



**FIN 7230 (A01) (3.0 CH)**  
**FINANCIAL INTERMEDIARIES & CAPITAL MARKETS**  
**Fall 2009**

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**INSTRUCTOR**

Name: John McCallum  
Phone: 474-9984  
Fax: 474-7545  
Email: [jmccall@ms.umanitoba.ca](mailto:jmccall@ms.umanitoba.ca)  
Office Location: 462 Drake Centre

**COURSE DESCRIPTION**

Topics will include the major participants in the capital markets and their functions; the demand and supply of money and the structure of interest rates; recent developments and international factors in the capital markets.

**COURSE OBJECTIVES**

The objective of this course is to introduce the student to the Canadian financial system, the Canadian capital market and the aspects of the international financial system that have an impact on Canada. Modern research findings are presented, technical relationships in the capital markets are developed and there is extensive coverage of the institutional material. At the end of the course the student should be familiar with the Canadian financial environment and comfortable with the theoretical literature and its applications. The student, in short, should be in a position to evaluate new developments, both theoretical and institutional, as they occur.

**CLASS DATES**

September 30  
October 7, 14, 21  
November 4, 7, 18  
December 2, 5, 9

Note: November 7 and December 5 are Saturdays and there will be guest speakers. Class will be 8:45a to 12:00 noon on these two dates.

**ACADEMIC REGULATIONS**

Students are encouraged to contact Disability Services at 474-6213 or the instructor should special arrangements need to be made to meet course requirements.

## **COURSE ASSESSMENT**

The grade in FIN 7230 will be assigned based on the following breakdown:

Take home exam (due December 9 at class)	40 per cent
2 reports (due dates to be determined)	30 per cent
Class presentation of journal articles (due dates to be determined)	10 per cent
Participation including report presentations	<u>20</u> per cent
	<u>100</u> per cent

### Commentary on Reports

Groups will be assigned. Each group hands in one report. The reports are to be typewritten and double spaced. The maximum length is eight pages and they are to be handed in at the class designated. Late reports will only be accepted in exceptional circumstances. The student will have about three weeks to complete each assignment. A class will be designated where the reports are discussed. Discussions will count towards the participation mark.

### Commentary on Journal Article Presentations

Groups will be assigned. Each group will be responsible for presenting a group of journal articles. The articles will be assigned early in the term. All students are expected to have read each of the papers.

Final grades will be assigned as follows:

<b>Cumulative Marks</b>	<b>Grade</b>	<b>GPA</b>	<b>Performance</b>
90-100	A+	4.5	Excellent
80-89	A	4.0	Very Good
75-79	B+	3.5	Good
70-74	B	3.0	Satisfactory
65-69	C+	2.5	Marginal
60-64	C	2.0	Unsatisfactory
50-59	D	1.0	Unsatisfactory
Below 50	F	0.0	Unsatisfactory

## **COURSE MATERIALS**

Alexander MacMillan, An Introduction to Canadian Financial Markets, Prentice-Hall, 1989 (AM). (On reserve in library – do not buy.)

Van Horne, James C., Financial Market Rates and Flows, Prentice-Hall, 2001, sixth edition (VH) (available in bookstore). ISBN 0-13-018044-0

Selected Readings

**COURSE SCHEDULE**

FIN 7230 is made up of ten three-hour sessions delivered from September 30 to December 9. The course objective and learning outcomes will be pursued through a combination of class lectures, reading discussions, in-class exercises, and guest speakers. Class participation is considered essential, as is individual class preparation.

<b>SESSION DESCRIPTIONS</b>		
<b>SESSION</b>	<b>TOPIC</b>	<b>READINGS</b>
1	Financial Market Introduction	AM – 1, 5 VH – 1
1-2	Financial Flows and Real Flows	VH – 2
2-3	Interest Rates and the Economic Activity Link	AM – 2, 3, 5, 6, 8, 10 VH – 3, 4, 5
3-4	Term Structure of Interest Rates	VH – 6
		Van Horne, J. C., "Interest Rate Risk and the Term Structure of Interest Rates," <u>Journal of Political Economy</u> , 1965.
		Grant, J., "Meiselman on the Structure of Interest Rates: A British Test," <u>Economia</u> , 1964.
		Buse, A., "Interest Rates, The Meiselman Model and Random Numbers," <u>Journal of Political Economy</u> , 1967.
		Carr, P.J., et. al., "Meiselman's Error Learning Model: Some Further Canadian Evidence," <u>Journal of Business Administration</u> , 1977.
		Modigliani, F., and Sutch, R., "Debt Management and the Term Structure of Interest Rates: An Empirical Analysis of Recent Experience," <u>Journal of Political Economy</u> , 1963.
		Modigliani, R., and Sutch, R., "Innovations in Interest Rate Policy," <u>American Economic Review</u> , 1966.

