Consider this syllabus an agreement. There are no "extra credit" assignments. Unless otherwise stated, students are responsible for all text material, whether covered in class or not. Class notes are the students' responsibility. Absences are treated consistent with University policy. Conflicts due to professional commitments must be indicated in advance; obligations will be due on or prior to original due dates. Makeup exams will only be given by prior arrangement or in case of a significant illness. Any University cancellation of class will result in the assignment or obligation being due the next scheduled class meeting.
Honor Code: Students are expected to follow the honor code as presented in the George Mason University Catalog.

Grading:
In-class Midterm 30 percent
Final 40 percent
Project (1) 30 percent
(NOTE: Class participation and discussion are expected and graded.)

Course Schedule and Outline
USE BLACKBOARD FOR ALL LINKS

<table>
<thead>
<tr>
<th>Week of</th>
<th>Topic and Chapters of Texts and Important Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/18</td>
<td>The Function of Financial Markets (S&amp;C-1; Class Handouts) Chapter 1 Model</td>
</tr>
<tr>
<td>1/25</td>
<td>Savings, Investment, and Financial Markets (S&amp;C-2: Chapter 2 Chapter 3 Appendix 3; Use Links Below) Loanable Funds Model of Interest Rate Determination</td>
</tr>
</tbody>
</table>

Project Description
Financial Institutions and Markets Topics

NEW: Audio and Graphical February 15, 2000
Supply of Loanable Funds: Savings (Y0)
Supply of Loanable Funds: Savings (Y1)
Supply of Loanable Funds: Money Market
Demand for Loanable Funds: Private Investment (Y0)
Demand for Loanable Funds: Private Investment (Y1)
Equilibrium for Loanable Funds: Demand for loanable funds = Supply

2/1 Commercial Banking and Other Financial Intermediaries and Their Role in the Economy (S&C-4, 11-13) Chapter 4 Chapter 11, Chapters 12 and 13 FDIC Presentation of Bank and S&L Performance

2/8 The Financial Crisis of 2007-2010 Part I

2/8 The Financial Crisis of 2011-2016 Part II: The Aftermath
The Money Markets: (S&C – 5)

2/15 Primary, Secondary and Asset-Backed Securities Markets (S&C- 6 &7)
Risk and Return and Asset Pricing Models (S&C- 8)
Chapter 8 Appendix 8
Risk and Rates of Return -- CAPM More CAPM
Portfolio Risk and Return (EXCEL Spreadsheet)
Market Efficiency and Hedge Funds
Supporting Spreadsheets:  DataMSFT+  Frontier Estimation MSFT+
Complete Efficient Frontier Estimation Spreadsheet  Macro Compatible
Implied Volatility
Jensen's Alpha

2/22  Interest Rate Determination, Bond Valuation and the Yield Curve (S&C- 5-6; and IMM-5, 6, 7)  Chapter 5  Appendix 5  Chapter 6
Bond Pricing  Interest Rate Risk
Implied Forward Rate
Computing the Implied Forward Yield
Discount Bond Price/Interest Rate Relationship Table/Chart
Duration Portfolios  Achieving Target Duration
Fannie, Freddie, Portfolio Duration, Immunization and Callable Bonds

Duration of S&P 500 (Standard & Poors)
Historical Yield Curves
Yield Curve February 27, 2006  Yield Curve July 14, 2006  Sept. 21 2006
The Fed and Interest Rate Term Structure

2/29  Introduction to Financial Futures, Swaps and Options Markets (S&C- 9 & 10)  Chapter 9  and Appendix 9A
Foreign Exchange Markets
Chapter 10  Appendix 10
Eurodollar Futures Contracts and Review of Futures

Spring Break (March 9 to March 15, 2015)

3/9

3/14  Corporate Stock and Stock Options and Derivatives Markets (S&C- 8, 10, 23)  Chapter 8  Chapter 10  Appendix 10  Chapter 23
Put-Call Parity For Stocks  Options Markets  Binomial Options Pricing

Options Pricing PowerPoint Slides
Arbitrage: The Key to Pricing Options

FASB Stock Option Expensing -- Using the Binomial Tree Approach
FASB Options Reported as an Expense -- New York Times 4/1/04
Don Chance: Volatility Smile
Example Of Computing Returns and Beta

Sample Midterm  Sample Midterm (.pdf)  on Blackboard

MIDTERM EXAM (Thursday, March 24, 2015)
Money Market Instruments and Treasury and Agencies Securities Markets (S&C-22; 21; IMM-1,2,3,4,5,6,7,8,9,10,11,12,13)

The Treasury Market and Treasury Bill Pricing
Discount Bond Price/Interest Rate Relationship Table Chart
Treasury and Agency Securities Bank Obligations (CD, Repo, Fed Funds, etc)

Interest Rate Futures, Forwards, Swaps, Options and Customized Contracts (S&C- 10, 23; IMM-14,15,16)
Chapter 10 Chapter 23 Managing Risk with Derivative Securities
Futures Gas Price at the Pump Futures CME Financial Futures Basics
Fair Value Futures Calculation More on Fair Value Futures
Fed Funds Futures CBOT Eurodollar Futures Contracts and Review of Futures

Financial Futures Markets Pricing of Futures Applications Swaps, Caps
Floors
Interest Rate Swaps Forward Rate Agreements and Swaps
Swap Example (Excel)
Interest Rates 1994
Using Interest Rate Swaps: Jefferson County, AL
CBOT Simple Treasury Long Hedge
CBOT Simple Treasury Duration Adjustment

Corporate Senior Securities and the Municipal Securities Markets (S&C- 6, 8)
Going Private: Private Equity Funds and HCA Buyout July 25, 2006

Mortgage Markets and Instruments (S&C- 7) Chapter 7
Mortgage Market Mortgage-Backed Securities MBS Lecture Notes
Commercial Real Estate (11/23/04) Bloomberg Screens of CMO Pricing
See InvestinginBonds.com for More Information On CMOs
CMOs and Interest Rate and Operational Risk

Commercial Paper Caper

Mortgage Market Instruments - II (S&C- 7) Chapter 7
Asset-Backed Securities Credit Derivatives and the CDS Market
Emerging Market CDS Market Lehman Default Swaps Explained
JPM Intro to Credit Derivatives
Project Report:

General:
i) Each project must be turned in by the due date
ii) The project must be 10+ pages typewritten, not including charts, graphs, tables or references, with page numbers clearly indicated.
iii) One letter grade penalty for each day late, unless otherwise given permission by the professor.
iv) References are to be provided at the end of the problem sets. Wikipedia is not considered a valid reference without other supporting material.

Project Report Preparation Instructions:

CDO Market Tumbles on Subprime Slide_Bloomberg_12_07

Interest Rate Parity and Forex Futures

5/2  Market for Foreign Exchange
Course Review

Current Exchange Rates: Yahoo/World Markets

Eurobirth

May 3, 2016 LAST DAY of CLASSES

Sample Final Examination SEE BLACKBOARD

5/5  Final Examination
Thursday, May 5, 2015 1:30 p.m. - 4:15 p.m.
A. Executive Summary
B. Purpose of the case or problem: to allow the reader to determine what the author intends to do and the author's plan and strategy for completing the analysis.

C. Analysis types
1. Examination of an existing data base or combination of bases in an effort to establish some cause-and-effect relationship between the variables examined.
2. The application of a decision-theory technique or combination of techniques to a new or previously unresolved problem.
3. Development of a new data base and an analysis of the data gathered.

D. Suggested Organization of the project Reports and Presentations
1. Title page and Executive Summary
2. Problem Statement and nature of the problem to be addressed.
   a. Background, may include a theoretical framework
   b. Central question to be addressed by the research
3. Approach and methodology to address the problem as stated above
   a. Methods and approach
   b. Data Sources
   c. Areas that will be excluded or beyond the scope of the case analysis
4. Analysis procedure and data sources
   a. Models, if any, to be used and how will they be developed
   b. Sources of information, how will data be obtained and the organization of the data
5. Summary and conclusion. This is different from the Executive Summary.

