THE UNIVERSITY OF WOLLONGONG  
SCHOOL OF ACCOUNTING AND FINANCE  
ACCY 226 FINANCIAL INSTITUTIONS  

SUBJECT PROGRAM: SPRING 2002 WOLLONGONG CAMPUS  

Co-ordinator  
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Subject 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.  

General Learning 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 global money market and bond trading.  
• Describe the different mechanisms used by the various stock exchanges around the world for the trading of equity securities.  
• Describe the different mechanisms used by the various commodity and derivative exchanges around the world 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.
**Lectures Times**
Tuesday 10:30-11:30  20.5
Wednesday 10:30-11:30  38.G01

**Tutorial Times**
Tuesday 8:30-9:30  19.1098
Tuesday 5:30-6:30  19.1004
Wednesday 9:30-10:30  25.159
Wednesday 11:30-12:30  19.1002

**Consultation Times**
Tuesday 2:30-5:30
Wednesday 2:00-3:00

**Readings**
A book of readings is the prescribed text for this course. Additional material may be made available during the course. The relevant reading for each topic is listed in the back of this subject program. Students are expected to have read the relevant reading/s PRIOR to attending lectures.
Topics covered in this subject are frequently referred to in the current financial press. In order to gain the most from this subject, students are therefore asked to regularly read the current financial press, including publications such as the *Australian Financial Review*.

**Subject Requirements and Assessment**
Assessment will be based on the following compulsory components:

- Group Assignment  20%
- Mid session test  20%
- Final Exam  60%
  100%

To pass this subject, students must obtain a satisfactory mark (generally interpreted to mean 45%) in the final examination. Marks may be scaled.

All written work must be submitted to the lecturer. Faxed or e-mailed written work will not be marked and will not be considered as having been submitted for purposes of completion of the subject. Mailed work is acceptable if it is received by the due date. Written work will be available for collection during consulting times.
Tutorials

Attendance at tutorials is a compulsory requirement of this course. Questions for the tutorial will be given during the lecture on that topic. Students are expected to prepare written answers to the set tutorial questions prior to attendance at the tutorial. Students may be required to make presentations of their answers during tutorials.

Mid Session Test

The mid-session test will be held during the first lecture period of week 6. It will cover the material from weeks 1-5. Neither tables nor formulae will be provided.

Assignment

Submission date: October 8, 2002 10:30AM.

A copy of the assignment, along with guidelines for presentation, is included in the subject program. The assignment has no word limit but must be of sufficient length to address all of the issues that need to be covered without being excessively verbose. The assignment is to be completed in groups of between 3 and 4 students. The assignment must be submitted at the beginning of the first lecture in week 10. Please ensure you have attached a copy of the Departmental cover sheet. The coversheet can be found at: http://www.uow.edu.au/commerce/accy/ACCYcoversheet.pdf

DO NOT PLAGIARISE. Plagiarised assignments will receive a mark of zero.
Projects will be penalised for failure to meet the above requirements.
Late submission penalty: One mark per day or part thereof.

General Information

Students are advised to familiarise themselves with the university policies on plagiarism, workload, supplementary examinations and special considerations, as outlined in the University of Wollongong Calendar 2002. To examine these policies please visit the University of Wollongong web site on www.uow.edu.au/

The amount of time to be spent on the subject each week: According to University guidelines a student is expected to spend about 2 hours per week, including class attendance, per credit point of the subject in reading and preparing for classes. This means you should be spending 12 hours per week on this subject.
Students with disabilities: If a student with a disability requires reasonable accommodation in this subject, they are strongly advised to discuss the issue early in the session with one of the following people: The Disability liaison Officer, Faculty Adviser and/or the subject coordinator.
Assignment

Topic: In groups of 3 to 4 you are to acquire one year’s daily values for two (2) market indices from two (2) different financial markets plus any additional information you may need. Each group must then prepare a report for the directors of the board of an investment house considering trading in these two markets. In particular your report should address the following issues:

1. What types of securities are traded on each of the markets? Describe the trading mechanisms used in the markets. Note: this is background material only and should comprise only a small proportion of the report.

2. How volatile have each of the markets been over the period you have examined? How have you measured volatility? Is there any significant difference between volatility in the two markets? How would you account for this difference (or lack of)?

3. How liquid have the markets been over the period you have examined? How do you know? Is there a significant difference between the liquidity of the various securities traded within each market? Is there a difference in liquidity between the two markets? How have you measured liquidity? Why is liquidity important?

4. How transparent are the two markets you have examined? Is there any difference in transparency between the two markets? How have you measured transparency? Has the level of transparency enhanced trading or detracted from trading, in each of the markets? Why?

5. What transaction costs would a trader face in trading in each of these markets? How have you measured these transaction costs? How do transaction costs compare between the two markets? How about compared to other markets around the world?

6. What information is relevant in these markets? How is information disseminated throughout the markets? How do the two markets compare with regard to information dissemination procedures?

7. What forms of regulation and surveillance exist in the two markets? Who is responsible for this regulation and surveillance? How does this affect trading in the markets?

NOTE: This is a GROUP assignment
Mandatory presentation requirements:

1. The project must be typed, double spaced, on one side of the paper only.

2. A duplicate of the project 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. At the front of your project must be a departmental cover sheet.

6. There must be a margin of 30mm on each side.

7. Academic references must be used to support assertions made. Projects must include a list of references. For referencing format see *The Accounting Review*.

8. The work must be submitted in report form.
## SUBJECT PROGRAM 2002

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<thead>
<tr>
<th>Week</th>
<th>Week Beginning</th>
<th>Topic/s</th>
<th>Reading/s</th>
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<tbody>
<tr>
<td>1</td>
<td>22/7/01</td>
<td>Introduction to Capital Markets</td>
<td>O’Hara, 1997, Market Microstructure Theory, Chapter 1</td>
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<tr>
<td>8</td>
<td>9/9/01</td>
<td>Equity Markets: Quote Driven Exchanges</td>
<td>Be familiar with the information at: <a href="http://www.nyse.com">www.nyse.com</a></td>
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### Mid-semester exam


### Mid-semester Recess

- [www.nyse.com](http://www.nyse.com) for Equity Markets: Quote Driven Exchanges

**Assignment Due October 8 2002**
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<th></th>
<th>Date</th>
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<tr>
<td>13</td>
<td>28/10/01</td>
<td>Review</td>
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