Financial Markets and Risk
### ifs School of Finance

#### MODULE SPECIFICATION

<table>
<thead>
<tr>
<th>1. Title</th>
<th>Financial Markets and Risk (FMRI)</th>
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<tr>
<td>2. Start date</td>
<td>Valid for study sessions commencing from 1 November 2011</td>
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<td>3. Level of module</td>
<td>FHEQ Level 4</td>
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<td>4. Number of credits</td>
<td>30</td>
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<td>5. Status</td>
<td>Core module. FMRI must form part of the first 60 credits achieved.</td>
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<td>6. Recommended prior modules</td>
<td>N/A</td>
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| 7. Programmes of study to which module contributes | ▪ Professional Certificate in Banking  
▪ BSc (Hons) in Banking Practice and Management;  
▪ BSc (Hons) in Finance and Accounting for Financial Services |
| 8. Intended subject specific learning outcomes and, as appropriate, their relationship to programme learning outcomes |

On completion of this module, students will be able (at an introductory level) to:

a) demonstrate knowledge and understanding of financial institutions and be able to identify the different types of service that they provide to meet the needs of their customers;

b) identify and explain the concepts of money, interest rates, exchange rates and inflation, and identify and explain the main functions and importance of the monetary and financial system;

c) demonstrate an understanding of the concept of risk and its importance;

d) demonstrate an understanding of the reasons for regulation of the financial services industry and be able to understand the key principles of that regulation, including both statutory and self-regulation, with particular reference to UK regulation;

e) recognise and appreciate the influences on the financial institutions and markets, including financial intermediation and disintermediation and ethical and sustainability issues;

f) identify and analyse the factors influencing monetary policy, its functions and the role of the central bank in the management of liquidity, the money supply and the rate of inflation. To be able to analyse the implications of changes in exchange and interest rates;

g) analyse the types and levels of risks and how they can be managed.

h) analyse the roles and objectives of the regulators of the financial services industries in the UK and internationally and analyse particular regulatory needs in a given situation.
9. 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. Critical thinking skills
2. Ability to learn through reflection on practice and experience
3. Ability to work with complex material
4. Ability to analyse problems and identify appropriate solutions
5. Ability to work and study independently and utilise resources effectively
6. Communication and report writing skills

These intended generic learning outcomes contribute to the following programme learning outcomes: A - D

10. Syllabus overview

The module is designed to provide an introduction to the environment within which the financial services industry operates and to explore the main components of the financial system.

It begins by describing the major financial institutions, the markets within which they operate and the main participants in the markets. The emphasis is on how the financial system works and on the inter-relationships between market participants and stakeholders.

The module goes on to explain the core concepts of a monetary system, such as the money supply, inflation and the factors influencing interest rates and foreign exchange rates. It describes the role of monetary policy in controlling inflation and the role of the central banks in providing liquidity to the markets.

The module also explores the concept of risk, and the nature of the risks relating to the financial markets, financial institutions and non-bank companies. There is focus on the management of risk. This includes the concept of hedging and financial products and strategies for managing risk, but also extends to issues such as systemic risk, capital adequacy and liquidity risk.

The module also explains the principles and nature of regulation in the financial markets, and the impact of regulation on the markets and financial institutions.

There is emphasis on current trends and issues in the financial markets, including those of ethics and sustainability, so that the module has direct and up-to-date relevance for individuals working in the financial services industry.
11. Methods of delivery

A: Modes of study

There are three approved modes of study for the module: through an approved academic centre and by distance or flexible learning.

Academic centre learners

Students enrolled through the academic centre mode will be provided with an approved schedule of classes designed to support students to achieve the learning outcomes of the module.

Distance learners

Distance learners will be allocated to an Associate Lecturer and have access to an ifs Higher Education Student Advisor.

Flexible Learners

A distance learner can choose to register for three optional enhancement workshops delivered by ifs approved Associate Lecturers at appointed locations (subject to demand).

B: Learning hours

For a module of study worth 30 credits the total expected study hours are 300 (i.e. ten hours per credit). The contact hours will be dependent upon the student's mode of study. Distance learners will have regular contact with their appointed ifs Associate Lecturer and ifs Higher Education Student Advisor. Distance learners opting for enhancement workshops will have three face-to-face sessions of approximately six hours each, evenly spread at appointed dates in each session. Academic centre students will have regular sessions of face-to-face sessions over each session of study. The timing will be dependent on student and local conditions though typically will be c.40 hours (e.g.: 6 x 6 hour workshops).

C: Learning materials and learning outcomes

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.
12. Assessment

There are three summative assessment components for this module:

Component 1

This assessment will represent 30% of the overall module mark weighting and will take the form of a multiple-choice objective test of 60-minute duration and contain 40 questions. The test will be taken at an examination centre after approximately 10 weeks of study.

The pass mark for this component is 55% (22 marks from the 40 marks available).

This assessment will aim to test knowledge and understanding from the early learning in the module. The test will provide the opportunity for early feedback to the student about progress on the module. It will serve to identify areas requiring further development/revisiting.

