Financial Services: The Commercial Environment
1. **Title** | **Financial Services: The Commercial Environment**
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2. **Start date** | Valid for study sessions commencing from 1 November 2011
3. **Level of module** | 5 (within QAA Framework for Higher Education) Subject benchmark: General Business & Management
4. **Number of credits** | 30 credits
5. **Status** | Core module
6. **Recommended prior modules** | -
7. **Programmes of study to which module contributes** | Foundation Degree in Banking Practice and Management/Professional Diploma in Banking Practice and Management

### 8. Purpose/rationale/positioning

*Financial Services: The Commercial Environment* is one of two core modules within the programme. Both these modules are designed to consolidate and build on previous diploma level studies of key topic areas that students need to assimilate successfully in order to progress through the programme. They also encourage students to draw together, think across and understand the links between traditional individual subject areas.

This module focuses on the macroeconomic environment surrounding financial services organisations. It looks at the theories of intermediation, the process of disintermediation and the macroeconomic, regulatory and technological drivers that impact on the financial services industry. Students will be encouraged to consider how these influences interact with each other and how they impact on financial services in practical terms.

Through the assessment, students will have the opportunity to demonstrate their understanding of a range of theories, principles and issues and to explore the relationships between them. While the syllabus uses UK and EU economic policies and banking practices for illustrative purposes, students will be encouraged to consider relevant international comparisons.
9. Intended subject-specific learning outcomes and, as appropriate, their relationship to programme learning outcomes

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

1. explain and analyse the concepts of intermediation and disintermediation;
2. explain, analyse and discuss the main economic forces affecting financial markets, including competition;
3. analyse different approaches to financial services regulation;
4. use economic information from various sources to explain and analyse the financial services industry and show an awareness of recent developments; and
5. evaluate links between the external environment and the behaviour of financial services organisations

These intended module learning outcomes contribute to the following programme learning outcomes: A1, A2, A3, A4, A5, A7, A8, A10, A11 and A13, together with the generic programme skills set out in section B-D of the programme specification.

10. 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. Ability to learn through reflection on practice and experience.
2. Ability to undertake research and work with material across a range of issues and to recognise the links and interrelationships between them.
3. Ability to analyse problems, identify appropriate solutions and make decisions.
4. Ability to work and study independently and utilise resources effectively.
5. Ability to communicate effectively in a manner appropriate to the context and audience.

These intended generic learning outcomes contribute to the generic programme skills set out in section B-D of the programme specification.
11. Methods of delivery

Students are required to follow an approved course of study that provides them with learning support. There are three distinct modes of study:

1. At approved Academic Centres authorised by ifs to provide tuition for the programme.
2. On a distance learning basis with tutorial support being provided by ifs’ network of academic associates.
3. On a flexible learning basis which is distance learning plus 3 enhancement workshops delivered by your academic associate.

Students will be provided with access to my ifslearning (our secure learning environment) that provides access to relevant materials and support for each module. Links to appropriate readings are available from ifs KnowledgeBank, our e-library.

Students may opt to pursue the module by either of the above modes of study, and will undertake their learning for each module within designated study sessions that will culminate in a final assessment.

Study hours:

The module is the equivalent of 300 notional learning hours. This learning may be acquired in a variety of ways:

- Via the support offered by Academic Centres, ifs distance learning provision or flexible learning provision.
- By private study.
- By completing formative assignments.
- By learning acquired and applied in the work environment.
- By reflecting on and utilising previous learning.
12. Assessment

Achievement of the learning outcomes for each core module is assessed in two ways:

- Via a written examination.
- Via a summative coursework assignment submitted towards the end of the programme of study. This assessment uses the underpinning subject knowledge assessed in the examination as the framework within which to assess the achievement of the intellectual, subject-specific and transferable skills summarised in the module specification. It is recommended for each module that the summative assignment should not be submitted for marking until the associated formative assignments have been submitted and associate lecturer feedback has been received.

Examination:

Students will be required to answer four questions from a choice of six. Each question is worth 25 marks.

The pass mark for this component is 40%.

Time allowed: Two hours [plus 15 minutes preparation time].

This component will contribute 50% of the overall assessment.

You may use a scientific calculator 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.

