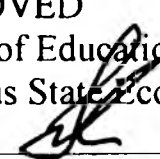


Educational Institution «Belarus State Economic University»

APPROVED

Rector of Educational Institution
«Belarus State Economic University»


_____ V. Shutsilin
« 4 » may 2021
Registration number № 4753-21

INFRASTRUCTURE OF INTERNATIONAL FINANCE AND BANKS

The curriculum of the Higher Educational Institution in the academic discipline for
the speciality:

I-25 80 02 «WORLD ECONOMY»

2021

The curriculum is based on the curricula of the higher education institution 1-25 80 02 World Economy reg. № 88 МГР-21, 22.01.2021

COMPILERS:

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RECOMMENDED FOR APPROVAL:

The Department of Taxes and Taxation of the educational institution «Belarus State Economic University» (protocol №9, 25.03.2021);

The scientific and methodological council of the educational institution «Belarus State Economic University» (protocol №4, 25.03.2021)

EXPLANATORY NOTE

«The increasing openness and interdependence between countries» could be a simple definition of globalization. This process has many causes and implications (cultural, technological, political, environmental, etc.), but it is widely accepted that finance is the dimension in which it is most advanced.

The discipline «Infrastructure of International Finance and Banks» focuses on understanding the theory of international finance and banks and on its real world applications from a business point of view. Understanding the foreign exchange markets and world capital markets (banking, debt and equity) is necessary to carry out a sound and effective management of the firm from a financial point of view. And since multinational corporations face both opportunities and risks, financial management involves the design of appropriate strategies to hedge the company from actual and potential risks through the use of the different types of financial assets (such as derivatives) available for this purpose.

In general, the knowledge of international finance and banks can help a specialist decide how international events will affect a firm and what steps can be taken to exploit positive developments and insulate the firm from harmful ones.

The purpose of the discipline is to provide undergraduates with knowledge and skills to understand and conduct operations in international financial markets, in the sphere of money circulation, banking and credit relations and to identify and exploit opportunities in the field of international financial relations.

The main tasks of teaching are:

- deepening of theoretical knowledge in international finance;
- studying and understanding of the tools and current trends in the various international financial markets;
- studying of different methods of forecasting the main financial indicators and the consequences of decision-making in international financial markets;
- acquiring skills of operations at various international financial markets;
- deepening of students' knowledge about the nature, function and role of money and credit in the development of world economy.

As a result, students should know:

- institutional background of international finance;
- main modern ideas, problems and trends in the development of international finance;
- how currency markets work;
- structure and functioning of international capital markets;
- the nature, functions, the role of money and credit in the development of world economy;
- the basis of the functioning of the monetary and credit relations in the international economic turnover;

be able to:

- understand the decisions taken by economic agents and their interaction in the markets;
- analyze economic and market indicators when taking decisions within the organization;
- take decisions in complex and changing environments;
- summarize foreign and domestic experience of the organization and functioning of the banking system at the macro level;
- analyze the effect of monetary-credit policy, of credit and financial institutions and their performance;
- express and understand spoken and written communication in English at an advanced level in the international business environment.

Competences to be achieved in the course:

SC-1 Own methods of analysis of key trends in the development of the financial market and financial relations in the context of the globalization of the economy, make managerial decisions on changing the activities of the organization in accordance with the conditions of the international financial market);

DPC-3 To be able to identify the basic regularities and tendencies of world economy development, to apply forecasting methods, to use computer software for construction of forecasting models of world economy development.

The discipline «Infrastructure of International Finance and Banks» is interconnected with disciplines « World Economy and Foreign Economic Policy».

The study of the subject of « Infrastructure of International Finance and Banks» takes 198 hours, of which 72 hours – classroom (including 36 hours of lectures and 36 hours of practical classes). Number of credits points – 6,0.

Taking the final exam is a necessary condition to receive a quantitative evaluation of the course.

