

Some notes for students about to take either:

MA in Money, Banking and Finance

or

MSc in Economics and Finance

Let me introduce myself firstly as the pathway leader for the MA in Money, Banking and Finance. I also teach on the MSc Economics and Finance.

These notes are meant to help you do some preparation for each of these courses, so that you have some familiarity with the basics before we begin. This is important because once we begin, we have to set a good pace to get through all the material. Each module lasts only twelve weeks and it is very difficult to recover from a slow start..

You'll see that I've provided some help with two modules. They are both modules which you will encounter in the first term. If you are doing the MA in Money and Banking you will do *Principles and Practice of Banking* ('PPB'). If you are doing the MSc in Economic and Finance, you will meet *Finance I* ('Fin 1') in the first term.

Principles and Practice of Banking: Peter Howells

Outline

This course provides students firstly with an overview of the current structure of the UK banking system and its recent evolution. The importance of banking behaviour in a monetary economy is emphasised. The course then focuses on major topical issues: risk; regulation (Basel etc...); competition and merger; recent commercial trends (off balance sheet activity, securitisation etc..). In each case, the examination of these issues will involve looking at their origin, an assessment of the problems that they pose for policy-makers and regulators, and a discussion of measures to alleviate those problems.

Reading

The set text for this module is Shelagh Heffernan, *Modern Banking* (Wiley, 2005).

You may find copies of Shelagh's *Modern Banking in Theory and Practice* (Wiley, 1996) in secondhand bookshops. It is similar, but not so relevant.

If you have done nothing in this area at all, you might find Peter Howells and Keith Bain, *The Economics of Money, Banking and Finance* (FT-Prentice Hall, 3e, 2005) useful. It will also provide you with a basic introduction to the *Monetary Economics* and the *Finance I* and *Finance II* modules. You may find the second edn available in secondhand bookshops. For your purposes, the second edition is as good as the third. But be warned, although this is a useful introduction to a wide range of topics you may be studying, the level is meant for undergraduates. You must only view it as giving you a start.

To prepare for the course

If you wish to do some serious preparation before the course starts then do the following:

1. Read ch.1 of Heffernan and write a short essay on ‘What is a bank? How does it differ from other types of financial intermediary?’

and/or

2. Read ch.12 of Howells and Bain and do all the exercises.

If you wish, you may email me your answers and I will try to read and comment on them in good time: peter.howells@uwe.ac.uk

Finance I: Peter Howells

Outline

This module looks at the origin of financial activity in the needs of the real economy and its importance for lenders and borrowers. It considers the ‘efficiency’ of the financial system and the special case of efficient financial markets. ‘Rationality’ and ‘efficiency’ will be carefully distinguished along before going on to consider the implications of financial market failure. The course will draw on some notable failures and scandals, stressing the importance of asymmetric information, before going on to look at the role of regulation.

The set text for this module is Z Bodie and R C Merton, *Finance* (Prentice-Hall, 2000). It will also be of some help in *Finance II*. Be careful not to confuse this book with Bodie and Marcus, *Essentials of Investments*, which has different coverage (and at a lower level).

Reading

If you are a complete beginner in this area, you might find Peter Howells and Keith Bain, *The Economics of Money, Banking and Finance* (FT-Prentice Hall, 3e, 2005) useful. It will also provides a basic introduction to the *Monetary Economics, Finance II* and *Principles and Practice of Banking* modules. You may find the second edn available in secondhand bookshops. For your purposes, the second edition is as good as the third. But be warned, although this is a useful introduction to a wide range of topics you may be studying, the level is meant for undergraduates. You must only view it as giving you a start.

To prepare for the course

Read Bodie and Merton ch.2 and attempt a brief answer to questions/problems 1-12.

and/or

In Howells and Bain, read ch. 1 and attempt the questions/problems at the end of the chapter.

If you wish, you may email me your answers and I will try to read and comment on them in good time: peter.howells@uwe.ac.uk