

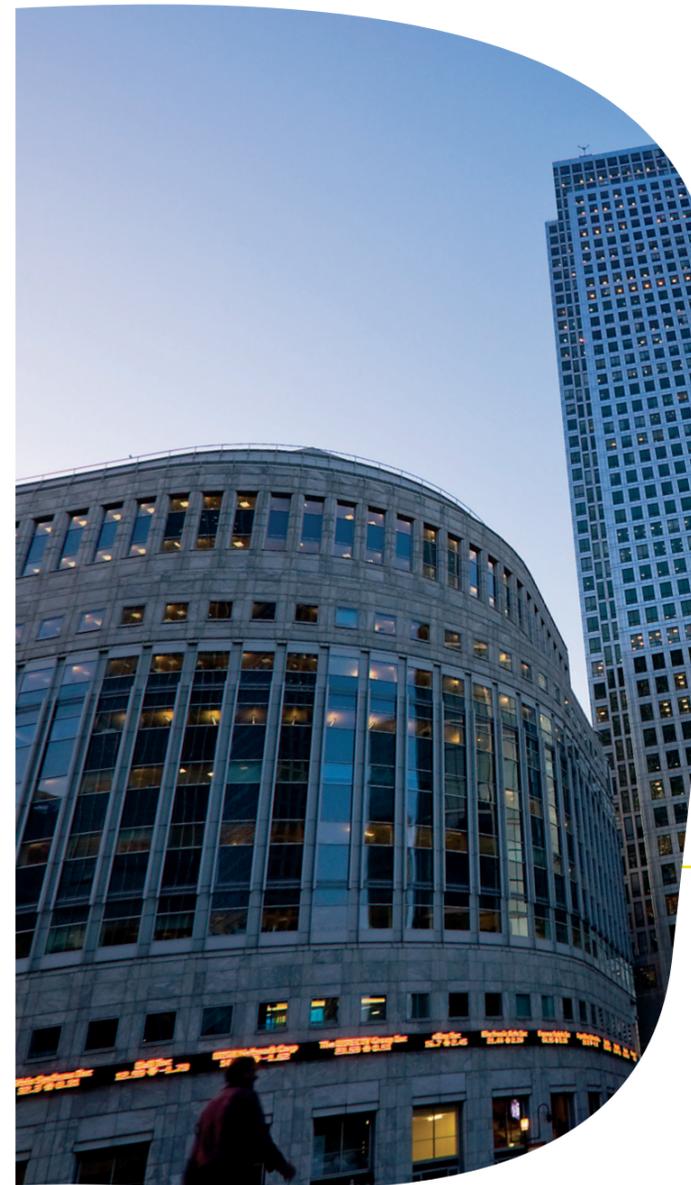
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Cass Business School
CITY UNIVERSITY LONDON

Specialist Masters Programme

Course handbook
**MSc in Banking
& International Finance**



September 2011



Cass Business School

In 2002, City University's Business School was renamed Sir John Cass Business School following a generous donation towards the development of its new building in Bunhill Row. The School's name is usually abbreviated to Cass Business School.

Sir John Cass's Foundation

Sir John Cass's Foundation has supported education in London since the 18th century and takes its name from its founder, Sir John Cass, who established a school in Aldgate in 1710. Born in the City of London in 1661, Sir John served as an MP for the City and was knighted in 1713.



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Section One: Course Director's Welcome

On behalf of Cass Business School, I am delighted to welcome you to the **MSc in Banking and International Finance**. We look forward to working with you, and wish you all the best for this year at Cass and for your future careers.

London, by far the largest international banking centre in the world, is the ideal place where to gain a Master degree in Banking and International Finance. The Faculty of Finance at Cass is the largest in Europe and one of the largest worldwide.

The relevance of the MSc in Banking and International Finance is widely recognised by employers and the industry. A number of our students benefit from British Council and Bank of England scholarships, or are sponsored by banks, central banks or other scholarship awarding organisations. All of our capable graduates have been able to find rewarding jobs, both in the City of London and worldwide.

This handbook summarises most of the information you will need to know about Cass and the MSc in Banking and International Finance. It is your guide to what will be an intensive and rewarding postgraduate course. You should refer to this handbook if you have any questions about the operation of the programme. If the handbook does not answer your questions, do not hesitate to speak to the course officer, or to your tutor.

Dr Barbara Casu Lukac
Course Director
MSc in Banking and International Finance

Section 2: Programme Information

Programme Aims

The MSc in Banking and International Finance is designed to equip our students for a very wide range of careers in banks, financial conglomerates, central banks, and supranational financial institutions.

The world of finance, with its diverse career opportunities and continuous demand for capable postgraduate-level executives, is an attractive choice for many top-calibre individuals. A brief glance at the annual report of a large bank, investment bank, or financial conglomerate is sufficient to appreciate the wide and sophisticated range of activities: traditional lending, securitisation, credit derivatives, asset management, trading foreign exchange and securities, derivatives and structured products, mergers and acquisitions, initial public offerings, bridge financing, securities custody, retail services, etc.

In light of the recent turmoil in financial markets, it is of fundamental importance to understand the role banks play in the financial system and to be aware of the regulatory constraints they face.

The programme aims to bring students the most up-to-date and factual information backed by solid academic research and a deep understanding of the banking and financial industry.

