Course title: Money and Banking
Code: MAEC 3235
Credits: 3
Contact hours: 45

Course Description:

Role of money in the development and financing of financial institutions of a banking and non-banking nature and in the economic system in general. The instruments of the Money market, of capital, the role of the Federal Reserve System, monetary policy and The International Monetary Fund are studied. Prerequisite: MAEC 2212.

Course Objective:

Introduce students to the role of money, financial institutions, monetary policy and the interaction between them from an economic perspective.

Course Specific Objectives:

After finishing this course students will be able to:

1. Explain the role of money in the economy.
2. Distinguish between different financial institutions and explain their main functions and how deposit creation affects the money supply and macro economic variables.
3. Explain the role of the Fed and evaluate the impact of monetary policy on the financial sector, macro economic variables, as well as foreign exchange market.
4. Explain the impact of information technology in the banking service system.

Content:

A. Principal forms of money:

1. Money
   1.1 Definition of money
   1.2 Functions of money
   1.3 Different types of money
   1.4 Measurement of money
B. The Financial System

1. Markets
   1.1 Function of financial markets
   1.2 Categorization of financial markets
   1.3 Financial instruments

2. Financial intermediaries
   2.1 Depository institutions
   2.2 Savings institutions
   2.3 Investment intermediaries

3. Financial System different regulatory authorities
   3.1 Regulatory Agencies

4. Structure of Commercial Banking Industry
   1.1 History of evolution of commercial banking
   1.2 Branch banking and regulation
   1.3 Evolution of banking laws
   1.4 International banking

C. Bank Management

1. Commercial bank balance sheet
   1.1 Overview of assets and liabilities
   1.2 Principles of bank management
      a. Liquidity management
      b. Asset management
      c. Liability management
      d. Capital risk and interest rate risk management
   1.3 Credit risk and interest rate risk management

D. The Federal Reserve System

1. The structure of the Federal Reserve
   1.1 Composition of the Board of Governors, District Banks
      Federal Open Market Committee, Advisory Council, member banks.
   1.2 Functions of the Federal Reserve System
   1.3 Comparisons between Federal Reserve System and Foreign Central Banks
   1.4 The monetary base and factors that affect the base
   1.5 Economic impact of deposit creation
   1.6 Derivation of the money multiplier
   1.7 Determinants of the money supply
2. **The Fed and monetary policy**
   2.1 The role of the federal fund market and determination of the Fed fund rate.
   2.2 Tools of monetary policy and how they affect the Fed fund rate.
   2.3 Goals of monetary policy and Fed’s monetary strategy targets.

E. **International Financial System**

1. **The foreign exchange market**
   1.1 International reserves and engagement of the Fed in international transactions
   1.2 The importance of the balance of payments
   1.3 The past and current structure of the international financial system
      a. Gold standard
      b. Bretton Woods System
      c. European Monetary System

**Activities:**

A. Readings from articles on web pages of Federal Reserve Banks or articles from newspaper or journals on bank development, failures, mergers or financial services.

B. Assignments from the text and the web (end of chapter web references).

**Assessment activities:**

Exams, and/ or term papers

**Textbook:**

The Economics of Money, Banking, and Financial Markets, 7th Edition, Mishkin Frederic

**Resources:**

**Supplementary reading material:**

A. Newspapers: Wall Street Journal, Caribbean Business
B. Journals from any Federal Reserve Bank

Electronic resources:

www.aw.com/mishkin
www.federalreserve.gov/releases
www.fdic.gov/bank/index.htm
Evaluation:
1st Exam…25%
2nd Exam…25%
3rd Exam…25%
Paper……25%

Bibliography:

Recommended text:

Principles of Money, Banking & Financial Markets, Lawrence S. Ritter, William Silber,

Journals/Newspaper
  A. Journal of the Federal Reserve Bank of Kansas
  B. Wall Street Journal

Electronic Resources:

http://www.ny.frb.org
http://www.federalreserve.gov