

FIN 685: Financial Markets and Institutions

Finance Specialization

Credits: 3
Lecture Hours: 48

COURSE OBJECTIVE

The course aims to provide the students overall understanding on the financial markets and institutions in general and on money and capital markets, money and capital market instruments, central bank, monetary policy, commercial banking industry and other financial institutions, and contemporary issues of financial markets and institutions in particular. The course also aims to familiarize students with current issues on financial institutions and financial markets and enables them to critically analyze these issues.

COURSE DESCRIPTION

This course provides an overview of the financial markets and institutions with a special emphasis on financial markets, central bank, monetary policy and interest rates, capital markets, money markets and capital and money market instruments, commercial banking industry, mutual funds and other lending institutions, insurance company, pension funds, investment banks, securities brokers, and dealers.

COURSE DETAILS

Unit 1: Introduction

LH 5

Functions of financial markets; Structure of financial markets; Internationalization of financial markets; Functions of financial intermediaries; Types of financial intermediaries; and Regulation of financial system.

Unit 2: The Central Banking and the Conduct of Monetary Policy

LH 8

Role of the central bank in the economic development; Monetary tools: open market operations, the discount rate, and reserve requirements; Goals of monetary policy: the price stability goal and the nominal anchor, and other goals; Tactics: choosing the policy instruments; and Monetary policy and tools in Nepal.

Unit 3: The Money Markets

LH 5

Purpose of money markets; Participants of money markets; Money markets instruments: Treasury bills, federal funds, repurchase agreement, negotiable certificate of deposit, commercial paper; Comparing money market securities; and international aspects of money markets.

Unit 4: Capital Markets

LH 5

Purpose of the capital market; Capital market participants; Capital market trading; Bonds – types, treasury notes and bonds, treasury STRIPS, agency bonds; Municipal bonds; Corporate bonds – characteristics, types; Financial guarantees for bonds; Current yield calculation; Investing in bonds; the Stock market: investing in stock, selling of stocks and review of stock valuation model.

Unit 5: Commercial Bank

LH 9

Balance sheet; General principles of bank management; Off-balance sheet activities; Measuring bank performance; Regulation of commercial banks including NRB directives with reference to Basel II and III; CAMELS as off-site and on-site supervisory tools; and Prompt corrective action.

Unit 6: The Mutual Fund and Other Lending Industries**LH 7**

Mutual funds: structure of mutual funds; Investment objective classes; Fee structure of investment funds; Hedge funds; Conflict of interest in mutual fund industry; and Mutual fund industry in Nepal; Saving association and credit unions: mutual saving banks, saving and loan associations, and credit unions; Financial statements of saving and loan industry – balance sheet and income statement; and Saving and loan industry in Nepal.

Unit 7: Insurance Companies and Pension Funds**LH 5**

Insurance companies: fundamentals of insurance, types of insurance – life insurance, health insurance, property and casualty insurance; Regulatory body of insurance industry in Nepal; and Pension funds: types of pensions, private and public pension plans, practices of pension in Nepalese context.

Unit 8: Investment Banks, Security Brokers and Dealers, and Venture Capital Firms LH 4

Functions of investment bank: underwriting stocks and bonds, equity sales, merger and acquisitions; Securities brokers and dealers; Regulation of securities firms; Venture capital firms; and regulation and regulatory body in Nepal.

BASIC READINGS

1. Mishkin, F. S. & Eakins, S. G. (2013). *Financial markets and Institutions*. New Delhi: Dorling Kindersley.
2. Saunders, A. & Marcia M. C. (2007). *Financial markets and institutions*. New Delhi: McGraw-Hill Education (India) Pvt. Ltd.

REFERENCES

1. Madura, J. (2012). *Financial markets and institutions*. New Delhi: Cengage Learning (India) Private Limited.
2. Rose, P. S. & Marquis, M. H. (2006). *Money and capital markets: Financial institutions and instruments in a global marketplace*. New York: McGraw-Hill Irwin.