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Subject details

Description

This subject presents an interlinked overview of the various markets upon which financial securities are created and traded. This includes the markets for short- and long-term debt securities, equity securities, derivative securities and currencies. The types of trading mechanisms used, and the roles played by the various market participants, are also examined. The key attributes of financial markets are defined and their impact upon security trading discussed.

Objectives

Upon completion of this subject students should have acquired sufficient understanding of financial markets to:

- Define the key attributes of financial markets and discuss how those attributes affect trading on those markets.
- Describe the nature and characteristics of money market and bond trading.
- Describe the mechanisms used by different stock exchanges for the trading of equity securities.
- Describe the different mechanisms used by the various commodity and derivative exchanges for the trading of derivative securities.
- Describe the global currency market and outline the role of the participants within this market.
- Define and evaluate the role of derivative trading upon the market for the underlying assets.
- Outline the role that fund managers have had upon the functioning and characteristics of global financial markets.

Method of delivery

Lectures and tutorials represent the method of delivery used in this course. Questions to be answered prior to attending tutorials will be assigned at the end of the lecture the previous week.
Study time

University guidelines suggest that students should spend a minimum of 2 hours per credit point per week (including class attendance) upon each subject they are enrolled in. Therefore for this subject that would represent 12 hours per week.

Lecture/tutorial times

Lectures Times
Tuesday  3:30-4:30  67.104
Wednesday 10:30-11:30  67.104

Tutorial Times
Tuesday  11:30-12:30  25.149
Tuesday  12:30-1:30  40.126
Tuesday  4:30-5:30  67.301
Tuesday  4:30-5:30  19.1038
Wednesday  2:30-3:30  67.301
Wednesday  3:30-4:30  19.1084

Major text


Additional readings for weeks 1-4 and week 12 can be found in on the UOW library e-readings site.
Contacts

Subject Coordinator
Craig Mellare
School of Accounting and Finance
Building No (40), Room No (311)
Telephone 61 2 4221 (5510)
Facsimile 61 2 4221 (4297)
Email cmellare@uow.edu.au

Consultation Times
Wednesday 10:30-11:30
Wednesday 1:30-3:30
Wednesday 4:30-5:30

Tutors
Mara Koplin
School of Accounting and Finance
Building No (40), Room No (317)
Telephone 61 2 4221 (3680)
Facsimile 61 2 4221 (4297)
Email jgrant@uow.edu.au

Joel Grant
School of Accounting and Finance
Building No (40), Room No (301)
Telephone 61 2 4221 (3624)
Facsimile 61 2 4221 (4297)
Email jgrant@uow.edu.au
Student administration

Telephone 61 2 4221 3938
Facsimile 61 2 4221 4322
Email studenq@uow.edu.au
Student OnLine Services http://www.uow.edu.au/student/sols

Library

Telephone 61 2 4221 3548
Web http://www-library.uow.edu.au

Purchasing of books (Unishop)

Telephone 61 2 4221 8050
Facsimile 61 2 4221 8055
Email unishop@uow.edu.au
Assessment Guidelines

General Criteria
Assessment for this subject will comprise a major assignment, a mid-session exam and a final exam. To pass this subject, students must obtain a satisfactory mark (generally interpreted to mean 45%) in the final examination. Marks may be scaled.

Attendance at tutorials is compulsory. Active participation in tutorials will be taken into account for those students who on the margin between grades.

Performance grades

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
<th>Mark Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>HD</td>
<td>High Distinction</td>
<td>85–100%</td>
</tr>
<tr>
<td>D</td>
<td>Distinction</td>
<td>75–84%</td>
</tr>
<tr>
<td>C</td>
<td>Credit</td>
<td>65–74%</td>
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<tr>
<td>P</td>
<td>Pass</td>
<td>50–64%</td>
</tr>
<tr>
<td>PC</td>
<td>Pass Conceded</td>
<td>45-49%</td>
</tr>
<tr>
<td>F</td>
<td>Fail (unsatisfactory completion)</td>
<td>0–44%</td>
</tr>
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</table>

