FINM3006
Financial Intermediation & Debt Markets

This course will begin by analysing the theory and practice of financial intermediation, broadly construed to include banks, savings institutions and investment/merchant banks. Topics will include the role of banking firms in a developed capital market, their impact on corporate financial decisions for non-banking firms, and the regulation of banks. The course will then narrow its focus to provide a comprehensive analysis of the role of financial intermediaries in the development of fixed-income markets and will also provide an introduction to the valuation of fixed income securities. We shall discuss the institutional structure of the fixed income markets and the role they play in: (1) portfolio management; and (2) risk management of financial intermediaries. Topics will include theoretical models and analytical techniques used for dealing with credit risk, interest rate risk and liquidity risk – for example: maturity matching, duration and immunization, loan sales, securitization, collateralized debt obligations (CDOs), and collateralized mortgage obligations (CMOs).

<table>
<thead>
<tr>
<th>Mode of Delivery</th>
<th>On campus</th>
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<tbody>
<tr>
<td>Prerequisites</td>
<td>FINM2001, FINM2003 and FINM2002</td>
</tr>
<tr>
<td>Incompatible Courses</td>
<td>NA</td>
</tr>
<tr>
<td>Course Convener:</td>
<td>Phong Ngo</td>
</tr>
<tr>
<td>Phone:</td>
<td>6125-1079</td>
</tr>
<tr>
<td>Email:</td>
<td><a href="mailto:Phong.Ngo@anu.edu.au">Phong.Ngo@anu.edu.au</a></td>
</tr>
<tr>
<td>Office hours for student consultation:</td>
<td>By appointment</td>
</tr>
<tr>
<td>Research Interests</td>
<td>My research interests are banking, political economy, corporate finance and applied microeconomics.</td>
</tr>
<tr>
<td>Relevant administrator if any (optional)</td>
<td>Patty Penm</td>
</tr>
<tr>
<td>Phone:</td>
<td>6125-1079</td>
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<tr>
<td>Email:</td>
<td><a href="mailto:Patricia.Penm@anu.edu.au">Patricia.Penm@anu.edu.au</a></td>
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<tr>
<td>Lecturer(s)</td>
<td>Phong Ngo</td>
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<td>Phone(s):</td>
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<td>Office hours for student consultation:</td>
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<tr>
<td>Tutor(s) (optional)</td>
<td>TBA</td>
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SEMESTER 1
2017

1 | THE AUSTRALIAN NATIONAL UNIVERSITY

http://programsandcourses.anu.edu.au/course/FINM3006
COURSE OVERVIEW

Learning Outcomes

1. Understand the role of banks in an economy and the global trends in banking
2. Understand how banks’ lending policies can influence corporate decision making
3. Identify and measure banking risks
4. Understand credit risk and credit risk management
5. Understand debt markets and their role in liquidity management
6. Understand interest rate risk and management
7. Understand banking regulation globally
8. Understand bank loan sales and securitization
9. Understand the causes and consequences of bank failure and the global financial crises
10. Work in teams and present results.

Assessment Summary

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Value</th>
<th>Due Date</th>
<th>Date for Return of Assessment</th>
<th>Linked Learning Outcomes (optional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Group presentation with report/slides</td>
<td>15%</td>
<td>One week of weeks 10-12</td>
<td></td>
<td>1-10</td>
</tr>
<tr>
<td>2. Test 1</td>
<td>15%</td>
<td>Week 3 (Tuesday 7 March)</td>
<td></td>
<td>1-3</td>
</tr>
<tr>
<td>3. Test 2</td>
<td>15%</td>
<td>Week 6 (Tuesday 28 March)</td>
<td></td>
<td>1-5</td>
</tr>
<tr>
<td>4. Test 3</td>
<td>15%</td>
<td>Week 9 (Tuesday 2 May)</td>
<td></td>
<td>1-8</td>
</tr>
<tr>
<td>5. Final Exam</td>
<td>40%</td>
<td>TBA</td>
<td></td>
<td>1-9</td>
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Research-Led Teaching

Text book material will be supplemented with the most recent information from research and news from: my own research, research from universities elsewhere, government departments, and international organisations i.e. World Bank, IMF etc., and news outlets.

