

# Globalisation of Financial Markets

**MODULE SPECIFICATION**

<b>1. Title</b>	<b>Globalisation of Financial Markets</b>	
<b>2. Start date</b>	2016	
<b>3. Level of module</b>	Level 6 FHEQ	
<b>4. Number of credits</b>	30 Credits	ECTS Value
		15
<b>5. Status</b>	An optional module within: <ul style="list-style-type: none"> <li>• BSc (Hons) in Banking Practice and Management (full- and part-time)</li> <li>• BSc (Hons) in Finance, Investment and Risk</li> </ul>	
<b>6. Recommended prior modules</b>	N / A	
<b>7. Programmes of study to which module contributes</b>	<ul style="list-style-type: none"> <li>• BSc (Hons) in Banking Practice and Management (full-time)</li> <li>• BSc (Hons) in Finance, Investment and Risk</li> </ul>	
<b>8. Campus / Partner</b>	N / A	
<b>9. Syllabus overview</b>	<p>This option module has been designed for students who wish to build on their previous knowledge of the financial system to gain a better understanding of the implications of financial market integration and the emergence of a global financial system for financial intermediation. The module enables students to analyse the process of financial globalisation and its impact on the design of financial systems and operations of international financial markets. It also examines the activities and roles of key players, such of financial institutions, international investors, multinationals and multi-lateral organisations, that use and contribute to the efficiency, stability and competitiveness of these markets.</p> <p>Starting with an overview of financial globalisation and the key trends and changes that have occurred in the financial markets, the syllabus progresses to review key change drivers such as regulation, government policy, technology and arbitrage and their impact on the structure of markets, rewards, costs and risks. At the core of the module is a study of various financial markets in a global setting which will cover aspects including instruments, pricing, institutional arrangements, the decisions of investors and how the initiatives and policies of international organisations aim to promote sustainability in these markets and the global economy. Students will explore foreign exchange, bond and equities markets as well as the unregulated Euromarkets and more recent securitised and carbon markets.</p> <p>Using a mix of finance theory, evidence from empirical studies, real life examples and case studies, students will evaluate the behaviour / choices of participants in domestic and international markets. They will appraise and apply models for assessing risk, portfolio investment and pricing securities in an international context and study the financial management decisions facing multinational corporations. They will also apply these models to compute yields, borrowing costs and expected return.</p> <p>Globalisation of financial markets is a highly practical and dynamic subject area. To develop a sound understanding and mastery of the subject, students should read widely around the subject and keep up to date with current developments in the field. The module will broaden students' knowledge and understanding of the financial services industry and enhance their intellectual abilities and practical skills via the in-depth analysis of the opportunities and risks of the globalisation process and the evaluation and application of finance models.</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 achieve the following:

- a) analyse the nature of and trends in domestic and international financial systems;
- b) examine the role of multilateral organisations in sustaining the global financial system;
- c) evaluate the key drivers of change and risk in global financial markets and institutions;
- d) evaluate the growth and development of international financial markets eg, currency, bond, carbon, equity markets;
- e) assess the theories relating to global interest rates, FX rates, investment returns, arbitrage pricing;
- f) analyse the impact of globalisation via financial integration on the cost of capital; and
- g) apply relevant theoretical models to calculate interest rates, the cost of equity and overall cost of capital.

These intended module learning outcomes contribute to the following programme learning outcomes:

- BSc (Hons) in Banking Practice and Management: A1, A3 and A4.
- BSc (Hons) in Finance, Investment and Risk: A1, 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. Ability to apply cognitive skills of analysis, synthesis and evaluation to the management of organisations and their external environment (B1 and C2).
2. Ability to apply qualitative skills in order to analyse problems, identify appropriate solutions and make decisions (B2).
3. Ability to develop and defend arguments / concepts through multiple perspectives (B4).
4. Ability to work with material across a range of subject areas and to recognise the links and interrelationships between them (B5).
5. Ability to conduct research into relevant issues (C1).
6. Ability to understand the process and causes of change within organisations (C3).
7. Ability to abstract meaning from information and communicate effectively in a manner appropriate to the context and audience using a range of media (D1 & D4).
8. Ability to plan and study independently and utilise resources effectively (D2 and D3).

These intended generic learning outcomes contribute to the generic programme skills as set out in sections B - D of the programme specifications.

## 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 learning and teaching strategy is designed to ensure that the students achieve the learning outcomes by the end of the module. The learning and teaching 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 assignment, informal exercises, (both individual and group-based), and pooling of experience and knowledge through class / forum and individual discussion. 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 or equivalent, as detailed below but will also be expected to read and research the recommended reading on the course website. Lecturers may also recommend additional reading throughout the module.

#### Essential reading

- Cohen, I., Jeffery, J. and Kyaw, K. (2015) *Globalisation of Financial Markets*. Canterbury: *ifs University College*.

#### Further reading

- Casu, B. Girardone, C. and Molyneux, P. (2006) *Introduction to banking*. Harlow: Pearson Education Ltd. *MyLibrary* [Online].
- Greenbaum, S. I. and Thakor, A.V. (2007) *Contemporary Financial Intermediation*, Amsterdam: Elsevier, *EBSCOhost e-book collection* [Online]. Johnson, H. (2000). *Global financial institutions and markets*. Oxford: Blackwell Publishers Ltd.