Summary

<table>
<thead>
<tr>
<th>Task</th>
<th>Weighting</th>
<th>Due Date</th>
<th>Return date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Session Exam 7/9/04</td>
<td>20%</td>
<td>17/8/04 &amp; 18/8/04</td>
<td></td>
</tr>
<tr>
<td>Major Assignment</td>
<td>20%</td>
<td>21/9/04</td>
<td>19/10/04</td>
</tr>
<tr>
<td>Exam</td>
<td>60%</td>
<td>Exam Period</td>
<td>NA</td>
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</tbody>
</table>

Special Consideration
University policy requires students who, through serious illness or other circumstances beyond their control, are unable to attend an examination or meet any of the other course requirements, to submit medical or other documented evidence as soon as possible after the event to support their request for special consideration.
Supplementary examinations

Students should note that supplementary examinations are **not** an automatic entitlement on the submission of a request for special consideration. In cases where the decision is made to allow a supplementary examination, students will usually be required to take the examination at a date to be determined by the School within three weeks of the end of the formal examination period. Students will be notified of the exam at least seven days beforehand. It is every student's responsibility that the University has a correct record of your current address.

Full details of the University's policy regarding special consideration are available on the web at [http://www.uow.edu.au/handbook/courserules/specialconsideration.html](http://www.uow.edu.au/handbook/courserules/specialconsideration.html) students should familiarise themselves with these policies.

Disability Policy

If a student with a disability requires reasonable accommodation in this subject, they are strongly advised to discuss the issues early in the session with one of the following people: the Disability Liaison Officer, Faculty Disability Adviser and/or the Subject Co-ordinator. Students with a disability should also register with the University of Wollongong Disabilities Unit. More details can be found on the web at [http://www.uow.edu.au/student/services/ds/](http://www.uow.edu.au/student/services/ds/)

Non Discriminatory Language

As part of its Equal Opportunity/Affirmative Action initiatives, the University of Wollongong endorses a policy of non-discriminatory language practice and presentation in all academic and administrative activities of the University. The policy is available at [http://staff.uow.edu.au/eeo/nondiscrimlanguage.html](http://staff.uow.edu.au/eeo/nondiscrimlanguage.html)

Receipt of Assessment Tasks

It is **your** responsibility to ensure that you have a receipt signed by your lecturer/tutor, acknowledging submission of written work.
Assessment Tasks

Task 1: Mid-Session Exam

Due date: 17/8/04 & 18/8/04
Return date: 7/9/04
Weighting: 20%
Length: (NA ) words

Assessment details

The mid-session exam will consist of two components. The first part will be multiple-choice questions on 17/8/04 and the second part will consist of short answer questions on 18/8/04. Students **ARE REQUIRED TO SIT BOTH** of these exams. Each exam will be 45-minutes in length and will cover the material from weeks 1 through 4.

Assessment Criteria/Marking Guidelines

Marks will be awarded for correctly answering questions. Partial marks will be awarded for partially correct answers in the short answers paper.
Task 2: Major Assignment

Due date: 21/9/04
Return date: 19/10/04
Weighting: 20%
Length: No more than 3000 words

Assignment details

Topic: You are to select and analyse one stock exchange other than the Australian Stock exchange or the New York Stock Exchange. Your analysis should address each of the questions outlined below. You may be required to acquire data to answer some questions. What data you acquire and how you use it is left up to you. Make sure you clearly indicate on the cover of your assignment which stock exchange you have chosen.

1. What type of stock exchange is one you have chosen; is it order driven or quote driven? Briefly outline the trading mechanisms used by this exchange.

Select a period of not less than 12 months. This does not necessarily have to have been the most recent twelve months – any period may be selected so long as it is at least 12 months long. Collect whatever data you believe is required to answer the following questions:

2. Volatility
   a. How volatile has trading been on your chosen stock exchange been over the period you have examined?
   b. How have you measured volatility?
   c. What weaknesses does your measure of volatility have? What else would you have like to have done if you could? (ie if you had more data etc)
   d. How does the volatility of your chosen exchange compare with that of the ASX or NYSE over the same period? How would you account for this difference (or lack of)?

