



University of the
West of England

BRISTOL

MODULE SPECIFICATION

Code: UMECRM-15-M **Title:** Principles of Financial Intermediation **Version:** 1

Level: M **UWE credit rating:** 15 **ECTS credit rating:** 7.5

Module type: Standard

Owning Faculty: FBL **Field:** Economics

Valid from: 1 September 2008 **Discontinued from:**

Contributes towards: MSc Finance, MA Economics

Pre-requisites: None

Co-requisites: None

Excluded combinations: None

Aim of module

The aim of the module is to provide students with an understanding of what financial intermediaries are, the specific economic benefits that flow from intermediation and the principles (and risks) underlying the process.

In so doing, the module provides a range of practical applications of the financial principles and analysis taught elsewhere in the course.

Learning outcomes

On successful completion of this module students will be able to:

- Demonstrate facility with the concepts used in the analysis of financial intermediation
- Appreciate and explain the benefits of financial intermediation
- Distinguish between different types of intermediary and the specific benefits to which they give rise
- Understand the risks involved in the process of financial intermediation
- Explain the tension between the costs and benefits of regulation
- Appreciate the subtleties of market behaviour in general and how that behaviour may change in order to profit from opportunities produced by regulation, consumer tastes and technology

These outcomes will be assessed by the design of the 2 hour examination (see below).

In addition the educational experience may explore, develop, and practise but not formally discretely assess the following:

- The ability to work as a team member.
- The ability to present an argument and results in a clear, entertaining and professional manner
- An understanding of the way in which theory is modified by practical constraints

Syllabus outline

Basic concepts (esp: arbitrage; market efficiency and completeness; asymmetric information; agency and moral hazard, equilibrium)

Nature and variety of financial intermediaries

The deposit contract

Banks, money supply and monetary policy

The balance sheet

On balance sheet risks
Off balance sheet activity: issues of risk and regulation
Bank regulation: objectives and problems
Issues in bank management

Teaching and learning methods

The aim of the module is to provide students with an understanding of what financial intermediaries are, the specific economic benefits that flow from intermediation and the principles (and risks) underlying the process.

The core of the programme will be a series of lectures and seminars but in the seminars students will be encouraged to bring their own 'cases' for discussion where the cases will be drawn from the contemporary financial press. The purpose will be to have illustrated, by the end of the programme, a practical and topical application of all or most of the concepts examined in the lectures.

Students will be actively encouraged to make themselves familiar with the study skills web pages, and in particular to read widely around the subject matter (see below). Active use will be made of the Blackboard facilities.

Reading Strategy

Students will be encouraged to make full use of the print and electronic resources available to them through membership of the University. These include a range of electronic journals and a wide variety of resources available through web sites and information gateways. The University Library's web pages provide access to subject relevant resources and services, and to the library catalogue. Many resources can be accessed remotely. Students will be presented with opportunities within the curriculum to develop their information retrieval and evaluation skills in order to identify such resources effectively.

Students will be directed towards the very wide range of data sources relating to banking (and central banking) on the internet and encouraged to make full use of them.

Students will be expected to utilise a range of reading and other materials to undertake further independent research to extend their familiarity and appreciation of the subject and to help them prepare for the in-course assessment and examination in this module. To this end, extensive use will be made of Blackboard, additionally, students will also be encouraged to utilise the study skills web pages.

Currently the essential reading (and the core text) will be S I Greenbaum and A V Thakor, *Contemporary Financial Intermediation* (London, Academic Press, 2e 2007). Subject to confirmation in the module handbook., students will be expected to purchase the core text. At this level, however, we would expect students to read quite widely and this includes being aware of the current research issues discussed in journals like the *Journal of Money, Credit and Banking* and others. We would also expect students to make frequent use of the websites of central banks and regulatory bodies (the FSA and BIS) in order to download working papers and reports.

Indicative sources

Heffernan, S, (2004) *Modern Banking* (Wiley)
Philip Davis, E, and Steil, B, (2001), *Institutional Investors* (MIT Press)
MacDonald S S and Koch T W *Management of Banking*, (International Student Edition, Thomson South-Western, 6e, 2006)
Goodhart C A E, *The Central Bank and the Financial System* (London: Macmillan, 1995)
Journal of Money, Credit and Banking

Assessment

There will be both formative and summative assessment on the module. The formative assessment will be through continuous feedback on tutorial and workshop exercises whilst the summative assessment will be through a two hour exam. The major part of the examination will require students to write an analysis of a recently reported issue (of which they will be notified in advance). The analysis will be written without recourse to notes, books or other aids and it will require students to show that they can apply concepts and principles that have been discussed in the course to the issue in question. The remainder of the exam will require brief answers to questions which test the students' understanding of principles which may not be illustrated by the case study.

Percentage split

Weighting between components A (controlled component) and B

n/a

ATTEMPT 1

First Assessment Opportunity

Component A

Description of each element

1 2 hour exam (part seen)

Element weighting

100%

Second Assessment Opportunity (further attendance at taught classes is not required)

Component A

Description of each element

1 2 hour exam (part seen)

Element weighting

100%