APPROXIMATE CURRICULUM

№	Name of theme	Number of hours			Number of hours of self-managed work
		In all	Including		
			lectures	practical classes	
Section 1. THE BASICS OF INTERNATIONAL FINANCE					
1.	Introduction and motivation for international finance	2	1	1	
2.	Balance of payments	2	1	1	
Section 2. INTERNATIONAL CURRENCY MARKETS					
3.	Foreign currency and exchange rates	4	2	2	
4.	Foreign exchange markets (Forex): essence, participants, types	4	2	2	
5.	Spot markets for foreign currency	4	2	2	
6.	Forward market for foreign exchange	4	2	2	
7.	Currency derivatives: futures, options, swaps	4	2	2	
Section 3. INTERNATIONAL MONEY AND CAPITAL MARKETS					
8.	International money market	2	1	1	
9.	International bond market	4	2	2	
10.	International equity market	4	2	2	
Section 4. INTERNATIONAL CREDIT AND SETTLEMENTS					
11.	International credit	4	2	2	
12.	Essence of international settlements	2	1	1	
13.	Methods and procedures of international settlements	4	2	2	
14.	Negotiable instruments in international settlements	4	2	2	
Section 5. BANKS AND INTERNATIONAL FINANCIAL INSTITUTIONS					
15.	The credit system, its structure	2	1	1	
16.	Central banks	4	2	2	
17.	Banks, their role, operations and the basis of their activities	8	4	4	
18.	Non-bank credit-financial organizations	2	1	1	
19.	Bank interest	4	2	2	
20.	International financial institutions	4	2	2	
IN ALL:		72	36	36	

CONTENTS OF TEACHING MATERIAL

Section 1. THE BASICS OF INTERNATIONAL FINANCE

Theme 1. Introduction and motivation for international finance

International trade as the base for International finance, reasons for its growth. The rewards of international trade. The risks of international trade.

Globalization: its definition and influence on finance. Waves of globalization. Advantages and disadvantages of globalization.

Concept and structure of International Finance. Benefits of studying International Finance. The growing importance of International Finance.

The global financial system: definition, main components and brief history.

Theme 2. Balance of payments

Balance of payments: definition and principles of balance of payments accounting. Balance of payments structure: current account, financial account, statistical discrepancy.

Types of balance of payments. Methods of balancing of the balance of payments.

Section 2. INTERNATIONAL CURRENCY MARKETS

Theme 3. Foreign currency and exchange rates

Foreign currency: concept and types. Convertibility of currencies, its types. Main causes of transition to convertibility of the national currency.

Definition of exchange rate. The quotation: European terms and American terms; direct and indirect quotations. Cross exchange rate. Bid and ask rates. The spread. Currency depreciation and currency appreciation: advantages and disadvantages for a country.

Exchange rate regimes: fixed exchange rates and flexible or floating exchange rate («clean float» and «dirty float»).

Exchange rate theories: supply and demand; purchasing power parity (absolute PPP relative PPP); the balance of payments (BOP) approach; the monetary approach; the portfolio balance approach.

Theme 4. Foreign exchange markets (Forex): essence, participants, types

Definition of the Forex. Functions of the Forex. Participants in foreign exchange markets. Types of markets: markets by location and by currency; markets by delivery date.

A foreign exchange transaction, its types (a spot transaction, a forward transaction, a swap transaction).

Theme 5. Spot markets for foreign currency

The definition of spot exchange market, spot transactions and spot exchange rate. Participants of spot exchange market. Practical spot trading: interbank trading;

foreign exchange brokers. Digits for an exchange rate currency: the points or pips, the «big figure». Spot trading positions: a long position, a short position. Average rate, position value. Arbitrage and shopping around. Triangular arbitrage.

Theme 6. Forward market for foreign exchange

The definition of forward exchange market, forward contract. Forward duration and terms. Participants of forward market. The forward rate, its quotation. Forward exchange premiums and discounts. Market conventions for quoting forward rates.

Practical aspects of forwards in real world markets: arbitrage, hedging, speculation.

Theme 7. Currency derivatives: futures, options, swaps

The definition of foreign exchange derivative.

The definition of currency futures. Major features of futures contracts. Comparing futures contracts and forward contracts. Advantages and disadvantages of futures. Global futures exchanges.

The definition of options. «American» and «European» options. Call and put options. Long call, long put, short call, short put options. Closing out. Determinants of the market values of currency options. The strike price of options. Intrinsic value. Options in the money and out of the money. The option premium.

The definition of currency swaps. The users of swaps. Types of currency swaps. Using currency swaps.

