



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

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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:

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](#).

Assessment Tasks

Name	Weighting	Hurdle	Due
Individual and Group Discussions	25%	No	Weeks 3, 5, 6, 10&12
Online Test	25%	No	Week 8
Final Examination	50%	No	Exam Period

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**

Weighting: **25%**

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 ¹: Examination

Indicative Time on Task ²: 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.

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

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.nmq.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:

(i) Kidwell, D. et al. 2019, Financial Markets, Institutions and Money (4th edn), Australian Edition, John Wiley & Sons Australia.

<https://www.wileydirect.com.au/blog/buy/financial-markets-institutions-and-money/>

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

<https://au.cengage.com/c/financial-markets-institutions-14e-madura-paskelian/9780357988299/>

(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:

<https://casi.stanford.edu/news/bankers-new-clothes-timely-update-our-fragile-banking-system#:~:text=The%20Bankers'%20New%20Clothes%3A%20What's,of%20law%20and%20democracy%20>

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):

1	An Overview of Financial Institutions, Risks and Regulations
2	The Theoretical Rationale of Financial Institutions
3	Liabilities Management
4	Credit risk Management
5	Securities Portfolio Management
6	Interest Rate Risk Management
7	Liquidity Management
8	Capital Management
9	Financial Institutions in Less Developed countries
10	Managing Financial Crises

Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central \(https://policies.mq.edu.au\)](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 \(https://students.mq.edu.au/su\)](https://students.mq.edu.au/su)

[pport/study/policies](#)). 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](#)