Feedback

Staff Feedback
Students will be given feedback in the following forms in this course:

1. Written feedback
2. Face-to-face feedback if necessary
Student Feedback
ANU is committed to the demonstration of educational excellence and regularly seeks feedback from students. One of the key formal ways students have to provide feedback is through Student Experience of Learning Support (SELS) surveys. The feedback given in these surveys is anonymous and provides the Colleges, University Education Committee and Academic Board with opportunities to recognise excellent teaching, and opportunities for improvement.

For more information on student surveys at ANU and reports on the feedback provided on ANU courses, go to http://unistats.anu.edu.au/surveys/selt/students/ and http://unistats.anu.edu.au/surveys/selt/results/learning/

Policies
ANU has educational policies, procedures and guidelines, which are designed to ensure that staff and students are aware of the University’s academic standards, and implement them. You can find the University’s education policies and an explanatory glossary at: http://policies.anu.edu.au/

Students are expected to have read the Academic Misconduct Rules 2014 before the commencement of their course.

Other key policies include:
- Student Assessment (Coursework)
- Student Surveys and Evaluations

Required Resources

Field trips (optional)
NA

Additional course costs
Students will be required to purchase a copy of the prescribed text book.

Examination material or equipment
Students will be allowed to bring a scientific calculator and dictionary into the closed book tests.

Recommended Resources

Students are recommended to stay abreast with current events by regularly reading the financial news. Online resources such as Bloomberg, Reuters or the Wall Street Journal are the usual suspects.

COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Summary of Activities</th>
<th>Assessment</th>
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<tbody>
<tr>
<td>1</td>
<td>Roles and operations of banks</td>
<td></td>
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<tr>
<td>2</td>
<td>Bank financial statements and banking risks</td>
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</tbody>
</table>
### ASSESSMENT REQUIREMENTS

The ANU is using Turnitin to enhance student citation and referencing techniques, and to assess assignment submissions as a component of the University's approach to managing Academic Integrity. For additional information regarding Turnitin please visit the [ANU Online](https://www.anu.edu.au/) website.

Students may choose not to submit assessment items through Turnitin. In this instance you will be required to submit, alongside the assessment item itself, copies of all references included in the assessment item.

**Assessment Tasks**

**Assessment Task 1: Tests 1, 2 and 3**

**Details of task:** Three (in lecture) OPEN book tests under examination conditions. The duration of each exam is 60 minutes. There will be no special examinations for the tests. Instead for students who would normally meet the requirements for a special exam (e.g. medical certificate), the weighting will be moved to the final exam. Students who do not sit the tests and do not meet the necessary requirements for a special exam will receive a zero.

**Assessment Rubrics**

**Word limit (where applicable):** NA  
**Value:** 15% each  
**Presentation requirements:** NA  
**Estimated return date:** 1-2 weeks after the date of the test  
**Hurdle Assessment requirements (where applicable):** 50% to pass  
**Individual Assessment in Group Tasks (where applicable):** NA

**Assessment Task 2: Group presentation with report/slides**
Details of task: presentations will be made in groups of 4-6 in size during tutorials. The task will be to read a recent news article(s) (I will circulate the articles prior to presentations) and present the information to the class as if you were presenting it to the board of directors of a bank or board of directors at a regulatory authority. You need explain: (1) how this news is relevant to the bank/regulatory authority; (2) what the implications are for the bank/regulatory authority; and (3) recommendations to the board about whether any action is necessary in response to this news, and if action is required, what type of action you recommend.

