AFCP8086
Debt Capital Markets
AFC term 1, Weekday attendance, City 2021
Department of Applied Finance

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Disclaimer
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Notice
As part of Phase 3 of our return to campus plan, most units will now run tutorials, seminars and other small group activities on campus, and most will keep an online version available to those students unable to return or those who choose to continue their studies online.

To check the availability of face-to-face activities for your unit, please go to timetable viewer. To check detailed information on unit assessments visit your unit’s iLearn space or consult your unit convenor.
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://students.mq.edu.au/important-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 https://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 https://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 https://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](https://students.mq.edu.au/study/my-study-program/special-consideration).

### Assessment Tasks

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Hurdle</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quiz</td>
<td>10%</td>
<td>No</td>
<td>Refer to iLearn</td>
</tr>
<tr>
<td>Participation</td>
<td>15%</td>
<td>No</td>
<td>Refer to iLearn</td>
</tr>
<tr>
<td>Assignment</td>
<td>25%</td>
<td>No</td>
<td>Refer to iLearn</td>
</tr>
<tr>
<td>Final Exam</td>
<td>50%</td>
<td>No</td>
<td>Refer to timetable</td>
</tr>
</tbody>
</table>

#### Quiz

**Assessment Type**: Quiz/Test  
**Indicative Time on Task**: 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**: Participatory task  
**Indicative Time on Task**: 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 Learning Skills Unit 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**


**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](http://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). 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). 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).

Student Code of Conduct
Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: https://students.mq.edu.au/admin/other-resources/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 Enquiry Service
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

Equity 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.

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.