ECON2035
The Economics of Financial Institutions
Session 2, In person-scheduled-weekday, North Ryde 2024
Department of Economics

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General Information

Unit convenor and teaching staff
Ha Vu
ha.vu@mq.edu.au

Credit points
10

Prerequisites
(ECON1020 or ECON111) and (ECON1021 or ECON110)

Corequisites

Co-badged status

Unit description
This unit provides an overview of current operations of the Australian and global financial systems and the management of financial institutions. The unit also covers financial sector crises and the lessons learnt. Topics may include the objectives and performance of financial institutions, risks and their controls, asset and liability management, credit evaluation, capital adequacy and regulations, informal money lenders and microfinance institutions, and shadow banking.

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: Identify and describe the operation and management of banks and other types of financial institutions.

ULO2: Identify, define and analyse problems associated with financial markets and recommend creative solutions within real-world contexts.

ULO3: Demonstrate a capacity to work independently, including the ability to research, form challenging and coherent arguments, and write short-discussion pieces.

General Assessment Information

Late Assessment Submission Penalty:
Assessment Tasks

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Hurdle</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual and Group Discussions</td>
<td>25%</td>
<td>No</td>
<td>Weeks 3, 5, 6, 10&amp;12</td>
</tr>
<tr>
<td>Online Test</td>
<td>25%</td>
<td>No</td>
<td>Week 8</td>
</tr>
<tr>
<td>Final Examination</td>
<td>50%</td>
<td>No</td>
<td>Exam Period</td>
</tr>
</tbody>
</table>

Individual and Group Discussions

Assessment Type 1: Participatory task
Indicative Time on Task 2: 22 hours
Due: Weeks 3, 5, 6, 10&12
Weighting: 25%

3 written individual discussions (to be submitted via iLearn throughout the session) and 2 group discussions in the format of group presentation (recorded and submitted via iLearn for marking)

On successful completion you will be able to:
- Identify and describe the operation and management of banks and other types of financial institutions.
- Identify, define and analyse problems associated with financial markets and recommend creative solutions within real-world contexts.
- Demonstrate a capacity to work independently, including the ability to research, form challenging and coherent arguments, and write short-discussion pieces.

Online Test

Assessment Type 1: Quiz/Test
Indicative Time on Task 2: 3 hours
Due: Week 8

Unless a Special Consideration request has been submitted and approved, a 5% penalty (of the total possible mark) will be applied each day a written assessment is not submitted, up until the 7th day (including weekends). After the 7th day, a grade of ‘0’ will be awarded even if the assessment is submitted. Submission time for all written assessments is set at 11.55pm. A 1-hour grace period is provided to students who experience a technical concern. For any late submissions of time-sensitive tasks, such as scheduled tests/exams, performance assessments/presentations, and/or scheduled practical assessments/labs, students need to submit an application for Special Consideration.
An online test will be held in Week 8.

On successful completion you will be able to:
- Identify and describe the operation and management of banks and other types of financial institutions.
- Identify, define and analyse problems associated with financial markets and recommend creative solutions within real-world contexts.

**Final Examination**
Assessment Type: Examination
Indicative Time on Task: 50 hours
Due: Exam Period
Weighting: 50%

A two-hour exam will be held during the end of session Formal Examination Period, and will consist of true/false, short-answer, and essay-type questions.

On successful completion you will be able to:
- Identify and describe the operation and management of banks and other types of financial institutions.
- 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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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](https://unitguides.mq.edu.au/unit_offerings/165990/unit_guide/print) 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**
The delivery format of this Unit is as follows:
(i) One hour face-to-face lecture (on campus) as per timetable. In this hour, we will discuss the first part of each week topic. This lecture is scheduled to be recorded live, and later uploaded into ilearn.

(ii) One hour pre-recorded lecture which will be released (on ECHO360 in ilearn) at the beginning of each week. In this recording, I will discuss the second part of the topic.  
(iii) One hour tutorial/seminar which can be in person (on campus) or online (via zoom) depending on your class registration.