Programme Structure

The MSc programme is organised in eight core modules of 15 credits, and five elective modules of 10 credits. In addition, students will take a 10 credit core module in *Research Project Management Skills* during the second term.

Term One

SMM108	Commercial and Investment Banking
SMM122	Finance and Investments
SMM115	Financial Statements Analysis
SMM150	Quantitative Methods for Finance

Term Two

SMM125	Corporate Finance
SMM149	Fixed Income, Currencies and Derivatives
SMM113	International Finance
SMM104	Risk Management

And

SMM522	Research Project Management Skills
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The core modules are being taught in the first two terms (October to December and January to March respectively), with the electives being taught in the third term (May to June).

In the third term there are two options available:

- Option One - Students can opt to write a 10,000 word business research project (40 credits) and take one elective module (1 x 10 credits).
- Option Two – Students can take five elective modules (5 x 10 credits).

Assessment Matrix

Module Title	Module Code	Credits	Assessment weightings used to calculate module mark	
			Coursework	Examination
Term One				
Commercial and Investment Banking	SMM108	15	25%	75%
Finance and Investments	SMM122	15	25%	75%
Financial Statements Analysis	SMM115	15	25%	75%
Quantitative Methods for Finance	SMM150	15	25%	75%
Term Two				
Corporate Finance	SMM125	15	25%	75%
Fixed Income, Currencies and Derivatives	SMM149	15	25%	75%
International Finance	SMM113	15	25%	75%
Risk Management	SMM104	15	25%	75%
Research Project Management Skills	SMM522	10	100%	
Term Three				
Option One				
Elective 1	SMMxxx	10	100%	
Elective 2	SMMxxx	10	100%	
Elective 3	SMMxxx	10	100%	
Elective 4	SMMxxx	10	100%	
Elective 5	SMMxxx	10	100%	
Option Two				
Business Research Project	SMM527	40	100%	
Elective 1	SMMxxx	10	100%	
Degree Total				
		180		

As a general rule 2.4 CAPS* credits equals approximately 1 ECTS* based on an MSc programme of 180 credits.

ECTS (European Credit Transfer and Accumulation System)

CAPS (Credit Accumulation of Programme Specification)

Where a module is assessed using group coursework 20% of the mark for the component will be determined by peer assessment. Please refer to section four for details.

Note: Coursework may take the form of an individual assignment, group assignment or invigilated test.

Term Dates and Examination Periods

Induction

12th September 2011 – 23rd September 2011

Term One

26 September 2011 - 02 December 2011

Term One Examinations

09 January 2012 - 20 January 2012

Term Two

23 January 2012 - 30 March 2012

Term Two Examinations

23 April 2012 - 04 May 2012

Term Three

07 May 2012 - 15 June 2012

Term Three Assessments

25 June 2012 - 06 July 2012

Term One and Term Two Resit Examinations (including Term Three resit tests)

13th August – 24th August 2012

Research Project Submission Date

01 September 2012

Students are expected to be in attendance at lectures and other classes during term time, attend all invigilated tests and examinations. Students should not therefore make travel arrangements during term time. Any absence from any form of assessment, which does not constitute valid extenuating circumstances, will result in the student resitting the module as a second attempt

Section 3: Module Descriptions

Business Research Project

Commercial and Investment Banking

Corporate Finance

Finance and Investments

Financial Statements Analysis

Fixed Income, Currencies and Derivatives

International Finance

Quantitative Methods for Finance

Risk Management

Research Project Management Skills

BUSINESS RESEARCH PROJECT SMM527

MODULE LEADER Students completing a dissertation will be required to seek a suitable supervisor. Allocation will then be confirmed by the Course Director.

SESSIONS This is an individual project which students will develop in their own time with support from their project supervisor.

MODULE ASSESSMENT Coursework 100%
Delivery of the final project, indicative length: 10,000 words

EDUCATIONAL AIMS

- To train students to undertake individual research and provide them with an opportunity to specialise in a contemporary business or finance topic related to their future career aspirations.
- To integrate and apply concepts from different aspects of their MSc.

LEARNING OUTCOMES

On completing the project students will be able to:

- identify specific business or finance related issues which would be useful to research and shape an achievable research question around them
- develop a research question and plan and carry out a research programme to address the question
- understand the theories and recent research relating the project topic
- understand how to apply research methodologies to practical business and commercial issues
- show confidence in overcoming problems raised in the course of a practical research project
- accept the challenge of carrying out a piece of research with elements of originality.

PROJECT REQUIREMENTS

The choice of project is **your** responsibility. It is most important that you choose an area you are happy to work in, and in which you are confident of your abilities.

Students are encouraged to start thinking about project ideas at the beginning of their studies. By the end of the first term you will have gained sufficient knowledge to start to develop ideas that can be discussed with faculty. We expect you to identify the basic idea or research question, though this is likely to be modified after discussion with academic staff.

Make effective use of the RPMS module. This module can be used to help to formulate your ideas and design an appropriate methodology. It can also help you develop a specific project topic – the greater clarity you have about the topic of your project the more successful it is likely to be.

