

A. Division: APPLIED PROGRAMS Date: JUNE 1993

B. Department: COMMERCE AND BUSINESS ADMINISTRATION New Course:

Revision of Course

Dated: _____

C. FINC 320 D. INTRODUCTION TO CANADIAN FINANCIAL SYSTEM E. 3
 Subject & Course No. Descriptive Title Semester/Credits

F. Calendar Description:

Introduction to Canadian Financial system examines Canada's financial system from a managerial point of view at an introductory level. It explains the organization and the performance of the Canadian financial system by using a theory of the economics of financial transactions and of intermediation. It describes the way Canada's financial system works in reality and it explains how the major forces shaping the financial service industry are actually manifest.

Summary of Revisions:
 (Enter date and Section Revised)

G. Type of Instruction:		H. Course Prerequisites:
Lecture	<u>2</u> Hrs.	ECON 101
Laboratory	_____ Hrs.	
Seminar	<u>2</u> Hrs.	I. Course Corequisites:
Clinical Experience	_____ Hrs.	
Field Experience	_____ Hrs.	J. Courses for which this Course is a Pre-requisite:
Practicum	_____ Hrs.	
Shop	_____ Hrs.	
Studio	_____ Hrs.	
Student Directed Learning	_____ Hrs.	K. Maximum Class Size:
Other (Specify)	_____ Hrs.	35
Total	<u>4</u> Hrs.	

L. College Credit Transfer	<input type="checkbox"/>	M. Transfer Credit: Requested	<input checked="" type="checkbox"/>
College Credit Non-Transfer	<input checked="" type="checkbox"/>	Granted	<input type="checkbox"/>
Non-Credit	<input type="checkbox"/>	(Specify Course Equivalents or Unassigned Credit as Appropriate)	
		U.B.C.	
		S.F.U.	
		U. Vic.	
		Other	

Course Designer(s)

[Signature]
 Director/Chairperson

Divisional Dean

[Signature]
 Registrar

NAME AND NUMBER OF COURSEN. Textbooks and Materials to be Purchased by Students (Use Bibliographic Form):

MacMillan, Alexander. An Introduction to Canadian Financial Markets.
Scarborough: Prentice-Hall Canada Inc., 1993.

Complete Form with Entries Under the Following Headings: O. Course Objectives;
P. Course Content; Q. Method of Instruction; R. Course Evaluation

O. COURSE OBJECTIVES:

1. To achieve a practical understanding of the fundamental relations which influence the Canadian financial system.
2. To discover how financial transactions are organized.
3. To identify the terms of financial transactions.
4. To explain the role of money and of the Central Bank in the financial system.
5. To examine the similarities and differences of particular markets and particular intermediaries.
6. To understand how the form and the functions of the financial system and system regulation affect the management of financial intermediaries.

P. COURSE CONTENT:

This course will be organized into learning themes. The major learning themes are as follows:

1. Introduction to the Canadian financial system.
2. Fundamentals of the financial system.
3. Money, the Central Bank and the financial system .
4. Applications to financial markets.
5. Applications to financial intermediaries.
6. Regulation and evolution of the financial system.

1. Theme 1 - Introduction to the Canadian Financial System

Theme Objective 1 - To describe the purposes and organization of the course.

- (i) To identify the purposes of the course;
- (ii) To present the organization of the course;
- (iii) To explain the managerial approach used in the course.

NAME AND NUMBER OF COURSEP. COURSE CONTENT: Continued2. Theme 2 - Fundamentals of the Financial System

Theme Objective 2 - To identify the basic concepts associated with the financial system.

- (i) To describe the organization of a financial system.
 - . major functions of a financial system;
 - . components of a financial system;
 - . tracing the flow of funds in the financial system;
 - . surplus and deficit sectors.
- (ii) To examine the organization of financial transactions.
 - . principal features of financial transactions.
 - . organization of a competitive financial market;
 - . submarkets and links between them;
 - . financial system fragmentation;
 - . efficiency of alternative transaction mechanisms;
- (iii) To examine the role of financial intermediaries.
 - . diversification;
 - . reduction of information and transactions costs;
 - . risks transfer;
 - . monitoring and enforcement.
- (iv) To examine the terms of financial transactions.
 - . concepts of risk and return;
 - . credit risks and market risks;
 - . dimensions of liquidity;
 - . elements of risk management.

