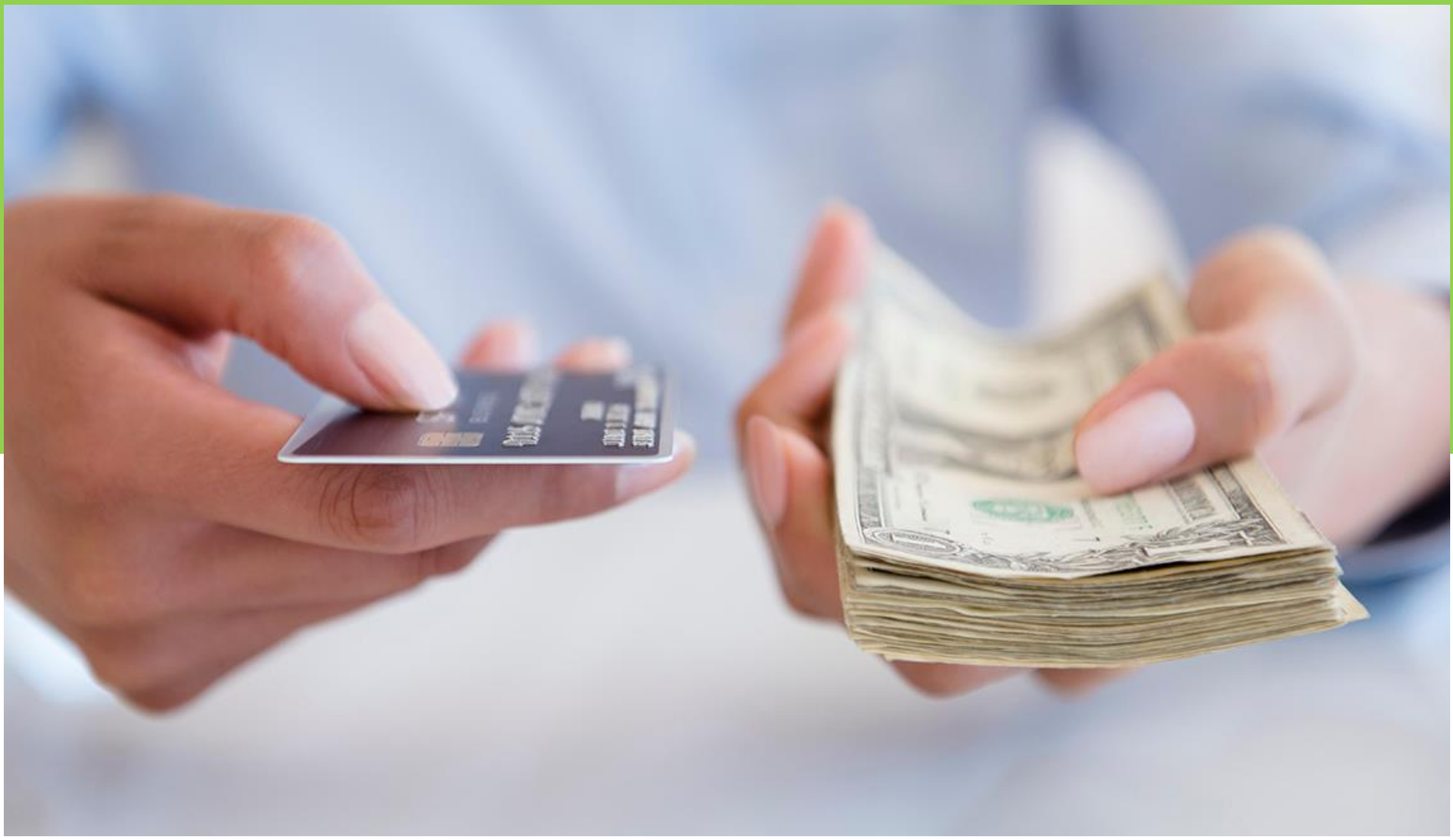
Mastery of Management Graduate Diploma
on
Money, Banking and Financial Systems

A Program which sets out the theoretical, analytical and practical aspects, and give a full insight into the purposes, roles and features of money, banks, banking, financial systems and markets, and their function and importance in financial and economic activity.



A CAMBRIDGE INTERNATIONAL COLLEGE AFFILIATE

The Program uses many illustrations and examples and uses many extracts from the Financial Times and other sources to motivate and to explain the subjects. The Program considers both traditional issues of monetary policy and the independence of central banks, and also the more recent issues such as the transparency with which central banks conduct monetary policy.

The Program comprehensively covers the roles of financial systems and introduces financial institutions; it looks at interest rates and asset valuation, money supply and demand, and monetary policy and the main types of financial markets. It is written to meet the needs of those requiring good grounding in financial economics theory, combined with institutional and policy matters affecting the world today.

