

Finance
Course Number: 33:390:320
Course Title: Global Capital Markets

COURSE DESCRIPTION

OBJECTIVE: To give students an in-depth understanding of securities and their markets.

CONTENT:

In this course you will learn the language of international investing. You will understand what the different types of securities are. You will learn how markets operate domestically and internationally. The actual operation of markets will be observed through movies.

COURSE MATERIALS

REQUIRED TEXT: **Trading and Exchanges: Market Microstructure for Practitioners, by Larry Harris, Oxford University Press.**

ADDITIONAL READINGS:

Supplemental Packet – Contains the course outline with room to take notes. On Canvas.

Campbell R. Harvey's Hypertextual Finance Glossary available at

<http://www.duke.edu/~charvey/Classes/wpg/glossary.htm>

Articles: A packet of articles will be available on Canvas along with a list of what topics they relate to. I will add new articles to the list as they appear in the press. You will be responsible for obtaining them. See the next topic.

KEEPING CURRENT

Global markets are constantly changing. During the course new regulations may be introduced, or a market may change its entire structure, or new markets may be introduced. The only way to keep current is to stay abreast of the financial press. Therefore all students will be expected to read the Wall Street Journal daily.

Check Canvas (canvas.rutgers.edu) and your official Rutgers email account regularly.

LEARNING GOALS AND OBJECTIVES

1. **Knowledge.** Students graduating with a BS degree will have broad understanding of basic business theory and practice and deep understanding of theory and practice within their major field.

Students will demonstrate:

- a. knowledge of current basic concepts in the functional areas of business.
 - b. knowledge of current advanced concepts within their major field and an ability to integrate and apply these concepts to practical business problems*.
 - c. proficiency at using current software tools and information systems to manage business data and address practical business problems.
 - d. ability to apply appropriate quantitative methods to analyze business data, and to apply quantitative modeling techniques to analyze business plans and decisions.
2. **Ethical judgment.** Students graduating with a BS degree will use reasoned and ethical judgment when analyzing problems and making decisions.

Students will demonstrate:

- a. ability to critically evaluate unstructured business decision-making scenarios and develop innovative and ethical solutions.
 - b. recognition of ethical dilemmas in unstructured business decision-making scenarios.
3. **Global perspective.** Students graduating with a BS degree will have the breadth of perspective necessary to succeed in a global and diverse business environment.

Students will demonstrate:

- a. knowledge of the diversity of past and current economic, legal, political, and social structures.
 - b. understanding of the impact of cultural and demographic diversity on business interactions.
4. **Effective Communication.** Students graduating with a BS degree will be effective communicators.

Students will demonstrate:

- a. ability to construct clear, concise, and convincing written business communication.
- b. ability to construct and deliver clear, concise, and convincing oral communication.

Finance majors will demonstrate:

- (a) Successful students will demonstrate an understanding of corporate finance and solve corporate finance problems related to the time value of money, basic capital budgeting, and the financing decision of the firm.
- (b) Successful students will demonstrate their ability to analyze investments in financial instruments and apply the basics of portfolio theory.
- (c) Successful students will demonstrate their knowledge of and the ability to analyze the characteristics of global financial markets and institutions.

Students develop these skills and knowledge through the following course activities and assignments:

- (a) Reading the text and assigned articles
- (b) Attending class and participating in class discussions
- (c) Keeping current by reading news articles pertaining to market structure and security design
- (d) Watching assigned videos

STATEMENT ON CFA ETHICS:

It is the goal of Rutgers Business School to graduate ethical business leaders. The finance department promotes ethical behavior throughout the teaching of all courses. The Chartered Financial Analyst Institute has developed on-line self-study ethics training on the CFA Institute Code of Ethics and the Standards of Professional Conduct. The six hour on-line self study components were developed by the CFA Institute for use by universities. Students are urged to create a free account and complete the modules, which are described here.

PREREQUISITES

Completion of (33:390:300) *OR* (33:390:310) is required before you take Global Capital Markets. This course builds on the knowledge you learn in the prerequisite by examining how securities are created and a detailed analysis of the markets that trade them.

ACADEMIC INTEGRITY

I do NOT tolerate cheating. Students are responsible for understanding the RU Academic Integrity Policy (<http://academicintegrity.rutgers.edu/>)

I will strongly enforce this Policy and pursue *all* violations. On all examinations and assignments, students must sign the RU Honor Pledge, which states, “On my honor, I have neither received nor given any unauthorized assistance on this examination or assignment.” I will screen all written assignments through *SafeAssign* or *Turnitin*, plagiarism detection services that compare the work against a large

database of past work. Don't let cheating destroy your hard-earned opportunity to learn. See business.rutgers.edu/ai for more details.

