



AFCP8086

Debt Capital Markets

AFC term 3, Weekday attendance, Melbourne 2020

Department of Applied Finance

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Disclaimer

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General Information

Unit convenor and teaching staff James Waddell james.waddell@mq.edu.au Contact via Email
Credit points 5
Prerequisites ECFS867 or AFCP8004
Corequisites
Co-badged status
Unit description This unit applies the principles outlined in AFCP8001 and AFCP8004 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 long 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:

ULO1: Analyse and explain, both as an individual and a group, local and international debt markets, issues and trends.

ULO2: Critically evaluate debt capital market transactions.

ULO3: Assess a company's debt capital market requirements and make reasoned recommendations.

ULO4: Explain the uses of debt market instruments in the current environment.

General Assessment Information

Information - Extension Requests / Penalties

Pre-Unit Quiz (10%)

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.

Further information on submitting an Application for Special Consideration can be found at <http://students.mq.edu.au/study/my-study-program/special-consideration>

Participation (15%)

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.

Further information on submitting an Application for Special Consideration can be found at <http://students.mq.edu.au/study/my-study-program/special-consideration>

Assignment (25%)

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.

Further information on submitting an Application for Special Consideration can be found at <http://students.mq.edu.au/study/my-study-program/special-consideration>

Final Exam (50%)

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.

Further information on submitting an Application for Special Consideration can be found at <https://students.mq.edu.au/study/my-study-program/special-consideration>

Assessment Tasks

Name	Weighting	Hurdle	Due
Quiz	10%	No	Refer to iLearn
Participation	15%	No	Refer to iLearn
Assignment	25%	No	Refer to iLearn
Final Exam	50%	No	Refer to Timetable

Quiz

Assessment Type ¹: Quiz/Test

Indicative Time on Task ²: 4.00 hours

Due: **Refer to iLearn**

Weighting: **10%**

50 minute online quiz.

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.

Participation

Assessment Type ¹: Participatory task

Indicative Time on Task ²: 0.00 hours

Due: **Refer to iLearn**

Weighting: **15%**

Activities completed in class time.

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.

- Critically evaluate debt capital market transactions.
- Assess a company's debt capital market requirements and make reasoned recommendations.
- Explain the uses of debt market instruments in the current environment.

Assignment

Assessment Type ¹: Case study/analysis

Indicative Time on Task ²: 12.00 hours

Due: **Refer to iLearn**

Weighting: **25%**

This task will examine key debt market concepts and practical examples. Students will submit up to 2,500 words addressing a range of questions.

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.
- Critically evaluate debt capital market transactions.
- Assess a company's debt capital market requirements and make reasoned recommendations.
- Explain the uses of debt market instruments in the current environment.

Final Exam

Assessment Type ¹: Examination

Indicative Time on Task ²: 15.00 hours

Due: **Refer to Timetable**

Weighting: **50%**

Closed book exam of 2 hours duration with 10 minutes reading time.

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.
- Explain the uses of debt market instruments in the current environment.

¹ If you need help with your assignment, please contact:

- the academic teaching staff in your unit for guidance in understanding or completing this type of assessment
- the [Writing Centre](#) for academic skills support.

² Indicative time-on-task is an estimate of the time required for completion of the assessment task and is subject to individual variation

Delivery and Resources

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 **AFCP8086 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

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.*)

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

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 help you improve your marks and take control of your study.

- [Getting help with your assignment](#)
- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module](#)

The Library provides online and face to face support to help you find and use relevant information resources.

- [Subject and Research Guides](#)
- [Ask a Librarian](#)

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.