3. Liquidity
   a. How liquid has trading been on your chosen stock exchange over the period you have examined?
   b. How have you measured liquidity?
   c. What weaknesses does your measure of liquidity have? What else
d. How does the liquidity of your chosen exchange compare with that of the
ASX or NYSE over the same period? How would you account for this
difference (or lack of)?

4. Transparency
   a. How transparent is trading on the stock exchange you have chosen?
   b. How does that level of transparency compare with the ASX or NYSE over
      the same period?
   c. How have you measured transparency?
   d. What weaknesses does your measure of transparency have? What else
      would you have like to have done if you could? (ie if you had more data
      etc)
   e. Do you think the level of transparency has enhanced trading or detracted
      from trading on your chosen exchange? Why?

5. Transaction Costs
   a. What transaction costs would a client face in trading on your chosen
      stock exchange? How much are these transaction costs?
   b. How do transaction costs on your chosen stock exchange compare with
      those of the ASX or NYSE? How do they compare to other markets
      around the world?

6. Information
   a. What information is relevant to a trader on your chosen stock exchange?
   b. How is this information disseminated on your chosen stock exchange?
   c. How does your chosen stock exchange compare to the ASX or NYSE
      with regard to information dissemination procedures?

7. Regulation
   a. What forms of regulation and surveillance exist on your chosen stock
      exchange?
   b. Who is responsible for this regulation and surveillance?
   c. How might you expect this affect trading on the stock exchange?

NOTE: This is an INDIVIDUAL assignment

Assessment Criteria/Marking Guidelines

Marks will be awarded based upon the following broad criteria:

• Addressing the questions that have been asked in a clear and concise manner.

Marks are not awarded for excessive verbosity.
• Properly supporting statements with market data or correct citations of academic research.

• Conducting independent research, not simply relying upon the textbook, assigned readings and lecture notes.
### Task 3: Examination

**Date:** University examination period  
**Weighting:** 60%  
**Length:** (3) hours (15) minutes

**Examination details**

The final exam will comprise short answer questions covering material from the entire course. More details will be made available closer to the end of the session.
Submission Requirements

Assignment Submission

Place of Submission: At the start of the first lecture on Tuesday 21 September 2004.

Post: Posted assignments will be accepted if they are postmarked as being sent by the due date.

Facsimile: No faxed assignments will be accepted

Email: Emailed assignments will not be accepted except under exceptional circumstances. Even then the student must have sort permission to email an assignment from the course coordinator by no later than the due date.

Assignment cover: You must complete and attach a School of Accounting and Finance Assessment Cover Sheet to the front of your assignment available at the following web address: http://www.uow.edu.au/commerce/forms.html

Collection: Assignments will be available for collection from the office of the course coordinator.

Acknowledgment/Plagiarism

Plagiarism is not acceptable and may result in the imposition of severe penalties. The University provides clear guidelines on its attitude towards plagiarism and how to avoid unintentional plagiarism in the Postgraduate University Calendar, located on the web at http://www.uow.edu.au/handbook/courserules/plagiarism.html

Students are advised to read these carefully. If any doubts remain as to what constitutes plagiarism, students should discuss the matter with the subject co-ordinator.

The Harvard system makes use of short references within the body of the text. It is supplemented by a detailed list of references at the end of the text which provides all the necessary information for the source material.
Owners of a firm are regarded as external parties (Martin 1988, p. 7)

You will see variations on how the information in brackets is presented. For example the 'p.' for page is often omitted, and preceded by a colon, that is: (Martin 1988: 7). The first example follows the guidelines set out in the *Style Manual for Authors, Editors and Printers*, 5th ed, 1995, p. 149. The important thing to remember is to be consistent in your punctuation format, and to check with your lecturer as to his or her preference.

