

**The London Institute
of Banking & Finance**

Introduction to Financial Market Instruments



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MODULE SPECIFICATION

1. Title	Introduction to Financial Market Instruments	
2. Start date	2016	
3. Level of module	Level 4 FHEQ	
4. Number of credits	30 Credits	ECTS Value
		15
5. Status	<p>A compulsory module within:</p> <ul style="list-style-type: none"> • BSc (Hons) in Finance, Investment and Risk (full- and part-time) • BSc (Hons) in Politics, Finance and Economics (full- and part-time) <p>Option module within:</p> <ul style="list-style-type: none"> • Professional Certificate in Financial Services (PCertFS®) • Professional Certificate in Banking (PCertB®) [for students registered prior to November 2014] 	
6. Recommended prior modules	N / A	
7. Programmes of study to which module contributes	<ul style="list-style-type: none"> • Professional Certificate in Financial Services (PCertFS®) • Professional Certificate in Banking (PCertB®) [for students registered prior to November 2014] • BSc (Hons) in Finance, Investment and Risk (full- and part-time) • BSc (Hons) in Politics, Finance and Economics (full- and part-time) 	
8. Campus / Partner	N / A	
9. Syllabus overview	<p>This module covers the main types of product used in the financial markets, including debt and equity instruments used in both retail and wholesale markets. It involves an initial familiarisation of the instrument types, before then proceeding to a full understanding of how the instruments are used and how one assesses them from a risk-reward perspective.</p> <p>The module develops a wide-ranging critical and theoretical approach to financing decisions and how the different financial instruments are employed to construct the full capital structure within the wider financial markets. The module also evaluates the risk-reward considerations of institutional investors and how these are met through the use of the different financial instrument types available.</p> <p>Towards the end of the module students will consider the investment environment, including regulation affecting financial markets and investment; ethics and professional codes of conduct.</p>	

10. Intended subject specific learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module, students will be able to:

- a) describe the main types of instrument used in the financial markets;
- b) undertake calculations in financial instrument analysis;
- c) carry out exercises designed to demonstrate the different applications of financial market instruments;
- d) articulate the importance of financial market instruments to wider economic development;
- e) explain the use and application of debt and equity financial instruments;
- f) apply the knowledge acquired in solving investment problems and issues of risk and return; and
- g) demonstrate awareness and understanding of current issues in the investment environment including those relating to regulation, Ethics and investment Codes of Conduct.

These intended subject-specific module learning outcomes contribute to the following programme learning outcomes:

- Professional Certificate in Financial Services: A1 and A4.
- Professional Certificate in Banking (PCertB®) [for students registered prior to November 2014]: 01, 02, 03, 04, 05 and 06.
- BSc (Hons) in Finance, Investment and Risk: A1, A2, A3 and A5.
- BSc (Hons) in Politics, Finance and Economics: A1, A2, A3, A4 and A5.

11. Intended generic learning outcomes and, as appropriate, their relationship to programme learning outcomes

On completion of this module, students will be able to demonstrate achievement of the following generic learning outcomes:

1. Critical thinking skills.
2. Ability to learn through reflection on practice and experience.
3. Ability to work with complex material.
4. Ability to analyse problems and identify appropriate solutions.
5. Ability to work and study independently and in groups, and utilise resources effectively.
6. Communication and report writing skills.

These intended generic learning outcomes contribute to the generic programme learning outcomes:

- Professional Certificate in Financial Services: B-D.
- Professional Certificate in Banking (PCertB®) [for students registered prior to November 2014]: 01, 02, 03, 04, 05 and 06.
- BSc (Hons) in Finance, Investment and Risk: B-D.
- BSc (Hons) in Politics, Finance and Economics: B-D.

12. Learning and teaching

A. Learning hours

For a module of study worth 30 credits, the total expected study hours are 300 (ie ten hours per credit). The contact hours will depend upon the student's mode of study.

