The Structure and Regulation of Financial Markets

Module Code: ECO00013H  Credits: 20  Year: 3  Terms: 1-2
Contact Hours: 16 Lectures, 8 Seminars (24 contact hours)
Module Organiser: Professor P Spencer

Overview:
This module reviews the theory of asymmetric information and applies it to financial markets and institutions. The Autumn term lectures and seminars are designed to lay the theoretical foundations. In the Spring, the emphasis in the lectures moves on to applications, institutional detail and regulation and the seminars analyse topical policy issues. The tutor leads the first seminar, then students form teams to make presentations in subsequent meetings.

Aims:
This module advances the student's understanding of financial market failure and regulation, with particular reference to the British financial system. It introduces modern theories of asymmetric information and applies them to financial institutions, relating the analysis to current developments.

Objectives:
On completing the module a student will be able to:
- Appreciate the nature of asymmetric information and its implications
- Understand the reasons for financial market failure and regulation
- Argue the case for and against industrial self-regulation
- Apply theories of agency capture and moral hazard to the regulator
- Have a broad institutional knowledge of the UK and US financial systems and the main differences between these and continental financial systems

Assessment:
There will be a 3-hour unseen examination in the Summer Term, based on the overall syllabus.

Pre-requisites:
Financial Economics and Capital Markets (ECO00004I)

Main References:
The basic text for the module is:

Required reading: A good introduction to this material is provided by: