable for classes can be found on the University web site at: <http://www.timetables.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). We will give you a demonstration of Factiva during the first week of semester.

### **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. We will look at one or more case studies each week. In some weeks we will also be watching documentaries about certain events (e.g. from the American PBS = 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.

### **Changes in 2019**

This year we have updated the course material to reflect new developments in the financial services industry, including the Australian Royal Commission into Misconduct in the Banking, Superannuation, and Financial Services Industry (Haynes Royal Commission). The student feedback for this unit was quite positive so we have not made any other significant changes to the unit. The increase in the class size has led to some changes in the assessment tasks.

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

### 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](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](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/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

### 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



- 3. Final Examination
- Early Assessment Task

## 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
- 3. 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)
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## **Assessment tasks**

- 1. Reports
- 3. 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