

TEACHING GUIDE

COURSE DESCRIPTION

Course Information	
Full name	Financial Markets and their Regulation
Code	0000012209
Degree	Master in Finance
Taught in	Advantere School of Management
Level	Postgraduate Official Master's Degree
Term	First Quarter
Credits	4,0 ECTS
Type	Mandatory
Person in charge	Dr. Jorge Martín
Professor Information	
Professor	
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SPECIFIC COURSE INFORMATION

Course contextualization

Contribution to the professional profile of the degree

The course is divided into three blocks. The first block explains the role of financial markets in a global context, as well as their basic monetary and institutional functioning. The second block explores the different financial instrument markets and their main functionalities and characteristics. The third block focuses on the regulatory and supervisory part of financial markets..

The course allows a multidisciplinary approach to the functioning of financial policy in general and monetary policy in particular, observing its influence on the main financial markets and assets traded in them, as well as on the financial products made up of these assets and markets (monetary, fixed income, equities and alternative assets), assessing the role of capital markets, globalization, international financial assets and the integration of financial markets. The course delves into the transmission mechanisms of monetary policy and discusses the basic elements that monetary policy must have in order to operate as efficiently as possible so that the credit transmission belt functions properly and the different agents in institutions have access to financing.

In addition, regulation and supervision of the financial system play a fundamental role in the competitive strategies of participants and in the profitability and solvency of the sector as a whole. The 2007 financial crisis showed that financial institutions and authorities did not have adequate regulatory and supervisory mechanisms to manage a crisis such as the one suffered by the global financial system in an orderly manner. The new international standards, on which financial crisis management frameworks must be based in order to be effective, were proposed by the Financial Stability Board (FSB) in 2011, and are gradually being incorporated into the legal systems of the different jurisdictions. Furthermore, this regulation includes agents and markets that, until now, had been scarcely regulated, such as, for example, over-the-counter derivatives markets or crypto-assets.

Knowing the different entities that are part of the financial system, and the role that each one plays within the system. The entities that market financial assets, those that provide financial advice, manage assets, their different approaches and the diversity of professional profiles that can be found, will provide a closer and more professional knowledge of how the industry works.

Objectives

1. Create the right mental structure to understand a theoretically complex industry, studying and reflecting on concepts that are the starting point to understand the functioning and purpose of the most complex financial markets and assets.
2. Learn in depth the functioning of the Central Banks and in particular of the European Central Bank and how they use monetary policy to achieve their objectives.
3. Analyze the fundamental role played by the European Central Bank in the solution of the different crises that have occurred in Europe since the beginning of the 2008 financial crisis.
4. Knowledge of yield curves: what they indicate, how they work and how to take advantage of them.
5. Knowledge of fixed income and variable income markets, as well as the different investment alternatives that are included in the so-called alternative assets.
6. Provide students with knowledge and tools for the analysis of the regulatory and supervisory framework applicable to the international financial system.

THEMES AND CONTENT

Contents-Themes
MODULE 1: Introduction
Topic 1: Introduction to financial markets
1.1 Economic development and its role as an engine of welfare and equality 1.2 National and International Financial System. Organisms and entities that it comprises 1.3 Correlation of different financial markets 1.4 The role of the regulator and the most relevant financial intermediaries
Topic 2: Monetary policy
2.1 Single Monetary Policy: ECB and European System of Central Banks (ESCB) 2.2 Monetary Policy Instruments: main refinancing operations 2.3 Extraordinary Monetary Policy Measures 2008-2022 2.4 Money Market
MODULE 2: Products and Markets
Topic 3: Fixed Income
3.1 Introduction to fixed income markets 3.2 Classification of the different fixed income assets 3.3 Functioning and participants of the fixed income market 3.4 New Fixed Income Markets (Multilateral Trading Facilities - "MTFs") 3.5 Sustainable financing (ESG): green and social bonds
Topic 4: Equities
4.1 The stock market and marketable assets 4.2 Fundamental análisis 4.3 Technical análisis 4.4 Collective Investment (ETFs and Mutual Funds)
Topic 5: Alternative Assets
5.1 Definition of alternative assets 5.2 Hedge Funds 5.3 Real Estate 5.4 Private Markets 5.5 Commodities 5.6 Others
Topic 6: Derivatives
6.1 Definition and characteristics of the Futures Market 6.2 Definition and characteristics of the Options Market
MODULE 3: Financial Market Regulation
Topic 7: Regulatory Framework of the Financial System and Regulatory Compliance
7.1 Importance of market regulation 7.2 MiFiD and ISDP regulations 7.3 Regulation on Alternative Investments. MiCA Regulations 7.4 Regulatory Compliance: AML 7.5 Compliance around shares and other assets. Market Abuse 7.6 Client-focused compliance 7.7 Management-focused compliance

Competences – Objectives

General Competences

CG.2 Critical thinking: Use critical thinking for decision making and problem solving in financial management processes

RA1 - Interpret, analyze, synthesize and evaluate ideas, and do so from a critical point of view

CG.6 Global and local orientation ability: Analyze current financial problems, in local and global environments, taking into consideration complex economic aspects, cultural, social and ethical factors.

