This course explores the functions, operations and efficacy of the global financial system, highlighting the significant changes that have occurred in recent decades. Globalisation and innovation have transformed the challenges facing both private institutions and public regulators. Moreover, the Great Financial Crisis forced a wide-ranging debate on the value of financial intermediation in the modern world and the need to overhaul the global system of public oversight.

We translate the jargon of money and banking into plain language; explain the basic principles behind key financial instruments such as repos, futures, swaps, CLOs and other alphabet-soup derivatives; shine a light on “shadow” banking; outline the thinking behind the current financial reform programme (Basel III); reveal how central banks operate monetary policy and why the Fed, BoE and the ECB have sometimes pursued different approaches in tackling the financial crisis and its aftermath. The weekly classes will last three hours and include a short break.

The teaching method will primarily involve lectures, general discussion, student presentations and, occasionally, problem solving and reviews of homework/assessments. The session-by-session guide provides an overview of the topics that are likely to be covered although there may be minor additions/exclusions depending on the available time and other circumstances. Lecture notes, exercises, spreadsheets and additional material will be made available either in the relevant classes or, more usually, via the course website. Students are expected to ask questions, provide feedback and participate fully in general discussion.

The lectures can only identify the main points to focus on and are not designed to provide a comprehensive, self-contained coverage of everything the student needs to know to fulfil course requirements. Partly, this reflects time constraints. More importantly, it is intended to underline that a substantial part of students’ learning will come through their own efforts:

- reading outside the class; applying ideas to contemporary issues, whether or not they have been identified within the formal syllabus;
- careful, systematic and thorough note-taking; active discussion and participation in class;
- timely and assiduous completion of assessments and any other (non-graded) exercises

**Desired Outcomes**

1) Understanding the benefits of financial systems and potential problems

2) Recognition of the forces that lead to financial crises and how they might be resolved

3) Critical appraisal of policy initiatives undertaken since the Great Financial Crisis

4) Historical appreciation of how traditional and “shadow” banking have evolved

5) Knowledge of key financial instruments and the interpretation of asset prices and yields

6) On successful completion of the course students will be able to pursue more advanced financial studies and/or compete effectively for Wall Street/Fed internships
**Assessment Components**

**Data Project** (15%): Submitted in session 4. A typed submission of 4 pages, using the FRED (Federal Reserve Economic Database) public resource, comprising charts, tables and comments on money and banking. Specific details are provided on the course website. **To be submitted via Turnitin and in hard copy format.**

**Problem Set #1** (25%): A written assignment, circulated in session 6 and submitted in session 7, comprising short numerical problems, definitions and comments covering material in sessions 1-5. Length of 6-8 pages. Further information is available on the course website.

**Problem Set #2** (25%): A written assignment, circulated in session 9 and submitted in session 11, comprising short numerical problems, definitions and comments covering material in sessions 6-9. Length of 6-8 pages. Further information is available on the course website.

**Final examination** (35%): In-class exam of 1½hrs duration. Students will be asked to write brief essays for two out of the five questions given. Further information is available on the course website including sample essays. The exam will primarily cover material introduced in the last 4-5 weeks of the course.

Failure to submit or fulfil any required course component results in failure of the class.

**Assessment Expectations**

**Grade A:** Consistently rigorous and cogent analysis that clearly and directly answers the questions assigned. The student displays evidence of comprehensive knowledge of course material and an ability to apply theory to a critical analysis of policy options and contemporary issues. Reading is shown to have extended beyond requirements and the student displays historical and global perspective, independent thought and originality of expression.

**Grade B:** Generally accurate and clear reproduction of key theories and ideas, employing, where appropriate, correct diagrammatic techniques and mathematical analysis. Answers to questions are generally direct, relevant, well-structured and clear. Knowledge and technical competence appear broadly-based.

**Grade C:** Some weaknesses are revealed in the understanding of core concepts, theories and their application. The answers are competent but sketchy in parts suggesting a broad-brush rather than in-depth knowledge of important topics.

**Grade D:** Students exhibit limited analytical capabilities. Several significant gaps in understanding are evident although reasonable efforts appear to have been made in keeping up with the required reading and exercises.

**Grade F:** Work is consistently poor and shows a lack of understanding of key concepts. Students display a broadly-based failure to express arguments logically and clearly. There is little evidence that the student has made appropriate efforts to keep up with reading and exercises.

**Required Text**


Available from the [publisher website](http://moneybanknyul.sphteaching.com/) for less than £50 (as of May 2017)

**Supplemental Texts** (not required to purchase as copy is in NYUL Library)


**Internet Research Guidelines**

Additional reading, sources, lecture notes, sample exams, exercises, etc are available on the course website: access via NYU Classes or direct ([password = nyuf2017](http://moneybanknyul.sphteaching.com/))

*NB do not use “www”*

The textbook website [http://www.moneyandbanking.com/](http://www.moneyandbanking.com/) is also strongly recommended.

