LANG | Department of Economics and Finance

FIN 3500 (01)
Money, Credit and Finance
Fall 2026
0.5 Credits

General Course Information

Instructor	Professor G. Bauer
Email	gbauer@uoguelph.ca **Please be sure to use FIN 3500 in the subject of your email**.
Office Location	Office hours will be conducted using Teams. Please send me an email to arrange an appointment.
Office Hours	Tuesday 2:00 – 4:00 by Teams
Department	Department of Economics and Finance, Lang School of Business

Class Schedule: Wednesday, 7:00 p.m. to 9:50 p.m., in MCKN 115.

Pre-requisites: Econ 2410 and FNCE 2000.

Course Description

This course is designed to be a **practical introduction to financial institutions in Canada**. It is designed to help students both **obtain and succeed at a job in finance**. We will cover many of the **contemporary issues that are discussed in the popular press**. We will use TD Bank as an example of a Canadian financial institution throughout the course.

We start with an examination of the theory as to **why financial institutions exist**. The modern theory has financial institutions servicing corporate and retail customers in two primary ways. The first is to help customers transfer risk. The second is to help customers by acting as agents in the increasingly complex world of financial markets and derivative securities. We will explore both aspects of the theory in this course.

We will examine how financial institutions provide hedges for customers to manage the various types of risks they take on when trading in financial markets. The **term structure of interest rates** forms the backbone of the financial system, and we will see how institutions manage risk in this market. The **Eurodollar market** is now the one of the largest markets in the world. (Did you know that the major Canadian banks now have more foreign currency assets than Canadian dollar assets. Why is this?) We will see how financial institutions manage **credit risk**. We will also see how financial institutions create **securitized products** such as CLOs and CMOs. We examine the methods that financial institutions provide for measuring and hedging these risks (e.g. **credit derivatives**).

Because traders in financial institutions now deal in risky instruments in large volumes, their managers must be concerned with the overall risk of the institution. We thus look at "**Value at Risk**" management in detail as this gives us a way of summarizing all the market risks faced by the institution in a single number. In addition, regulators now play an important role in financial institutions in Canada and we will explore how these **regulations** are implemented.

At the end of the course, we will cover the new financial institutions known as “Non- Bank Financial Intermediaries” (previously known as “shadow banks”). These include **hedge funds** and **private credit**.

You should view this course as the first of a two-course sequence on the financial system in Canada. This course is a “micro” look at the financial institutions within the system. The second course in the sequence is ECON 4880, taught in the winter term, is more of a “macro” look at the financial system. The title of that course is “Topics in International Economics.” Ignore the title. A better description is “Central Banks, Crises and Asset Markets.” This course covers material on the Bank of Canada, monetary policies (conventional and unconventional), real estate and financial crises. Both are designed for students who wish to obtain careers in finance.

Summary of Course Content

The course is composed of a sequence of modules. **Please use the course website on CourseLink to find all the material, assignments, cases and lecture slides.**

Module 1: Introduction to the Financial System

Module 2: Banks in Theory and in Practice

Module 3: Managing Interest Rate Risk

Module 4: The Eurodollar Market

Module 5: Managing Credit Risk

Module 6: Securitization

Module 7: Regulation and Value at Risk

Module 8: Non-Bank Financial Intermediaries

The learning objectives for each module are available on the CourseLink site.

Course Assessment

Problem sets (10% total)

- **All problem sets and cases will be group assignments**. **You will be required to form groups of 5 students**. **Assignments submitted by individual students, or students not in a group, will neither be accepted nor graded.** Use the Groups tab on the navbar to organize yourselves. Please form your group by the end of the first week as the first problem set will be due soon thereafter. The problem sets and cases are designed to apply the concepts taught in the course to relatively simple problems.

- **It is not optimal to divide and conquer the problem sets** (i.e., each person tackles one question). The problems should be attempted by **all** group members and then a composite answer formed at a group meeting. The problems are designed to teach all students how to solve some practical problems and **some version of them is likely to show up on the quizzes and final**.
- **In general, I do not provide help on the problem sets or cases.** The struggle is part of the learning process.
- **Please see the course website for the due dates** of all the problem sets and cases. We will discuss the problem sets and cases on the day that they are due. Thus, they must be handed in on time. **LATE ASSIGNMENTS WILL NOT BE ACCEPTED**. If it is handed in late your group will receive a grade of zero.
- There will be a (voluntary) group self-assessment at the end of the course. Any team member may request that the assessment be used. **Shirkers will be heavily penalized**.

Quizzes (40% = 2 x 20% each)

- There will be two **individual** quizzes during the course. **They will be done in person only**. The first follows Module 3 while the second follows Module 7. There are practice quizzes on the course website. The format of the quizzes will closely follow that of the practice quizzes (which are taken from previous offerings of the course.)
- **There are no make up quizzes. If you miss the quiz for any reason the weight will be transferred to your final exam.**
- **You are allowed a "cheat sheet" for the quizzes**. This is one side of an 8x10 piece of paper. My goal is not to have you memorize the course material; rather, it is to have you use it to solve real world problems.
- **You will need a calculator for the quizzes**.

Final exam (50%)

- The final exam will be during the scheduled exam period. It is **done individually in person**. No remote exams will be offered.
- There are practice questions for the final exam on the course website. The format of the final exam will closely follow that of the practice questions (which are taken from previous offerings of the course.)
- **You are allowed a "cheat sheet" for the final** which is both sides of an 8x10 piece of paper.
- **You will need a calculator for the final.**

About the Instructor:

Dr. Bauer is a full Professor of Finance at the Gordon S. Lang School of Business and Economics. Prior to joining Lang, he was the Michael J. Barclay Alumni Professor and Associate Dean of Full-Time Programs at the Simon Business School, University of Rochester. He is a five-time winner of the Superior Teaching Award from the Simon MBA program and a multiple winner of teaching awards from the Executive MBA program. In addition to teaching Macroeconomics, International Finance, and Capital Markets courses at the Rochester campus, he has developed courses on international financial markets for executive students in India. He helped develop the Simon MS Wealth Management program and delivered the Financial Markets and Investment Management course in Switzerland, Hong Kong and Singapore.

Prior to rejoining the Simon School in a full-time capacity in 2017, he was the Senior Research Director in the Financial Markets Department of the Bank of Canada. His research has contributed to important public policy debates on the likelihood of house price corrections; the interaction of monetary and financial stability policies; and the limitations imposed by financial markets on the ability of central banks to conduct conventional and non-conventional monetary policies. His work received attention in the Canadian press and had an impact on the inflation-targeting agreement between the Bank and the Government of Canada. He has published scholarly articles in the *Journal of Financial Economics*, the *Review of Economic Studies*, the *Journal of Econometrics*, the *Journal of International Money and Finance*, and the *International Journal of Central Banking*.

Bauer received his doctorate from the Wharton School of Business at the University of Pennsylvania. He holds the Chartered Financial Analyst (CFA) designation.

Course Resources

Required Text:

- Frederic S. Mishkin and Apostolos Serletis. ***The Economics of Money, Banking and Financial Markets, Sixth Canadian Edition.*** Used copies are CAD 50.00 on Amazon.ca. This book is the industry standard for this type of course.

The students will need a calculator for the quizzes and final exam. Neither cell phones nor laptops will be allowed in either.

Recommended Text and Podcast (for those students wishing to obtain a job in the finance industry):

- Gillian Tett, ***Fool's Gold: How the Bold Dream of a Small Tribe at J.P. Morgan Was Corrupted by Wall Street Greed and Unleashed a Catastrophe***, Free Press, 2010. (Used copies are CAD 11.00 on Amazon). This is a very good book that explains the rise of the credit derivatives industry through the lens of bankers at JP Morgan. It is thus related to a lot of the topics in the course about the modern business of banking. It also explains how the boom in credit derivatives helped fuel the Great Financial Crisis of 2007-2008. It is thus also quite useful for the subsequent course, ECON 4880 on central banks.

- ***Odd Lots*** is a Bloomberg podcast of everything finance by Joe Weisenthal and Tracy Alloway. I strongly recommend this podcast for those students that would like to find out more about various aspects of financial markets and institutions that we do not have time to cover in your Lang courses. I listen to it on Apple Podcasts but is also available elsewhere.

The links to other resources including readings are available on the course website. These are all free.

Course Policies

Classroom Conduct

- Arrive on time, ready to begin, and minimize disruptions throughout the session.
- To facilitate a sense of a personalized classroom community, display a name tent.
- **Turn off and put away your phone**. If you must keep a phone on because of a personal emergency, you must inform the instructor before class begins.
- **Participation is expected and encouraged. You are paying for this experience and should want to get your money's worth. A good question is just as worthwhile as a good answer**.
- Do not use your laptop or tablet unless explicitly permitted or instructed to do so.

Preparation and Interaction

- To achieve positive learning outcomes for you and other students, be prepared to engage fully in each session through the completion of required work before the session, and focused attention and active involvement during the session.
- Respect the classroom as an inclusive learning environment where diverse points of view and experiences can be shared to facilitate everyone's learning.
- Maintain the privacy and intellectual property of everyone in the class by, for example, not sharing recorded images or audio of student or instructor interactions, or course content.

Policy on Digital Recording

- **NO digital or electronic recording of any kind may be made during either lectures or labs without explicit written permission from the course instructor**.
- NO digital or electronic recordings of any kind provided by the instructors or teaching assistants may be shared, posted, or distributed by any means. Any digital contact or electronic recordings remain the property of the instructors and are protected by copyright and privacy law.
- By accessing these recorded materials, you agree to these terms, and you agree to be responsible for any damage that may result if you breach them.

Grading Policies

Please see the section on course assessment above.

Students who find themselves unable to meet course requirements by the deadlines or the criteria expected because of medical or personal reasons, should review the regulations on academic consideration in the Academic Calendar and discuss their situation with the instructor, program counselor or other academic counselor as appropriate.

http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-grds.shtml

If you have religious observances which conflict with the course schedule or if you are registered with Student Accessibility Services, please contact the course instructor in order to make arrangements for your assessment if appropriate.

University Policies

Academic Consideration

When you find yourself unable to meet an in-course requirement because of illness or compassionate reasons, please advise the course instructor in writing, with your name, id#, and e-mail contact. See the academic calendar for information on regulations and procedures for Academic Consideration: http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-ac.shtml

Academic Misconduct

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students o be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Undergraduate Calendar:

https://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-amisconduct.shtml

Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing services for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or accommodation, whether due to an identified, ongoing disability or a short-term disability should contact Student Accessibility Services as soon as possible.

For more information, contact SAS at 519-824-4120 ext. 56208 or email sas@uoguelph.ca or see the website: https://wellness.uoguelph.ca/accessibility/

Course Evaluation Information

Please refer to the Blue by Explorance system.

Recording of Materials

Presentations which are made in relation to course work—including lectures—cannot be recorded or copied without the permission of the presenter, whether the instructor, a classmate or guest lecturer.

Material recorded with permission is restricted to use for that course unless further permission is granted.

Drop date

The last date to drop one-semester courses, without academic penalty, is **Friday, December 4th, 2026**. For regulations and procedures for Dropping Courses, see the Academic Calendar:

https://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-drop.shtml