

**The London Institute  
of Banking & Finance**

# **Financial Services: The Commercial Environment**



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MODULE SPECIFICATION

<b>1. Title</b>	<b>Financial Services: The Commercial Environment</b>	
<b>2. Start date</b>	2016	
<b>3. Level of module</b>	Level 5 FHEQ	
<b>4. Number of credits</b>	30 Credits	ECTS Value
		15
<b>5. Status</b>	<p>A compulsory module within:</p> <ul style="list-style-type: none"> <li>• Professional Diploma in Banking Practice and Management</li> <li>• BSc (Hons) in Banking Practice and Management (full-time)</li> <li>• BSc (Hons) in Finance and Accounting for Financial Services (full- and part-time)</li> <li>• BSc (Hons) in Finance, Investment and Risk (full- and part-time)</li> <li>• BSc (Hons) in Politics, Finance and Economics (full- and part-time)</li> </ul>	
<b>6. Recommended prior modules</b>	<ul style="list-style-type: none"> <li>• N / A</li> </ul>	
<b>7. Programmes of study to which module contributes</b>	<ul style="list-style-type: none"> <li>• Professional Diploma in Banking Practice and Management</li> <li>• BSc (Hons) in Banking Practice and Management (full-time)</li> <li>• BSc (Hons) in Finance and Accounting for Financial Services (full- and part-time)</li> <li>• BSc (Hons) in Finance, Investment and Risk (full- and part-time)</li> <li>• BSc (Hons) in Politics, Finance and Economics (full- and part-time)</li> </ul>	
<b>8. Campus / Partner</b>	N / A	

## 9. Syllabus overview

This module focuses on the macroeconomic environment surrounding financial services organisations. It looks at the theories of intermediation, the process of disintermediation and the macroeconomic, regulatory and technological drivers that impact on the financial services industry. Students will be encouraged to consider how these influences interact with each other and how they impact on financial services in practical terms.

Through the assessment, students will have the opportunity to demonstrate their understanding of a range of theories, principles and issues and to explore the relationships between them. While the syllabus uses UK and EU economic policies and banking practices for illustrative purposes, students will be encouraged to consider relevant international comparisons.

This module has been designed to enable students to build on previous studies of the external environment in which financial services businesses have to operate. Students will be familiar with some basic aspects of the economic environment, financial markets and institutions, competition, regulation and other ethical and social considerations that can have an impact on an organisation's management and marketing strategies. This syllabus aims to draw together the student's knowledge of these, and encourages them to reflect on how such issues interrelate in the overall management of an organisation.

The first syllabus sections review the concepts of intermediation and credit creation and examine how financial markets are structured. There is a focus on the functions and characteristics of key institutions and markets, how they operate and how competition acts as a pricing mechanism. The syllabus then focuses on deepening students' understanding of the monetary system and looks in some detail at the ways in which monetary and fiscal policy are used as key instruments in economic management.

The final section examines the need for and rationale behind regulation of financial institutions and markets. In particular, it covers capital adequacy and liquidity requirements and how EU directives and requirements proposed by other international bodies have an impact on the UK regulatory regime.

## 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) explain and analyse the concepts of intermediation and disintermediation;
- b) explain, analyse and discuss the main economic forces affecting financial markets, including competition;
- c) analyse different approaches to financial services regulation;
- d) use economic information from various sources to explain and analyse the financial services industry and show an awareness of recent developments; and
- e) evaluate links between the external environment and the behaviour of financial services organisations.

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

- Professional Diploma in Banking Practice and Management: A1, A2, A3, A4, A5, A6 and A7.
- BSc (Hons) in Banking Practice and Management: A1, A2, A3 and A4.
- BSc (Hons) in Finance and Accounting for Financial Services: A1, A4, A5 and A6.
- BSc (Hons) in Finance, Investment and Risk: A1, A2, A4, A5 and A6.
- BSc (Hons) in Politics, Finance and Economics: A1, A2, A3, A4, A5, A6 and A7.

## **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 learn through reflection on practice and experience.
2. Ability to undertake research and work with material across a range of issues and to recognise the links and interrelationships between them.
3. Ability to analyse problems, identify appropriate solutions and make decisions.
4. Ability to work and study independently and utilise resources effectively.
5. Ability to communicate effectively in a manner appropriate to the context and audience.