B. Tuition support

Distance learning

Distance learning allows students to study independently within a clear framework, but at a pace that suits their personal circumstances and study needs. Over their course of study (24 weeks), students will be provided with comprehensive learning materials, study guides and will be assigned to a subject specialist academic tutor to support their studies. Distance learners will have regular contact with The London Institute of Banking & Finance Academic Tutor and further practical support is available from The London Institute of Banking & Finance Student Services.

Flexible learning

Flexible learning allows distance learners to opt for three face-to-face workshops of approximately six hours each, evenly spread at appointed dates in each session (24 weeks).

Dispersed campuses

Dispersed campus students will have regular face-to-face sessions over each session of study. The timing will depend upon local timetabling arrangements (eg via evening classes).

Full-time students

Full-time students will study on a semester basis supported by their module lecturer. The weekly timetable will be advised at the start of the programme.

C. Learning materials and learning outcomes

The teaching and learning strategy is designed to ensure that the students achieve the learning outcomes by the end of the module. The teaching and learning methods include formal lecture and tutorial (full-time), online learning support from an appointed lecturer (distance / flexible learning), private study of text and other supporting materials, a formal coursework, informal exercises (both individual and group-based), and pooling of experience and knowledge through class / forum and individual discussion. Whenever possible, written and video / audio materials from the news and professional investor organisations will be used to support the different topics throughout the module.

The assessment strategy is designed to achieve a balance between testing the student's skills of knowledge recall and understanding, and those of research and application.

D. Reading

Students will be provided with a core text as detailed below, but will also be expected to read and research a variety of sources. Lecturers will also recommend additional reading throughout the module.

Essential reading

- Bodie, Z., Kane, A., Marcus, A., (2013) *Essentials of Investment*, 9th edition, Glasgow, McGraw-Hill UK.

Further reading

- Arnold, G. (2010) *Financial Times Guide to Investing*. Harlow: FT Prentice Hall.
- Choudhry, M. (2010) *An Introduction to Bond Markets*. 4th edn. Chichester: John Wiley & Sons.
- Choudhry, M., Fabozzi, F.J. and Mann, S.V. (2002) *The Global Money Markets*. Chichester: John Wiley & Sons.
- Maginn, J.L., McLeavey, D.W., Pinto, J.E. and Tuttle, D.L. (2007) *Investment Portfolios*. Chichester: John Wiley & Sons
- Steiner, B. (2010) *Mastering Financial Calculations: A step-by-step guide to the mathematics of financial market instruments*. 3rd edn. Harlow: FT Prentice Hall.
- Valdez, S. (2007) *An Introduction to Global Financial Markets*. 5th edn. Basingstoke: Palgrave Macmillan.

Journals

- The Economist
- Financial World

Each student will have access to the Virtual Learning Environment (VLE) and to *KnowledgeBank* learning resources (an electronic library service). A list of further readings relating to the syllabus, course work and end of course assignments can be found on the VLE.

It should be noted that due to the rapidly changing environment that encapsulates the financial services sector, the reading list above is indicative only. It is subject to review and update at the discretion of the module team. An up-to-date reading list is published in the Student Study Guide issued at the commencement of the module.

13. Assessment

Component	Duration / Length	Weighting
Component 1 Examination	60 minutes	30%
Component 2 Coursework	1,000 words including quotations and in-text citations	20%
Component 3 End of course assignment	2,500 words including quotations and in-text citations	50%

Component 1: Examination

This assessment will represent 30% of the overall module mark weighting and will take the form of an examination of 60 minutes' duration and comprise eight questions of five marks each.

The total marks available for this assessment component is 40. The pass mark for this component is 40% (16 marks from the 40 marks available).

The assessment will aim to test knowledge and understanding from the early learning in the module, covering syllabus sections 1, 2, 3 and 4. The learning from the early part of this module will form a foundation for later study.

A scientific calculator may be used but it must not be programmable, nor have a wireless-communications capability, nor be capable of storing textual information. It must also not require a mains electricity supply. Calculators with any further functions are not allowed in the examination room.

