

# Financial Markets and Risk

**MODULE SPECIFICATION**

<b>1. Title</b>	<b>Financial Markets and Risk</b>	
<b>2. Start date</b>	2016	
<b>3. Level of module</b>	Level 4 FHEQ	
<b>4. Number of credits</b>	30 Credits	ECTS Value
		15
<b>5. Status</b>	<p>A core module within:</p> <ul style="list-style-type: none"> <li>• Professional Certificate in Banking (PCertB®)</li> <li>• Professional Certificate in Financial Services (PCertFS®)</li> <li>• BSc (Hons) in Banking Practice and Management (full-time)</li> <li>• BSc (Hons) in Finance and Accounting for Financial Services</li> <li>• BSc (Hons) in Finance, Investment and Risk</li> <li>• BSc (Hons) in Politics, Finance and Economics</li> </ul> <p>The module must form part of the first 60 credits achieved.</p>	
<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>• Professional Certificate in Banking (PCertB®)</li> <li>• Professional Certificate in Financial Services (PCertFS®)</li> <li>• BSc (Hons) in Finance and Accounting for Financial Services</li> <li>• BSc (Hons) in Banking Practice and Management</li> <li>• BSc (Hons) in Finance, Investment and Risk</li> <li>• BSc (Hons) in Politics, Finance and Economics</li> </ul>	
<b>8. Campus / Partner</b>	N / A	
<b>9. Syllabus overview</b>	<p>The module is designed to provide an introduction to the environment within which the financial services industry operates and to explore the main components of the financial system. It begins by describing the major financial institutions, the markets within which they operate and the main participants in the markets. The emphasis is on how the financial system works and on the inter-relationships between market participants and stakeholders.</p> <p>The module goes on to explain the core concepts of a monetary system, such as the money supply, inflation and the factors influencing interest rates and foreign exchange rates. It describes the role of monetary policy in controlling inflation and the role of the central banks in providing liquidity to the markets. The module also explores the concept of risk, and the nature of the risks relating to the financial markets, financial institutions and non-bank companies. There is focus on the management of risk. This includes the concept of hedging and financial products and strategies for managing risk, but also extends to issues such as systemic risk, capital adequacy and liquidity risk.</p> <p>The module also explains the principles and nature of regulation in the financial markets, and the impact of regulation on the markets and financial institutions. There is emphasis on current trends and issues in the financial markets, including those of ethics and sustainability, so that the module has direct and up-to-date relevance for individuals working in the financial services industry.</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 (at an introductory level) to:

- a) demonstrate knowledge and understanding of financial institutions and be able to identify the different types of service that they provide to meet the needs of their customers;
- b) identify and explain the concepts of money, interest rates, exchange rates and inflation, and identify and explain the main functions and importance of the monetary and financial system;
- c) demonstrate an understanding of the concept of risk and its importance;
- d) demonstrate an understanding of the reasons for regulation of the financial services industry and be able to understand the key principles of that regulation, including both statutory and self-regulation, with particular reference to UK regulation;
- e) recognise and appreciate the influences on the financial institutions and markets, including financial intermediation and disintermediation, and ethical and sustainability issues;
- f) identify and analyse the factors influencing monetary policy, its functions and the role of the central bank in the management of liquidity, the money supply and the rate of inflation; and analyse the implications of changes in exchange and interest rates;
- g) analyse the types and levels of risks and how they can be managed; and
- h) analyse the roles and objectives of the regulators of the financial services industries in the UK and internationally and analyse particular regulatory needs in a given situation.

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

- Professional Certificate in Banking: 01,02,03,05,07 and 08.
- Professional Certificate in Financial Services: A1, A3 and A4.
- BSc (Hons) in Banking Practice and Management: A1, A4, A5 and A6.
- 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, A3 and A4.

**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 utilise resources effectively.
6. Communication and report-writing skills.

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

- Professional Certificate in Banking: 1–6.
- Professional Certificate in Financial Services: 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 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). (Please note that tailored arrangements may vary, please check the programme website for details.)

#### Dispersed campuses

Dispersed campus students will have regular face-to-face sessions over each course 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 coursework 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 the 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

- Hontoir, J. and Tyler, A. (2016) *Financial Markets and Risk*. Canterbury: *ifs* University College.

Each student will have access to the Virtual Learning Environment (VLE) and to KnowledgeBank learning resources (containing an electronic library service). A list of further readings relating to the syllabus, coursework 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 made available to students at the commencement of the module.

### 13. Assessment

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

#### Multiple-choice objective test

This assessment will represent 30% of the overall module mark weighting and will take the form of a 60-minute multiple-choice objective test containing 40 questions. The test will be taken at an examination centre after approximately 10 weeks of study (part-time students) or approximately half-way through the course (full-time students).

The pass mark for this component is 55% (22 marks from the 40 marks available).

This assessment will aim to test knowledge and understanding from the early learning in the module. The test will provide the opportunity for early feedback to the student about progress on the module. It will serve to identify areas requiring further development / revisiting.

