

Course Name: Money, Banking and Financial Institutions	Course Code: EC 344
Lecturer: Prof. Burak Saltoglu E-mail : burak.saltoglu@boun.edu.tr Website : http://econ.boun.edu.tr/saltoglu	Term: Fall 2017

Intended for: 3rd Year Undergraduate Students

Graduate Assistant: Hanife Armut (hanife.armut@boun.edu.tr)

Teaching Assistant: TBA

PS: TBA

Required Background: Students intending to take this course are required to take intermediate micro and macro courses.

Aim: The aim of this course is to present the major concepts and tools used in Money, Banking and Finance. In the first half of the course, we will define basic concepts in finance and the working mechanism of the global financial markets. In the 2nd half we will focus more on banking and Monetary Policy aspects. We will discuss the reasons and more importantly financial and regulatory consequences of the recent Euro and US Credit crisis. We will also compare and contrast the Turkish capital markets and banking with that of developed banking systems.

Lecturing: There will be 3 hours lectures and some computer applications on interest rates and bond pricing. We will also discuss some relevant economic news and events in the class. There will be some quiz and participation grade on these small cases.

Lectures: Tuesdays 12-12.50 lecture NH202

Fridays(s): 10.00-11.50 lectures NH 103

Communication: You can contact me through e-mails date, problems etc

Office hours: Tuesday(s) : Tuesdays 10.00-1100 office hours NB..

: fridays 12.00-13.00 office hours NB

or by appointments through e-mail.

Main textbook:

F.,S., Mishkin, (2015), The Economics of Money, Banking, and Financial Markets, Wesley
I will have my lecture notes distributed before and final exam.

Other textbooks:

J Hull (2015), Hull, Options, Futures, Options and other Derivatives, 7th edition.

F. Fabozzi (1997), Fixed Income Mathematics, Mc Graw Hill.

Marking: There will be a term paper which is expected to be handed in at the last day of lectures, a midterm and a final. You may work with a group of up to 3 people but during the final exam you will be asked a question from your project topic. So you won't get any mark by not putting the necessary effort on the project.

Midterm: TBA

Evaluation: Computer and other assignments, a written Midterm and a final exam. The composition is as follows:

15 % Quizzes+Class Participation and Attendance.
25% Midterm
25% Term Paper
35% Final

TOPICS TO BE COVERED

Week 1: Introduction to Financial Systems, Financial Institutions and Intermediation: (Mishkin 1,2,3) and lecture notes

Week 2: Interest Rate Markets (PV, FV, Bond Pricing, Yield to maturity, etc) (Mishkin 4, Fabozzi).

Week 3: Bond Risk Measures: Duration Convexity Term Structure of Interest Rates: What drives the yield Curve (Mishkin 5,6, Fabozzi, Lecture Notes)

Week 4: Stock Market, Market Efficiency (Mishkin 7)

Week 5: Introduction to Derivatives Market.

Week 6: Introduction to Option Markets and Pricing (Hull)

Midterm: TBA

Week 8: Banking Regulation and Supervision (BASEL II) (Mishkin 11)

Week 9 : Asset and Liability Management in Banking (Additional notes and Mishkin 9-10)

Week 10: Monetary Policy

Week 11: Monetary Policy, Central Banking, Open Market Operation (Mishkin 18)

Week 12: Financial Crisis: What went wrong? (FED, ECB and Turkish experiences)

Final: TBA

Term Paper Topics

Students are asked to prepare a short term paper on various topics on Risk Measurement and Money and Banking. Term papers will be a serious survey of recent developments of risk management. In each term paper you are asked to review some issues on risk management, banking and monetary theory.

Length of the term papers

Term papers should be 20 pages long (Double space with font size of 12). The references and abstract and conclusion should follow the style of some academic papers you will be reading.