3. Theme 3 - Money, the Central Bank and Financial Markets

Theme Objective 3 - To explain the role of money and of the Central Bank within the financial system.

- (i) To develop an historical perspective about money.
 - . the importance and functions of money;
 - . the various forms of money;
 - . the Canadian payment system.
- (ii) To acquire a contemporary view and future perspective of money.
 - . major developments in the Canadian financial system, 1935-1985;
 - . the role of money in the contemporary payment system;
 - . cash-based system;
 - . cheque-based system;
 - . electronic funds transfer system;
 - . recent financial products and innovations.
- (iii) To understand how the Bank of Canada affects the money supply.
 - . the Bank of Canada: mission and responsibilities;
 - . the Bank of Canada's organizational structure;
 - . the Bank of Canada's financial data;
 - . various definitions of money supply.
- (iv) To be exposed to the implementation of the monetary policy by the Central Bank.
 - . monetary targets and instruments;
 - . various tools of monetary policy;
 - . choice of intermediate targets: base control versus interest rate control;
 - . interaction of money demand and supply;
 - . link between money supply and the exchange ratio;
 - . implementing monetary policy under different policy regimes: limitations and problems.

NAME AND NUMBER OF COURSEP. COURSE CONTENT: Continued4. Theme 4 - Applications to Financial Markets

Theme Objective 4 - To show how earlier theoretical developments explain similarities and differences of several financial markets.

- (i) To identify the characteristics of securities markets;
 - . economics of securities markets;
 - . money market;
 - . Canadian and US stock markets;
 - . bond markets.
- (ii) To identify the characteristics of other domestic markets.
 - . markets for trading risks;
 - . forward and futures markets;
 - . swaps and options markets.
- (iii) To understand international intermediation and markets.
 - . international finance and the balance of payments;
 - . foreign exchange markets and determination of exchange rates;
 - . risk management in the international financial market.
 - . recent regulatory issues in international intermediation.

5. Theme 5 - Applications to Financial Intermediaries

Theme Objective 5 - To show how the economics of financial transactions and intermediation affect the form and functions of financial intermediaries.

- (i) To discover the management strategies of financial intermediaries.
 - . effectively organizing the intermediary;
 - . adapting to changes in technology and system structure;
 - . profitability of strategic choices;
 - . models for managing financial risks and intermediaries;
 - . liquid assets and liquidity management;
 - . asset and liability management;
 - . interest rate swaps;
 - . dynamic balance sheet management.
- (ii) To understand management strategies in banking.
 - . goals and strategic decisions;
 - . operating policies and decisions;
 - . international banking;
 - . banking supervision.
- (iii) To explain how to market funds to different client classes.
 - . large corporations;
 - . special classes of business;
 - . consumer finance;
 - . residential construction financing;
 - . government financing;
 - . elements of asset securitization.

NAME AND NUMBER OF COURSEP. COURSE CONTENT: Continued5. Theme 5 - Applications to Financial Intermediaries Cont'd

- (iv) To raise management issues in near bank and non-bank intermediaries.
- . mortgage and loan companies;
 - . credit unions;
 - . Canadian securities firms;
 - . insurance companies;
 - . trust companies.

6. Regulation and Evolution of the Financial System

Theme Objective 6 - To describe the goals and principles of regulation in relation to the evolution of the financial system.

- (i) Breakdown of the Four Pillars and re-regulation.
- . current issues in the deposit insurance system.
- (ii) To examine the system performance and policies that affect it.
- . goals and principles of system supervision;
 - . supervision of operations;
 - . supervision of structural changes;
 - . government intermediaries and programs;
 - . legislative intervention.
- (iii) To assess the financial system of the future.
- . evolution due to new product development;
 - . the payments system of tomorrow;
 - . evolution in intermediation;
 - . evolution in financial markets;
 - . increasing internationalization of the system;
 - . importance of legislative change.

Q. METHOD OF INSTRUCTION:

Lectures and computer simulation exercises, emulating bank-funding operations.

R. COURSE EVALUATION:

Term examinations (2)	40%
Final examination	30%
Computer software (Bankfm) projects (5)	<u>30%</u>
	100%