This assessment will focus on testing student knowledge and understanding from learning outcomes 10(a), 10(b), 10(c) and 10(d) (Syllabus areas 1–4). This will include exploring the roles of the financial institutions and the different types of service that they provide; explaining the concepts of money, inflation, interest rates and exchange rates; understanding the concept of risk; and awareness of the need for regulation of the financial markets and institutions.

This knowledge and understanding will be built upon in other assessments to test students' ability to apply their knowledge (Coursework) and to analyse a situation (End of course assignment).

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.

#### Coursework

This assessment will represent 20% of the overall module mark weighting and should be submitted after approximately 16 weeks of study (part-time students) or one-third of the way through the course (full-time students). It will take the form of a coursework assignment, allowing the student to develop skills of research and assignment writing and providing the opportunity for feedback from the Lecturer. 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 assignment will aim to assess the students' ability to apply their knowledge and understanding from learning outcomes 10(a), 10(b), 10(c), 10(d), 10(e), 10(f) and 10(g) (Syllabus areas 1, 2, 3, 4, 5, 6 and 7) to a situation outlined in a brief scenario. This application of knowledge and understanding will be built upon in the final assessment to test students' ability to analyse a situation (End of course assignment).

#### End of course assignment

The final assessment will represent 50% of the overall module mark weighting and will be submitted at the end of the period of study, intended to be within a period of 24 weeks. The assessment will comprise an end of course assignment with a maximum word count of 2,500 words, including quotations and in-text citations.

It requires a student to draw on knowledge and understanding from all eight of the learning outcomes (Syllabus areas 1–8) and requires them to apply this learning to a particular situation and to demonstrate their analytical skills. Students will be required to analyse a business situation. The students' analysis of the business situation should demonstrate an ability to analyse the types and levels of risks involved and of measures that may be taken in order to mitigate those risks. It will additionally be focused on analysis of the requirements and effectiveness of the regulation of the financial services industry and those measures that apply to the business scenario presented to them.

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

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: 45% – 69%

## **14. Syllabus**

### **1. Financial institutions and markets**

The emphasis is on how the financial system works and what it provides, rather than its institutional structure in detail. Therefore, it is more important to understand the functions they perform and the services provided.

- The major financial institutions and markets and their products and services.
- The principal stakeholders in financial institutions and markets.
- Financial intermediation and disintermediation.

### **2. Overview of the monetary system**

This section is intended to provide students with an understanding of the monetary system that underpins the financial markets of any country or grouping of countries. It uses the UK financial monetary system as a basis for illustrating core concepts while recognising that international students will seek to apply these core concepts to their particular environments.

- The functions of money and the money supply.

- Definition and measurements of inflation.
- Factors influencing interest rates.
- Factors influencing exchange rates.

### **3. Risk: the concept and its importance**

This section of the syllabus introduces the concept of risk. Risk is inherent in all activities, markets and organisations – effective management is largely concerned with identifying such risks and employing appropriate techniques to manage them. The importance of this must not be underestimated. Many of the products available to control and contain risk are supplied by the financial services sector, and students will constantly need to revisit and address the issue of risk throughout their studies and future management careers. Concepts and classifications of risks relating to:

- financial markets;
- banks and non-bank financial institutions;
- companies; and
- non-financial corporations.

### **4. Why financial institutions and markets are regulated**

This section is concerned with the regulation of the provision and distribution of financial services products. The focus is upon the importance of, and rationale for, regulation. The focus of the learning is on the underlying guiding principles rather than the detailed rules, which are subject to ongoing change.

- The rationale for financial regulation.
- Different types of regulation.
- The regulatory bodies and their guiding principles and functions.

### **5. Influences on financial institutions and markets**

- The emphasis is on current trends, issues and developments in the financial markets.
- Implications of financial intermediation and disintermediation.
- Key economic and financial issues affecting financial institutions and markets.
- Issues of ethics and of sustainability.

### **6. Management of the monetary system**

This section further develops the students' understanding of the monetary system by applying their earlier learning of the system to explain how it is managed. There is particular emphasis on the management of inflation and the resulting impacts on financial institutions and markets.

- The role of monetary policy in controlling inflation.
- The role of the central bank in managing liquidity in the financial markets.
- The implications of changes in interest rates and exchange rates for financial institutions and markets.

### **7. Risk management**

This follows on from an earlier introduction to the concept of risk. As risk is inherent in the financial system, it is important to understand and to be able to apply and evaluate the appropriate method of risk management in order to minimise risk and financial vulnerability.

- Assessing the potential impact of risk:

- within the financial system.
- within financial institutions.
- within non-bank corporates.
- The concept of hedging and the financial services products and strategies available for managing risks.
- The selection of appropriate methods of risk management in specific contexts.

#### **8. The working of the regulatory framework**

The detailed regulation of financial systems will vary from country to country. Having learned earlier why financial institutions and markets need to be regulated in order to illustrate the underlying principles and purpose of regulation, this section will analyse the UK regulatory system.

- The different roles and objectives of the various UK regulatory bodies, including:
  - financial stability;
  - prudential regulation;
  - conduct of business regulation;
  - consumer protection; and competition.