

BOĞAZIÇI UNIVERSITY - DEPARTMENT OF ECONOMICS
EC344-MONEY, BANKING AND FINANCIAL INSTITUTIONS- FALL 2017

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Description:

The subject matter of this course is built upon *Microeconomic, Macroeconomic and Finance Theories*. It discusses some important theoretical and applied issues in Financial Markets (e.g., those for bonds, stocks, derivative assets), Financial Intermediaries (e.g., banks, insurance firms, pension funds, finance companies), and Central Banking and the Conduct of Monetary Policy.

Text:

F.S.Mishkin, "The Economics of Money, Banking and Financial Markets" Pearson, 10th ed, 2013-- [M]
E. Brigham, "Fundamentals of Financial Management" Dryden Press, 7th ed, 1999 [B]
Copeland, Weston, Shastri, "Financial Theory and Corporate Policy", Pearson, 4th ed, 2005 [C]
CBRT, "Financial Stability Report", May 2017, Vol: 21, <http://www.tcmb.gov.tr/yeni/eng/>

Grading & Policies:

Attendance is essential. I will take attendance, which will be included as bonus points in your overall grade. Those who do not attend at least 75% of the lectures will not be able to take the final exam. We will have one midterm (50%) and one final exam (50%). The parts included in those exams are given below. The final exam will be from the topics that will be covered after the midterm exam. Each exam will contain some questions (15-20 points out of 100) from the Financial Stability Report. I recommend you not to miss an exam, because the makeup exam will cover all topics. Also, those who take the makeup exam cannot have bonus points from attendance.

Tentative Outline for EC344 and EC449 (First two parts are to be covered in EC344)

Introduction	Financial Markets and Institutions	
Chapter 1	Overview/Preview of the Course: Financial Systems, Direct vs. Indirect Finance, Financial Markets, Financial Securities, Financial Institutions, Intermediaries, Central Bank, Monetary Policy	[M] Chp 1-3,
Part I	Financial Markets	
Chapter 2	Time Value of Money, Annuities, Amortization, Bond Valuation, Internal Rate of Return, Yield to Maturity, Interest Rate Risk, Reinvestment Rate Risk	[B] Chp 6-7 [M] Chp 4
Chapter 3	Determinants of Interest Rates, Shifts in Demand and Supply in Bond/Money Markets, Risk and Term Structure of Interest Rates, Yield Curves, Theories Explaining the Yield Curves	[M] Chp 5-6
Chapter 4	Stock Valuation, Zero/Normal/Super Growth Models, Optimal Portfolio Selection, Risk-Return Theories (CAPM, APT), Security Market Line, Efficient Market Hypothesis	[B] Chp 7 [M] Chp 7
Chapter 5	Derivative Assets, Hedging, Forwards, Futures, Call/Put Options, Swaps, Pricing Derivative Assets, Margin Requirement, Margin Call, Forming Portfolios with Derivative Assets, Hedging Credit/FX Rate/Interest Rate Risks	[M] (6 th ed) Chp 13 [C] Chp 7
Midterm	TBA	
Part II	Financial Institutions (Intermediaries)	
Chapter 6	Financial Systems, Roles of Financial Intermediaries, Asset Transformation, Adverse Selection and Moral Hazard Problems in Financial Markets, Investment Banks, AI explanations for crises	[M] Chp 8
Chapter 7	Bank Management, Liquidity/Asset/Liability/Capital Adequacy Management, Credit/Interest Rate/FX Rate Risks, Credit Default Swaps (CDS), Interest Rate Swaps, Cross Currency Swaps	[M] Chp 11
Chapter 8	Banking Industry, Competition, Financial Innovation, Decline of Traditional Banking, Consolidation, Large and Complex Banking Organizations, Systemically Important Financial Institutions, International Banking	[M] Chp 13
Chapter 9	Banking Regulation, Safety Net, Deposit Insurance, Lender of Last Resort, Microprudential Regulations, Basel Capital Accord (1,2,3), Non-Performing Loans, Loan Loss Provisions, Supervision, Dodd-Frank Act, Recent Banking/Financial Crises: Causes and Remedies, Macroprudential Regulations	[M] Chp 12
Part III	Central Banking and the Conduct of Monetary Policy	
Chapter 10	Structure of Central Banks, FED, ECB, Trend Toward Greater Independence	[M] Chp 14
Chapter 11	Central Bank Balance Sheet, Monetary Base, Open Market Operations, Sterilization, Discount Loans, Multiple Deposit Creation, Money Multiplier, Money Supply Process	[M] Chp 15
Chapter 12	Monetary Policy, Market for Reserves, Interbank Interest Rate, Monetary Policy Tools (OMOs, Repo/Reverse Repo, DLs, and Reserve Requirements), Channel/Corridor System	[M] Chp 16
Chapter 13	Goals and Targets of Monetary Policy, Philips Curve, Inflation Targeting, Implicit Nominal Anchor, Reserve Option Mechanism (ROM), Taylor Rule	[M] Chp 17
Final	TBA	