RA1 - Ability to analyze current problems, in local and global environment, taking into consideration complex economic aspects, cultural, social and ethical factors

CG.10 Technical Capacity: Capacity of analysis, synthesis and projection, applied to situations, problems and models in the financial field

RA 1. Be able to deal with the analytical study of cases and scenarios, as well as to carry out synthesis of information and data.

Specific Competences

CE 01 - Learn in depth and contextualize the main international financial markets and instruments, understanding the needs they satisfy, analyzing the role of the main financial institutions that operate in each of them

RA1. Understand in depth and contextualize the financial system in capitalist economies, understanding the financial flows of advanced modern economic systems, the agents involved and their needs, institutions, supervisory bodies, financial products and markets and the modern paradigms that are established around them. Know the regulations, organization and functioning of central banks and specifically in the execution of the single monetary policy in the euro area

RA2. Know and distinguish the types of money and capital markets; organized, official and OTC; fixed income and equities; bonds and loans. Understand the trading dynamics of financial products and their regulations

RA3. Know and apply the tools for monitoring, valuation, trading, sensitivity and risk measurement for fixed income and equities

CE 09 Elaborate on and contextualize the national and international regulation applicable to the financial field, the agents involved in it, the supervisors and know the consequences of its application and non-compliance

RA1. Know how to recognize the different agents that regulate, intermediate and supervise the financial system, the role they play, the tools used for this purpose, as well as the most current problems faced, knowing the object and purpose of public information on financial products that must be made available to customers and interested agents

RA2. Understand the implications of the application of financial and non-financial regulations applicable to the sector, the regulation of alternative investments, investment funds and structured products, as well as the compliance work carried out by all the agents of the sector and the resources of each organization involved in it

RA3. Know the functioning and implications of credit rating agencies, as well as their impact on the various financial asset markets

SUMMARY OF STUDENT WORK HOURS

PRESENTIAL HOURS					
Professor Exposition	Student exhibition. Debates and group dynamics	Exercises and problem solving. Elaboration of applied work	Analysis and documentation	Tutorial sessions	Development of real projects for organizations
5.5	12.5	10	0	1	1
NON-PRESENTIAL HOURS					
Professor Exposition	Student exhibition. Debates and group dynamics	Exercises and problem solving. Elaboration of applied work	Analysis and documentation	Tutorial sessions	Development of real projects for organizations
0	0	29	29	1	1

ECTS CREDITS: 3.0 (90.00 hours)

EVALUATION AND GRADING CRITERIA

Graded Activities	Evaluation Criteria	% of Total Grade
Assessment of individual or group work carried out by students, some of them presented in class	<ul style="list-style-type: none"> • Work adequacy to the objectives set • On-time delivery • Goal adequacy and focus • Results achieved • Compliance with deadlines • The participation of ALL members of each team in the presentations and elaborations is required 	50
Performance of oral and written examinations, public defenses and multiple-choice tests, concept tests and resolution of practical cases as exams	<ul style="list-style-type: none"> • Throughout the program, exams or written tests will be given to test the solidity of the concepts acquired. • In order to pass the course, the final exams and tests of each section of the course must be passed. If there are several exams in the same section or block of a course, the weighted average of them must be higher than 5.0 as a necessary condition to pass the course. 	30
Participation and utilization of the classes	<ul style="list-style-type: none"> • When we talk about participation, it is clear that both the positive and negative ones are counted and that the quality of participation is as important as the quantity. The students' participation in class, the quality and timeliness of their interventions, the quality in the preparation and presentation of their work, predisposition and commitment, initiative, attendance. 	20

The evaluation criteria of the course are governed by the following regulations:

1. All students must comply with 100% attendance on the days set for this course. Any absence must be justified.
2. The final grade corresponds to the sum of the graded activities, evaluation criteria and % of total grade described in the Evaluation and Grading Criteria section.
3. Individual and group work must be delivered on time and in the manner planned by the course professor.
4. A final mark below 5 implies the completion of an extraordinary test. The final grade in this exam may not be higher than the median of those passed at the time of the schedule exams.

The evaluation criteria for enrolling in a second year:

The student enrolled in the second-year course must fulfill the individual and group tasks established by the course professor. The same evaluation criteria described in the Evaluation and Grading Criteria section will be maintained.

In circumstances not covered by this Teaching Guide, the Advantere School of Management Regulation and the General Regulation of Comillas will apply.