The types of project allowed are:

What you can do.	What you can't do
<ul style="list-style-type: none">• Business report on a contemporary issue• Business plan• Statistical test of literature driven hypothesis• Empirical feasibility of a financial strategy• Development of a new product/ service / finance strategy• Market survey• Case study on a specific issue within a particular company / organisation• Numerical project that describes and implements one or more numerical methods for pricing, hedging or reserving for derivatives or portfolios.	<ul style="list-style-type: none">• Pure literature surveys• Some evidence that the writer has learnt a new subject, a sort of extra elective• A synthesis of other writing or a piece of journalism• A mere compendium of facts and statistics• Projects totally unrelated to relevant academic discipline and literature.

READING LIST

Student research and reading list will be defined by the subject matter of the project.

COMMERCIAL AND INVESTMENT BANKING SMM108

MODULE LEADER	Barbara Casu Lukac
SESSIONS	10 x 3 hourly sessions
MODULE ASSESSMENT	This module will be assessed by group coursework* (25%) and an examination (75%).

**Where Coursework Assessment is by Group Coursework please note Peer Assessment will be incorporated into the final mark. Please refer to section four for details.*

EDUCATIONAL AIMS

This module aims to provide students with an insight into the major features of the banking business and to provide a framework for the understanding of the different types of banks and banking activities. The module will examine the changing business characteristics of the commercial and investment banking industry, focusing on recent trends and issues.

The asset structure and revenue earning features of major commercial and investment banks will be examined. In addition their cost and return features, together with recent developments in the industry will be outlined. Finally the module will analyse various regulatory issues associated with the commercial and investment banking business together with recent developments in European banking markets.

LEARNING OUTCOMES

On completing the module, students are expected to be able to:

- understand the different types of banking and banking products/activities
- understand the main components of commercial and investment banking business
- understand the impact of recent regulatory changes on the structure of international banking markets
- be aware of the changing structure of the global and European banking industry.

SYLLABUS

- What is special about banks: Theories of financial intermediation
- Modern Banking: Banking Services and Current Issues in Banking
- Issues in Bank Management
- International Banking
- Bank Regulation

READING LIST

Since banking and financial markets are subject to continuing change, there is no all-encompassing textbook which covers all the topics addressed in this module.

The following reference book is recommended:

- Berger, A., Molyneux, P. and Wilson, J.O.S. (eds), (2010) *Oxford Handbook of Banking*. Oxford: Oxford University Press.

The following reference books are recommended for background reading:

- Casu, B.; Girardone, C. and Molyneux, P. (2006), *Introduction to Banking*. (Prentice Hall, FT).
- Heffernan, S. A. (2005), *Modern Banking*. (Chichester, Wiley).
- Saunders, A. and Cornett, M.M. (2006), *Financial Institutions Management: A Risk Management Approach, 5th Edition*. (McGraw-Hill).

Students will also be referred to additional readings during lectures. As part of their studies and with the intention of broadening knowledge, students should consult relevant academic journals and websites, as well as reading the financial press and bank research reports.

TEACHING FORMAT

The course will comprise of ten sessions of three hours contact time each. In addition, students are expected to devote, at least, an equivalent amount of learning time in private and group study of course material and the preparation of the assignments. The preparation of the coursework assessment will involve additional time in private and group study. During the term you will get assignments containing problems and questions related to the taught material. Case studies are used extensively throughout to illustrate theory and learn from real world situations.

SYLLABUS

The following list covers the main topics to be covered in this module. However, there may be some adjustment to these topics to reflect current academic research and practitioner trends.

- Introduction to Corporate Finance
- Capital Structure Decision: Fundamental Principles
- Capital Structure Decisions: Taxes and Default Costs
- Capital Budgeting and Valuation with Leverage
- Agency Problems, Asymmetric Information, and Capital Structure
- Payout Policy: Theory and Empirical Evidence
- Mergers and Acquisitions
- Corporate Governance and Firm Finance
- Raising Equity Capital: Private Equity, IPOs, and SEOs

READING LIST

Main Readings:

- Berk, J. and P. DeMarzo, *Corporate Finance*, 2nd edition, Pearson International.
- Selected research papers cited in the lecture notes.
- Financial press: Financial Times, Economist...
- Case studies will be used to illustrate theory in real world applications.

Other books you can use as background reading:

- Damodaran, A. 2006, *Applied Corporate Finance: A User's Manual*, 2nd Edition, John Wiley and Sons.

FINANCE AND INVESTMENTS SMM122

MODULE LEADER Giorgio Questa and Anh Tran

SESSIONS 10 x 3 hourly sessions

MODULE ASSESSMENT This module will be assessed by an invigilated test (25%) and an examination (75%)

EDUCATIONAL AIMS

To provide a clear introduction to the underlying principles of modern investment valuation.

- Part I (Five lectures) will focus on fixed income instruments (the largest financial market on earth) and on modern portfolio theory. This will providing a foundation for two modules in the second term: “Risk Management” and “Fixed Income, Currencies, and Derivatives”.
- Part II (Five lectures) will focus on the crucially relevant topic of valuing “real” investment in the firm, thereby providing a solid foundation for the study of “corporate finance” in term two.

LEARNING OUTCOMES

Systematic understanding of:

- principles of modern fixed-income assets valuation
- introduction to interest-rate risk measurement and management (duration)
- modern portfolio theory.

Ability to:

- price a wide range of bonds using the cutting edge approach based on spot yield curves
- work with par yields curves
- calculate interests-rate risk metrics for fixed income instruments.

