

# International Finance

## Course Details

**Course Designator & Number: LNDN 3733**

**Number of Credits: 3**

**Language of Instruction: English**

## Course Description

The International Finance module provides an understanding of finance in the international context. In a globally integrated world, it has become imperative to trade, invest and conduct business operations internationally. The course exposes the students to the opportunities and risks associated with international finance. As the world has become more integrated due to deregulation of financial markets, product innovation and technology, capital markets have kept pace with this integration. The study of international finance has therefore become essential and builds upon the understanding of theoretical concepts of finance and their adaptation to the international context. The course coverage includes historical perspectives and foundations of international finance, the foreign exchange markets and exchange rate determination, exposure management, and financial management of a multinational firm. The course also helps students examine the current economic landscape through topical discussions of current economic and political development and their impact on international finance.

With its global presence, CAPA offers students the opportunity to enrich their academic experience by exposing and exploring the localised context of the CAPA London Centre. London is the leading international financial centre and the UK is a member of the European Union. While the UK is not a member of the Eurozone (countries using the Euro currency), it has deep economic and financial links with other European countries. In the global foreign exchange market daily turnover of \$5 trillion, London is the leading participant, handling 40% of all the world's foreign exchange business. London's pre-eminent role in the international financial markets dates back to its being the capital of the British Empire as well as the various market innovations developed in the UK since the 1980s. The International Finance students will be expected to develop and expand their understanding of this local context of the UK's role in the global and European marketplace. The research paper project provides the students an opportunity to explore this localised context and to demonstrate their learning outcomes

from this unique opportunity provided studying International Finance at the CAPA London Centre.

## Course Objectives

Students will develop the following skills during this course:

- Problem analysis
- Critical thinking
- Working independently and as part of a team
- Personal reflection

## Learning Outcomes

After taking this course, students should be able to:

- Gain a broad understanding of the key issues in international finance.
- Develop an understanding of the political and economic context within which international finance operates.
- Apply the various theoretical aspects of the principles of finance in an international context.
- Gain a good working knowledge of the operations and key issues surrounding international capital flows, foreign direct investment, foreign exchange rate determination and exposure management, international capital markets and institutions, and develop an understanding of how the financial management of a multinational firm works.

## Methodology

This class will be participative and will require students to contribute individually and as part of a team. The course content and delivery will create a framework where students reflect critically on the weekly discussion topics. The students will be expected to devote an hour per day keeping up with the current issues in international finance. (Expected reading sources should include The Economist, Financial Times and The New York Times).

The teaching and learning methods will be a blend of the following:

- Lectures
- Reflections & observations

- Readings on current topics
- Class discussions
- Student presentations and/or a research paper

## **MyEducation Requirement**

Foreign exchange markets have a global turnover of approx. \$5 trillion daily. Nearly 40% of this turnover goes through London, making it the global centre for international finance. As part of this course, field trips will be arranged to the Bank of England, the City of London and Canary Wharf (the hubs of international finance in London). Further, it is strongly recommended that students attend topical evening talks and lectures at the London School of Economics and Political Science, where prominent economists, political leaders and members of civil society present their views on current economic and financial events.

## **Course Prerequisites**

There are no prerequisites. Students from a variety of backgrounds and interests are encouraged to take this class.

## **Required Reading / Materials**

*International Finance*, Eun, Cheol S., Resnick, Bruce G., Sabherwal, Sanjiv (McGraw Hill, 6<sup>th</sup> Global edition, 2011). It is fine to use later editions or online versions of the textbook. You could obtain used copies of the book at substantial discounts through the online marketplace. The book is also available for electronic download through the publisher.

# Grading

## CAPA Program & Instructor Policy

The faculty expects from its students a high level of responsibility and academic honesty. Because the value of an academic course depends upon the absolute integrity of the work done by the student, it is imperative that a student demonstrate a high standard of individual honor in his or her scholastic work and class behavior. This means to gain full attendance you must attend all classes, you must not be late (unless with a valid reason) and you must be respectful of the professor and of other students by not talking/whispering in class when others are talking or presenting. Persistent lateness or lack of attention in class, i.e., reading materials other than the work assigned, may result in a low or zero grade for participation, and possible referral to the CAO. No electronic equipment will be used in class, including laptops, phones, ipods, cell phones, etc, unless you have written permission from the Chief Academic Officer prior to the course. If you are caught using any electronic equipment, you may receive a zero grade for participation.