Interesting and Provocative Topics in Financial Institutions and Markets
- 1. Federal Deposit Insurance Corporation - purposes, effects, and prospects
- 2. The international debt crisis - causes, consequences, and remedies
- 3. The U.S. agricultural financial crisis - causes, consequences, and remedies
- 4. Prudential regulation - its future in a deregulated environment and relationship to federal deposit insurance
- 5. The S&L crisis - causes, consequences, and remedies
- 6. Interstate banking: Issues of competition and expansion of customer base
- 7. Electronic payment systems - their impact on the scope of depository institutions markets
- 8. Proposed deregulation and its past and future impact on financial institution behavior and performance (choose a financial institution)
- 9. Free Banking - historical perspective and policy issues in the context of the current debate on banking deregulation. What is "free banking?"
- 10. Issues related to expanded powers for depository institutions - e.g., securities and insurance underwriting, equity investments, brokerage services, commercial activities
11. "Too-Big-To-Fail" doctrine - purposes and consequences
12. Securities Underwriting: Competition and pricing of underwriting services. What factors determine their fees and the extent of competition? Perhaps you may want to pick a security type - municipal bond, corporate bonds and stock, junk bonds, utilities, etc. Effects of entry by large banks if the Glass-Steagall prohibitions are lifted
13. Financial Market Crises: Their causes, consequences and remedies
14. Alternative Mortgage Instruments, the primary and secondary mortgage markets, and the S&L industry
15. Internationalization of Financial Markets and Exchanges: Analyze the development of these markets in Tokyo, London, Hong Kong, Singapore, etc. and how they are coordinated to provide competition for financial intermediaries in the U.S. Consider also European economic integration-EC '92 and adoption of the EURO in January 1999.
16. The U.S. Government Securities markets' organization and the implications of monopolistic practices for pricing and stability of these markets
17. FIRREA (Financial Institutions Reform, Recovery, and Enforcement Act of 1989) and its effects on the future of S&Ls and the industry.
18. The RTC (Resolution Trust Corporation) and its effects on real estate markets and as a means of conducting the disposition of failed depository institutions' assets.
19. Securitization of depository institutions' assets. Requires little liability issue since assets are not held, but it requires the depository institution to provide a market for these instruments.
20. The "Credit Crunch." Define. Was there a "credit crunch" in the early 1990s or was there only a lack of borrowers of good credit quality that needed financing.
21. FDICIA (Federal Depository Insurance Corporation Improvement Act of 1991) Significant mandates to protect the FDIC Insurance Funds from being depleted (suggestion 6 above is related), established Prompt Corrective Action, capital standards for market, exchange rate, and interest rate risk, and risk-based deposit insurance premiums.
22. Reigle-Neal Interstate Branching and Banking Efficiency Act of 1994. Permits interstate branching for the first time throughout the U.S. unless specifically blocked by state law. Effective June 1997. The effect of this act may have been dissipated over the previous 14 years of interstate banking or it may be a strong impetus to banking consolidation, efficiency and competition.
23. Bank for International Settlements: Basle Accord and Revisions since 1989. Established the first international agreement on capital adequacy standards leading to the current proposals for a "models-based" identification for required capital for a banking and investment banking companies.
24. Asian Crisis Beginning in 1997. The collapse of the Thai baht in 1997 began the Asian Crisis that led to a collapse of several southeast a Asian economies (e.g., Indonesia) and crippled the South Korean economy.
25. Russian Default and Devaluation of August 1998. Led to a major flight to quality threatening the stability of global financial markets and the $3.6 billion
bailout of Long Term Capital Management by major banks and investment banks in the U.S. and abroad that had interests in and loans to LTCM.

- 28. **Dodd-Frank Wall Street Reform and Consumer Protection Act, July 2010**