FINANCIAL INSTITUTIONS AND MARKETS
Rutgers Business School 22 390 604 40 3
MBA level, Newark Campus
Fall Semester, 2010, Mondays 6-9 pm

Professor Paul Bennett
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Office hours: before class, by appointment only.

Course goals:

The purpose of this course is to give a practical introduction and overview of key institutions, markets, and related business and public policy issues. We will seek to increase our understanding of how the various participants in different markets interact and create prices and liquidity. This will include regular discussion of current market developments. We will also study and discuss how various institutions performed in the financial crisis of 2008-10 and how regulators are seeking to reform markets as a result.

Required Texts:


“Restoring Financial Stability, How to Repair a Failed System” by Viral V. Acharya and Matthew Richardson, editors, NYU Stern, John Wiley & Sons, Inc., 2009

Readings should be completed prior to each class.

In addition, students are required to read at least one good quality financial newspaper regularly, such as The Wall Street Journal, Financial Times, or The New York Times.

Lectures and Corresponding Readings to Complete Before Class

Week 1 Overview Financial Institutions and Markets (Mishkin pp 17-37)
Market Efficiency (Mish Ch 6 pp 127-144)
Week 2 Central Banking (Mish Ch 7 pp 147-168)
Money Markets (Mish Chap 9 pp 211-236)
Week 3 Bond Markets (Mish Ch 10 pp 237-258)
Equity Markets (Mish Chap 11 pp 259-279)

Week 5  Mortgage and Mortgage Derivatives Markets (Mish Ch 12 pp 281-303)
The Foreign Exchange Market (Mish Ch 13 pp 305-335)

Week 6  Banking and Management of Financial Institutions (Mish Ch 17 pp 421-447)
Banking Regulation (Mish Ch 20 pp 511-535)

Week 7  Midterm Take-home Exam

Week 8  Mutual funds and Hedge Funds (Mish Ch 21 pp 537-560)
Insurance Cos and Pension Funds (Mish Ch 22 pp 561-590)

Week 9  Investment Banks, Brokers & Dealers (Mish Ch 23 pp 591-615)

Week 10  Risk Management in Financial Institutions (Mish Ch 24 pp 639)
Financial Derivatives (Mish Ch 25 pp 641-675)

Week 11  2007-10 Financial Crisis
(Acharya and Richardson pp 1-56)

Week 12  2007-10 Financial Crisis
(Acharya and Richardson pp 57-100)

Week 13  Issues, Lessons, and Outlook

Week 14  Final Take-home Exam

**Grades:** Final grades will be based on four factors:

Midterm Exam (30%) The midterm will cover readings and lectures to date

Student team projects (30%) Students will be assigned to teams of three, and each team will select or be assigned a project topic. The final completed team project will include a concise report (7-10 pp, double spaced, including any tables and charts) and a class presentation no more than 15 minutes in length, per team.

A final exam (30%) The final will cover readings and lectures for the whole semester.

Class participation (10%)

Some Suggested Ideas for Team Projects on the Financial Crisis
• Compare how the financial and economic crisis affected the US with how it affected another country of your choice. What are the sources of the differences? Are there lessons?
• Why did some financial companies outperform others in the crisis and recession?
• What characteristics of non-financial companies affected how well they performed during the crisis and recession?
• Choose a financial markets reform proposal (for the US or elsewhere), and evaluate it.
• How would you change the Fed, SEC, CFTC, or other regulatory agencies? Why?
• Compare financial regulation with financial regulation in another country. What are the relative strengths and weaknesses of each? How have they performed?
• How would you reform a financial regulation, in the US or elsewhere? Why?
• Why did Icelandic banks fail? What are the lessons?
• What reforms would you propose to make US capital markets more efficient and safer?

Blackboard

Course materials, lecture slides, and other information will be posted on the Blackboard website for the course. Please familiarize yourself with this tool and check it regularly. Communication between students and professor will be conducted to a large extent by email, so please make absolutely sure that the email address that is associated with your name on Blackboard is one that you check and use. The professor will also be available before and after class and by appointment.

Academic Integrity

Please go to the following link to view the Rutgers Academic Integrity Policy: http://academicintegrity.rutgers.edu/integrity.shtml