Assessment

Major marks will be given for papers proving clear understanding of topic selected. References used in the paper should be clearly stated. You may review other people's work but use your own sentences. COPY AND PASTE TYPE WORK WILL CAUSE MANY PROBLEMS. PLAGARISM IS

STRICTLY FORBIDDEN. PLEASE DO CITE OTHER PEOPLE'S WORK AND GIVE REFERENCES. USE YOUR OWN WORDS. Failing to do so will even create disciplinary actions.

Reference Sources

More specific sources on each of these topics will be distributed to the students later in the courses.

Quiz on financial markets and economics movies

Each of these movies are required to be watched and we will make a short quiz on these movies after you hand in a short 2 pages summary on them.

We will announce the dates of these quizzes but they will be after the midterm.

1. Ascent of Money by Prof Niall Ferguson of Harvard University

http://www.youtube.com/watch?v=4Xx_5PuLlzc

2. Inside Job

3. Margin Call

4. cbrt history:

<https://www.youtube.com/watch?v=GipiNmEDiUA>

<https://www.youtube.com/watch?v=Xh2ns-pGNhU>

Some Term Paper Topics

1. Discuss the sovereign credit risk and measurement of country credit risks
2. Discuss the uniform market risk measurement methods of Value at Risk (VaR) and their effectiveness in the banking industry. What are the main criticisms of these methods after the subprime crisis?
3. Importance of Asset Liability Management within the context of bank management.
4. How will the new banking regulations be designed after the global credit crisis? Discuss the possible regulations in the context of usage of derivative products, hedge funds and commercial banking.
5. Developments in Credit Risk Management and Measurement in the context of banking. Discuss the future of regulation of rating companies after the credit crisis.
6. New Challenges for the Turkish banking sector: Risk Based Regulation and the function of BDDK (Banking Supervisory and Regulatory Authority). How would the BDDK change its regulatory framework after the credit crisis?
7. What are the challenges of Hedge funds in the context of banking supervision and regulations? Discuss the two well known hedge fund debacles of LTCM and AMARANTH.
8. Is BASEL III a challenge or an opportunity for the Turkish banking sector? How would the recent subprime crisis affect the implementation of BASEL III?
9. What are the potential impacts of cryptocurrencies on monetary policy?

10. The impact of foreign direct investments on the Turkish banking sector as an emerging economy.
11. Recent developments on Risk Based Banking Supervision: CAMELOS and other recent methods.
12. Discuss the recent developments in the field of operational risk for the banking sector.
13. Obstacles and opportunities in using derivative products in Turkey and other emerging markets.
14. How to estimate the demand for money in Turkey.
15. Discuss the future of banking regulation in emerging markets.
16. Discuss the methods of performance measurement and Fund Transfer Pricing in banking.
17. Discuss the effectiveness of monetary policy tools under the very low interest rate environments (Why the interest rates in Japan are zero?)
18. Discuss the link between the currency and banking crises.
19. Discuss the subprime crisis? What would be the implications of subprime crisis on the financial regulation and supervision?
20. What are structured products? Discuss the Asset Backed Securities and their role in the recent subprime crisis?
21. What is the future of Turkish real estate market? Can we have our own housing crisis in near future?
22. Does history repeat itself what are the similarities and differences between 1980's Saving and Loan crisis, 1998 LTCM crisis, 2001 recession and the most recent subprime crisis?
23. Is inflation targeting a success or failure? Assess the performance of inflation targeting during the recent crisis episode. Should we modify the inflation targeting for global financial stability?
24. You may have your own topic which can be a combination of the above topics and related to course outline.
25. Discuss the 'future of regulation after credit crisis'.
26. Why is it so difficult to solve the Euro crisis?
27. What is liquidity risk in banking and how would BASEL III handle it?
28. What is currency wars? What impacts would that have on global economies in the long run?
29. what is technical analysis in financial markets? what is the relationship between technical analysis and market efficiency hypothesis? What are the recent findings on the use and applicability of technical analysis?
30. Is derivative trading different than trading in other asset classes?
31. Discuss the functionality and the use of European banking union to mitigate the effects of Euro crisis?
32. Discuss the pros and cons of financial stability and central banking.
33. Write an essay on stress testing in banking in US and Europe.