

Unit Plan

Unit Code: ECF 5605/4605

Unit Title: Capital Markets

Semester: Two

Year: 2012



[The information below is optional if it suits the particular school processes. Claims as to authorship should be avoided. Unit plans are prepared as part of the coordinating role and the "intellectual property" belongs to ECU.]

School of School of Accounting, Finance and Economics

Edith Cowan University

Faculty of Business and Law

Telephone: 134328

International: (61 8) 6304 0000

Email: businessandlaw@ecu.edu.au

Website: www.business.ecu.edu.au

CRICOS IPC 00279B

Prepared by: Dave Allen

Version (1/8/12)

ECF 5605/4605 Capital Markets

Lecturer(s) *[insert or leave blank for names of overseas teaching staff when plan is intended for IP/NP delivery]*

Name	Room no	Contact number/s	Email	Consultation times
Professor D.E. Allen	JO 2.355	63045471	d.allen@ecu.edu.au	By appointment

Unit Coordinator

Name	Room no	Contact number/s	Email	Consultation times
As above				

Tutor(s) *[insert or leave blank for students to complete]*

Name	Room no	Contact number/s	Email	Consultation times
n/a				

Lecture(s) and location *[insert or leave blank when plan is intended for IP/NP delivery]*

Day	Time	Room No.
Wednesday	5.30 pm – 8.30 pm	JO 02.111

Tutorials(s) and location *[insert or leave blank for students to complete]*

Day	Time	Room No.

Other staff contacts

Name	Role	Room no	Contact number	Email
N/a				

Learning Advisor Contact details

Campus	Room no	Contact number	Email
Mount Lawley	ML 10.112	9307 6590	fblearning@ecu.edu.au
Joondalup	JO2.133	6304 2511 or 63045268	fblearning@ecu.edu.au

Resources

FBL Academic Skills Centre

The Faculty of Business and Law Academic Skills Centre offers a range of services which will complement the discipline-specific knowledge you gain from this unit. These services include:

- Unit- integrated skills workshops
- Academic Skills workshops
- Writing Plus Program
- Assignment labs
- Individual consultations
- On-line support

You are strongly advised to access these services to assist in developing the academic and language skills required to succeed in this unit.

A copy of the Workshops Timetable can be found on the Academic Skills Centre Blackboard site located under My Communities on Blackboard.

The contact details for the Academic Skills Centre are listed at the front of this unit plan.

Academic Misconduct

The Academic Skills Centre Blackboard site has some useful resources to help you develop your skills in referencing and paraphrasing (and hence avoiding plagiarism). There is also information about how to use Turnitin.

Introduction

School of Accounting, Finance and Economics ECF 5605/4605 Capital Markets V

Edith Cowan University
Faculty of Business and Public Administration
School of Accounting, Finance and Economics.
Finance Honours and Postgraduate Programme

Semester 2, 2012
Professor D.E.Allen
Joondalup Campus 2.355
Tel 6304 5471
Email d.allen@ecu.edu.au

Aims and Objectives

This unit focusses on an analysis of Australian and International Capital Markets. This involves a more advanced treatment of topics than in the undergraduate units. The objective of the course is to provide a deeper understanding of: the role and nature of capital markets, the characteristics and attributes of instruments traded in them, the pricing and hedging of these instruments, the nature of financial intermediation and the role of financial institutions. These activities will be set in the context of the factors driving innovation and change in international capital, the role of market regulators and the measurement of risk institutional and systemic risk within markets; particular attention will be paid to the Basel Accords and the modelling of Value at Risk (VaR). The impact of shocks to the system such as the sub-prime mortgage crisis and the ensuing Global Financial Crisis. Developments of new products such as reverse mortgages and 'new' industry sectors such as the hedge fund sector and sovereign wealth funds will be analysed. Market architecture and market microstructure issues will be introduced and the impetus of technical change such as the continuing advance of ecommerce and electronic delivery systems. The emphasis is upon the use of the original papers and reports. This should build an awareness of both the strengths and limitations of the models and methods used currently in this branch of financial economics.

