

Course Title	Banking and Shipping Finance			
Course Code	ITSM513			
Course Type	Elective			
Level	MSc (Level 2)			
Year / Semester	1st Year / 1st or 2nd Semester			
Teacher's Name	Dr Michalis Makrominas			
ECTS	6	Lectures /week	3	Laboratories / week NONE
Course Purpose	<p>Shipping operations rely heavily on capital markets from the financing of new build vessels to the management of every day operational expenses, to the countering of various types of risks. In fact, few other industries are so closely linked to the financial sector that needs to anticipate and understand its current developments. It is for this reason that a comprehensive module on Banking and Finance has been deemed necessary to include in this Master's degree.</p> <p>Shipping finance employs both traditional finance techniques, as well as industry- specific competencies to derive and manage the value of shipping assets. It is concerned with questions as such, how much should a vessel be bought/or sold, what is the optimal way to finance the acquisition of a vessel, which shipping projects should a company invest in and how much cash should the company distribute to its shareholders. A working knowledge of these fundamental questions is a prerequisite for any long-aspiring career in shipping.</p>			
Learning Outcomes	<p>By the end of the course, the students should be able to:</p> <ul style="list-style-type: none"> • Present an overview of the institutional characteristics of the banking system and appreciate the need of financial intermediation in the shipping markets; • Distinguish the structure of Financial Markets including Debt and Equity Markets, Primary and Secondary Markets, Exchanges and Over-the Counter Markets and Money and Capital Markets; • Discuss the current status of the ship finance market with reference to the historic evolvement of the market for the last 50 years; • Evaluate alternative means of shipping finance including debt provisions, syndicated loans, private equity, bridge financing etc; • Analyse the usefulness and caveats of equity financing in shipping; • Explain how freight rate volatility, the corporate structure (i.e. one-ship company) and other reasons affect equity financing; 			

	<ul style="list-style-type: none"> • Understand why debt financing remains the principle source of shipping financing. Discuss the characteristics of debt financing in relation to equity financing. Identify different types of loans used in shipping finance; • Develop working knowledge of capital budgeting/project appraisal techniques applied to shipping finance scenarios with reference to the capital structure of the company; • Describe alternative means of shipping finance, in particular KS and KG financing and Islamic finance. Understand the basics of securitization; • Identify shipping finance risks including interest rate risk, foreign currency risk and freight rate risk and the financial instruments used to counter these risks. Discuss standard credit risk analysis used in shipping (i.e. 6 C's). 		
Prerequisites	NONE	Co-requisites	NONE
Course Content	<p>Indicative Course Content</p> <ul style="list-style-type: none"> • Introduction to capital markets and the economic system of financial intermediation; • The current status of the ship finance market and its historic evolution; • An overview of alternative means of shipping finance and their characteristics; • Equity financing in shipping: usefulness and caveats, special characteristics, volatility and the “shipping return paradox”. Primary (IPO) and secondary markets; • Debt financing in shipping: alternative types of loans, bond issuances, incentives of lenders and borrowers, mortgaging and collateralization and credit analysis; • Capital budgeting/project appraisal techniques in shipping finance with capital structure; • Beyond traditional sources of equity and debt: KS and KG financing and Islamic finance; • Legal aspects: Ship registry, jurisdiction and arbitration. 		
Teaching Methodology	<p>The course will be delivered through lectures, discussions, and presentations. During the lectures students are encouraged to participate in discussions and through solving exercises and mini case studies. The teaching methodology is augmented with consultations during office hours, home study and preparation for the exam.</p>		
Bibliography	<p><u>Textbooks:</u></p> <p>Shipping Finance, 2015, Institute of Chartered Shipbrokers</p> <p>Maritime Economics, 3rd Edition, Martin Stopford.</p> <p>Frederic S. Mishkin, The Economics of Money, Banking and Financial Markets, 2009.</p>		

	<p>Saunders, A. Financial Institutions Management: A modern perspective, 3rd edition, 2000.</p> <p><u>References:</u></p> <p>Journal of Banking and Finance.</p> <p>Journal of Money, Credit and Banking.</p> <p>Maritime Policy and Management.</p> <p>Clarksons Research Database: Shipping Intelligence Network.</p>
Assessment	<p>Course work 40% (two written assignments, 20% each)</p> <p>Final Exam 60%</p>
Language	English