SYLLABUS

Part I

- An overview of fixed income and currencies markets (including derivatives)
- Yield and Pricing I
- Yield and Pricing II
- Duration
- Modern portfolio theory

Part II

- Investment decision rules
- Capital budgeting
- Cost of capital
- Equities and the Dividend Discount Model (DDM)

- Equities and the DDM
- Efficient markets

READING LIST, Part I and II

- Lecture notes (detailed)
- Exercise sets
- Benninga, S. (2008) *Financial Modelling*, 3rd edition, MIT Press (covers a wide range of topics with Excel and Visual Basic applications)
- Berk, J. and DeMarzo, P. (2009) *Corporate Finance*, 2nd edition, Pearson Education
- Hillier D., Ross S., Westerfield R., Jaffe J., and Jordan B. (2010) *Corporate Finance: 1st European Edition*, McGraw-Hill. (Corporate finance textbook with good chapters of fixed income and derivatives)
- Selected journal articles (selected for relevance and clarity)
- Selected current affairs finance articles, e.g. the Economist, the Financial Times, the Wall Street Journal

FINANCIAL STATEMENTS ANALYSIS

SMM115

MODULE LEADER

Stefano De Cesaris

SESSIONS

10 x 3 hourly sessions

MODULE ASSESSMENT

This module will be assessed by group coursework* (25%) and an examination (75%)

**Where Coursework Assessment is by Group Coursework please note Peer Assessment will be incorporated into the final mark. Please refer to section four for details.*

EDUCATIONAL AIMS

To provide a clear understanding of how users of financial information interpret accounting reports when making business decisions, with particular emphasis on investment decisions (i.e. buying or selling assets). The course is based on international accounting standards (IFRS) and US GAAP.

LEARNING OUTCOMES

Systematic understanding of:

- the mechanics and practice of accounting
- the role of accounting as an input to corporate valuation
- the role of accounting as a means of resolving (or a cause of!) agency problems between shareholders, lenders and managers.

Ability to:

- analyse financial statements
- assess the operating performance and the non-operating performance of a business
- use accounting information for equity securities valuation
- use accounting information for credit analysis.

SYLLABUS

THE INSTITUTIONAL FRAMEWORK.

- Accounting standards
- Accounting principles: Accrual accounting

FINANCIAL STATEMENTS

- The income statement: revenue recognition criteria, cost analysis, profitability, EPS, recurring vs non-recurring earnings, ratio analysis.
- The balance sheet: assets and liabilities; working capital; fixed assets; debt; equity, ratio analysis.
- Cash flow statement: direct vs indirect; measuring free cash flow, ratio analysis.

- Off-balance sheet items.
- Analysis of financial statements: comprehensive ratio analysis, including returns.

SPECIFIC ISSUES IN FINANCIAL STATEMENTS

- Leasing
- Pensions and other post employment benefits
- Foreign currency adjustments: transaction and translation gains & losses
- Accounting for hedges and derivatives
- Equity and options based compensation

READING LIST

- Lecture notes
- Reference textbooks (one of the following)
 - Stolowy, Lebas, Ding, *Financial Accounting and Reporting 3e*, Cengage Learning (2010)
 - Alexander, Nobes, *Financial Accounting: An International Introduction 4e*, FT Prentice Hall (2010)
- Additional reading (provided lecture by lecture)
- Case study (provided at the start of the course)
- Exercises

FIXED INCOME, CURRENCIES AND DERIVATIVES SMM149

MODULE LEADER Giorgio S. Questa

SESSIONS 10 x 3 hour sessions

MODULE ASSESSMENT This module will be assessed by an invigilated mid term test (25%) and an examination (75%)

EDUCATIONAL AIMS

Business executives in banks and financial companies cannot ignore global fixed income, foreign exchange and derivatives markets. A proper understanding of the fundamental issues behind international trade, international capital flows, the rise to prominence of multinational corporations, and international debt (including balance of payments debt) has important bearings on business decisions.

The main aim of this module is to allow students to get a solid grasp of the following topics: global fixed income, foreign exchange and derivatives. The module will be very hands on, oriented towards how-to-do.

LEARNING OUTCOMES

Ability to use the appropriate analytical methods to:

- price fixed-income securities, including complex cases
- advanced duration
- price fixed-income linear derivatives such as forwards, futures, swaps
- price foreign exchange linear derivatives such as currency forwards, FX swaps, FX futures, currency swaps
- use options as a hedging instrument.

SYLLABUS

- Spot & forwrd OTC Quotations: Yield Metrics
- Arbitrage-Free Pricing In Finance
- Forwards and Repos
- Interest Rate and Currency Swaps
- The RJ Reynolds Harvard Business School Case
- Futures
- Advanced Duration
- Option basics
- Option and principles of Option Pricing
- The Long Term Capital Management Harvard Business School Case

READING LIST

- Lecture notes (detailed)
- Exercise sets
- Benninga, S. (2008) *Financial Modelling, 3rd edition*, MIT Press (covers a wide range of topics with Excel and Visual Basic applications)
- Berk, J. and DeMarzo, P. (2009) *Corporate Finance, 2nd edition*, Pearson Education
- Hillier, D., Ross S., Westerfield R., Jaffe J., and Jordan B. (2010) *Corporate Finance: 1st European Edition*, McGraw-Hill. (Corporate finance textbook with good chapters of fixed income and derivatives)
- Questa, G (1999) *Fixed Income Analysis*, Wiley, Frontiers in Finance
- Selected journal articles (selected for relevance and clarity)
- Selected current affairs finance articles, e.g. the Economist, the Financial Times, the Wall Street Journal.