Course Outline

Module 1 - The Role of a Financial System

- Components of a financial system
- Lenders, borrowers, intermediaries
- Saving, lending
- Lenders, borrowers and the acquisition of financial assets
- Lending, borrowing and wealth
- Maturity transformation
- Risk reduction
- Search and transaction costs
- Financial institutions
- Financial markets
- The financial system and the real economy
- Aggregate demand

Module 2 - Financial Institutions and Systems

- Classification of financial systems
- Banks and other deposit-taking institutions
- Asset risk, liquidity risk
- Regulation
- Non-deposit-taking institutions - insurance companies and pension funds
- Principles of insurance
- Pension systems and characteristics
- Non-deposit-taking institutions - mutual funds

Module 3 - The UK Financial System

- Banks in the UK
- Retail financial services, corporate banking, investment banking, asset management
- UK payment methods

- Building societies in the UK
- Insurance companies
- Pension funds
- Unit trusts
- Investment trusts

Module 4 - The US Financial System

- Deposit-taking institutions in the USA
- Classification of US depository institutions
- State chartered banks, national banks
- Commercial banks, savings institutions, credit unions
- The Federal Reserve System
- Non-depository institutions in the USA
- securities firms, insurance companies, mutual funds

Module 5 - Portfolio Theory

- Risk and return
- Diversification
- ‘Market’ and ‘specific’ risk
- Security market line
- The capital asset pricing model

Module 6 - Determination of Short-term Interest Rates

- Interest rates defined and classified; real and nominal interest rates
- ‘Market’ theories of interest rate determination
- Liquidity, risk and inflation premiums
- The role of central banks ‘administered’ interest rates
- Loanable funds and liquidity preference theories
- The Fisher effect
- A synthesis

Module 7 - The Structure of Interest Rates

- The effect of term
- Composition of nominal interest rates
- Term and value
- Risk; default, capital, income; premiums
- The effect of risk
- Expectations and government borrowing

Module 8 - The Valuation of Assets

- Risk free rates and premiums
- Tradeable and non-tradeable assets
- Required rates of return
- Supply and demand in asset markets
- Asset valuation; company shares, fixed interest bonds
- Profit and profits growth
- The ‘fundamentals’ of asset valuation
- An alternative interpretation

Module 9 - Banks and the Supply of Money

- The definition of money
- Monetary aggregates
- Banks’ balance sheets
- Money supply determination
- Monetary base and flow of funds models
- Controlling the money supply

Module 10 - The Demand for Money

- Theory of demand for money
- Transmission mechanisms of monetary policy
- Economic agents and the holding of money
- Effect of changes in money supply on income
- The transmission mechanism of monetary policy
- The demand for money - a more complete approach
- Stability of demand for money and monetary policy
- The implications for monetary policy

Module 11 - Monetary Policy

- The simple Phillips curve
- The ‘expectations-augmented’ Phillips curve
- Adaptive expectations and the rate of inflation
- The policy irrelevance theorem
- The transmission mechanism of monetary policy
- Governments, inflationary incentives and independent central banks
- The independence of the bank of England
- Transparency in the conduct of monetary policy

Module 12 - Money Markets

- Money market instruments: characteristics and yields
- Characteristics and use of the money markets
- Participants in the money markets
- Growth and developments of money markets
- Official intervention in the money markets
- The Eurocurrency markets
- Money market flows

Module 13 - Bond Markets

- Bonds: types and characteristics
- Bond prices and yields
- Yields and maturities
- Participants in the bond markets
- Growth and developments of bond markets
- Risk and fixed interest bonds; default, capital and reinvestment risk
- The term structure of interest rates
- Characteristics of the bond markets; primary and secondary markets International
- Bonds

Module 14 - Equity Markets

- Company shares: types, characteristics and returns
- Equity pricing
- Dividend models
- Price earnings ratios
- Share price movements; short and long run
- Equity market characteristics; primary and secondary markets

Module 15 - Foreign Exchange Markets

- Growth in foreign exchange markets
- The reporting of foreign exchange rates
- Spot and forward rates of exchange
- The efficient market hypothesis
- Exchange rate arbitrage
- Exchange rate indices and currency baskets
- Foreign exchange risk and speculation
- Forecasting foreign exchange rates

Module 16 - Derivatives - the financial futures markets

- The nature of financial futures
- Growth and organization of futures markets
- Reading the Financial Times
- The pricing of financial futures
- Interest rate futures, currency futures, equity index futures
- Futures pricing models

Module 17 - Options, swaps and other derivatives

- Options
- Reading the Financial Times
- The pricing of options
- Boundaries on options
- Exotic options
- Swaps
- Comparing different types of derivatives
- The use and abuse of derivatives