All materials for the unit, such as the lecture recordings, lecture notes, reading materials, and discussion questions etc will be made available to students on the unit iLearn site at http://ilearn.mq.edu.au. Students are strongly encouraged to check the unit iLearn page weekly for announcements as well as the unit schedule, additional readings, assessment information, and discussion questions.

There is no prescribed textbook for Econ2035. You are highly recommended to check ilearn regularly for the updates of readings posted.

Recommended texts and books:


(ii) Madura, J. 2024, Financial Markets and Institutions (14th edn), Cengage Learning,  

(iii) Calomiris and Haber, 2014, Fragile by Design - The political origins of banking crises and scarce credit  

(iv) Anat Admati and Martin Hellwig, 2024, The Bankers’ New Clothes: What’s Wrong with Banking and What to Do about It - New and Expanded Edition  

You may want to check out some of authors’ presentations here:  

Other useful resources:

www.wsj.com  
www.ft.com  
www.bloomberg.com  
www.theeconomist.com  
www.rba.gov.au  
www.bis.org
Technology Used and Required
iLearn; i-Lecture

Unit Schedule
Throughout the session, we will be looking at the following 10 topics (see the Unit Schedule in iLearn for details):

<table>
<thead>
<tr>
<th></th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>An Overview of Financial Institutions, Risks and Regulations</td>
</tr>
<tr>
<td>2</td>
<td>The Theoretical Rationale of Financial Institutions</td>
</tr>
<tr>
<td>3</td>
<td>Liabilities Management</td>
</tr>
<tr>
<td>4</td>
<td>Credit risk Management</td>
</tr>
<tr>
<td>5</td>
<td>Securities Portfolio Management</td>
</tr>
<tr>
<td>6</td>
<td>Interest Rate Risk Management</td>
</tr>
<tr>
<td>7</td>
<td>Liquidity Management</td>
</tr>
<tr>
<td>8</td>
<td>Capital Management</td>
</tr>
<tr>
<td>9</td>
<td>Financial Institutions in Less Developed countries</td>
</tr>
<tr>
<td>10</td>
<td>Managing Financial Crises</td>
</tr>
</tbody>
</table>

Policies and Procedures
Macquarie University policies and procedures are accessible from Policy Central (https://policies.mq.edu.au). 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
- Assessment Procedure
- Complaints Resolution Procedure for Students and Members of the Public
- Special Consideration Policy

Students seeking more policy resources can visit Student Policies (https://students.mq.edu.au/su...
Student Support

It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

To find other policies relating to Teaching and Learning, visit Policy Central (https://policies.mq.edu.au) and use the search tool.

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

Academic Integrity

At Macquarie, we believe academic integrity – honesty, respect, trust, responsibility, fairness and courage – is at the core of learning, teaching and research. We recognise that meeting the expectations required to complete your assessments can be challenging. So, we offer you a range of resources and services to help you reach your potential, including free online writing and maths support, academic skills development and wellbeing consultations.

Student Support

Macquarie University provides a range of support services for students. For details, visit http://students.mq.edu.au/support/

The Writing Centre

The Writing Centre provides resources to develop your English language proficiency, academic writing, and communication skills.

- Workshops
- Chat with a WriteWISE peer writing leader
- Access StudyWISE
- Upload an assignment to Studiosity
- Complete the 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

Macquarie University offers a range of Student Support Services including:

- IT Support
- Accessibility and disability support with study
- Mental health support
- Safety support to respond to bullying, harassment, sexual harassment and sexual assault
- Social support including information about finances, tenancy and legal issues
- Student Advocacy provides independent advice on MQ policies, procedures, and processes

Student Enquiries

Got a question? Ask us via AskMQ, or contact Service Connect.

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.

Unit information based on version 2024.06 of the Handbook