Plagiarism will be dealt with very seriously, and will be referred to the Chief Academic Officer in London. You may receive an F for the course. If all work is not submitted by the end of the program, you will receive an F for the course.

## Class Participation & Attendance

Attendance at all classes is mandated by CAPA; students who miss a class without permission from CAPA's Chief Academic Officer will have their grade for the course lowered. Informed participation is expected in every class, so students must have read the full assignment carefully before coming and be ready to discuss it if called upon. At any meeting there may be a brief, pass-fail two-minute quiz on some utterly obvious fact in the assigned reading. Students will also be asked to complete informal in-class writing assignments on a regular basis, which will require them to demonstrate their familiarity with the assigned materials. Students who repeatedly demonstrate unsatisfactory performance on these quizzes and exercises will be penalized in the participation grade.

## Grading Rubric

<b>Letter Grade</b>	<b>Score or Percentage</b>	<b>Description</b>
A	93–100	Achievement that is outstanding relative to the level necessary to meet course requirements.

Letter Grade	Score or Percentage	Description
A-	90–92	Achievement that is significantly above the level necessary to meet course requirements.
B+	87–89	
B	83–86	
B-	80–82	Achievement that meets the course requirements in every respect.
C+	77–79	
C	73–76	
C-	70–72	Achievement that is worthy of credit even though it fails to fully meet the course requirements.
D+	67–69	
D	60–66	
F	0–59	Represents failure (or no credit) and signifies that the work was either (1) completed but at a level of achievement that is not worthy of credit or (2) was not completed and there was no agreement between the instructor and the student that the student would be awarded an I.

## Summary of How Grades Are Weighted

Assignments	Percentage of Grade
Research paper & class presentation	40%
Midterm exam	20%
Participation & MyEducation observations	10%
Final exam	30%
Overall grade	100%

### Research Paper & Class Presentation Assessment Guidelines: 40% Weight

Paper submission deadline: week 12

Class presentations: week 11. Provide an outline of your essay, the theoretical background, data and findings of your case study and the conclusions. Please note that this presentation is a group effort and should be limited to 10 slides and 15 minutes (max). There will be a Q&A session following the presentation. The students will be given feedback on their presentations and will be expected to incorporate this feedback into their final research paper submissions.

#### Research Paper Guidelines

Select any one of the topics that we will be covering in this course. Bear in mind that these topics/chapters are rather broad and you will need to narrow down your research topic significantly. You should identify a small aspect of the theoretical discussion that interests you and focus sharply on it. In other words, you should not be providing a general overview of the chapter(s).

The next step is to identify a case study or identify sufficient data that fits your selected topic. You may choose current or recent economic/financial events or alternatively examine an event/s from a historical perspective. The course outline provides you ample guidance on sources of such data. (Please do not start with a case study and then try to find the theoretical basis for it. This will not be efficient.)

The final step will be to provide a thorough analysis. How does the case study or evidence fit into the theoretical discussion? Are the facts consistent with the theory? Explain why (or why not). What lessons did you learn from this project? This analysis will carry the highest weight for this assignment.

To obtain an A grade, the submission will have to meet ALL three requirements: (1) theoretical discussion; (2) good presentation of case study; and (3) thorough analysis. Any submissions that do not meet all the criteria will be downgraded.

You will provide 3 status updates through the term on the progress you have made to date on your projects. This will enable the lecturer to provide you with the necessary guidance and feedback. It is important that you come well prepared for these status updates.

### **Localised Context**

The students are required to identify relevant research paper topics within the localised context of the UK and Europe to benefit from their presence in London, the UK and Europe. These research paper topics should be discussed with the lecturer in advance. Preparatory work would include developing good reading sources such as the *Financial Times*, *The Economist*, and *The New York Times* to gain a better understanding of the localised context.

