# Economics of Financial Intermediaries

## Prof. Alberto Banfi; Prof. Luca Bodio

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims to provide students with both a theoretical and institutional framework for the functions of the financial system and of the role played by the various financial intermediaries and markets. Firstly, given the central role played by banks in the Italian financial system, the course analyses the main aspects of bank management through an analysis of the reference regulatory framework and various operating environments of banks within the Italian context, including also references to the international market. Secondly, students are provided with in-depth knowledge of financial instruments and the markets in which they are issued and traded; this is done through a presentation of the technical characteristics and valuation methods of financial instruments, as well as an investigation of the respective issuing techniques and identification of the organisational structures and operating methods of the markets.

At the end of the course, students will also be able to: understand how the collection and use of resources by banks is carried out, as well as the wide range of services offered; know the role of the supervisory authorities and the impact of supervisory provisions on banking activities; interpret a bank's operations through an analysis of the main items on its financial statements; and grasp the main current trends in the national and international banking industry. They will also know the technical characteristics and evaluation methods of the main financial instruments; know how to interpret the expected developments in both the operations and the normative and regulatory framework of markets; and know how to distinguish the different trading techniques adopted in regulated markets, with particular regard to those used in the stock markets.

*Intended learning outcomes*

At the end of the course, students should:

- know the technical characteristics of the main types of financial instruments (in particular those subject to trading on regulated markets);

- know the links between primary market operations and secondary markets;

- know the main theoretical elements of the organisational forms of markets;

- know the methods for issuing and placing financial instruments: auctions of public securities, issues through placement and guarantee consortia, and capital increases in their different configurations (paid, free and mixed);

- know how to calculate the theoretical opted value of shares and the various configurations of option rights in elementary capital increase transactions;

- know the recent evolution in the structure of regulated markets and their current structure;

- know the requirements for the admission of securities to trading in the stock market and in its segments;

- know the main fundamentals of banking management, with particular attention to the specific role of the bank as a financial intermediary;

- understand the role of supervisory authorities and the importance of controls in banking;

- recognise the areas of activity on a bank balance sheet and their contribution to the operating result;

- understand the recent evolution in the Italian banking market and the current structure of the national and international banking system;

- know how to read and interpret the main statistics on banks and financial intermediaries operating in Italy;

- understand the trend lines of credit activity in Italy and in the European Union.

***COURSE CONTENT***

1. The articulation of the financial system and the role of intermediaries and the market. Financial intermediation and the specificity of the bank: theoretical foundations. Other financial intermediaries. Securities intermediaries and the provision of investment services by banks and investment firms.
2. The markets for financial instruments and their respective organisational structures. Admission to listing and the "places" for trading financial instruments.
3. Financial instruments: their technical characteristics, method of issue and calculation of returns. Money market instruments and medium and long-term debt securities, bonds with options.
4. Equity securities, derivative instruments and asset management instruments. Transactions on the capital of listed companies: calculation of the opted value and option rights in different cases of capital increases.

***READING LIST***

1. Banfi-M. Biasin-M. Borroni-M. Oriani, *Economia degli intermediari finanziari*, Isedi, Turin, 2022.

For details of the bibliography and material useful for taking the exam, please refer to the specific notice on the Blackboard.

***TEACHING METHOD***

The course runs for 12 weeks and includes 60 hours of lectures by Prof. Alberto Banfi (30 hours) and Prof. Luca Bodio (30 hours). Prof. Banfi's lectures in the first six weeks will cover points 1 and 2 of the course syllabus, while Prof. Bodio's lectures in the last 6, will cover points 3 and 4 of the syllabus.

Frontal lectures with the aid of slides and other supporting material. The slides used in lectures are available to students by accessing the download area on the lecturer's webpage on the virtual classroom and Blackboard. During the academic year, documentation material will be distributed to attending students for in-depth study of individual aspects of the subject covered.

***ASSESSMENT METHOD AND CRITERIA***

A written exam. Specifically, the written exam involves answering an adequate number of open-ended questions and/or exercises (from a minimum of 5-6 to a maximum of 10-12), which the lecturer uses to ascertain students' preparation.

Depending on the number of students scheduled for the exam, different sets of questions and/or exercises may be prepared yet still all of equal difficulty. The final mark, out of thirty, will consider accuracy and quality of students' answers, as well as **their appropriate use of specific terminology.**

Interested students will be able to sit the exam by taking an initial interim test (halfway through the course during the week dedicated to interim tests) and a second final test (exclusively during the first January-February 2024 exam session): both tests, marked out of thirty, must be passed and the final mark will take these two results into account. The methods for registering and taking these two tests will be indicated by way of a specific notice.

***NOTES AND PREREQUISITES***

Before entering the course, students should possess the following knowledge:

- know the basic principles of business economics and business organisation issues;

- know the structure of a company's balance sheet and income statement;

- know the main provisions in the field of private and commercial law;

- have good knowledge of general mathematics.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG, or on the Faculty notice board