This first assessment will focus on testing candidates’ knowledge and understanding from learning outcomes (a), (b), (c) and (d) (Syllabus areas 1 – 4). This will include exploring the roles of the financial institutions and the different types of service that they provide; explaining the concepts of money, inflation, interest rates and exchange rates; understanding the concept of risk; and awareness of the need for regulation of the financial markets and institutions.

This knowledge and understanding will be built upon in later assessments to test candidates’ ability to apply their knowledge (Assessment Component 2) and to analyse a situation (Assessment Component 3).

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.

Component 2

The second assessment will represent 20% of the overall module mark weighting and should be submitted after approximately 16 weeks of study. It will take the form of a coursework assignment, allowing the student to develop skills of research and assignment writing and providing the opportunity for feedback from the Associate Lecturer. The assignment will comprise a maximum word limit of 1,000 words, including quotations and in-text citations.

The pass mark for this component is 40% (8 marks from the 20 marks available).

The assignment will aim to assess the students’ ability to apply their knowledge and understanding from learning outcomes a, b, c, d, e, f and g (Syllabus areas 1, 2, 3, 4, 5, 6 and 7) to a situation outlined in a brief scenario. This application of knowledge and understanding will be built upon in the final assessment to test candidates’ ability to analyse a situation (Assessment Component 3).
Component 3

The third assessment will represent 50% of the overall module mark weighting and will be submitted at the end of the period of study, intended to be within a period of 24 weeks. The assessment will comprise an end of course assignment with a maximum word count of 2,500 words.

It requires a student to draw on knowledge and understanding from all eight of the learning outcomes (Syllabus areas 1 – 8) and requires them to apply this learning to a particular situation and to demonstrate their analytical skills. Students will be required to analyse a business situation. The students’ analysis of the business situation should demonstrate an ability to analyse the types and levels of the risks involved and of the measures that may be taken in order to mitigate those risks. It will additionally be focused on the analysis of the requirements and effectiveness of the regulation of the financial services industry and those measures that apply to the business scenario presented to them.

The pass mark for this component is 40% (20 marks from the 50 marks available).

13. Syllabus

1. Financial institutions and markets

The emphasis is on how the financial system works and what it provides, rather than its institutional structure in detail. This is because financial institutions can no longer realistically be categorised into groups, each having its own business areas. Therefore, it is more important to understand the functions they perform and the services provided.

- The major financial institutions and markets and their products and services.
- The principal stakeholders in financial institutions and markets.
- Financial intermediation and disintermediation.

2. Overview of the monetary system

This section is intended to provide students with an understanding of the monetary system that underpins the financial markets of any country or grouping of countries. It uses the UK financial services sector as a basis for illustrating core concepts while recognising that international students will seek to apply these core concepts to their particular environments.

- The functions of money and the money supply.
- Definition and measurements of inflation.
- Factors influencing interest rates.
- Factors influencing exchange rates.
3. Risk: the concept and its importance

This section of the syllabus introduces the concept of risk. Risk is inherent in all activities, markets and organisations - effective management is largely concerned with identifying such risks and employing appropriate techniques to manage them. The importance of this must not be underestimated. Many of the products available to control and contain risk are supplied by the financial services sector, and students will constantly need to revisit and address the issue of risk throughout their studies and future management careers.

- Concepts and classifications of risks relating to:
  - Financial markets;
  - Banks and non-bank financial institutions; and
  - Companies.

4. Why financial institutions and markets are regulated

This section is concerned with the regulation of the provision and distribution of financial services products. The focus is upon the importance of, and rationale for, regulation. The focus of the learning is on the underlying guiding principles rather than the detailed rules, which are subject to ongoing change.

- The rationale for financial regulation.
- Different types of regulation.
- The regulatory bodies and their guiding principles and functions.

5. Influences on financial institutions and markets

The emphasis is on current trends, issues and developments in the financial markets.

- Implications of financial intermediation and disintermediation.
- Key issues affecting financial institutions and markets.
- Issues of ethics and of sustainability.
6. Management of the monetary system

This section further develops the students’ understanding of the monetary system by applying their earlier learning of the system to explain how it is managed. There is particular emphasis on the management of inflation and the resulting impacts on financial institutions and markets.

- The role of monetary policy in controlling inflation.
- The role of the central bank in managing liquidity in the financial markets.
- The implications of changes in interest rates and exchange rates for financial institutions and markets.

7. Risk management

This follows on from an earlier introduction to the concept of risk. As risk is inherent in the financial system, it is important to understand and to be able to apply and evaluate the appropriate method of risk management in order to minimise risk and financial vulnerability.

- Assessing the potential impact of risk:
  - within the financial system.
  - within financial institutions.
  - within non-bank corporates.
- The concept of hedging and the financial services products and strategies available for managing risks.
- The selection of appropriate methods of risk management in specific contexts.

8. The working of the regulatory framework

The detailed regulation of financial systems will vary from country to country. Having learned earlier why financial institutions and markets need to be regulated in order to illustrate the underlying principles and purpose of regulation, this section will analyse the UK regulatory system.

- The different roles and objectives of the various UK regulatory bodies, including:
  - financial stability;
  - prudential regulation;
  - conduct of business regulation;
  - consumer protection; and
  - competition.