Introduction

Welcome to MBAM 621! This course is designed to acquaint students with the fundamental issues surrounding financial markets and their operations. Various types of capital markets will be introduced with a special emphasis on the risk and return characteristics of each.

Course Description

The primary emphasis of this course concerns the principles and practice of financial intermediation. Domestic and international aspects of financial institutions and their markets, securities, and the regulatory environment are described, discussed, and analyzed. Specific topics include financial intermediaries; financial markets (encompassing the money market, stock market, corporate bond market, financial asset options market, commodity futures market, financial futures markets, and secondary mortgage markets); and the international financial system.
Prerequisite: This is an elective class and requires at least one prerequisite. Please see catalog for details.

Texts and Course Materials

Required Texts:

1) Fabozzi, Frank J. and Franco Modigliani  
   Capital Markets: Institutions and Instruments,  

2) Packet of case studies

Grading

The grade description and weighting method are given as follows:

<table>
<thead>
<tr>
<th>Grade distribution</th>
<th>Assignment weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>A = 93% - 100%</td>
<td>Case presentation</td>
</tr>
<tr>
<td>A - = 90% - 93%</td>
<td>Case write-up</td>
</tr>
<tr>
<td>B+ = 87% - 90%</td>
<td>Final Exam</td>
</tr>
<tr>
<td>B = 83% - 87%</td>
<td></td>
</tr>
<tr>
<td>B- = 80% - 83%</td>
<td></td>
</tr>
<tr>
<td>C+ = 77% - 80%</td>
<td></td>
</tr>
<tr>
<td>C = 73% - 77%</td>
<td></td>
</tr>
<tr>
<td>C- = 70% - 73%</td>
<td></td>
</tr>
<tr>
<td>F = Below 70%</td>
<td></td>
</tr>
</tbody>
</table>

Total: 200 points

NOTE: I reserve the right to curve final grades in order to approximate a normal distribution.

A brief description of each of the assignments is given below:

1) Cases: Each case will be presented to the class by a group of three to five students. The presentation should not exceed 45 minutes. The group assigned to the presentation of a case is also required to e-mail their typed analysis (maximum of 5 typed pages) no later than one day prior to the presentation. Those students who are not members of the presenting group are expected to read the case and be prepared to contribute to the class discussion. Please e-mail me with a request for the “guiding questions” that are helpful to plan your case presentations.

2) Exam: There will be one final exam given during the course. Due to the nature of the material we are studying, concepts introduced early in the course will be an integral part of topics covered later in the course. Therefore, the final exam will be comprehensive. For the examination, you may bring one sheet of 8 ½” x 11” paper on which you may write appropriate formulae.
**Attendance Policy**
Attendance for the first class is mandatory. Without advance written notice, missing the first class meeting will result in your being dropped from the class in order to make seats available for those who wish to add the class. Attendance is not explicitly computed in the course grade, but it is expected that students will only miss class under extenuating circumstances (working out of town, attending weddings/funerals, etc.). Prior written notice of expected absences is highly encouraged.

**Office Hours and How to Contact Me**
In general, I will be available before and after each class for at least one hour but I will be happy to arrange meetings outside of these times on request. The best way to contact me personally is through e-mail at my University e-mail address (see above) although you can also call me at the phone number above. I check my e-mail regularly and will respond to messages as quickly as possible - often within 15 minutes.
Conduct

“The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in this catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University.
- Forgery, alteration, or misuse of University documents, records, or identification.
- Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties.
- Interference with the academic or administrative process of the University or any of the approved activities.
- Otherwise unprotected behavior that disrupts the classroom environment.
- Theft or damage to property.
- Violation of civil or criminal codes of local, state, or federal governments.
- Unauthorized use of or entry into University facilities.
- Violation of any stated policies or regulations governing student relationships to the University.

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

- **Dismissal** – separation of the student from the University on a permanent basis.
- **Suspension** – separation of the student from the University for a specified length of time.
- **Probation** – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student’s privileges may accompany probation.” GSMB Catalog, pgs. 192-193.

Policy on Disabilities

**Assistance for Students with Disabilities**

“Students with disabilities, whether mental or physical, are encouraged to contact the Equal Opportunity Office before the academic year begins or soon after classes are in session. This office will assist each student by providing general information about campus facilities and available resources. The office will assist in providing reasonable accommodation to students with disabilities pursuant to applicable laws. Inquiries should be directed to equal opportunity officer, Dr. Calvin H. Bowers, (310) 456-4208. (Students who wish to file a formal grievance should refer to the “Nondiscrimination Policy,” which is listed in the “Legal Notices” section of this catalog.)” GSMB Catalog, pg. 31.
### Schedule of Classes

MBAM 621.12 - Fall 2003

**Outline of Study**

<table>
<thead>
<tr>
<th>Class</th>
<th>Text Sections</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chapters 1, 2, 3, 4, and 5</td>
<td>Introduction to Capital Markets; markets participants: depository institutions, nondepository institutions, and investment banking firms.</td>
</tr>
<tr>
<td>2</td>
<td>Chapters 6, 7, 8, 9</td>
<td>Primary and secondary markets; risk and return theories. CASE: <em>The Role of Capital Markets in the Dot-Com Crash of 2000</em></td>
</tr>
<tr>
<td>3</td>
<td>Chapters 10, 11, 12</td>
<td>Futures, options, and swaps markets. CASE: <em>Tom Paine Mutual Life Insurance Company</em></td>
</tr>
<tr>
<td>4</td>
<td>Chapters 13, 14, 17, 18, 19</td>
<td>Common stock market; interest rates and debt contracts. CASE: <em>J.C. Penney (B)</em></td>
</tr>
<tr>
<td>5</td>
<td>Chapters 20, 21, 22, 23</td>
<td>Debt markets: Money markets, treasuries, corporate bonds. CASE: <em>Lehman Brothers and the Securitization of American Express Charge-Card Receivables</em></td>
</tr>
<tr>
<td>6</td>
<td>Chapters 24, 25, 26, 30</td>
<td>Debt markets: Municipals, Mortgages, MBS; and foreign exchange. CASE: <em>Applications for Financial Futures</em></td>
</tr>
</tbody>
</table>