Component 2: Coursework

The second assessment will represent 20% of the overall module mark weighting. It will take the form of focused coursework allowing students to develop the skills of research and coursework writing. The assignment will comprise a maximum word limit of 1,000 words, including quotations and in-text citations.

The pass mark for this component is 40% (8 marks from the 20 marks available).

The coursework will aim to assess students' knowledge and understanding and the ability to apply learning in a written assignment drawing on syllabus sections 5 and 6.

Component 3: End of course assignment

The third assessment will represent 50% of the overall module mark weighting. The assessment will comprise a coursework assignment with a maximum word count of 2,500 words including quotations and in-text citations.

The pass mark for this component is 40% (20 marks from the 50 marks available).

Students will be required to demonstrate knowledge and understanding. The assignment will cover syllabus sections 7, 8 and 9 but will also provide the opportunity for students to draw upon learning from the entire module.

Students should be aware of the regulations governing the award of credit and the arrangements for compensation, condonement and the capping of marks. Students should also be aware of the regulations relating to the resitting of assessment components and / or the retaking of modules. This information is contained within The London Institute of Banking & Finance's General and Academic Regulations for Students sections 7, 8 and 9.

Module Grading

A student's module performance grade is determined by their overall weighted average percentage score in accordance with the following:

Distinction: 70% – 100%

Pass: 40% – 69%

14. Syllabus

1. Introduction to Financial Market Instruments

This section of the syllabus will introduce students to the application of financial market instruments and the mechanics of different financial instruments for raising and investing funds. Students will also look at the financial marketplace and give consideration to the uses and users of financial market instruments and how these instruments are traded within financial markets.

2. The concept of Time Value of Money (TVM)

In this section of the syllabus, students will consider the return dynamics required by investors known as 'the required rate of return' and the concept of Time Value of Money (TVM).

3. Cash Capital Market Instruments

In this section of the syllabus, students will gain an understanding of the major physical capital markets including the market participants, market operating mechanisms and the characteristics of the instruments including:

- Money Market Instruments;
- Foreign Exchange;
- Fixed Income Securities (bond markets);
- Equities;
- Valuation of cash capital market instruments

4. Introduction to the Yield Curve and Market-Determined Interest Rates

The purpose of this section is to gain an understanding of the factors that drive yield curves, including:

- Expectations of inflation;
- Credit Risk (influence of credit rating agencies);
- Appetite of investors for different maturity periods;
- Influence of central banks on yield curves.

5. Bond Markets

In this section of the syllabus, students will look at bond markets. Students will consider:

- The key features and main types of bonds;
- The global bond markets including the sovereign bond markets and the corporate bond markets;
- Bond market instruments and valuation;
- Participants.

6. Equity markets

In this section of the syllabus, students will look at equity markets and provide an introduction to financial ratio analysis. Students will consider:

- The key features and main types of equities;
- The workings of the primary and secondary equity markets;
- Introduction to Equity Instruments analysis;
- Introduction to corporate actions;
- Participants;
- Fundamental and technical (ratio) analysis.

7. Derivative Instruments

In this section of the syllabus, students will consider the key characteristics of derivative instruments. Students will cover:

- The concept, use and importance of derivative instruments;
- Forwards and futures;
- Swaps;
- Options.

8. Commodities and other asset classes

Although not financial market instruments, commodities and other asset classes are investment vehicles. This section of the syllabus will provide an overview of commodities and other asset classes including (real estate and real estate investment trusts (REITs); exchange-traded funds and alternative investments). Students will consider:

- The key features of commodities and asset classes;
- Participants;
- The main types of commodities traded and asset class investments.

9. The Investment Environment

This section of the syllabus looks at current issues in the investment environment. Students will consider factors affecting financial markets and the wider investment environment including regulation, ethical issues and established Codes of Conduct e.g. the CFA Institute Code of Ethics and Standards of Professional Conduct.