ATTENDANCE AND PREPARATION POLICY

- Expect me to attend all class sessions. I expect the same of you. If I am to be absent, my department chair or I will send you notice via email and Canvas as far in advance as possible. If you are to be absent, report your absence in advance at <https://sims.rutgers.edu/ssra/>. See grading policy regarding missing an exam.
 - For weather emergencies, consult the campus home page. If the campus is open, class will be held.
 - Expect me to arrive on time for each class session. I expect the same of you.
 - Expect me to remain for the entirety of each class session. I expect the same of you.
 - Expect me to prepare properly for each class session. I expect the same of you. Complete all background reading and assignments. You cannot learn if you are not prepared. The minimum expectation is that for each 3-hour class session, you have prepared by studying for at least twice as many hours.
 - Expect me to participate fully in each class session. I expect the same of you. Stay focused and Involved. You cannot learn if you are not paying attention.
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EXAM DATES AND POLICIES

There are 2 exams in this course:

Midterm Exam:

Final Exam:

Format: Exams will consist of multiple choice and true/false questions. The final is non-cumulative.

During exams, the following rules apply:

- Closed book; closed notes; closed electronics.
 - If you have a disability that influences testing procedures, provide me an official letter from the Office of Disability Services at the start of the semester.
 - No cell phones or other electronics are allowed in the testing room.
 - Alternate seating; do not sit next to another student or in your usual seat.
 - Use the bathroom prior to the exam start; bathroom breaks, if essential, will be escorted.
 - Your exam will not be accepted unless you sign the Honor Pledge.
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GRADING POLICY

Course grades are determined as follows:

Each exam is worth 50%. NO MAKE UP EXAMS WILL BE GIVEN. ONLY A MEDICAL EXCUSE OR DEATH IN YOUR IMMEDIATE FAMILY WILL ALLOW YOU TO MISS AN EXAM. IN THE EVENT OF ILLNESS, A DOCTOR'S NOTE WILL BE REQUIRED. In the event of an excused exam the weight of the exam you took will be 100%.

In this class the following relationship between numeric and letter grades applies:

90-100 = A; 87-89 = B+; 80-86 = B; 77-79 = C+; 70-76 = C; 60-69 = D; less than 60 = F.

There is no extra credit given for this course.

Your final grade is not subject to negotiation. If I have made an error, I will gladly correct it. But I will adjust grades only if I have made an error. I cannot and will not adjust grades based on consequences, such as hurt pride, lost scholarships, lost tuition reimbursement, lost job opportunities, or dismissals. Do not ask me to do so. It is dishonest to attempt to influence faculty in an effort to obtain a grade that you did not earn, and it will not work.

STUDENTS ARE RESPONSIBLE FOR ANY CHANGES MADE IN THIS SYLLABUS

COURSE SCHEDULE

TOPICS LIST & READING ASSIGNMENTS

Please note that security design is currently changing. For example, securities backed by rental payments or sub-prime car loans are now being created and previously popular securities such as life settlements have quickly disappeared. New types of security markets and order types are being created. Regulators are imposing themselves on markets with major consequences to their structure. We will be discussing these rapid changes and impacts in class. Due to the unpredictable nature on these events, I cannot predict when we will discuss them. Therefore, a week-by-week listing of topics would be ill-advised. The topics we will cover are below. We will cover them in the order they are listed. If you miss a class, please ask a classmate what the reading assignment is for the next class and obtain a copy of the class notes from them.

- I. TYPES OF SECURITIES ISSUED BY CORPORATIONS**
Reading: Chapter 1, 3

See Campbell R. Harvey's Hyper textual Finance Glossary for definitions of terms

- A. Common Stock
- B. Preferred Stock
- C. Bonds
 - 1. U.S.
 - 2. Germany
 - 3. France
 - 4. United Kingdom
 - 5. Japan
 - 6. Eurobonds
- D. Rights
- E. Warrants

II. TYPES OF GOVERNMENT ISSUED SECURITIES

- A. Treasuries
 - 1. T'Bills.
 - 2. T'Notes and Bonds
 - 3. Primary markets for us government securities
- B. Other Government Securities
 - 1. Federal Farm Credit Bank
 - 2. FNMA
 - 3. GNMA
 - 4. Freddie Mac

III. SECURITIZATION

- A. Mortgage backed securities
 - 1. Mortgage Backed Bonds
 - 2. CMOs
 - 3. REMICs
- B. Other Assets securitized

V. ORDER DRIVEN MARKETS - AUCTION V. CALL MARKET

Reading: Chapters. 4, 5, 6

- A. NYSE
 - 1. History
 - 2. People on the floor
 - 3. Computerized Order Execution
 - 5. NYSE Floor
 - 6. Types of orders
 - 8. Short Sales
 - 9. Margin
 - 10. Specialists
- C. Purpose of U.S. Regional Exchanges
- D. European Exchanges
 - 1. Finland
 - 2. France
 - 3. Germany
 - 4. Italy
 - 5. European Exchange Linkages
- E. Pacific Rim Exchanges
 - 1. Singapore
 - 2. Japan

VI. DEALER MARKETS
Reading: Chapter 13

- A. NASD
 - 1. Order Handling Rule Changes
 - a. Actual Size Rule
 - b. ECNs
 - c. Customer Limit Orders
 - d. Trading Ahead
 - e. Trading Through (1994)
- B. London

C. CBOE

VII. BID-ASK SPREADS

Reading: Chapters 10, 14

- A. Components
 - 1. Adverse Selection
 - 2. Inventory Holding
 - 3. Order Processing

