

Financial Markets Operations (Optional)

1. Subject Overview and Objective

Financial markets provide facilities for trading of savings and funds which will help create and transfer financial resources for better utilization through financialisation and leveraging. Financial markets help direct funds/savings transactions between the investors in contrast to intermediation business by banks and other lending institutions. Financial products traded in financial markets include two broad categories, i.e., funds for exchange or delivery in respect of equities, debt securities and currencies; and derivatives that are contracts on funds or prices of funds/securities for future deliveries for the purpose of profit or risk management.

A major component of financial systems world over is financial markets which heavily influence banking, finance and financial system stability. The economic activities are greatly funded and facilitated through financial markets. Therefore, economic development goes hand in hand with the financial market development. In this back ground, developing countries take conscious policies to develop financial markets. In the current context, banking and financial professionals should have a good understanding of financial markets operations if they are to perform effectively. Further, professionals can proceed to specialize in specific financial markets or products through dedicated studies. Therefore, this subject is designed to provide broad knowledge on operations of major financial markets to banking and financial professionals to assist them perform better.

II. Recommended Subject Coverage

- (a) Stock Market: Organization, listing procedure, market performance indicators, trading techniques
- (b) Bond Market: Government Securities, Corporate Bonds, Commercial Papers, Sukuk Bonds
- (c) Foreign Exchange Market: Exchange rate determination, exchange rate policy regimes, spot, forward and swap transactions, dealing strategies (arbitrage, hedging, speculation)
- (d) Structured Finance Products Market: Securitisation and instruments, credit derivatives, their risks and risk management roles
- (e) Financial Derivatives Market: Forwards, Swaps, Options, Futures, their risks and management roles
- (f) Financial Market Service Providers: Exchanges, brokers, dealers, rating agencies, credit bureaus, information providers (Reuters, Bloomberg), financial press (Financial Times, Wall Street Journal, Bloomberg TV)
- (g) Recent literature on financial market crises: Reasons, nature and impact of regional financial crises such as Asian financial crisis and recent global financial crisis, the role of regulators in preventing and resolving financial market crises, current global regulatory reform activities and reports.