Expectations of lecturers and students

This unit is conducted in accordance with the Student Charter (available at: <http://www.ecu.edu.au/prospectus/charter/>). Lecturers and students must all be mindful of common courtesies such as timely arrival to class, notification of absence,

ensuring mobile phones are switched off, and allowing each person the opportunity to contribute and to gain as much as possible from the unit.

Teaching and learning approach

Students are expected to read the original literature and to consider both the theory and related empirical work.

Revision to the unit based on student feedback

This section should explain any major teaching strategies and should make explicit the roles of lecturers/tutors and students.

Annotated reading list

Recommended Course Texts:

A. Saunders & H. Lange, *Financial Institutions Management: A Modern Perspective*, Irwin, (1996).

J.C. Van Horne, *Financial Market Rates and Flows*, 6th ed., Prentice-Hall, 2001.

John Cochrane, *Asset Pricing*, Princeton University Press (2001)

Maureen O'Hara (1995), *Market Microstructure Theory*, Blackwell

Publishers

P. Jorion, (2001) *Value at Risk*, McGraw-Hill, New York,

C. Alexander, (2008) *Market Risk Analysis*, John Wiley, Chichester, UK.

G.A. Akerlof and R.J. Shiller, *Animal Spirits*, Princeton University Press (2009)

G.A. Akerlof and R.J. Shiller, *Animal Spirits*, Princeton University Press (2009)

Reserve Bank of Australia Bulletin

Lecture References

SECTION 1: INTRODUCTION

Saunders & Lange, Chapters 1-3.

Van Horne, Chapters 1&2.

Campbell Committee, Final Report (1981), Chapter 1, "Government Involvement in the Financial System", pp. 1-13.

Martin Committee Report, Australian Government Publishing Service. Canberra (1984), Chapter 2, "Recent Developments in the Australian Financial System", pp. 6-46.

Wallis Committee. Financial System Inquiry Discussion Paper (1996), Chapters 1&2.

Australian Bureau of Statistics, Statistical Yearbook 20012, Recent Developments in the Financial System

SECTION 2: VALUATION MODELS

Van Horne, Chapters 2-7.

John Cochrane, *Asset Pricing*, Princeton University Press (2001)

Saunders & Lange, Chapters 5-7.

W.F. Sharpe, "Capital Asset Prices: A theory of market equilibrium under conditions of risk", *Journal of Finance* (September 1964), pp. 425-442.

SECTION 3: THE NATURE OF FINANCIAL INTERMEDIATION AND THE FINANCIAL INSTITUTIONS

R.C. Merton, "A Functional Perspective of Financial Intermediation", *Financial Management* 24, (1995), pp. 23-41.

G.J. Benston & C.W. Smith, "A transactions cost approach to the theory of financial intermediation", *Journal of Finance* (May 1976), pp. 215-231.

D.H. Pyle, "Descriptive theories of financial institutions", *Journal of Financial & Quantitative Analysis* (December 1976), pp. 2009-2029.

J.C. Van-Horne, "Of financial innovation and excesses", *Journal of Finance*, 40(3), (July 1985), pp. 621-631.

H.E. Leland & D.H. Pyle, "Informational asymmetries, financial structure and financial intermediation", *Journal of Finance*, 32(2), (May 1977), pp. 371-87.

T.S. Campbell & W.A. Kracaw, "Information production, market signalling, and the theory of financial intermediation", *Journal of Finance*, 35(4), (September 1980), pp. 863-82.

M.H. Miller, "Financial innovation: the last twenty years and the next", Mimeo (1986).

Tim Brailsford, Ruttachai Seelajaroen, Dave Allen and Robert Faff, (2002) MEASURING AND EVALUATING MANAGED FUND PERFORMANCE, Monograph FMRC.

S.J. Brown and W.N. Goetzmann, (2002) "Hedge Funds with Style", forthcoming *Financial Analysts Journal*.

S.J. Brown, W.N. Goetzmann, and R.G. Ibbotson, (1998) "Offshore Hedge Funds: Survival and Performance 1989-1995".