The brief in-text references must be supplemented by a detailed list of references at the end of your assignment. Sources are listed alphabetically by the surname of the author. The format is as follows:


The above format follows that specified by the 1995 edition of the *Style Manual*. Expect to find variations in the placing of commas, brackets around the year of publication, and order of place of publication and the publisher's name. Regardless of these minor differences in format, the minimum information for each reference entry is:

- the name of the author(s), (Martin C.)
- year of publication, (1988)
- edition of the book if it is a reprint, (2nd ed)
- title of the book in italics, (*An Introduction to Accounting*)
- In the case of handwritten assignments, underline the title
- publisher's name and place of publication, (McGraw-Hill, Sydney)

For journal entries the format is as follows:


For journal entries the minimum information is:

- the author's name,(Boer, G.,)
- the year of publication, (1984)
- the title of the publication enclosed within single quotation marks, ('Solutions in search of a problem: The case of budget variance investigation models')
- the title of the journal in italics, (*Journal of Accounting Literature*)
- the volume number or month or publication, (vol. 3)
How do you quote someone?

The material you cite in your assignment might be a paraphrase from someone else's work, or a direct quote. In the case of a direct quotation there are a number of conventions you need to observe. Firstly, the words of the original should be copied exactly, and placed within double inverted commas. For example:

Thus, if this statement is to be included in the annual reports it will "enhance the awareness, comprehension and acceptance of value added by workers" (Morley, 1978, p. 21).

The second convention to observe is the placing of square brackets around words that are not in the original quote but are necessary to the sentence to aid clarity. For example, in the above example from a student essay, the reader won't know what this statement refers to. An informative quote from the student assignment would therefore be:

Thus, if [a Value Added Statement] is to be included in the annual reports it will "enhance the awareness, comprehension and acceptance of value added by workers" (Morley, 1978, p. 21).

The other two conventions related to quoting which are necessary to observe are (i) the use of ellipsis marks (…) to show that some part of the quote has been omitted, and (ii) indentation of quotes that are longer than three lines. As longer quotes are offset from the main text and indented, it is not necessary to place them in quotation marks. Indented quotations are often written in a smaller point. For example:

Many small businesses are owned by one person. No particular legal formalities are required to commence operations, although it is common practice to set up a business bank account and operate under a business name, which must, in certain circumstances, be registered. Amounts contributed to the business by the owner are called capital.

This section on referencing has been very brief, and no doubt it will not answer all your referencing questions. Keep in mind that every article you read for your subject will incorporate references. Use these articles as a resource to assist you in improving your referencing by taking note of how the author incorporates the reference into the text in terms of the mechanics (colons, brackets, order of information etc.), and more importantly when you need to include a reference.

Citation of Electronic Sources

The basic component of the reference citation is:

Author’s Lastname, Author’s Firstname. “Title of Document.” Title of Complete Work (if applicable). Version or File Number, if applicable. Document date or date of last revision (if different from access date). Protocol and address, access path or directories (date of access).

The following provide specific examples, using the format above. Please bear in mind, however, that, like the Internet itself, the information sources are in a constant state of flux and, therefore, this work will also need to change as the sites themselves proliferate to the new era of electronic print.

FTP (File Transfer Protocol) sites

To cite files available for downloading via ftp, give the author’s name (if known, the full title of the paper in quotation marks, the document date if known and if different from the date accessed, and the address of the ftp site along with the full path to follow to find the paper, and the date of access).


WWW (World Wide Web) sites

Available via Lynx, Netscape, other web browsers

To cite files available for viewing/downloading via the World Wide Web, give the author’s name (if known), the full title of the work in quotation marks, the title of the complete work if applicable in italics, the document date if known and if different from the date accessed, and the full http address, and the date of visit.


Telnet sites

Sites and files available via the telnet protocol

List the author’s name or alias (if known), the title of the work (if shown) in quotation marks, the title of the full work if applicable in italics, the document date if known and if different from the date accessed, and the complete telnet address, along with directions to access the publication, along with the date of visit.

traci (#3777). “DaedalusMOO Purpose Statement.” DaedalusMOO.
Synchronous communications (MOOs, MUDs, IRC, etc.)
Give the name of the speaker(s) and type of communication (i.e., Personal Interview),
the address if applicable and the date in parentheses.


GOPHER sites
Information available via gopher search protocols
For information found using gopher search protocols, list the author’s name (if known),
the title of the paper in quotation marks, the date of publication if known and if different
from the date accessed, any print publication information, and the gopher search path
followed to access the information, including the date that the file was accessed.

