

Course unit title:	Financial Markets and Institutions		
Course unit code:	AFIN305		
Type of course unit:	Elective		
Level of course unit:	Bachelor (1 st Cycle)		
Year of study:	4 th		
Semester when the unit is delivered:	7 th (Fall)		
Number of ECTS credits allocated:	6		
Name of lecturer(s):	Dr. Nicos Koussis		
Learning outcomes of the course unit:	<ol style="list-style-type: none"> 1. Provide an overview of the financial services industry and different type of financial institutions. 2. Outline the economic environment and fiscal and monetary policy impact on the performance of financial institutions 3. Describe the impact of interest rate uncertainty on the asset and liability management of financial institutions 4. Calculate duration and convexity for option free bonds. 5. Calculate the duration gap of a Bank and show the impact of a given interest change on the net worth of a Bank. 6. Demonstrate interest rate hedging techniques via use of swaps, forwards and options. 7. Describe the regulatory environment of Basel for risk management of financial institutions-explain market risk and credit risk management approaches and capital adequacy requirements 8. Use programming software to develop models and analyse data for financial institutions 		
Mode of delivery:	Face-to-face		
Prerequisites:	AFIN102	Co-requisites:	None
Recommended optional program components:	None		
Course contents:	<p>Introduction to financial markets and institutions and the economic environment:</p> <ul style="list-style-type: none"> • Identify the role of financial intermediaries. Examine the role of commercial banks as providers of funds. Examine international money and capital markets and outline their operations. • Outline basic characteristics of depository Institutions, securities firms and investment banks • Provide and overview of the risks of financial institutions • Explain the main macro-economic policy targets. Evaluate the role of fiscal and exchange rate policy. • Identify the main tools of monetary policy. Analyse the factors that influence inflation including interest rates. Evaluate the role of monetary policy <p>Introduction to interest rate uncertainty impact on financial institutions performance:</p> <ul style="list-style-type: none"> • Understand the interest rate sensitive assets and liabilities of financial institutions and the risks involved 		

	<ul style="list-style-type: none"> • Use the reprising and maturity model in order to understand the impact of interest rates on the asset and liabilities of the financial institution <p>Duration and immunization strategies for financial institutions:</p> <ul style="list-style-type: none"> • Explain the concept of duration • Calculate duration for different types of fixed income securities • Explain the features of duration as connected with maturity, yield and coupon interest • Use duration measures in order to apply immunization strategies that reduce the impact of interest rate uncertainty <p>The regulatory environment based on Basel, market and credit risk:</p> <ul style="list-style-type: none"> • Outline the basic characteristics and requirements of Basel for the management of risk of financial institutions • Explain measurement methods for market risk • Explain Risk Metrics and the simulation approach • Explain Basel standardised approach for managing market risk • Explain the concept of credit risk based on the type of loans (commercial, industrial, real estate and other) • Explain some basic models for the calculation of default risk <p>Financial modelling with applications in banking</p> <ul style="list-style-type: none"> • Using R programming to analyse large financial sets of banking data • Using R programming to calculate large number of forward rates • Using R programming to calculate durations and perform immunization • Using R graphical interface in financial problems
Recommended and/or required reading:	<p>Saunders, A. Financial Institutions Management: A modern perspective, 4th edition</p> <p>Hull, J. Risk Management and Financial Institutions, Prentice Hall, 2007.</p>
Textbooks:	<p>Saunders, A. Financial Institutions Management: A modern perspective, 4th edition</p> <p>David Luenberger, Investment Science, Oxford University Press, 1998</p>
References:	
Planned learning activities and teaching methods:	<p>The taught part course is delivered to the students by means of lecturers, conducted with the help of computer presentations and the use of the board. Lecture notes and other course material like spreadsheet examples are available to students through the web.</p>
Assessment methods and criteria:	<ul style="list-style-type: none"> • Test 40% • Final Exam 60%
Language of instruction:	English
Work placement(s):	No