**Additional Required Equipment**

Scientific calculator, spreadsheet software (eg Excel)
Session 1  
Financial System  
Financial infrastructure, US/EU compared, system performance, mountains of debt  
CS chs 1 and 3  
Funding the EU economy, AFME, July 2014

Session 2  
Money  
Functions of money, money formats, government role, pricing money, currencies & geopolitics  
CS chs 2 and 10  
Money in the modern economy, BEQB, 2014 Q1

Session 3  
Balance Sheets  
Balance sheets, core financial concepts & ratios, measuring and creating money, politics revisited  
CS ch 12 (pp298-310) and ch 17  
Money creation in the modern economy, BEQB, 2014 Q1

Session 4  
Shadow Money  
Safe assets, money & bond markets, yields & compounding, asset pricing, mortgage case study  
What are money markets? IMF Finance & Development, Jun 2012  
CS chs 4 and 6  
Submit Data Project

Session 5  
Risk  
Risk & information, portfolios, diversification, arbitrage & risk premia, asset pricing redux  
CS chs 5 and 7

Session 6  
Liquidity & Capital  
Liquidity & funding squeezes, capital & credit crunches, GFC events & interventions  
Bank capital and liquidity, BEQB, 2013 Q3  
A primer on bank capital, CS blog, 3 Nov 2014

Session 7  
Banking Returns  
Banking old and new, drivers of change, leverage & profitability, asset quality  
CS ch 13  
Evolution of the UK banking system, BEQB, 2010 Q4  
Submit Problem Set #1

Session 8  
Banking Risk  
Taxonomy of risks, assessing risk, credit & market risk, introducing derivatives  
CS chs 11 and 12 (pp310-322)

Session 9  
Hedging Risk  
Interest rate futures, swaps, foreign exchange derivatives  
CS ch 9

Session 10  
Securitisation & Shadow Banking  
Pass-throughs, slicing & dicing, key features of modern banking  
What is securitization? IMF Finance & Development, Sep 2008  
What is shadow banking? IMF Finance & Development, Jun 2013

Session 11  
Central Banks  
Governance, credibility & transparency, Fed/ECB/BoE compared, objectives and instruments  
CS chs 15 and 16  
Submit Problem Set #2

Session 12  
Interest Rate & FX Policy  
Setting interest rates, ZLB & forward guidance, RRP and rate normalisation, forex targets  
CS chs 18, 19 and 23  
Corridors and floors in monetary policy, Liberty Street Economics, Apr 2012
### Session 13
**Emergency Lending & Asset Purchases**
Liquidity packages, quantitative & credit easing, comparing crisis management
*CS chs 18 and 23*
*What tools does the Fed have left? Bernanke blog, Mar 2016*
*Quantitative easing explained, FRB St Louis, Apr 2011*

### Session 14
**Regulation & Reform**
Case for and against regulation, Basel programs, beyond Basel III
*CS chs 14 and 23*

### Session 15
**Final examination**

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**Classroom Etiquette**
- Toilet breaks should be taken before or after class or during class breaks.
- Food & drink, including gum, are not to be consumed in class.
- Mobile phones should be set on silent and should not be used in class except for emergencies.
- Please kindly dispose of rubbish in the bins provided.

**Required Co-curricular Activities**
- n/a

**Estimated Travel Costs**
- n/a

**Suggested Co-curricular Activities**
- British Museum Room 68 (The Citi Money Gallery)
- Bank of England Museum

**Your Instructor**
- [http://moneybanknyul.sphteaching.com/about/](http://moneybanknyul.sphteaching.com/about/)

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**NYU GLOBAL ACADEMIC POLICIES**

Policies and procedures for Global Academic Centres, including policies on academic integrity and the Study Away Standard, can be found here: [https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/student-services.html](https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/student-services.html)

**Absences:** Key information on NYU London’s absence policy, how to report absences, and what kinds of absences can be excused can be found here: [http://www.nyu.edu/london/academics/attendance-policy.html](http://www.nyu.edu/london/academics/attendance-policy.html)

**NYU London work submission policies** can be found here: [http://www.nyu.edu/london/academics/academic-policies.html](http://www.nyu.edu/london/academics/academic-policies.html)

**Classroom conduct:** Academic communities exist to facilitate the process of acquiring and exchanging knowledge and understanding, to enhance the personal and intellectual development of its members, and to advance the interests of society. Essential to this mission is that all members of the University Community are safe and free to engage in a civil process of teaching and learning through their experiences both inside and outside the classroom. Accordingly, no student should engage in any form of behaviour that interferes with the academic or educational process, compromises the personal safety or well-being of another, or disrupts the administration of University programs or services.

Please refer to the NYU London Disruptive Student Behaviour Policy at [https://goo.gl/Nvt5Vu](https://goo.gl/Nvt5Vu) for examples of disruptive behaviour and guidelines for response and enforcement.