“The Netoric Project.” gopher://kairos.daedalus.com:70 00ftp%3AACW%

Email, Listserv and Newsgroup citations
Give the author’s name or alias (if known), the subject line from the posting in quotation
marks, the date of the message if different from the date accessed, and the address of
the listserv or newsgroup, along with the date of access in parentheses. For personal e-
mail listings, omit the e-mail address.

Bruckman, Amy S. “MOOSE Crossing Proposal.” mediamoo@media.mit.edu (20 Dec.
1994).
Seabrook, Richard H. C. “Community and Progress.” cybermind@jefferson.

Further reference
Walker, Janice R., and Taylor, Todd, The Columbia Guide to Online Style, NY:
Columbia UP (in press).
Assignment Format

Mandatory presentation requirements:

1. The assignment must be typed, double spaced, on one side of the paper only.
2. A duplicate of the assignment is not required. You must however ensure that you have the capacity to provide a duplicate should this be required.
3. Problems with computers, software, lost disk, etc, will not be accepted as excuses for late submission or inability to reproduce a second copy (if required).
4. Pages are to be numbered consecutively.
5. There must be a margin of 30mm on each side.

Due Date

The due date is the last date for the University to receive an assignment. The date of submission by post for distance students will be the postmark date stamped on the assignment envelope.

Extensions

Extensions may be granted if circumstances beyond the control of the student interfere with their ability to complete the task on time. These will only be granted by the subject co-ordinator and must be applied for before the due date.

Please Note: Extensions will not be granted after the due date.

Late submission

Late submission penalty: One mark per day or part thereof.

Disclaimer

The School attempts to ensure that the information herein is up to date at the time of production, however we reserve the right to amend without notice in response to changing circumstances.
## Subject Program 2004

<table>
<thead>
<tr>
<th>Week</th>
<th>Week Beginning</th>
<th>Topic/s</th>
<th>Reading/s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>19/7/04</td>
<td>Introduction to Capital Markets*</td>
<td>None</td>
</tr>
<tr>
<td>2</td>
<td>26/7/04</td>
<td>Attributes of Capital Markets I: Volatility and Liquidity*</td>
<td>None</td>
</tr>
<tr>
<td>3</td>
<td>2/8/04</td>
<td>Attributes of Capital Markets II: Transparency and Transaction Costs*</td>
<td>None</td>
</tr>
<tr>
<td>4</td>
<td>9/8/04</td>
<td>Attributes of Capital Markets III: Information and Surveillance*</td>
<td>None</td>
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<tr>
<td>5</td>
<td>16/8/04</td>
<td>Mid-Session Exam</td>
<td></td>
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<tr>
<td>6</td>
<td>23/8/04</td>
<td>Debt Markets: Money Markets and Bond Markets*</td>
<td>Viney: chapters 9 and 10</td>
</tr>
<tr>
<td>7</td>
<td>30/8/04</td>
<td>Debt Markets: International Debt Markets*</td>
<td>Viney: chapter 11</td>
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<tr>
<td>8</td>
<td>6/9/04</td>
<td>Order Driven Equity Markets: The ASX*</td>
<td>Viney: chapters 4 and 5</td>
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<td>9</td>
<td>13/9/04</td>
<td>Quote Driven Equity Markets: The NYSE Markets*</td>
<td>Saunders: chapter 8</td>
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<tr>
<td>10</td>
<td>20/9/04</td>
<td>Derivative Markets: Futures and Options Exchanges*</td>
<td>Viney: chapters 18 and 19</td>
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**Assignment Due: 21 September 2004**

Mid-Session Recess
<table>
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<tr>
<th></th>
<th>Exchange Markets*</th>
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<tbody>
<tr>
<td>12</td>
<td>11/10/04 The Role of Managed Funds*</td>
</tr>
<tr>
<td>13</td>
<td>18/10/04 Review*</td>
</tr>
</tbody>
</table>

*Note: Tutorial questions for the following weeks tutorial are found at the end of each lecture.