VIII. PRIORITY RULES

- A. Price
- B. Time
- C. Sharing
- D. Size
- E. Random
- F. Others

IX. TRANSPARENCY

- A. Pre-Trade
- B. Post-Trade

X. OTHER EXCHANGE-RELATED ISSUES

- A. Tick Size
- B. Consolidation v. Fragmentation

XI. DERIVATIVES

- A. Futures
 - 1. Spot Markets
 - 2. Forward Contracts
 - 3. Futures Contracts
 - a. How to Buy or Sell a Future
 - b. How Settlement Occurs
 - c. How Profits are Made

- d. Maximum Daily Price Fluctuations
4. Pit Trading
5. Types of Traders
6. US Exchanges
 - a. Regulation of US Commodity Exchanges
7. France - Marche A Terme des Instruments Financiers MATIF
8. Germany - Deutsche Terminbourse DTB
9. Switzerland - SOFFEX
10. United Kingdom

SUPPORT SERVICES

If you need accommodation for a *disability*, obtain a Letter of Accommodation from the Office of Disability Services. The Office of Disability Services at Rutgers, The State University of New Jersey, provides student-centered and student-inclusive programming in compliance with the Americans with Disabilities Act of 1990, the Americans with Disabilities Act Amendments of 2008, Section 504 of the Rehabilitation Act of 1973, Section 508 of the Rehabilitation Act of 1998, and the New Jersey Law Against Discrimination. More information can be found at ods.rutgers.edu.

[Rutgers University-New Brunswick ODS phone (848)445-6800 or email dsoffice@echo.rutgers.edu]

[Rutgers University-Newark ODS phone (973)353-5375 or email ods@newark.rutgers.edu]

If you are *pregnant*, the Office of Title IX and ADA Compliance is available to assist with any concerns or potential accommodations related to pregnancy.

[Rutgers University-New Brunswick Title IX Coordinator phone (848)932-8200 or email jackie.moran@rutgers.edu]

[Rutgers University-Newark Office of Title IX and ADA Compliance phone (973)353-1906 or email TitleIX@newark.rutgers.edu]

If you seek *religious accommodations*, the Office of the Dean of Students is available to verify absences for religious observance, as needed.

[Rutgers University-New Brunswick Dean of Students phone (848)932-2300 or email deanofstudents@echo.rutgers.edu]

[Rutgers University-Newark Dean of Students phone (973)353-5063 or email DeanofStudents@newark.rutgers.edu]

If you have experienced any form of *gender or sex-based discrimination or harassment*, including sexual assault, sexual harassment, relationship violence, or stalking, the Office for Violence Prevention and Victim Assistance provides help and support. More information can be found at <http://vpva.rutgers.edu/>.

[Rutgers University-New Brunswick incident report link: <http://studentconduct.rutgers.edu/concern/>. You may contact the Office for Violence Prevention and Victim Assistance at (848)932-1181]

[Rutgers University-Newark incident report link: https://cm.maxient.com/reportingform.php?RutgersUniv&layout_id=7 . You may also contact the Office of Title IX and ADA Compliance at (973)353-1906 or email at TitleIX@newark.rutgers.edu. If you wish to speak with a staff member who is confidential and does **not** have a reporting responsibility, you may contact the Office for Violence Prevention and Victim Assistance at (973)353-1918 or email run.vpva@rutgers.edu]

If students who have experienced a temporary condition or injury that is adversely affecting their ability to fully participate, you should submit a request via <https://temporaryconditions.rutgers.edu> .

If you are a military *veteran* or are on active military duty, you can obtain support through the Office of Veteran and Military Programs and Services. <http://veterans.rutgers.edu/>

If you are in need of *mental health* services, please use our readily available services.

[Rutgers University-Newark Counseling Center: <http://counseling.newark.rutgers.edu/>]

[Rutgers Counseling and Psychological Services–New Brunswick: <http://rhscaps.rutgers.edu/>]

If you are in need of *physical health* services, please use our readily available services.

[Rutgers Health Services – Newark: <http://health.newark.rutgers.edu/>]

[Rutgers Health Services – New Brunswick: <http://health.rutgers.edu/>]

If you are in need of *legal* services, please use our readily available services: <http://rusls.rutgers.edu/>

Students experiencing difficulty in courses due to *English as a second language (ESL)* should contact the Program in American Language Studies for supports.

[Rutgers–Newark: PALS@newark.rutgers.edu]

[Rutgers–New Brunswick: eslpals@english.rutgers.edu]

If you are in need of additional *academic assistance*, please use our readily available services.

[Rutgers University-Newark Learning Center: <http://www.ncas.rutgers.edu/rlc>]

[Rutgers University-Newark Writing Center: <http://www.ncas.rutgers.edu/writingcenter>]

[Rutgers University-New Brunswick Learning Center: <https://rlc.rutgers.edu/>]

[Optional items that many faculty include:

- Students must sign, date, and return a statement declaring that they understand the RU Academic Integrity Policy.

- Students must sign, date, and return a statement declaring that they understand this syllabus.]