SECTION 4: THE INFLUENCE OF TAXATION

V.W. Fitzgerald, "National Savings: A Report to the Treasurer", (1993), AGPS Canberra.

Australian Treasury POCKET GUIDE TO THE AUSTRALIAN TAXATION SYSTEM 2011-2012

Dimension of Tax Design: The Mirlees Review, Institute For Fiscal Studies, Oxford University Press (April 2010)

SECTION 5: THE MAJOR FINANCIAL MARKETS

Australian Financial Markets Association, AFMA 2011 Annual Report.

APRA 2011 Annual Report.

RBA Statement on Monetary Policy (May 2012)

RBA Financial Stability Review (March 2012).

Madhavan, A. (2000), Market Microstructure: A Survey, *Journal of Financial Markets*, (3)3, 205-258.

SECTION 6: REGULATION AND RECENT CHANGES INCLUDING THE GFC

BIS “Basel III: A global regulatory framework for more resilient banks and banking systems”, (June 2011)

Wallis Report (1997), *Financial System Inquiry*, Chapters 5-13.

Campbell Committee Report, Chapters 18,19,20, 21,22,24,25,43,44 & 45.

Martin Report, Chapters 3,4,5,6 & 7.

Edwards, F. & Mishkin, F. *The Decline of Traditional Banking: Implications for Stability and Regulatory Policy*, Federal Reserve Bank of NY, *Economic Policy Review*, July 1995.

Allen, F. and E. Carletti, (2010) “An Overview of the Crisis: Causes, Consequences and Solutions”, *International Review of Finance*, 10,1, 1-26.

Gorton, G. (2009) “The Subprime Panic”, *European Financial Management*, 25, 1, pp. 10-46.

Gorton, G. (2008) “The Panic of 2007”, Paper prepared for the Federal Reserve Bank of Kansas City, Jackson Hole Conference, (2008).

Gorton, G. (2010), Slapped by the Invisible Hand: The Panic of 2007 (Oxford University Press).

Greenspan, A. (2010) "The Crisis", Brookings Paper,

Kroszner, R. S. And R.J. Shiller, (2011) Reforming US Financial Markets, MIT Press,

Other significant references and resources

Copies of relevant material will be placed on my personal website at: <http://www.dallenwpty.com/courses.htm>

Unit Prizes

Provide students with a list of University approved prizes they are eligible for in this unit.

Study Schedule (Sample 1 on-campus delivery)

Choose a study schedule (from Sample 1 or Sample 2) that is applicable to the unit and the mode of delivery. **At a minimum it must contain the week, topic covered and any assignment due or other assessment taking place in the particular week.** If tutorial exercises are provided with the unit plan, they should be included in an addendum and only the numbers of relevant exercises need to be listed in the schedule. Note that the mid-semester break will fall between different weeks in different semesters, so that row in the study schedule should be adjusted accordingly.

This schedule provides a guideline on the topics covered and activities required each week.

Week	Dates	Topic/s	Reading	Tutorial exercises	Assessment
1	30/7/12	Introduction	See page 4		
2	6/8/12	Section 2	See page 5		
3	13/8/12	Section 2	See page 5		
4	20/8/12	Section 3	See page 5		
5	27/8/12	Section 3	See page 5		
6	3/9/12	Section 3	See page 5		
7	10/9/12	Section 4	See page 5		
8	17/9/12	Section 4	See page 6		First Assignment Due
9	24/9/12	Section 5	See page 6		
	1/10/12		Mid-semester break		
10	8/10/12	Section 5	See page 6		
11	15/10/12	Section 6	See page 6		
12	22/10/12	Section 6	See page 6		Second Assignment Due

Assessment information

The course will consist of lectures and discussions of assigned readings.
 All assignments must be typed. (Length should not be greater than 15-20 A5 pages).
 Marks will be deducted for work that is handed in late.

Assessment details

Assessment	Date (due)	Marks/Weighting
Assignment 1	17/9/12	25%
Assignment 2	22/10/12	25%
Final Examination	To be announced	50%

Assignment 1

The assignment will consist of a formal written essay on the designated topic: "What drives financial innovation?"