A number of important websites are suggested. For example:

- The UK Debt Management Office (DMO) is an Executive Agency of Her Majesty's Treasury. Its website is a good source of information on treasury securities, including T-bills and T-bonds. (Gilts). <http://www.dmo.gov.uk>
- The Bank For International Settlements (BIS), <http://www.bis.org/index.htm> contains a wealth of materials on global financial markets
- The federal reserve system

INTERNATIONAL FINANCE SMM113

MODULE LEADER Ian W. Marsh

SESSIONS 10 x 3 hour sessions

MODULE ASSESSMENT This module will be assessed by coursework* (25%) and a final examination in January (75%)

**Where Coursework Assessment is by Group Coursework please note Peer Assessment will be incorporated into the final mark. Please refer to section four for details.*

EDUCATIONAL AIMS

The aim of the course is to provide the foundations of international financial management, exchange rate determination and an overview of recent issues and debates in the exchange rate and international finance literature.

The course will make it possible for participants to:

- describe the fundamental international parity relationships among exchange rates, interest rates and inflation rates and explain why deviations from this may occur
- gain in-depth knowledge of the spot and forward exchange market and its institutions and mechanisms
- outline the assumptions and implications of the basic models of exchange rate determination and explain the differences between them
- discuss critically the various types of international monetary systems under which the world economy can operate and has operated at various points in time.

LEARNING OUTCOMES

On completing the course the participants will be able to:

- explain why and how expectations affect exchange rates
- evaluate critically the core empirical evidence related to fundamental debates on issues such as the purchasing power parity puzzle and market efficiency
- discuss recent issues in international finance such as target zones and currency crises
- identify the basic factors affecting exchange rates under different international monetary agreements such free floats, managed floats, and fixed-rate systems.

SYLLABUS

FX Market: Determinants and Functions

Exchange rate definitions, exchange rate equilibrium, interaction of arbitrageurs, hedgers and speculators in FX markets, spot and forward rates, alternative exchange rate regimes.

International arbitrage relationships

Law of one price, purchasing power parity, uncovered and covered interest rate parity and the carry trade.

Macroeconomic models of exchange rate determination

The flexible-price Monetary model, Dornbusch overshooting model, asset approach to exchange rates, news and exchange rates

Microeconomic models of exchange rate determination

Foreign exchange order flow and exchange rate determination, exchange rate forecasting.

Developing countries and international finance

Exchange rate regime choice, target zones, models of currency crises, early warning crisis indicators.

READING LIST

- Richard Levich *International Financial Markets* 2nd Edition (McGraw-Hill)
- Paul Hallwood and Ronnie MacDonald *International Money and Finance* 3rd Edition (Blackwell)
- Michael Rosenberg *Exchange Rate Determination* (McGraw-Hill)

Further readings are provided in the lecture notes for each topic

Other readings:

Course participants are requested to read *The Financial Times* regularly, and weekly magazines such as *The Economist*. Frequently during lectures there will be a chance to comment on important facts and news related to issues addressed in class. A number of other academic and professional articles will be referenced in lectures.

QUANTITATIVE METHODS FOR FINANCE SMM150

MODULE LEADER

Richard Payne

SESSIONS

10 x 3 hour sessions. Some lectures take place in computer labs.

MODULE ASSESSMENT

This module will be assessed by group coursework* (25%) and an examination (75%).

**Where Coursework Assessment is by Group Coursework please note Peer Assessment will be incorporated into the final mark. Please refer to section four for details.*

EDUCATIONAL AIMS

The module will provide a review of the classical linear regression model and a discussion of how econometric models should be estimated. Further, univariate and multivariate time-series models will be considered. Via case studies and computer modelling exercises, students learn how to apply these techniques to real data. Emphasis is placed on practical applications of methods, and the teaching involves an examination of some empirical studies using the models for the equity and fixed income markets.

LEARNING OUTCOMES

By the end of the module, it is expected that the student will be able to:

- comprehensively understand how econometrics can be applied to gain useful insights about real-world behaviour
- explain the fundamentals of the statistical theory underlying the tools employed to estimate and test econometric models
- formulate econometric models for testing financial theories and hypotheses
- interpret and analyse the results from an estimated econometric model
- comprehend and critically evaluate the use of econometrics in the published academic finance literature
- describe the main models used to estimate and predict volatility in financial markets.

Ability to:

- perform basic time-series and cross-sectional multiple regression
- to test the validity of the underlying assumptions and to appreciate the implications should they prove to be invalid.

SYLLABUS

- Simple linear regression – assumptions, estimation (OLS)
- Hypothesis testing: single and multiple hypotheses
- Multiple regression: the Classical Linear Regression Model (CLRM)
- Goodness of Fit Statistics
- Violations of the assumptions of the CLRM - causes, consequences, solutions
- Basic time series analysis
- Long run relationships in finance - non-stationarity, testing for unit roots, cointegration, error correction formulations
- Introduction to GARCH models and volatility modelling.

