



**Università Commerciale  
Luigi Bocconi**

Course 30006, Sections 18 and 31; Course 30367, Section 26

# Financial Markets and Institutions

Academic Year 2016 – 2017

**Instructor:** Silvio Petriconi

*email:* silvio.petriconi@unibocconi.it

*twitter:* @silviopetriconi

**Office:** 2-D2-04 (Via Röntgen 1, second floor)

**Office hours:** Tuesday 16:15 - 17:45 as published on **yoU@B**, or by appointment (e-mail)

## Overview

The main objective of this course is to provide you with a general understanding of the different functions performed by financial markets and institutions and their role in the economic system. We start by giving a brief overview of the functions of the financial system and its connections to the real economy. We then study the functioning of financial markets and the main financial instruments. Finally, we study the economics of different types of financial institutions.

## Course Material

1. F.S. Mishkin and S.G. Eakins, “Financial Markets and Institutions”, Pearson Education.  
*Note:* the 8th edition of the textbook has recently become available. However, you may also use the previous 7th edition.
2. Lecture notes and other materials will be made available via your student agenda at **yoU@B** (not on e-learning!)

# Grading

## Written Exams

There will be two written exams: a partial exam on 19th October 2016 14:00, and a cumulative general on 14th December 2016 14:00 which will cover the material of the whole course.<sup>1</sup>

*There will be no second partial exam; all students must take the general exam.*

You may choose one of the following two options:

- You take both written exams. In this case, if your partial exam grade is higher than your general exam grade, then your final grade will be the simple arithmetic average of the two grades. Otherwise, your final grade will be the grade you receive on the general exam. **Taking the partial exam will never harm your grade.** For example, if you receive 30 on the partial exam and 20 on the general exam, your final grade will be 25. If, on the other hand, you receive 20 on the partial exam and 30 on the general exam, your final grade will be 30.
- You take only the general written exam, and your grade from this exam is your final grade.

The grade that you receive on the partial exam will expire on March 1, 2017 (it will not be applied to your final grade if you take the general exam later).

## Registration for Exams

Registration for exams is mandatory at Bocconi. **Do not forget to register for your partial and general exams!!!** You can do this at any *Punto Blu* self-service desk until the deadlines that are specified there. **Make sure to keep a confirmation receipt!**

## Optional Home Assignments

There will be four optional take-home tests. These are meant to help you practice the material of the course. These tests will not be graded. The tests will be posted online at 22:00 on four Wednesdays written below. Correct answers will be posted within three days of the following monday. The home assignments and their solutions will also be posted on the you@B platform.

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<sup>1</sup>Retake exams for the cumulative general exam are: 23rd January 2017, 5th July 2017, 8th September 2017; all at 9:00)

## Further Remarks

### Course Prerequisites

High school level mathematics skills are sufficient. This course not assume any pre-existing knowledge of finance.

### Email Communication

I will occasionally send you important notifications by email. Please check your Bocconi email account regularly, or configure it such that it forwards messages to an account which you do check on a regular basis.

### Important Information for International Exchange Students:

- Find out about your other exam dates early. Since you are free to choose your courses, exam dates may clash. Our exam date can't be changed, so you need to resolve this early.
- By Italian university regulations, only the performance measures specified in this syllabus (partial exam, general exam) can ever be counted towards your grade. This means that there are no make-up essays or other things that could come to your rescue if you fail this class. If your overall grade is too low to pass this class, you will need to come to Bocconi in January and retake the general exam; otherwise, your grade gets reported as a "fail" to your home institution. **I therefore strongly advise you to take the partial exam.**

## Course Outline

Session	Topic	Textbook chapters
<b>Part 1: Financial Markets</b>		
1.	Overview of the Financial System	Ch. 2
2.	The Determinants of Interest Rates	Ch. 4
3.	Interest Rates and Valuation	Ch. 3
4.	The Money Markets	Ch. 11
5.	The Money Markets / The Bond Market	Ch. 11 and 12
6.	The Bond Market	Ch. 12
<b>Assignment 1 posted by 22:00 CET on Wed, Sept 21st, 2016 (topics 1 – 6)</b>		
7.	The Stock Market	Ch. 13
8.	Valuation of Stock	Ch. 13
9.	Derivatives: Forwards and Futures	Ch. 24
10.	Derivatives: Options	Ch. 24
11.	Are Financial Markets Efficient?	Ch. 6
12.	Review / Buffer	
<b>Assignment 2 posted by 22:00 CET on Wed, Oct 5th, 2016 (topics 7 – 11)</b>		
<b>Partial exam: Oct 19th 2016</b>		
<b>Part 2: Financial Institutions</b>		
13.	Why Do Financial Institutions Exist?	Ch. 7
14.	Commercial Banking	Ch. 17
15.	Commercial Banking	Ch. 17
16.	Mutual Funds	Ch. 20
17.	Investment Banks	Ch. 22
<b>Assignment 3 posted by 22:00 CET on Wed, Nov 16, 2016 (topics 13 – 17)</b>		
18.	Risk Management in Financial Institutions	Ch. 23
19.	Risk Management / Financial Regulation	Ch. 23 and 18
20.	Financial Regulation	Ch. 18
21.	Financial Stability and Financial Crises	Ch. 8 & Lecture notes
22.	Review / Buffer	
<b>Assignment 4 posted by 22:00 CET on Wed, Nov 30, 2016 (topics 18 – 21)</b>		
23.	The 2008 Financial Crisis	Lecture notes
24.	The 2008 Financial Crisis	Lecture notes
<b>General exam: Dec 14th 2016</b>		