



Unit Outline

Financial Institutions & Policy

FINA7492

Semester 2, 2008
Crawley Campus

Unit Coordinator
A/Prof Jackie Johnson



Business School
www.business.uwa.edu.au

1. THE UNIT

Financial Institutions and Policy:

- presents an overview of the Australian financial system, including institutions in the market place, their respective roles, the forces that have shaped those roles and the problems they face;
- includes discussions of financial product innovations and the forces that shaped those innovations;
- examines the changes in financial markets, financial products and financial regulation and;
- explores the role of international financial institutions and the issues they face.

1.1 Course Controller

A/Prof Jackie Johnson

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2. UNIT OUTCOMES

After successfully completing the unit students should be able to:

- demonstrate a clear understanding of the Australian financial system, the regulatory process and the roles of the Australian regulators – RBA, ASIC, APRA, ACCC & AUSTRAC;
- develop an appreciation of the global financial environment in which Australian financial institutions operate;
- understand the benefits of financial innovation in the development of new financial products and processes;
- identify the forces that drive financial innovation;
- identify current issues of relevance to Australian financial institutions, financial innovation, the global financial system and financial regulation.

3. USEFUL REFERENCES

- The Report of the HIH Royal Commission
- The Financial System Final Report (Wallis Inquiry Report) 1997. Available from the internet at <<http://www.treasury.gov.au/Publications/FSI/FinalReport>>.
- Campbell Committee, 'Report of the Committee of Inquiry into the Australian Financial System'
- Martin Report
- Reserve Bank of Australia, 'Reserve Bank Bulletins', media releases and other publications
- Van Horne, 'Financial Market Rates and Flows'
- Lewis & Wallace, 'Australian Financial Institutions and Markets'
- Hicks & Wheller, 'Money & Capital Markets in Australia'
- Juttner, 'International Finance and Global Financial Markets'
- Anything you can find of interest in the Library (numbers to start looking 332.43, 332.45, 332.61).
- Look in the Finance and Banking Journals
- Factiva news service is available on-line - see the business reference librarian for access
- World wide web - various (you will need to be able to effectively use the Web search facilities)
- Hogan et al, "Management of Financial Institutions"

Useful web sites:

- Reserve Bank of Australia: www.rba.gov.au
- APRA : www.apra.gov.au
- ASIC : www.asic.gov.au
- ACCC: www.accc.gov.au
- AUSTRAC : www.austrac.gov.au
- HIH Royal Commission Report: www.hihroyalcom.gov.au
- Financial Action Task Force: www.oecd.org/fatf/
- Commonwealth Bank: www.commbank.com.au
- National Bank: www.national.com.au
- ANZ Bank: www.anz.com.au
- Westpac: www.westpac.com.au
- Bendigo Bank: www.bendigobank.com.au
- Australian Bankers' Association: www.bankers.asn.au
- IMF: www.imf.org/
- World Bank: www.worldbank.org/
- Bank for International Settlements: www.bis.org/

4. TOPICS

Week	Format	Topic	Suggested Readings
1 31/7	Lecture	Introduction to International Financial Organisations.	IMF, World Bank and Bank for International Settlements (BIS) web sites.
2 7/8	Lecture and Discussion Questions	Exchange Rates, Monetary Unions and Dollarization	Daily press Pomfret (2005) "Currency Areas in Theory & Practice" "The Australian Foreign Exchange and Derivatives Market" in RBA Bulletins
3 14/8	Lecture and Presentations	The Australian Financial System	Wallis Inquiry - Ch 1-9,14-16 Hogan et al "Management of Financial Institutions" Ch 1.
4 21/8	Lecture and Presentations	Australian Regulators and Current Issues	See RBA, APRA, ACCC and ASIC web sites for information
5 28/8	Lecture and Presentations	Australian Financial Intermediaries and Current Issues	RBA Bulletins, AFR, Daily newspapers, government press releases
6 4/9	Video (HIH), Lecture and Discussion Questions	Mismanagement at Australian Financial Intermediaries: HIH & NAB	The Report of the HIH Royal Commission Daily press APRA Media Releases
7 11/9	Lecture and Discussion Questions	International Issues: <ul style="list-style-type: none"> • Societe Generale • Sub-prime mortgage crisis • Failure of the Northern Rock Bank 	Factiva News Service
		Mid-Semester Break	
8 25/9	Lecture and Presentations	Financial Innovation 1 - Theory	Articles will be provided in due course.
9 2/10	Video (credit Cards) Presentations	Financial Innovation 2 - Products & Markets	Daily Press, FACTIVA News Service
10 9/10	Lecture and Presentations	Financial Innovation 3 - Islamic Finance	Articles will be provided in due course.
11 16/10	Lecture and Discussion Questions	Criminal Use of the financial system - Money Laundering	See FATF Annual Reports, AUSTRAC web site, daily press Journal of Money Laundering Control Journal of Financial Crime Articles will be provided in due course
12 23/10	Lecture and Presentations	Protection of the financial system – Anti-Money Laundering.	"
13		Study Break	
14		Exam - Thursday 6th November	

Students will be notified of other references and readings during the semester.