READING LIST

- Lecture notes
- Brooks, C. (2002), *Introductory Econometrics for Finance*, Cambridge University Press.

RESEARCH PROJECT MANAGEMENT SKILLS SMM522

MODULE LEADER	Various
SESSIONS	5 x 3 hour sessions
MODULE ASSESSMENT	This module is assessed by coursework only.

EDUCATIONAL AIMS

The aim of this module is to prepare students in the various methods of undertaking empirical research. The module will introduce students to recent developments in various relevant fields of research, and foster the understanding of qualitative and quantitative research methods.

LEARNING OUTCOMES

The course will make it possible for participants to:

- appreciate the use of statistical techniques in testing the research question
- develop analytical skills to evaluate the impact to major institutional, market or organisational change
- develop an understanding of commonly used sources of data/literature available
- understand the use of statistical techniques in research.

SYLLABUS

This module will run over the course of term one and term two, with sessions from Cass's Database Manager, external consultants and academics.

Sessions will include:

- **Use of Databases:** Empirical research involves collecting and analysing financial data. Such data can be extracted from Financial Extel, DataStream, London Share Price Database (LSPD) Reuters etc. The session will review key databases available at Cass.
- **Research Methodologies:** These sessions will review how to approach data through the use of financial databases. Students will be taken step by step through the processes necessary to performing analysis and reporting.
- **Application of Research:** This session will develop the practical relevance and application of research methodologies within the MSc study routes, Providing advice and guidance on the choice between the Business Research Project or elective route and developing the skills necessary to getting the most out of these options.

READING LIST

Students will be provided with links to resources and practical material throughout the sessions.

RISK MANAGEMENT SMM104

MODULE LEADER

Alessandro Beber

SESSIONS

10 x 3-hour sessions

MODULE ASSESSMENT

This module will be assessed by coursework* (25%) and an examination (75%)

**Where Coursework Assessment is by Group Coursework please note Peer Assessment will be incorporated into the final mark. Please refer to section six for details.*

EDUCATIONAL AIMS

The purpose of this module is to analyze the most important approaches to financial (market) and credit risk management for banks and financial institutions. We shall analyze the best practice techniques used to measure and manage these risks. We shall also cover the role of risk-management to guide business strategy and achieve shareholder value. Risk management will also be set in the context of the international prudential regulation of financial markets activity.

LEARNING OUTCOMES

Systematic understanding of:

- the major issues involved in the management of financial risks and credit risks
- the main tools used for measuring financial risks
- the different approaches to the measurement of credit risk
- credit derivatives
- the interplay of financial and credit risk.

Ability to:

- to conduct basic risk calculations and interpret their outcome
- identify key risk factors that may affect the performance of a financial institution or a financial position.

SYLLABUS

- Financial and credit risks. The risk-management function in banks and other financial institutions.
- The value at risk (VaR) approach to financial risk. Riskmetrics.
- Implementing Value at Risk (historical, analytical, simulation).
- Liquidity risk and liquidity risk management.
- Credit risk basics: default, ratings, credit spreads, rating transitions, expected and unexpected losses.
- The Credit Metrics system.
- Reduced form credit risk models. The pricing of credit risk, focussing on two main instruments: corporate bonds and credit default swaps.

- Measuring default risk and exposure concentration. The use of Merton-type “structural” models to measure “distance to default”, in particular the Moody’s-KMV credit-monitor.
- Modelling and managing of credit portfolios. Default and migration correlations.
- Credit derivatives and structured credit products, especially the rapid growth of credit default swaps, and of cash and synthetic CDOs.
- Risk management models and regulatory capital requirements.
- Capital allocation, performance measurement, and business decision making.

READING LIST

- Lecture notes
- Saunders, Anthony and Marcia Cornett (2010). *Financial Institutions Management: a Risk-Management Approach*. McGraw-Hill/Irwin Series in Finance.

Additional Reading

- Bessis, J., (2010), *Risk Management in Banking*, Wiley.
- Resti A., and A. Sironi (2007), *Risk Management and Shareholders' Value in Banking: From Risk Measurement Models to Capital Allocation Policies*, The Wiley Finance Series.
- Schroeck, G. (2002), *Risk Management and Value Creation in Financial Institutions*, Wiley. Emphasizes the relationship between risk-management and shareholder value.
- Journal articles

Elective Information

Cass Business School provides an extensive range of elective modules for the different MSc programmes. A special elective handbook, regarding your term three selection of modules, will be distributed in the second term and will provide further information.

Electives which have previously been provided by MSc Banking and International Finance include:

- Advanced Topics in Banking
- Hedge Funds
- Clearing and Settlement of Financial Trades
- Investment Banking in Corporate Finance
- Banking Strategy

Apart from these electives, students will also be able to choose from preselected modules offered by other MSc programmes. In the past these have included, among others:

- Mergers and Acquisitions
- Equity Investment
- Corporate Restructuring
- Advanced Company Valuation

Please note the School reserves the right to withdraw an elective if demand is insufficient and to add new electives if they are available. Space restrictions and timetable availability may also apply.

Section 4: Assessment Regulations and Regulations for the Award of the Degree

Described below are the rules governing the award of a master degree in Banking and International Finance. For further information, the City University's complete set of "Ordinances and Regulations" are published on the University's website.