### **Mid-Term & Final Exams: 50% Weight**

The mid-term and final exams will include a combination of quantitative problems and a series of multiple-choice questions. The final exams will be cumulative and cover the entire course material.

# Course Content

## Unit 1

### Introduction to International Finance

- Introductions, student interests, relevant prior coursework & experience
- Course map, format, required work and assessments
- Review of research paper guidelines – detailed guidelines posted in this syllabus

Foundations of International Finance – Chapter 1

## Unit 2

### International Monetary System & Balance of Payments

- Chapters 2 & 3
- Historical perspectives of the International Monetary System
- Gold standard
- Exchange rate regimes – pegs, fixed, floating, currency boards, etc.
- The Euro and European Monetary System
- Review of historical currency crises

Overview of Balance of Payments

## Unit 3

### Foreign Exchange Markets & Exchange Rate Determination – part 1

- Chapters 4 & 5
- Function & structure of the foreign exchange market
- International finance in practice – market mechanics
- Spot & forward rate determination

Interest rate parity.



## Unit 4

### Foreign Exchange Markets & Exchange Rate Determination – part 2

- Chapters 4 & 5
- Interest rate parity (contd.)
- Purchasing Power Parity & International Fisher Effect
- Forecasting foreign exchange rates
- Foreign exchange futures & options
- Other hedging strategies – Money Market Hedge

Carry trades

## Unit 5

### International Capital Markets & Institutions – part 1

- Chapters 7, 8 & 9
- International Banking & Money Markets
- International Bond Markets

Research paper status updates

## Unit 6

### International Capital Markets & Institutions – part 2

- Chapters 7, 8 & 9
- International Bond markets (contd.)

International equity markets

## Unit 7

### International Portfolio Investment

- Chapter 11
- International diversification & portfolio risk reduction

- Evaluation of risks & opportunities

Impact of changing foreign exchange rates

## Unit 8

### Financial Management of a Multinational Firm – part 1

- Chapters 12 & 13
- Management of economic, transaction & translation exposure
- Key issues in exposure management
- Review of exposure management strategies

Research paper 2<sup>nd</sup> status updates

## Unit 9

### Financial Management of a Multinational Firm – part 2

- Chapters 12 & 13
- Foreign direct investment (FDI)
- Theory & practice of FDI

Multinational cash management

## Unit 10

### International Trade & Taxation

- Chapters 19, 20 & 21
- Exports & Imports
- Review of international tax environment – key issues
- Theory vs. Practice

Review of international corporate governance

## **Unit 11**

### **Class Research Paper Presentations**

Group presentation limited to 10 slides & 12-13 minutes

## **Unit 12**

### **Research paper submission deadline & Review Session**

- Review of quantitative problems

Course review – what have we learned?

# Policies

## Attendance Policy

Students are expected to be on time and attend all classes while abroad. Many instructors assess both attendance and participation when assigning a final course grade. Attendance alone does not guarantee a positive participation grade; the student should be prepared for class and engage in class discussion. See the on-site syllabus for specific class requirements.

## University of Minnesota Policies & Procedures

Academic integrity is essential to a positive teaching and learning environment. All students enrolled in University courses are expected to complete coursework responsibilities with fairness and honesty. Failure to do so by seeking unfair advantage over others or misrepresenting someone else's work as your own can result in disciplinary action. The University Student Conduct Code defines scholastic dishonesty as follows:

### Scholastic Dishonesty

Scholastic dishonesty means plagiarizing; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; altering forging, or misusing a University academic record; or fabricating or falsifying data, research procedures, or data analysis.

Within this course, a student responsible for scholastic dishonesty can be assigned a penalty up to and including an "F" or "N" for the course. If you have any questions regarding the expectations for a specific assignment or exam, ask.

### Student Conduct

The University of Minnesota has specific policies concerning student conduct. This information can be found [on the Learning Abroad Center website](#).