

**Monfort College of Business**  
**Semester Course Syllabus**

**(2009-2010)**

COURSE PREFIX/TITLE: BAFN 495—Special Topics in Finance  
(Financial Market Microstructure)

Sem. Hrs. 3  
Ed. Cap. 25

CATALOG DESCRIPTION: Consent of instructor. Business majors only. Juniors or above. This seminar course explores advanced topics in finance. S/U or letter graded. Repeatable, maximum of six credits.

PREREQUISITES: Consent of instructor. Business majors only. Juniors or above.

COURSE OBJECTIVES:

1. To provide the seminar participants with an understanding of the economic, financial and political processes involved in the history and evolution to the present financial markets' structures.
2. Work will focus on the recent regulatory and legal problems with the Nasdaq system for trading over-the-counter stocks.
3. Upon successful completion of the course, students should be able to:
  - a. Explain the rationale for and be able to differentiate among the various types of trading systems used in the United States and overseas.
  - b. Understand how economic forces and the political process impact on the structure of financial markets.
  - c. Prepare a report on one important aspect of financial market structure and be able to explain and defend any positions taken.
4. Current news events which affect the securities industry will be discussed daily. Class members are expected to read the daily financial pages of *The Wall Street Journal* or *The New York Times*. Use of their electronic editions via the World Wide Web on the Internet is encouraged.
5. Several present or former professionals in some aspect of the securities industry will be invited to lecture to the class, either in person or by speaker phone.
6. Various articles and books by practitioners, academics and regulators about market structure and operations will be discussed in class. In addition, background readings may be assigned.
7. The class will be divided into small teams to undertake at least one research project during the semester. This approach will help students learn the value of teamwork and cooperation. Groups will be created at random by the instructor.

COURSE TOPICS:

Approx.  
50 Min.  
Periods

Topics Covered

Description

5

Introduction

Introduction to trading theory, alternative bidding and auction techniques, functioning of primary and secondary financial markets.

Approx.  
50 Min.  
Periods

<u>Approx.</u> <u>50 Min.</u> <u>Periods</u>	<u>Topics Covered</u>	<u>Description</u>
5	Financial Markets	Quote-driven and auction markets; which financial instruments are traded in each type of system and why.
5	Dealers	The role of the dealer (market maker) in the trading process.
5	Investor Types	Liquidity-based, information based, passive traders (index traders), value-based. Their impact on volatility and bid-asked spreads.
5	Market Centers	Organization, ownership, administration and regulation of the three types of financial market centers: exchange, over-the-counter and proprietary. Examination of the role of information providers.
5	International Dimension	The structure and regulation of selected foreign markets.
7	Market Structures	Debt (corporate, treasury and municipal), derivatives (options and futures), currencies and swaps; fragmentation, best execution, execution priorities, minimum price variations, quotation systems, competition, and automation .
<u>8</u>	Term Projects	Introduction, first draft, current issues in market structure, class discussion, presentation of team projects.
45	Total	

COURSE REQUIREMENTS: This course emphasizes real industry situations, and is not quantitatively oriented. Grading will be based on class participation (20%), attendance (30%), preparation for class, ability to work well with others (30%) and project quality (20%). Extra project: up to 10% extra credit. There is no final examination.

TYPE OF GRADING: S/U or letter graded.

SUGGESTED TEXT AND/OR SUPPLEMENTS: (Note: These books are only suggested. Prior to purchasing books and other materials, students need to check with the class instructor for their book and class material choices.) There are no official textbooks. A great deal of material will be available on a photocopied basis. A check, payable to *The UNC Foundation* in the amount of \$50 will permit you to receive the photocopied materials. Otherwise, students will be required to photocopy the materials at their own expense. Other suggested readings:

U.S. Congress, General Accounting Office, *Stocks and Futures: How the Markets Developed and How They are Regulated*, GAO/GGD-86-26 (Washington DC: General Accounting Office, May 1986).

U.S. Congress, Office of Technology Assessment, *Electronic Bulls and Bears: Global Securities Markets and Information Technology*, OTA-CIT-459 (Washington DC: Government Printing Office, September 1990).

U.S. Congress, Office of Technology Assessment, *Trading Around the Clock: International Coordination Can Help Address Automation Risks*, OTA-BP-CIT-66 (Washington DC: Government Printing Office, July 1990).

U.S. Congress, General Accounting Office, *Global Financial Markets: International Cooperation Can Help Address Automation Risks*, GAO/IMTEC-01-62 (Washington DC: General Accounting Office, September 1991).

U.S. Congress, General Accounting Office, *SEC Action Needed to Address National Market System Issues*, GAO/GGD-90-52 (Washington DC: General Accounting Office, March 1990).