- Valdez, S. (2007) *An introduction to global financial markets*, 5th rev. ed. Basingstoke: Palgrave Macmillan. MyLibrary [Online].

Journals / newspapers

- Journal of Banking & Finance.
- CATO Journal.
- The Economist.
- Financial Times.
- Journal of Money, Credit & Banking.

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 and summative assignment 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
<b>Component 1</b> Summative assignment	4,000 words including quotations and in-text citations	30%
<b>Component 2</b> Examination	3 hours (plus 15 minutes' preparation time)	70%

Component 1: Summative assignment

This component will contribute 30% of the overall assessment and will be based upon the submission of one assignment at the end of the course but prior to the examination. The focus of the assignment will be on exploring the relationships between issues and topics within the module syllabus (maximum 4,000 words including quotations and in-text citations). The pass mark for this component is 40%.

Component 2: Examination

This component will contribute 70% of the overall assessment. A variety of question styles and approaches may be included in the examination. Questions might require responses that involve both discursive and quantitative elements. Students will typically be required to explore and compare specific aspects of an issue or to apply their technical abilities and understanding to, for example, solve a problem or provide a recommendation.

The question paper will be structured as follows:

- **Section A** consists of one compulsory question worth 40 marks.
- **Section B** consists of four 30-mark questions, any two of which must be answered.

The pass mark for this component is 40%.

Time allowed: 3 hours (plus 15 minutes' preparation time).

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.

At regular intervals during the course of study, students will be expected to submit short formative assignments. These assignments will take the form of developmental learning activities towards the assessed assignment and unseen examination components and will be integrated within the study plan. They will provide students both with opportunities to reinforce their learning as they progress through the course of study and the opportunity to prepare for both the summative assignment and unseen examination.

Whilst these formative assignments will not contribute to the overall assessment, students are strongly advised to take the opportunity to complete them, as feedback will be provided from their lecturer on their progress through the course of study.

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:

3 <sup>rd</sup>	40%	-	49%
2.2	50%	-	59%
2.1	60%	-	69%
1 <sup>st</sup>	70%	-	100%

## **14. Syllabus**

### **1. Introduction to Globalisation**

- Evolution of financial systems
- Government policies and their impact on capital flows
- Emerging markets and developing economies
- Statistical trends
- Protectionism

### **2. International Financial System**

This section of the syllabus provides an overview and analysis of the international financial system, this includes:

- the role of the international financial system in channelling funds from surplus units to deficit units;
- comparison of emerging and developed markets;
- specific roles played by financial markets and multi-lateral institutions.

### **3. International financial markets and institutions**

An analysis is made of:

- the instruments traded in the global financial markets eg shares, derivatives, ETFs, sovereign bonds, corporate bonds, notes, unit trusts, investment trusts, securitised debt;
- the role of financial intermediaries eg 'maturity matching', asset and liability management, global portfolios;
- EMH and other market theories.

#### **4. Key drivers and risk impacting on globalisation**

This section focuses on:

- the causes, benefits and risk of globalisation;
- implications of globalisation for financial institutions and economies; and
- economic and monetary integration.

#### **5. Bonds, interest rates and central bank activity**

This section of the syllabus analyses the operation of:

- bond markets in the global financial system;
- interest rate arbitrage as a key element in the globalisation of financial markets;
- central banks as a key influence on domestic interest rates, regulation and monetary policy eg OMO, quantitative easing (QE).

#### **6. Foreign exchange (forex) markets and equilibrium**

This section of the syllabus examines the contribution of:

- forex markets to financial capital and trade flows;
- hedging, arbitrage and speculation;
- equilibrium relationships eg Purchasing Power Parity (PPP: both absolute and relative, and including the Big Mac and iPod standards), the International Fisher Effect (IFE), and Interest Rate Parity (IRP; including the role of covered interest arbitrage).

#### **7. International equity markets**

This section of the syllabus examines:

- the ability of firms to raise (equity) capital outside of their domestic environments;
- linkages between key equity markets;
- how stock exchanges have responded to increased competition, regulation, corporate governance and CSR; and
- why firms cross list and the effects this can have on equity markets.

#### **8. Unregulated markets**

This section of the syllabus examines:

- Euromarkets;
- Eurobanking;
- Eurobonds;
- Eurosecurities; and
- small international financial centres.

#### **9. International investment in a global setting**

This section of the syllabus examines:

- International diversification and its impediments;
- Modern international portfolio theory;
- International capital asset pricing model (ICAPM);
- Influence of portfolio theory and ICAPM on the cost of capital; and
- Other international asset pricing models.

#### **10. The international cost of capital**

This section of the syllabus covers:

- comparison of sources of finance and cost of capital for domestic and multinational enterprises;
- advantages and disadvantages of foreign direct investment (FDI) for the multinational and the host and home countries; and
- the calculation of IWACC and application to capital budgeting.