**Debremarkos University**

**College of Business and Economics**

**Department of Accounting and Finance**

**PG-Program (Extension)**

**Course Title: Financial Institution and Market**

**Curse Code : ACFN 522**

**Credit Hour : 2**

**Instructor: Beza Muche (PhD)**

**Course Description:**

This course will provide students with an understanding of the mechanisms of various financial institutions, markets and instruments. The scope comprises the diversity of financial instruments and intuitions, and the latest developments and issues from the financial arena. It aims to develop a critical awareness of the theoretical and practical problems associated with regulating financial markets. The course will investigate how the market structures potentially cause and mitigate financial risk to market participants and end users. Specifically the course includes topics such as concept of financial assets and its Relevance, commercial and investment Banks, Equity Markets, Foreign Exchange markets, Money Markets, Mortgage markets and securitization, Derivatives markets, Relationship between financial markets, Other Financial institutions, special issues, Understanding Debt Markets, The Financial institutions industry, Liberalization of Financial Markets and intuitions, Central Banks and regulatory Authorities.

**Course Objective:**

The objective of the course is to prepare students for today’s dynamic financial environment. It introduces students to the markets in which financial assets are traded, the various institutions which represent major participants in these markets.

**At the end of the course, graduates will be able to;**

* Differentiate between different financial markets, institutions and different financial instruments.
* Understand how the economic and regulatory environments affect the morphology of financial markets and the operation of financial intuitions
* Distinguish between depository and non-depository financial institutions
* Understand the role of financial assets, institutions and markets
* Understand about how to manage risks in financial institutions and markets.
* Examine the role of Central Banking and the Conduct of Monetary Policy

**Course contents**

**Chapter-1: Overview of the Financial System**

* 1. Introduction and Definition of Financial System
  2. Features of Financial System
  3. Financial Concepts
     1. Financial Assets / instruments
     2. Financial Intermediaries/institutions
     3. Financial Markets
  4. Functions of Financial System

**Chapter 2: Central Banking and the Conduct of Monetary Policy (reading assignment)**

5.1. Structure of Central Banks

5.2. Multiple Deposit Creation and the Money Supply Process

5.3. Determinants of the Money Supply

5.4. Tools and conduct of Monetary Policy.

5.5. Monetary Policy Goals and Targets.

**Chapter-3: Financial Institutions in the Financial System**

2.1 Financial Institutions-Overview

2.2 Depository Financial Institutions

2.3 Non-depository Financial Institutions

**Chapter-4: Financial Markets in the Financial System**

3.1 Primary Market Vs Secondary Market

3.2 Money Market Vs capital Market

3.3 Equity Market Vs debt Market

3.4 Derivative Market

3.5 Foreign Exchange Market

**Chapter-5 Regulation of Financial Markets and Institutions and Financial Innovation**

4.1 Justification and forms of regulation

4.2 Financial innovation

4.3 Categorization for Financial innovation

4.4 Motivation for Financial Innovation

**Chapter 6: Financial Institutions and risk management**

**6.1.** Types of risks incurred by financial institutions

6.2. Managing credit risk

6.3. Managing liquidity risk

6.4. Managing interest rate risk

**Chapter-7 Financial Markets and Institutions in Ethiopia**

6.1 The financial sector in Ethiopia

6.2 Financial Markets in Ethiopia

***Evaluation scheme***

* Test, Assignment and presentation--------------- 50%
* Final exam---------------------------------------------50%

***References***

1. The hand book of financial instruments, Frank J.Fabozzi, John Wiley & Sons, Inc., 2002
2. Financial management, I.M Pandey, 9th ed.
3. Fundamentals of Corporate Finance, Stephen A. Ross, Randolph W. Westerfield, and Bradford D. Jordan, Fifth Edition |
4. Arshadi N. & Karels G. V., (1997)” Modern Financial Intermediaries & Markets”.
5. Bhole L. M., (2004). Financial Institutions and Markets: Structure, Growth, and Innovations. 4th Edition, Mc Graw-Hill Publishing Company, New Delhi, India.
6. Campbell T. S. & Kracaw W. A., (1994)”Financial Institutions & Capital Markets”
7. Gardner M. J. & Mills D. L., (2002) “Managing Financial Institutions”.4th edition.
8. Hull J. C., (2003) “Options, Futures & Other Derivatives” 5th Edition.
9. Jhingan M. L., (2001)”Money, Banking, International Trade and Public Finance”.6th Edition.
10. Keith Pilbeam (1998)”Finance & Financial Markets”.
11. Kolb R. W. & Rodiguez R. J., (1996)”Financial Institutions & Markets”2nd Edition.
12. Mishkin F. S. & Eakins S. G. (2006). Financial Markets and Institutions, 5th Edition, Pearson Addison Wesley, U.S.A.
13. Saunders A. & Curnett M. M., (2001) “Financial Markets and Institutions”.

**Ethiopian Materials:**

1. Proclamation 83/94 on Monetary & Banking System

2. Proclamation 84/94 on Banking Supervision

3. Proclamation 86/94 on Insurance Corporation

4. Commercial Code of Ethiopia. Birhannena Selam Printing Press.

5. Does Ethiopia Needs capital markets? Birritu, NBE, No.63.