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

- Professional Diploma in Banking Practice and Management: B–D.
- BSc (Hons) in Banking Practice and Management: B–D.
- BSc (Hons) in Finance and Accounting for Financial Services: B–D.
- 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 their Academic Tutor and further practical support is available from The London Institute of Banking and 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, 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

- Bloomfield, S. and Tyler, A. (2015) *Financial Services: The Commercial Environment*. Canterbury: *ifs* University College.

##### Further reading

- Howells, P. and Bain, K. (2005) *The Economics of Money, Banking and Finance: A European Text*, Harlow: FT Prentice Hall. 3<sup>rd</sup> Edition.
- Buckle, M. and Thompson, J. (2004) *Introduction to the Financial System In: The UK Financial System* (Chapter 1), Manchester: Manchester University Press. 4<sup>th</sup> Edition.

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	3,000 to 4,000 words including quotations and in-text citations	50%
<b>Component 2</b> Examination	2 hours (plus 15 minutes' preparation time)	50%

#### Component 1: Summative assignment

This component will contribute 50% of the overall assessment and will be based upon the submission of one assignment (maximum 3,000 to 4,000 words including quotations and in-text citations) 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. Feedback will be provided on this component.

#### Component 2: Examination

This component will contribute 50% of the overall assessment. Students will be required to answer any four questions from a choice of six. Each question is worth 25 marks. The pass mark for this component is 40%.

Time allowed: 2 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 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 and 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:

Pass	40%	-	59%
Merit	60%	-	69%
Distinction	70%	-	100%

## 14. Syllabus

### 1. Intermediation and disintermediation

This course starts with the reasons for intermediation and then subsequent developments in the form of disintermediation. Students will also gain an understanding of how financial institutions facilitate the creation of credit and its impact on monetary policy. It will cover:

- the nature of financial intermediation and disintermediation;
- major theories of financial intermediation, including transaction costs and asymmetric information;
- the role of financial institutions in both intermediation and disintermediation; and
- the creation of credit, including the credit creation multiplier.

### 2. Financial markets and competition

This section of the syllabus looks at the nature and operations of financial markets, their structures, legal framework in which they operate and how financial institutions manage risk. It will cover:

- the functions and characteristics of the key financial and financial services markets;
- the strategic factors influencing competition;
- the features of different market structures, the establishment of a market price and the importance of both price and non-price competition;
- the impact of technology on business models in banking;
- the role of primary and secondary markets;
- the principles of pricing financial assets; and
- the management of risk including asset and liability management.

### 3. Monetary and fiscal policy

This section of the syllabus provides students with a thorough understanding of the role of monetary and fiscal policy as key elements in the management of a national economy. It uses the UK and Eurozone as the basis for illustrating core macroeconomic concepts and instruments of monetary and fiscal policy, but recognises that international students will be seeking to relate these concepts to their own particular domestic environments. It will cover:

- the macroeconomic context of monetary and fiscal policy;
- the objectives and instruments of monetary and fiscal policy in the UK and the Eurozone;
- the policy framework adopted by the Bank of England Monetary Policy Committee and ECB for securing inflation targets;
- the relationship between monetary and fiscal policy in the macroeconomic management of the business cycle; and
- the effectiveness of macroeconomic policy.

#### **4. Banking regulation**

This section of the syllabus is concerned with the regulatory environments in which banks operate. It covers the need for regulation, whether legal or voluntary; again, while using UK-based legislation for illustrative purposes, it puts these into an international and especially an EU context. Students will become familiar with a range of concepts including the need for capital adequacy, liquidity controls and the dangers of overregulation. It will cover:

- the rationale for the regulation of financial institutions and markets;
- the economic risks of overregulation (moral hazard);
- the nature of the regulatory regime in the UK;
- the causes of regulatory reform, including financial crises, financial innovation and globalisation;
- the influence of international institutions and the EU on the framework for supervising and regulating the financial system;
- the concepts of economic and regulatory capital including pro-cyclicality;
- the impact of proposed changes in the regulatory regime, including Basel II, Basel III and any future amendments;
- the concept of macroprudential regulation; and
- the management and regulation of liquidity, market and operational risk.