Summative coursework assignment:

This component will contribute 50% of the overall assessment and will be based upon the submission of one assignment at the end of the course but prior to the examination. The focus of the assignment will be on exploring the relationships between issues and topics within the module syllabus. Feedback will be provided on this component.

At regular intervals during the course of study, students will be expected to submit three short formative assignments. These assignments will take the form of developmental learning activities towards the assessed coursework and unseen examination components and will be integrated within the study plan. They will provide students both with opportunities to reinforce their learning as they progress through the course of study and the opportunity to prepare for both the summative assignment and unseen examination.

Whilst these formative assignments will not contribute to the overall assessment, students are strongly advised to take the opportunity to complete them, as feedback will be provided from their tutor on their progress through the course of study.

The pass mark for this component is 40%.
13. Syllabus overview

This module has been designed to enable students to build on previous studies of the external environment in which financial services businesses have to operate. Students will be familiar with some basic aspects of the economic environment, financial markets and institutions, competition, regulation and other ethical and social considerations that can impact on an organisation’s management and marketing strategies. This syllabus aims to draw together the student’s knowledge of these, and encourages them to reflect on how such issues interrelate in the overall management of an organisation.

The first syllabus sections review the concepts of intermediation and credit creation and examine how financial markets are structured. There is a focus on the functions and characteristics of key institutions and markets, how they operate and how competition acts as a pricing mechanism.

The syllabus then focuses on deepening students’ understanding of the monetary system and looks in some detail at the ways in which monetary and fiscal policy are used as key instruments in economic management.

The final section examines the need for and rationale behind regulation of financial institutions and markets. In particular it covers capital adequacy and liquidity requirements and how EU directives and requirements proposed by other international bodies impact on the UK regulatory regime.
14. Syllabus

1. Intermediation and Disintermediation

This course starts with the reasons for intermediation and then subsequent developments in the form of disintermediation. Students will also gain an understanding of how financial institutions facilitate the creation of credit and its impact on monetary policy.

- The nature of financial intermediation and disintermediation.
- Major theories of financial intermediation, including transaction costs and asymmetric information.
- The role of financial institutions in both intermediation and disintermediation.
- The creation of credit, including the credit creation multiplier.

2. Financial Markets and Competition

This section of the syllabus looks at the nature and operations of financial markets, their structures, the legal framework in which they operate and how financial institutions manage risk.

- The functions and characteristics of the key financial and financial services markets.
- The strategic factors influencing competition.
- The features of different market structures, the establishment of a market price and the importance of both price and non-price competition.
- The impact of technology on business models in banking.
- The role of primary and secondary markets.
- The principles of pricing financial assets.
- The management of risk including asset and liability management.

3. Monetary and Fiscal Policy

This section of the syllabus provides students with a thorough understanding of the role of monetary and fiscal policy as key elements in the management of a national economy. It uses the UK and Eurozone as the basis for illustrating core macroeconomic concepts and instruments of monetary and fiscal policy but recognises that international students will be seeking to relate these concepts to their own particular domestic environments.

- The macroeconomic context of monetary and fiscal policy.
- The objectives and instruments of monetary and fiscal policy in the UK and the Eurozone.
- The policy framework adopted by the Bank of England Monetary Policy Committee and ECB for securing inflation targets.
- The relationship between monetary and fiscal policy in the macroeconomic management of the business cycle.
- The effectiveness of macroeconomic policy.
4. Banking Regulation

This section of the syllabus is concerned with the regulatory environments in which banks operate. It covers the need for regulation, whether legal or voluntary: again, while using UK-based legislation for illustrative purposes, it puts these into an international and especially an EU context. Students will become familiar with a range of concepts including the need for capital adequacy, liquidity controls and the dangers of over-regulation.

- The rationale for the regulation of financial institutions and markets.
- The economic risks of over-regulation (moral hazard).
- The nature of the regulatory regime in the UK.
- The causes of regulatory reform, including financial crises, financial innovation and globalisation.
- The influence of international institutions and the EU on the framework for supervising and regulating the financial system.
- The concepts of economic and regulatory capital including pro-cyclicality.
- The impact of proposed changes in the regulatory regime, including Basel II, Basel III and any future amendments.
- The concept of macro-prudential regulation.
- The management and regulation of liquidity, market and operational risk.