Submission information

This section should outline the submission details and the format (including specific computer applications) to be used for the assignment.

Weighting	This assignment accounts for 25 % of the assessment in this unit.
Date/Week	17/9/12
Time	
Place	
Format	

Learning outcome/s and Graduate Attributes

Completing this assignment will help you achieve the following learning outcome/s and ECU Graduate Attributes:

Ability to communicate and critical appraisal skills.

Preparation

Before starting this assignment, you should have read the relevant material

Assignment 2

The assignment will consist of a formal written essay on the designated topic: "What were the major causes of the Global Financial Crisis?"

Submission information

This section should outline the submission details and the format (including specific computer applications) to be used for the assignment.

Weighting	This assignment accounts for 25 % of the assessment in this unit.
Date/Week	22/10/1
Time	
Place	
Format	

Learning outcome/s and Graduate Attributes

Completing this assignment will help you achieve the following learning outcome/s and ECU Graduate Attributes:

Ability to communicate and critical appraisal skills.

Preparation

Before starting this assignment, you should have read the relevant material

Addendum

Email protocol

All emails should be sent from your student email account or via Blackboard, otherwise anti-spam filters may prevent it from being delivered to your lecturer.

When using email to communicate with lecturers or tutors, you should always make sure that your message contains the following:

1. A subject that contains the unit code, and clearly describes the nature of your query or request.
Your lecturers receive many emails a day, and may also teach more than one unit, so if your email does not contain the unit code, it is not possible to place your message in context. If the subject does not indicate the nature of the message, it may well remain unanswered.
2. Change the default setting on your email program to include previous messages in replies, and make sure that previous messages are included in an ongoing exchange. Your lecturer deals with many students. Having a copy of

the previous exchanges included in your message will expedite a response. You should still make sure that the subject indicates what the email is about.

3. Address your lecturer appropriately by name.
4. State your question or request clearly and concisely.
5. Insert a signature at the end of your email that contains:
 - a. your name in full as it appears in SIMO
 - b. your student number
 - c. the campus at which you attend classes for the unit in question
(also indicate if you are an off campus student)

Your lecturer will inform you if there are additional requirements for communicating by email.

While lecturers cannot be available on line all day, in normal circumstance your lecturer will reply within 2 working days.

Unit and Teaching Evaluation (UTEI)

At the end of the semester, all students will be requested to complete the ECU UTEI online survey. This survey will ask questions concerning your level of satisfaction with the unit, your lecturer and your tutor. Your feedback is needed to help us to improve the quality of our courses. We endeavour to use the feedback we receive from the UTEI survey to improve the quality of the unit when it is next run.

Towards the end of the semester you will receive an email notification about how to complete the UTEI survey. Please take the time to complete it for us. There are small incentives offered to encourage participation and your feedback is anonymous and confidential.

UTEI dates for Semester 1 & 2, 2012

Semester 1, 3 weeks beginning 21st May
Semester 2, 3 weeks beginning 22nd October

Assignments

Extensions for submission dates

Any student who wishes to defer the submission of an assignment must apply to the lecturer **before the due date** for an extension of the time within which to submit the assignment. The application must be in writing and **must set out the grounds on which deferral is sought**.

An assignment submitted **after the fixed or extended time** for submission shall incur a penalty to be calculated as follows:

- where the assignment is submitted not more than 5 working days late, the penalty shall, for each working day that it is late, be 5% of the maximum assessment available for the assignment;

Exams

Illness on the day of an exam

This happens very rarely. If you should find yourself in this unusual and difficult position you should not attend the exam as you could not perform to your best. However, if not attending you must see a doctor and submit the doctor's certificate with your request for a deferred exam on the grounds that you were ill at the time of exam.

Failing a unit

Failing a unit 3 times may result in you being excluded from the unit, the major to which the unit belongs, or even the course. Clarification and further assistance can be obtained by contacting the Student Information Office, Joondalup campus – building 6 or Mt Lawley campus – building 10 or by email at businessandlaw@ecu.edu.au.