ASSESSMENT STATEMENT: The Monfort College of Business may collect data in this course that will be used to assess student progress toward our program learning goals and objectives. Individual student performance information will be kept confidential; however, this data may be disseminated in an aggregate form to professional groups and through research publications. If you do not wish your performance in this class to be included in research about overall student performance (beyond the accreditation process), please inform your instructor in writing of this intent.

COMPUTER UTILIZATION: Students are encouraged to use the College's computing facilities to complete their assignments. The student computer labs in Kepner Hall provide support for word processors, spreadsheets, databases, writing-style checkers, and presentation graphics. Class members are expected to read the daily financial pages of *The Wall Street Journal* or *The New York Times*. Use of their electronic editions via the World Wide Web on the Internet is encouraged. Student consultants are on duty at the labs to assist you with these applications.

LIBRARY UTILIZATION: Students are expected to discuss information contained in current financial business news, using primarily *The Wall Street Journal*, *Business Week*, and *The Economist*. Students are also given research assignments requiring the use of these and other publications from the library.

GLOBAL DIMENSION COVERAGE: Students will evaluate international banking and finance issues including international market structures and regulation.

ETHICAL DIMENSION COVERAGE: Students are encouraged to consider ethical dimensions as they complete their outside readings and assignments.

**DISABILITY STATEMENT:** Any student requesting disability accommodation for this class must inform the instructor giving appropriate notice. Students are encouraged to contact Disability Support Services at (970) 351-2289 to certify documentation of disability and to ensure appropriate accommodations are implemented in a timely manner.

**CLASSROOM TECHNOLOGY GUIDELINES:**

Each student is required to review and become familiar with the following classroom technology guidelines: <http://www.mcb.unco.edu/Technology/Classroom%20Technology%20Guidelines.pdf>

Food is not allowed in classrooms. Only drinks in a container with a screw top lid are allowed.

**KENNETH W. MONFORT COLLEGE OF BUSINESS STATEMENT**

The Kenneth W. Monfort College of Business students are expected to conduct themselves in accordance with the highest standards of academic honesty. Cheating, plagiarism, illegitimate possession and disposition of examinations, alteration, forgery, or falsification of official records and documents, and similar acts or the attempt to engage in such acts are grounds for disciplinary action. This action can include the following in addition to any University disciplinary action:

1. A failing grade for a particular assignment.
2. A failing grade for a particular course.
3. Suspension from the College of Business Administration.
4. Expulsion from the College of Business Administration.

Students are expected to complete all prerequisites for a business class prior to the first day of class. Students may not concurrently enroll in a class and its prerequisite(s) unless it is expressly stated in the bulletin that the class is a co-requisite. Any exception to this policy must be approved by the Director of the School offering the class.

Students must submit original works for assignments required in this class. This includes term papers, cases and other course requirements. A student who submits a work that was previously submitted to another class without prior approval from the instructor is in violation of this policy. A student who violates this policy may receive a failing grade for the assignment, a failing grade for the class, and face termination of his/her business degree program.

**MONFORT COLLEGE OF BUSINESS STUDENT CODE OF PROFESSIONAL CONDUCT:**

Monfort College of Business students represent the professional and academic interests of the entire MCB & UNC communities. Accordingly, MCB expects all students to behave in a professional manner and adhere to high ethical standards in every business class and in every activity connected with the Monfort College of Business. This professional behavior is required not only in the classroom but also in all MCB-related interactions such as e-mails, conferences and use of technology.

MCB students should exhibit respectful behavior in classes. This behavior includes arriving on time to class, staying in class until the lecture ends, having the discipline to stay engaged in class, turning-off or silencing cell phones and pagers while in class, refraining from text-messaging, and avoiding coming to class wearing clothing that is unduly provocative or has written messages that are rude, insensitive or

obscene. MCB students should engage in respectful behavior in all activities where they act directly or indirectly as a representative of the MCB. Respectful behavior creates a more desirable, civilized, and productive learning environment, and it models behavior that is both productive and pleasant when students transition from the classroom to the workplace.

MCB students should master and apply the fundamental skill of preparing and sending class or university related e-mails that are properly written, show professionalism and communicate a clear message. E-mails containing profanity, spelling mistakes, punctuation errors, or poor composition evidence sloppiness and show disrespect to the recipient. MCB students should use proper forms of address when communicating orally or in writing with faculty or staff (i.e., Dr. Smith, Professor Jones, Ms. Abbot, etc.). If a student does not know how to address a faculty member, he or she should ask.

This code of professional conduct complements, but does not replace, the Honor Code of the Monfort College of Business or the Honor Code of the University.

Last Updated:

By:

Rolled over: September 1, 2009

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