



## **FI5604 – FINANCIAL SYSTEMS**

**MODULE TYPE/SEMESTER:** Core (20 credits), Semester 1

**MODULE CO-ORDINATOR AND LECTURER:** Prof. Dimitris Chronopoulos

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### **AIM:**

Financial systems around the world are currently undergoing many changes. These changes arise from competition, consolidation, information technology, product and geographic expansion of manufacturing, service and financial services firms, de-regulation and re-regulation. These changes are taking place within a volatile and uncertain economic environment, and have direct implications for the development, growth and stability of financial systems. This course aims to outline the fundamentals of financial systems. A central theme running through the course is the influence of technology and innovation along with the challenges that this poses to regulators.

### **METHOD OF TEACHING & LEARNING:**

The module will comprise a two hour lecture each week during the semester. In addition seminar like sessions will be held every fortnight, where students will be presenting their work on topics of their choice.

### **LEARNING OUTCOMES:**

By the end of the module, students should be able to:

- Critically evaluate the rationale for banks and other financial institutions;
- Assess the impact of the dynamic environment in which financial institutions operate on strategy and performance, with particular reference to the growing internationalisation of markets, the impact of financial innovation, and developments in technology and financial regulation;
- Critically evaluate the impact of securitisation on strategy and performance;
- Critically evaluate the rationale for banks and other financial institutions;
- Appraise the role of banks in a modern society/economy;
- Understand why banks need regulation and assess the regulatory responses in light of the recent credit crisis.

### **INDICATIVE TOPIC OUTLINE:**

The curriculum will comprise a variety of topics such as:

- Review of the Basic Concepts of Banking and Financial Institutions
- Types of Banks and non-Bank Financial Institutions
- Financial Systems Around the World
- Microeconomics of Banks
- Bank Risk Management
- Regulation in Banking – Transaction Costs, Asymmetric Information, and the Need for Regulation
- International Regulatory Issues in Banking – Capital Adequacy
- Bank Failures, Banking Crises, and Bailout Policy

### **ASSESSMENT:**

- **Assignment One:**  
Coursework and Presentation (groupwork).  
This assignment is worth 10% of the module assessment.
- **Assignment Two:**  
Online Quiz (individual).  
This assignment is worth 40% of the module assessment. (*Students are not allowed to return to previous questions in online quizzes*)
- **Assignment Three**  
Final Exam.  
This assignment is worth 50% of the module assessment.

### **READING LIST:**

The following general texts will provide relevant readings across most of the topics to be covered in the teaching programme:

- Casu, B. Girardone, C. and Molyneux, P., Introduction to Banking, Latest edition, FT Prentice Hall, Pearson Education.
- Mishkin F., The Economics of Money, Banking and Financial Markets, Latest edition, Addison-Wesley.
- Saunders, A. and Cornett, M., Financial Institutions Management: A Risk Management Approach, Latest edition, McGraw-Hill.
- Berger, AN., Molyneux P. and Wilson J.O.S., The Oxford Handbook of Banking, All editions, Oxford University Press.
- Allen, F. and Gale, D. (2000), Comparing Financial Systems, Cambridge, Mass.: MIT
- Barth, J., Caprio, G. and Levine, R. (2008), Rethinking Bank Regulation: Till Angels Govern, Cambridge: Cambridge University Press.
- Freixas X. and Rochet, J.C. (1997), The Microeconomics of Banking, The MIT Press.

- Goddard, J., Molyneux, P. and Wilson, J.O.S. (2001), European Banking, John Wiley.
- Heffernan, S. (2005), Modern Banking, John Wiley and Sons.
- Rochet, J.C. (2008), Why are there so many banking crises? The Politics and Policy of Banking Regulation, Princeton: Princeton University Press.

**JOURNALS:**

- Journal of Finance
- Journal of Financial Economics
- Journal of Financial Intermediation
- Journal of Monetary Economics
- Journal of Money, Credit, and Banking
- Review of Financial Studies
- Review of Finance

*Organisation of courses may be subject to change without notice.*