5. ASSESSMENT

Discussion Questions:	20%
Presentations	20%
Assignment:	20%
Final Exam:	40%

5.1 Discussions Questions

Answers to the Discussion Questions are to be handed in at the relevant lecture. Together these make up 20% of your final grade. Discussion Question answers not handed in on time will get a mark of zero.

INSTRUCTIONS:

- (1) Answers must be typed (10 or 12 point font please) and submitted by the due date and time. Limit your answer to each question to a **maximum of 2 pages** (excluding figures or graphs).
- (2) Do not just cut and paste from other sources, put the material in your own words and cite your sources.
- (3) Any material or ideas taken from texts, journals, newspapers, websites or any other source must be properly referenced. **Any direct quotes (work copied word for word) should be indicated with quotation marks and the exact source indicated in a footnote.** Remember copying other peoples material is plagiarism. You MUST reference all cited material. Academic articles must be included in an alphabetical list (by author's surname) of references at the end of your assignment. Do not include a list of articles you have not referenced in your assignment. See section 6 for details.

5.2 Presentations

All students will be assigned a number of presentations. The number will depend on the size of the class. Presentations may be assigned to one or two people depending on the Topic. Presentations involving one presenter should be about 20 minutes. Those involving 2 people should be scheduled for about 30 - 35 minutes. Presenters will be expected to answer questions at the end of their presentation. Handling of the questions forms part of the presentation mark. Presenters need to prepare **a 2 page summary** of their presentation which must be handed in at the lecture. If the presentation has been made by 2 people, only one summary is needed. The summary will count towards the mark for presentations. The summary will be provided to the rest of the class the following week.

Students not present for their scheduled presentation(s) will receive a mark of zero unless there are acceptable grounds for their absence (ie sickness) or prior arrangements have been made with the course controller.

5.2.1 Presentation Guidelines

- Presentations should be done using PowerPoint (if this is impossible because of difficulties accessing a computer, then overheads will do). Make sure that your presentation can be read from the back of the room (18 point font)
- **Do not read your presentation.** If you need reminding of the points you intend to make, design palm cards or have just a few notes written on a sheet of paper.

5.3 Assignment

Due Date: 9th October, 1pm at the lecture.
Details will be provided at a later date.

5.4 Final Exam

The exam is two hours in duration and will be held in week 14, on Thursday 2nd November, 2006, from 2-4pm. The final exam is comprehensive and covers the whole course. It is a closed book exam and students may not bring in any material.

6. REFERENCING.

In the text itself, you include the name(s) of the author(s) and the date of publication. For example:

Huberman and Schwert (1985) show that indexed bond prices convey substantial information about unobserved price level shocks.

In the list of References at the end, details of the article would show the author(s), the year or publication, the title of the article, the book or journal name, the volume number, issue number and the page number(s). **References are listed by author(s) in alphabetical order.**

Huberman, G. and Schwert. G.W. (1985), "Information Aggregation, Inflation, and the Pricing of Indexed Bonds," *Journal of Political Economy*, Vol. 16, No. 3, pp. 92-114.

How to reference newspaper, magazine articles or web sites.

In the text itself include material from the article and footnote the source. For example:

- (a) The IMF have just provided a loan to Russia of US\$4.5b¹ to help in their current financial difficulties.
- (b) On 2nd August 2000, the Israeli Knesset passed legislation on the "Prohibition of Money Laundering". The new law criminalizes money laundering based on a wide range of predicate offences, requires record keeping and transaction reporting, declaration of cross-border currency movements, confiscation of the proceeds of crime, setting up of an FIU and enhanced international cooperation.²

¹ "Loans to Eastern Europe", IMF Press Release, 14/3/2001.

² "Israel enacts money laundering legislation," International Money Laundering Information Network (IMoLIN), <<http://www.imolin.org/current.htm>>.

7. STANDARD OF ASSESSMENT

The Business School must ensure that the processes of assessment are fair and are designed to maintain the standards of the School and its students. The School follows the University of Western Australia's grading system:

HD	(Higher distinction)	80-100%
D	(Distinction)	70-79%
CR	(Credit pass)	60-69%
P	(Pass)	50-59%
N+	(Fail)	45-49%
N	(Fail)	0-44%

The School awards marks leading to these grades by using the following general criteria which are presented here as a clear indication of the School's expectations. These general criteria may be supplemented by specific standards with regard to a particular assignment.