Assessment Regulations

Assessment Calculations

The rules governing calculation of module and overall degree marks are as follows;

- All modules must be passed individually.
- There are no minimum mark requirements for separate assessment components (unless specifically stated). However, it is compulsory to complete all coursework and exam components and no module mark can be awarded until these are completed.
- A module mark is calculated by aggregating marks for all assessment components, unless otherwise stated in the module outline (section three).
- Where modules are assessed by both exam and coursework, these are weighted to calculate the module mark – please see the assessment matrix in section two for the relative weightings.
- Where there are several pieces of coursework, the coursework results are averaged according to weightings.

To calculate the overall degree mark, module marks are combined using weightings in line with the relative credit values of modules.

Failure and Re-sitting of Modules

- Any module with an aggregate mark of less than 50% is deemed to have been failed and must be resat.
- To resit a failed module, a candidate must re-do all assessment components which gained marks of less than 50%.
- Modules may be resat only once.
- A candidate who successfully completes a resit shall be awarded the credits for the module. The mark awarded for the resat components will be capped at 50%. The mark awarded for other components will be the original mark. This mark will also be used in calculating the overall degree mark.
- A candidate who does not pass his or her resit by the date specified by the Assessment Board will not progress on the programme and the Assessment Board will normally make a recommendation that they withdraw.

Coursework

All coursework and invigilated tests are compulsory and count towards the final degree. In some modules presentations or invigilated tests may replace written coursework assignments.

Some subjects may be assessed by coursework only. Precise details concerning examined and non examined modules are provided in the module outlines.

Please note coursework is required to be submitted for assessment by the specified deadline date. Late coursework will receive imposed penalties. Late coursework will immediately receive a deduction of five marks on the first day of lateness, with one further mark deducted for each day of lateness, for a maximum of five days. After this point coursework will not be accepted and a mark of zero will be awarded.

All coursework should be submitted electronically via the virtual learning environment, Moodle. **It is essential that you keep a copy of all coursework submitted.**

All sources used should be cited using the Harvard referencing system. Further information about this can be found on the Cass website:

<http://www.cass.city.ac.uk/intranet/student/learning-resource-centre/citing-references>.

Coursework will be returned to students as quickly as possible with the aim of students receiving feedback within three to four weeks of their submission

Peer Assessment

In many careers in Banking and International Finance working as part of a team is an integral part of the role. Learning the skills to support successful team working and build successful interpersonal relationships is an important element of your MSc course. To help you do this Cass has developed a peer review strategy which is part of the assessment for this module.

The process works as follows:

- At the end of each of the applicable modules you will receive a link to the peer review database, which will allow you to complete the assessment for each member of your module group.
- You will only be able to access the peer review database for a defined period of time (usually around one - two weeks) following submission of your coursework, after which the database will be closed and you will not be able to access it.
- You will be asked to review the performance of each member of your group by grading them on a number of criteria and providing constructive commentary, they will be doing the same for you. The criteria will be available through the link you receive.
- You should think carefully about the grades you give and the comments you make – ensure they are truthful and constructive as they will be reviewed by lecturers.

- Do not be tempted to award artificially low or high grades in your peer review, this will be noticed and moderated by the module leader.

Please note: Where peer assessment is used you **must** complete it in order to access the full range of marks for the module. If you do not complete the peer review element of your assessment by the given deadline you will receive a zero grade for it which will impact on the final result you receive for the module. Please refer to the individual module outlines for clarification of which modules this applies to.

Degree Requirements

To qualify for a Masters degree, a candidate must achieve **at least 50% as an aggregate mark for each module and an overall degree average mark of 50%**. This will result in the acquisition of 180 credits, which is the number required to achieve a masters degree in Banking & International Finance.

Award of Distinction

To calculate the overall degree mark, all module marks are combined using the weightings in the Assessment matrix table. The award of distinction for the masters is based on:

- An overall degree mark of at least 70%, with no modules failed at first attempt.
- However, where a student has one resit and passes, achieves an overall degree average mark of 70% or above, should be awarded a merit and not a pass.

Award of Merit

To calculate the overall degree mark all module marks are combined using the weighting in the table. The award of merit for the Masters is based on:

- An overall degree mark between 65% - 69.9% inclusive.
- No modules failed at first attempt.

Postgraduate Diploma

A student who has not accumulated enough credits to be awarded a masters degree may be awarded a postgraduate diploma provided they have satisfied the following conditions:

1. The total number of credits gained is equal to or greater than the minimum credits stipulated in the programme specification for the award of a diploma.

For the award of a diploma, a student may compensate a maximum of 20 core or core elective credits provided the following conditions are met:

1. The mark achieved for the module(s) to be compensated is at least 40%.
2. The average mark of all modules to be counted towards the diploma, including those modules to be compensated, is at least 50%.

Note that:

- The diploma average will be calculated in the same way as the masters average as specified in the programme specification;
- The award of distinction and merit will also be calculated in the same way as for the masters degree, as specified in the programme specification.

Periods of Registration

The periods allowed for completion of the qualifications are:

- Four years for a masters degree: full or part-time
- Two years for a postgraduate diploma: full or part-time

Grade Related Criteria

Class	%	Literary		Knowledge	Independent thought, uses of sources and research materials	Presentation	Professional
Distinction	85-100	A	Outstanding	Comprehensive and informative knowledge of subject area, may include - new knowledge derived from which the marker and wider community may learn; addresses the learning outcomes/ assessment criteria in full	Where relevant, evidence of independent reading, thinking and analysis and strong critical ability	Well-constructed	Distinction
	80-84		Excellent				
	75-79		Very good	Sophisticated or strong - shows knowledge of complex issues or a broad range of issues and addresses the learning outcomes/assessment criteria well.	Where relevant, show evidence of wide and comprehensive reading and critical ability	Clearly written	
	70-74						
Merit	65-69	B	Good	Sound knowledge of a broad range of issues or detailed knowledge of a smaller number of issues; makes a good attempt to address the learning outcomes/assessment criteria, realising all to some extent and some well	Evidence of thorough research of the topic(s) but some answers may not be complete or arguments sufficiently explored. Some critical ability will be evident.	well-structured and logically written	Merit
Pass	50-64	C	Satisfactory	Adequate knowledge of important issues – some level of response to all learning outcomes/assessment criteria but may not include important elements or information that is fully accurate.	Where relevant, development of ideas is limited but attempts will be made to analyse materials critically	Expression and structure may lack clarity	Pass
Fail (0%-49%)	41-49	D	Poor	Unsatisfactory work - inadequate knowledge of the important issues and doesn't succeed in grasping key issues, therefore learning outcomes/ assessment criteria will not be realised	No real development of ideas and critical analysis will be very limited.	Presentation is confused or incoherent	Fail (0%-49%)
	20-40	E	Very poor	Knowledge is lacking either through omission, the inclusion of large amounts of irrelevant information or evidence of significant misunderstanding - totally inadequate attempt to address the learning outcomes/ assessment criteria	No critical ability will be displayed	Confused, incoherent or unstructured presentation	

Section 5: Additional Information

Course Office

The Course Office is located on the 3rd Floor of Cass Business School, 106 Bunhill Row, London EC1Y 8TZ.

Please note the following hours of operation for the Course Office:

Term Time Hours

Monday: 1pm – 6.30pm

Tuesday: 1pm – 8pm

Wednesday: 1pm – 6:30pm

Thursday: 1pm – 8pm

Friday: 10.30am – 3.30pm

Out of Term Time Hours

Monday to Thursday 1pm – 5pm

Friday 10.30am – 3.30pm

Your Course Officer is accessible via email and telephone, should you be unable to visit the office in person:

Helen Young, Course Officer MSc Banking and International Finance
0105, Helen.Young.1@city.ac.uk

Virtual Learning Environment – Moodle

The Virtual Learning Environment for Cass and City University, **Moodle**, provides a variety of information and resources to students. This includes the following:

- Lecturer contact details
- Course office contact details
- Module outlines and course material
- Teaching and exam timetables
- Course calendar, including events and module deadlines

It also provides students with the facility to:

- Submit coursework
- Receive coursework grades
- Manage your profile and communicate with classmates

Students are responsible for regularly checking both their City email account and their Moodle account. This is how both course office staff and academics will communicate with you.

In the event that a class is cancelled you will be notified via Moodle and email. We understand that you have a busy schedule and do not want to travel to Cass if it is not necessary.

Personal Tutors

Postgraduate taught students will be assigned a personal tutor. This personal tutor will be available to provide general academic, professional and pastoral support and will also ensure that a student is aware of the additional and more specialised support mechanisms available within the University.

Students should have the opportunity to see their personal tutor on an individual basis at least once a term. Students will be assigned a personal tutor at the beginning of the year. Our course office team are also available to assist should you need help during the course of your studies

Academic Contact Details

All members of the academic staff are located on the 5th Floor of the Business School. Please note staff members may not be able to see you without an appointment.

Extensions and email addresses for academics are listed below. Extensions may be dialled direct with the prefix - 020 7040

Dr Barbara Casu Lukac Course Director MSC Banking & International Finance
5283, Barbara.Casu-Lukac.1@city.ac.uk

Prof Alessandro Beber
8737, Alessandro.Beber.1@city.ac.uk

Dr Giacinta Cestone
4188, Giacinta.Cestone.1@city.ac.uk

Dr Stefano De-Cesaris
Visiting Lecturer, Stefano.De-Cesaris.1@city.ac.uk

Prof Ian Marsh
5121, I.Marsh@city.ac.uk

Prof Giorgio Questa
8636, G.questa@city.ac.uk

Dr Richard Payne
8659, Richard.Payne.1@city.ac.uk

Dr Ahn Tran
5109, Anh.Tran.1@city.ac.uk

Programme Disclaimer

The information in this Specialist Masters Programme Handbook is correct at the time of going to press in August 2011. The University reserves the right to make amendments to:

- a) the contents of the Programme Handbook and in particular to the timetable, location and methods of delivery or the content, syllabus and assessment of any of its programmes as set out in the programme and module specifications in this Handbook and/or on the University's website; and
- b) its statutes, ordinances, regulations, policies, procedures and fee structures,

provided that such amendments are (i) as a result of student demand (or lack thereof), (ii) as a result of unforeseen events or circumstances beyond the University's control or (iii) are deemed reasonably necessary by the University.

In the event that amendments are made, the University shall take reasonable steps to notify you as soon as is reasonably possible.