Basic Bibliographies

Text Books

- Geert Bekaert and Robert Hodrick, International Financial Management, Pearson Prentice Hall, 2nd Edition, 2012.
- Frederic S. Mishkin, The Economics of Money, Banking and Financial Markets, 8th edition, 2006, Addison Wesley.
- Fabozzi, F. J., Modigliani, F., & Ferri, M. G. (2012). Foundations of financial markets and institutions. Prentice Hall.
- Alexander, G. J., Sharpe, W. F., & Bailey, J. V. (2012). Fundamentals of investments. Prentice Hall.

ECB (2014) Guide to the Banking Supervision.

<http://www.ecb.europa.eu/pub/pdf/other/ssmguidebankingsupervision201409en.pdf?85e39f5cf761e11147f6e828cd4088b1>

ECB (2014) Comprehensive Assessment Stress Test Manual.

<http://www.ecb.europa.eu/pub/pdf/other/castmanual201408en.pdf>

BIS (2011) Basel III: A global regulatory framework for more resilient banks and banking systems

<http://www.bis.org/publ/bcbs189.pdf>

The financial crisis of 2007: misaligned incentives, banks mismanagement and troubling policy implications (pages 1-8).

http://econ.as.nyu.edu/docs/IO/22946/Prager_04302012.pdf

Daniel Gross (2012) Banking union: Ireland vs Nevada, an illustration of the importance of an integrated banking system

CORE PRINCIPLES (pages 1-26): <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD121.pdf>

Directive 2014/65/EU of the European Parliament (pages 1-12). <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0065&from=EN>

uri=CELEX:32014L0065&from=EN

LESSONS FROM THE COLLAPSE OF HEDGE FUND, LONG-TERM (David Shirreff)

http://eml.berkeley.edu/~webfac/craigne/e137_f03/137lessons.pdf

DIRECTIVE 2011/61/EU on Alternative Investment Fund Managers (pages 1-5):

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:174:0001:0073:EN:PDF>

Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) FAQ:

http://ec.europa.eu/finance/financial-markets/docs/derivatives/emir-faqs_en.pdf

What Is Shadow Banking? (IMF WP/14/25) <https://www.imf.org/external/pubs/ft/wp/2014/wp1425.pdf>

Luis Garicano (2012) Five lessons from the Spanish cajas debacle for a new euro-wide supervisor. VoxEU

<http://voxeu.org/article/fivelessons-spanish-cajas-debacle-new-euro-wide-supervisor>

DIRECTIVE 2014/59/EU: a framework for the recovery and resolution of credit institutions and investment firms (pages 1-6).

ECB (2014) Guide to the Banking Supervision.

<http://www.ecb.europa.eu/pub/pdf/other/ssmguidebankingsupervision201409en.pdf?85e39f5cf761e11147f6e828cd4088b1>

85e39f5cf761e11147f6e828cd4088b1

CRD IV/CRR – Frequently Asked Questions http://europa.eu/rapid/press-release_MEMO-13-272_en.htm

Other readings

They will be provided during the course based on financial news and articles.

Web pages

[The high-level Group in financial supervision in the EU chaired by Jacques Larosiere. The report.](http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf)

http://ec.europa.eu/internal_market/finances/docs/de_larosiere_report_en.pdf

[Objectives and Principles of Securities Regulation. International Organization of Securities Commissions \(IOSCO\).](http://www.sc.com.my/eng/html/iaffairs/ioscoreport/ObjectivesPrinciples.pdf)

<http://www.sc.com.my/eng/html/iaffairs/ioscoreport/ObjectivesPrinciples.pdf>

Additional Bibliographies

Articles

Viral Acharya y Sascha Steffen(2014) Falling short of expectations? Stress-testing the European banking system
[http://www.sascha-steffen.de/uploads/5/9/9/3/5993642/aqr_stress_tests - 15 jan 2014.pdf](http://www.sascha-steffen.de/uploads/5/9/9/3/5993642/aqr_stress_tests_-_15_jan_2014.pdf)

Banco de España (2013) Public financial assistance in the recapitalisation of the Spanish banking system (2009-2013)
http://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/InformacionInteres/ReestructuracionSectorFinanciero/Arc/Fic/en/reestructuracion0209-2013_e.pdf

Christopher Gandrud y Mark Hallerberg (2013) who decides? resolving failed banks in a European framework
<http://www.bruegel.org/publications/publication-detail/publication/803-who-decides-resolving-failed-banks-in-a-european-framework/>

Chapters of books

The Evaluation Criteria to enroll for a second year

The student enrolled in the course for the second year must comply with the individual and group tasks set by the course professor. The same evaluation criteria described in the Evaluation and Grading Criteria section will be maintained.

For those circumstances not foreseen in this Teaching Guide, the Advantere School of Management Regulations and the Comillas General Regulations will apply.

Health alert criteria:

Students must be permanently identified, in class with an identification sign and remotely with their full name. Students should not change the spaces they occupy in the classroom, until a professor or the program management indicates they can do so.

Failure to comply with any of the health recommendations during class sessions may result in failure of the course