- HD The student has a clear understanding of theory, concepts and issues relating to the subject and is able to adopt a critical perspective. The student is able to clearly identify the most critical aspects of the task and is able to offer a logically consistent and well articulated analysis within the analytic framework presented in the unit. The student is able to draw widely from the academic literature and elsewhere but maintains relevance.
- D The student has a clear understanding of theory, concepts and issues relating to the subject. The student is able to develop an analysis of an issue using the analytic framework presented in the unit and is able to identify and evaluate the critical issues. The student is able to draw upon relevant academic and other material.
- CR The student demonstrates an understanding of the analytic framework developed in the unit and a partial understanding of concepts and issues. The student is able to identify some key issues and is able to present a logical discussion, but with some conceptual errors or gaps between analysis and conclusions. The student is able to draw upon an adequate range of references and other materials.
- P The student generally takes a descriptive rather than analytic approach to the subject. The student is able to demonstrate some understanding of the issues involved but does not demonstrate the ability to apply the analytic framework which had been developed in the unit. Draws primarily upon unit materials for referencing.
- N+ The student is unable to demonstrate that he or she understands the core elements of the subject matter. The student is able to provide some insight into issues but misapplies analytic framework developed in the unit, omitting key factors and, for example, drawing conclusions which are not related to the preceding discussion.
- N The student is unable to demonstrate any understanding of the subject matter. Material presented for assessment is unrelated to unit framework and shows not effort to identify or address critical aspects of the topic.

The scaling of marks to ensure comparability between classes is an acceptable academic practice. The School and Board of Examiners have the right to scale marks where it is considered necessary to maintain consistency and fairness.

8. ETHICAL SCHOLARSHIP, ACADEMIC LITERACY AND ACADEMIC MISCONDUCT

Ethical scholarship is the pursuit of scholarly enquiry marked by honesty and integrity. **Academic**

Literacy is the capacity to undertake study and research, and to communicate findings and knowledge, in a

manner appropriate to the particular disciplinary conventions and scholarly standards expected at university level.

Academic misconduct is any activity or practice engaged in by a student that breaches explicit guidelines relating to the production of work for assessment, in a manner that compromises or defeats the purpose of that assessment. **Students must not engage in academic misconduct.** Any such activity undermines an ethos of ethical scholarship. Academic misconduct includes, but is not limited to cheating, or attempting to cheat, through:

- Collusion
- Inappropriate collaboration
- Plagiarism
- Misrepresenting or fabricating data or results or other assessable work
- Inappropriate electronic data sourcing/collection
- Breaching rules specified for the conduct of examinations in a way that may compromise or defeat the purposes of assessment.

Penalties for academic misconduct vary according to seriousness of the case, and may include the requirement to do further work or repeat work; deduction of marks; the award of zero marks for the assessment; failure of one or more units; suspension from a course of study; exclusion from the University, non-conferral of a degree, diploma or other award to which the student would otherwise have been entitled. Refer to the Ethical Scholarship, Academic Literacy and Academic Misconduct located on the University's website at

http://www.teachingandlearning.uwa.edu.au/tl4/for_uwa_staff/policies/student_related_policies/academic_conduct

9. ACADEMIC CONDUCT ESSENTIALS (ACE)

From Semester 1, 2008 all newly enrolled students are required to complete a short compulsory online unit called *Academic Conduct Essentials* (ACE) within the first 10 weeks of semester. ACE introduces students to essential knowledge regarding ethical scholarship, it helps prepare them for the expectations they will need to meet during their university career and it informs them of correct academic conduct.

ACE can be accessed via WebCT (<http://webct6.uwa.edu.au>). In order to pass the unit, the unit quiz must be completed with a mark of 80% or greater. To gain the required pass mark students may attempt the quiz as many times as they wish. Completion of the unit will be recorded as an Ungraded Pass (UP) on the student's academic record. Non-completion (NC) within the required timeframe will also be documented on formal academic records (ie, in either case the grade will appear on transcripts). More information on ACE is available at <http://ace.uwa.edu.au>

10. APPEALS AGAINST ACADEMIC ASSESSMENT

In the first instance, students are strongly advised to talk informally to the lecturer about the grade awarded. The University provides the opportunity for students to lodge an appeal against any mark which he or she feels is unfair. Any student making an appeal is under an obligation to establish a prima facie case by providing particular and substantial reasons for the appeal. It is recommended that students contact the Guild Education Officers to aid them in the appeals process.

There is a 20 day time limit for making any such appeal. An appeal against academic assessment may result, as appropriate, in an increase or decrease in the mark originally awarded. The University regulations relating to appeals and the form on which the appeal should be lodged can be found at

<http://www.secretariat.uwa.edu.au/home/policies/appeals>

Student Guild contact details

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