		Dobson, P., "The Term Structure of Interest Rates and the Maturity Composition of the Government Debt: The Canadian Case," <u>Canadian Journal of Economics</u> , 1974.
		Barber, C.L., and J.S. McCallum, "The Term Structure of Interest Rates and the Maturity Composition of the Government Debt: The Canadian Case," <u>Canadian Journal of Economics</u> , 1976.
		McCallum, J.S., "The Expected Holding Period Return, Uncertainty and the Term Structure of Interest Rates," <u>Journal of Finance</u> , 1975.
		Howe, Maureen E., and John S. McCallum, "The Term Structure of Interest Rates in Canada," <u>Journal of Business Administration</u> , 1981.
5-6	Other Issues in Interest Rates	VH – 7, 8, 15
		Jen, F.C., and Wert, J.E., "The Deferred Call Provision and Corporate Bond Yields," <u>Journal of Financial and Quantitative Analysis</u> , 1968.
		Jen, F.C., and Wert, J.E., "The Value of the Deferred Call," <u>National Banking Review</u> , 1966.
		Pye, Gordon, "The Value of the Call Option on a Bond," <u>Journal of Political Economy</u> , 1966.
		Johnson, R.E., "Term Structures of Corporate Bond Yields as a Function of Risk of Default," <u>Journal of Finance</u> , May 1967.
		McCallum, J.S., "The Impact of the Capital Gains Tax on Bond Yields," <u>National Tax Journal</u> , 1973.
		Fama, E.F., "Efficient Capital Markets," <u>Journal of Finance</u> .
		Asquith, P., et. al., "Original Issue High Yield Bonds: Aging Analyses of Defaults, Exchanges and Calls," <u>Journal of Finance</u> , 1989.

		Fich, E. and Shivdasani, A. "Are Busy Boards Effective Monitors?" <u>Journal of Finance</u> , April 2006.
		Westphal, J. D., "Collaboration in the Boardroom: Behavioral and Performance Consequences of CEO - Board Social Ties," <u>Academy of Management Journal</u> , 1999.
		Core, John, Guay, Wayne and Rusticus, "Does Weak Governance Cause Weak Stock Returns?" <u>Journal of Finance</u> , 2006.
		Altman, E., "Measuring Corporate Bond Mortality and Performance," <u>Journal of Finance</u> , 1989.
		Shleifer, Andrei and Robert Vishny, "A Survey of Corporate Governance," <u>Journal of Finance</u> , 1997.
		Fama, E. F. and Kenneth French, "The Corporate Cost of Capital and the Return on Corporate Investment," <u>Journal of Finance</u> , 1999.
		McCallum, J.S., "Our Las Vegas Style Financial Markets," <u>Business Quarterly</u> , 1987.
		McCallum, J.S., "On Portfolio Insurance, the Stock Market Crash and Avoiding a Repeat," <u>Business Quarterly</u> , 1990.
		Henry, Peter, "Is Disinflation Good for the Stock Market" <u>Journal of Finance</u> , 2002.
		Tufano, Peter, "Who Manages Risk? An Empirical Examination of Risk Management Practices in the Gold Mining Industry", <u>Journal of Finance</u> , 1996.
		Adams, R. and D. Ferreira "A Theory of Friendly Boards" <u>Journal of Finance</u> , February 2007.
		Chhaochhana, V. and Y. Grunstein "CEO Compensation and Board Structure" <u>Journal of Finance</u> , February 2009.

7-8	Financial Intermediaries and Commercial and Central Banking in Canada	AM – 4, 5, 6
8-9	Near Banks and Other Institutions	AM – 4
	Money Markets	AM – 4
9-10	International Markets	AM – 7, 9 VH – 14
	Options, Futures, Swaps	VH – 9, 10, 11, 12, 13



## ACADEMIC INTEGRITY

I.H. Asper School of Business. The University of Manitoba

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It is critical to the reputation of the I. H. Asper School of Business and of our degrees that everyone associated with our faculty behaves with the highest academic integrity. As the faculty that helps create business and government leaders, we have a special obligation to ensure that our ethical standards are beyond reproach. Any dishonesty in our academic transactions violates this trust. The University of Manitoba Graduate Calendar addresses the issue of academic dishonesty under the heading "Plagiarism and Cheating." Specifically, acts of academic dishonesty include, but are not limited to:

- using the exact words of a published or unpublished author without quotation marks and without referencing the source of these words
- duplicating a table, graph or diagram, in whole or in part, without referencing the source
- paraphrasing the conceptual framework, research design, interpretation, or any other ideas of another person, whether written or verbal (e.g., personal communications, ideas from a verbal presentation) without referencing the source
- copying the answers of another student in any test, examination, or take-home assignment
- providing answers to another student in any test, examination, or take-home assignment
- taking any unauthorized materials into an examination or term test (crib notes)
- impersonating another student or allowing another person to impersonate oneself for the purpose of submitting academic work or writing any test or examination
- stealing or mutilating library materials
- accessing tests prior to the time and date of the sitting
- changing name or answer(s) on a test after that test has been graded and returned
- submitting the same paper or portions thereof for more than one assignment, without discussions with the instructors involved.

Many courses in the I. H. Asper School of Business require group projects. Students should be aware that group projects are subject to the same rules regarding academic dishonesty. Because of the unique nature of group projects, all group members should exercise special care to insure that the group project does not violate the policy on Academic Integrity. Should a violation occur, group members are jointly accountable unless the violation can be attributed to a specific individual(s).

Some courses, while not requiring group projects, encourage students to work together in groups (or at least do not prohibit it) before submitting individual assignments. Students are encouraged to discuss this issue as it related to academic integrity with their instructor to avoid violating this policy.

In the I. H. Asper School of Business, all suspected cases of academic dishonesty are passed to the Dean's office in order to ensure consistency of treatment.



## MEDICAL ABSENTEEISM FORM

I.H. Asper School of Business, The University of Manitoba

### STUDENT IDENTIFICATION: (PLEASE PRINT CLEARLY)

_____	_____	_____	_____
Last Name	First Name	Middle Initial	U of M Student Identification Number
_____	_____		
Course #	Instructor Name		
_____	_____		
Student's Signature	Date		

### TO BE COMPLETED BY THE ATTENDING PHYSICIAN: (after the above section is completed) (PLEASE PRINT CLEARLY)

_____	_____	_____
Physician's Last Name	Physician's First Name	Middle Initial
_____	_____	_____
Street Address	City, Province	Postal Code
_____	_____	_____
Telephone Number	Fax Number	
_____	_____	
<p><b>To the attention of the physician:</b> Your evaluation of the student's condition is being used for the purpose of determining whether or not the student has a <u>valid reason</u> to miss an important <u>exam</u> or <u>assignment</u>. Your professional evaluation is necessary to ensure that only valid cases are excused.</p>		
<p><b>I certify that the nature of the student's condition is severe enough to prevent the student from taking an exam or completing an assignment. If requested, my associates or I will verify for the above named instructor/administrator that this information is accurate.</b></p>		
The student's condition will likely span the following dates:		
_____	until	_____
(Indicate start date)		(Indicate end date)
_____		_____
Physician's Signature	Date	

### NOTES TO PHYSICIAN:

- Please make a note in the student/patient's file indicating that the student has given the above named instructor/administrator permission to verify with you, your staff, or your colleagues, that the information contained on this form is correct. Thank you for your professional evaluation of this student's condition.
- **PLEASE ATTACH THIS FORM TO YOUR REGULAR OFFICE STATIONERY THAT INDICATES THE STUDENT VISITED YOUR OFFICE.**

### NOTES TO STUDENT:

- The use of this form is at the option of the student. However, in order to obtain an excused absence for an assignment or exam the student must obtain a doctor's certification that the student's condition is severe enough to prevent the student from taking the exam or completing the assignment.
- It is NOT SUFFICIENT to provide a note that only indicates the student visited the doctor's office.



### **John McCallum**

Professor of Finance

Department of Accounting & Finance

John McCallum is Professor of Finance, University of Manitoba. He has a Ph.D. from the University of Toronto in finance, an M.B.A. from Queen's University in operations research, a B.Sc. from the University of Montreal in mathematics and physics and a B.A. from the University of Montreal in economics. His research interests are in capital markets, financial institutions and leadership.

From 1977 to 1981 he was economic adviser to the Premier of Manitoba. From 1984 to 1991, he was special adviser to the Federal Minister of Finance. From 1991 to 1993 he was special adviser to the Federal Minister of Industry, Science, Technology and Trade. From 1991 to 2000 he was Chairman of Manitoba Hydro.

He serves on a number of boards including Fortis, IGM Financial, Toromont Industries and Wawanesa.

His work has appeared in a number of places including Journal of Finance, Journal of Bank Research, Financial Management, Journal of Accounting, Auditing and Finance, National Tax Journal, Journal of Business Administration, Canadian Journal of Economics, The World of Banking, Issues in Bank Regulation, CA Magazine, Policy Options and Ivey Business Journal.