

UNIVERSITY OF WALES: TRINITY SAINT DAVID
PRIFYSGOL CYMRU: Y DRINDOD DEWI SANT

School of Business
Ysgol Busnes

Banking Financial Management and Financial Markets SBMA7117

Semester 2

Summer 2013

SBMA7117 Banking Financial Management and Financial Markets

Module Introduction/Information

The role of banks and financial markets in the global economy has been placed under intense scrutiny within the past five years and there has been much debate over ensuring they contribute to its smooth functioning and health but do not do anything that would cause major difficulties and the role of regulation to minimise systemic risk.

The module will attempt to explain to students how banks operate, their role within both national and global economies and their relationship with financial markets. It will also cover financial markets with discussion of their nature, the complexity and variety of financial markets and how essential they are to the functioning of the global economy. The emphasis will be on understanding the basis of markets and

Teaching sessions will be interactive and will involve a mix of case studies, lectures, group exercises and workshops and there will be an emphasis on learning through doing.

Assessment will be through one 4000 word assignment.

Weekly Lecture Schedule

1. An overview of financial markets and the financial services sector
2. The nature of banks, their role and regulation.
3. A bank's financial statements: understanding and interpretation
4. Valuing banks and measuring their performance
5. Introduction to risk and return; different types of risk
6. Risk in banking
7. Risk management: Interest rates
8. Risk management : liquidity and credit risk
9. Capital in banking: capital adequacy and its measurement
10. Capital Asset Pricing Model
11. Measuring and containing risk in the financial markets: Var (x)
12. Modern Portfolio Theory: Quantifying Diversification
13. Efficient Markets and understanding market behaviour (behavioural finance).
14. The different types of financial markets: Equities / FX / Bonds / Commodities
15. Equity markets: valuation, volatility and associated drivers

16. Bonds and the fixed income markets
17. Foreign Exchange Markets
18. Charting markets: an introduction to technical analysis
19. The evolution and development of derivatives: options
20. Future developments in banking and markets.

Recommended Reading and Resources

Koch, T. and MacDonald, S. S. (2006), *Management of Banking*, 6th ed, Thomson South-Western.

Saunders, A. and Cornett, M. M. (2008), *Financial Institutions Management: A Risk Management Approach*, 6th ed, McGraw International Edition.

Gup, B. E. and Kolari, J. W. (2005), *Commercial Banking: the Management of Risk*, John Wiley.

Cuthbertson, K. and Nitzsche, D. (2008), *Investments*, 2nd ed, Wiley.

Mishkin, F. S. (2009), *Financial Markets and Institutions*, 6th ed, Boston; London: Prentice-Hall.

Recommended

Arnold, G. (2004), *Investing*, London: FT/Prentice-Hall.

Elton, E. J. et al. (2010), *Modern Portfolio Theory and Investment Analysis*, 8th ed, Wiley.

Gitman, L. and Joehnke, M. (2005), *Fundamentals of Investing*, 9th ed, Boston: Addison-Wesley

Allen, L. et al. (2004), *Understanding Market, Credit, and Operational Risk*, Blackwell Publishing.

Casu, B. et al. (2006), *Introduction to Banking*, FT Prentice Hall.

Gardener, E. P. M. et al. (2002), *Banking in the New Europe*, Palgrave Macmillan.

Heffernan, S. (2004), *Modern Banking*, 2nd ed, Chichester: John Wiley.

Ross, P. S. and Hudgins, S. C. (2008), *Bank Management & Financial Services*, 7th ed, McGraw-Hill.

Bodie, Z., Kane, A. and Marcus, A. J. (2008), *Investments*, 7th ed, McGraw-Hill.

Ritter, Lawrence S. et al. (2009), *Money, Banking & Financial Markets*, 12th ed, Pearson Addison Wesley.

Background

Hempel, G. H. and Simonson, D. G. (1999), Bank Management: Text and Cases, 5th ed, John Wiley & Sons.

Hull, J. C. (2007), Risk Management and Financial Institutions, Pearson/Prentice Hall.

Mathews, K. and Thompson, J. (2008), The Economics of Banking, John Wiley.

Mullineux, A. W. and Murinde, V. (2003), Handbook of International Banking, Edwards

Mayo, H. (2003), Investments, 7th ed, Ohio: Thomson Southwestern.

Miles, D. and Scott, A. (2004), Macroeconomics: Understanding the Wealth of Nations, 2nd ed, John Wiley and Sons.

Kolb, R. W. (2007), Futures, Options and Swaps, 5th ed, Blackwell.

Lofthouse, S. (2001), Investment Management, 2nd ed, Chichester: John Wiley.

Journals

American Economic Review

International Journal of Forecasting

Journal of Accounting and Economics

Journal of Accounting Research

Journal of Business Finance and Accounting

Journal of Finance

Journal of Financial and Quantitative Analysis

Journal of Financial Economics

Journal of Financial Services Research

Journal of Fixed Income

Journal of Investing

Journal of Portfolio Management

Journal of Psychology and Financial Markets

Journal of Money, Credit and Banking

Journal of International Money and Finance

International Journal of Central Banking

Websites

www.ftmanagement.com

www.ft.com

www.accaglobal.com

www.fma.org

www.cisi.org

www.ifslearning.co.uk

www.cii.co.uk

www.digitallook.co.uk

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ASSESSMENT

One assignment worth 100%.

ASSIGNMENT 4000 words

Assess the different methods of valuing banks, their advantages and disadvantages using examples as appropriate. Discuss how risk might affect a bank's valuation both implicitly and explicitly. Critically appraise the relevance of the methods discussed to valuing financial assets in general, explaining their relevance.

Explore the different influences that affect the pricing of financial assets utilising the various theoretical frameworks that address pricing in financial markets such as the capital asset pricing model (CAPM), the efficient markets hypothesis (EMH) and Behavioural Finance / Economics.

Approximate word count: 4000 words.

ASSESSMENT CRITERIA

Module Aim

To give a thorough understanding of financial management within banks, how it contributes towards performance and the achievement of business objectives and the development of the necessary associated skills.

To enable a detailed grasp of finance theory and its application, how financial instruments work and how they are used within the financial services industry.

Learning Outcomes

Upon the successful completion of this module students should be able to :

- Demonstrate an understanding of the pricing of financial assets and the nature of risk, the role and application of finance theory and the operation of financial markets.
- Critically discuss bank performance criteria and valuation methods and demonstrate a detailed understanding of contemporary issues in bank management

Assignment Assessment Criteria

Discussion of various banking valuation techniques	LO 2	25%
Demonstration of understanding of how risk affects bank valuation	LO 2	15%
Critical appraisal of the different methods of valuing financial assets	LO 1	20%
Quality of explanation of the different theories affecting pricing dynamics in financial markets.	LO 1	20%
Clarity of discussion of the behaviour of asset prices in financial markets and the influences on those prices.	LO 1	20%