- Tutorial presentations will run in weeks 10-12 (inclusive).
- Each tutorial class will be split into 3 even groups – resulting in groups of approximately 4-6 students.
- The presentation will last 15 minutes, with an additional 5 minutes for discussion and questions from the class.
- How the workload is shared is up to each group.
- Each member of the group will receive the same mark.
- Each group's presentation will be marked on (1) how well they analyse the new article and its relevance; (2) the quality of their delivery; and (3) their ability to engage the class in discussion.
- Each group must hand in (to their tutor) a concise “executive summary” styled report no longer than 2 pages in length outlining their analyses and major recommendations.
- Each group must hand in (to their tutor) a copy of their presentation slides.

Assessment Rubrics
Word limit (where applicable): 2 pages
Value: 15%
Presentation requirements: who and how the group presents is up to the group
Estimated return date: 1-2 weeks after the assessment date
Hurdle Assessment requirements (where applicable): 50% to pass
Individual Assessment in Group Tasks (where applicable): all group members receive the same mark

Assessment Task 3: Final Examination

Details of task: There is a final exam to be scheduled during the exam period (exact date TBA). The exam will be 4 hours in length, with an additional 30 minutes of reading time. The exam will be OPEN book.

Assessment Rubrics
Word limit (where applicable): NA
Value: 40% each
Presentation requirements: NA
Estimated return date: 1-2 weeks after the date of the exam
Hurdle Assessment requirements (where applicable): 50% to pass
Individual Assessment in Group Tasks (where applicable): NA

Examination(s)
The final exam will be scheduled during the exam period. Details are above.
Assignment submission

Online Submission: Assignments are submitted using Turnitin in the course Wattle site. You will be required to electronically sign a declaration as part of the submission of your assignment. Please keep a copy of the assignment for your records.

Hard Copy Submission: Assignments must include the cover sheet available here. Please keep a copy of tasks completed for your records.

Extensions and penalties
No submission of assessment tasks without an extension after the due date will be permitted. If an assessment task is not submitted by the due date, a mark of 0 will be awarded.

Late submission is not accepted for take-home examinations.

Returning assignments
Tests and other assessment can be collected from the RSFAS filing cabinets outside the front office on level 4 CBE 26C.

Resubmission of assignments
There are no resubmissions for the assessment tasks.

Referencing requirements
Please use Harvard or Chicago style referencing. See here for more information: https://academicskills.anu.edu.au/resources/handouts/referencing-style-guides

Reading lists

The printed version of text is available from the ANU co-op.

In addition:
- Additional reading provided on a week-to-week basis

Scaling
Your final mark for the course will be based on the raw marks allocated for each of your assessment items. However, your final mark may not be the same number as produced by that formula, as marks may be scaled. Any scaling applied will preserve the rank order of raw marks (i.e. if your raw mark exceeds that of another student, then your scaled mark will exceed the scaled mark of that student), and may be either up or down.

Tutorial and/or Seminar Registration
Enrolment in tutorials will be completed online using the CBE Electronic Teaching Assistant (ETA). To enrol, follow these instructions:
1. Go to http://eta.fec.anu.edu.au

2. You will see the Student Login page. To log into the system, enter your University ID (your student number) and password (your ISIS password) in the appropriate fields and hit the Login button.

3. Read any news items or announcements.

4. Select "Sign Up!" from the left-hand navigation bar.

5. Select your courses from the list. To select multiple courses, hold down the control key. On PCs, this is the Ctrl key; on Macs, it is the ⌘ key. Hold this key down while selecting courses with the mouse. Once courses are selected, hit the SUBMIT button.

6. A confirmation of class enrolments will be displayed. In addition, an email confirmation of class enrolments will be sent to your student account.

7. For security purposes, please ensure that you click the LOGOUT link on the confirmation page, or close the browser window when you have finished your selections.

8. If you experience any difficulties, please contact the School Office (see page 1 for contact details).

9. Students will have until 5pm February 25 to finalise their enrolment in tutorials. After this time, students will be unable to change their tutorial enrolment.

**SUPPORT FOR STUDENTS**

The University offers a number of support services for students. Information on these is available online from [http://students.anu.edu.au/studentlife/](http://students.anu.edu.au/studentlife/)