Section 3. INTERNATIONAL MONEY AND CAPITAL MARKETS

Theme 8. International money market

The definition of international money market, its purposes. The major participants in the money market. Common money market instruments (Euro notes and Euro commercial papers; a bankers' acceptance; a letter of credit; a repurchase agreement; Eurodollars; treasury securities; certificate of deposit). Specific money market interest rates.

Theme 9. International bond market

The essence and types of International bond market. Foreign Bond Market. Euromarket. Primary markets for bonds, secondary markets.

Bonds, their important characteristics. Types of bonds: fixed coupon bond; floating coupon bond; zero coupon bond; dual currency bond; convertible bond and others. Credit ratings of bonds. Bond yields: nominal yield, current yield, yield to maturity.

International debt.

Theme 10. International equity market

Equity market, its instruments (common equity, preferred shares). Types of equity markets: primary and secondary market; organized stock exchanges, over-the-counter (OTC) markets. Equity market characteristics: market capitalization, earnings

per share, annual dividend, dividend yield, the price/earnings ratio (P/E ratio) is the reciprocal of the earnings yield. Stock market indexes. Trading practices.

Section 4. INTERNATIONAL CREDIT AND SETTLEMENTS

Theme 11. International credit

The essence and types of international credit. The subjects of international credit relations.

International factoring: essence, types, procedures, advantages and disadvantages.

International forfaiting: essence, procedures, similarities and differences between factoring and forfaiting.

International leasing: essence, subjects, types. The organization of leasing relations. Advantages and disadvantages of leasing.

Theme 12. Essence of international settlements

Definition and evolution of international settlements. Main characteristics of modern international settlements. Major points concerning international settlements.

Correspondent banking relationship. Correspondent bank. Correspondent account. Nostro account. Loro account. Vostro account. Services provided by correspondents.

Theme 13. Methods and procedures of international settlements

Main methods of international settlements: advance payment; open account system; consignment sale; documentary collection; letter of credit.

International remittance: essence, parties, types (telegraphic transfer; mail transfer; foreign demand draft).

Collection: essence, parties, classification.

Letter of credit: essence, parties, types. A typical letter of credit transaction.

Electronic fund transfer system, its definition. The electronic funds transfer between persons (MoneyGram and Western Union). Electronic Funds Transfer between banks (SWIFT, CHIPS, TARGET, ect.).

Theme 14. Negotiable instruments in international settlements

Definition of a negotiable instrument. Its functions and parties. Essentials of negotiable instrument. Legal systems of negotiable instrument. The specific characteristics of negotiable instruments.

A bill of exchange: definition, essentials. Classification of a bill of exchange (according to the drawer; according to the acceptor; according to the tenor; according to the whether/commercial documents /are attached thereto; according to the currency denominated; according to the place of acceptance and place of payment; according to the place of issue and place of payment). Acts of a bill of exchange: issuance; endorsement; acceptance; payment; dishonor; protest; guarantee; discounting; etc.

A promissory note: definition, essentials. Difference between a promissory note and a bill of exchange.

Check: definition, essentials. Parties to a check. Kinds of check. Difference between a check and a bill of exchange.

Section 5. BANKS AND INTERNATIONAL FINANCIAL INSTITUTIONS

Theme 15. The credit system, its structure

The concept of the credit system. The banking system, its types. One-level banking system. Two-levels banking system. Administrative banking system. Market banking system. Factors affecting the development of banking systems. The role of the banking system at the macro level.

Theme 16. Central banks

The origin and status of central banks. Central banks, their functions, operations. The independence of central banks. Monetary policy, its objectives and tools. Refinancing of banks. Regulation of banks.

Theme 17. Banks, their role, operations and the basis of their activities

The essence of the banks. The functions and role of the banks. The concept of banking. Banking legislation. Banking secrecy.

The principles of organization of the banks. The classification of banks by ownership, legal organization, set operations, industries, service area, the number of branches, the scope of activities and other characteristics. Multinational banks. Banking associations. Bank holding companies, consortiums. The participation of banks in the financial-industrial groups.

Banking operations as a concrete manifestation of banking functions in practice. Banking product. Banking services. The quality of banking services.

The classification of banking operations. Passive operations of banks. The meaning of passive operations of banks. Active operations of banks, their meaning. Interrelation of active and passive operations of banks. Intermediary operations. Retail operations.

Characteristics of operations of banks: deposits, emissive, credit, settlement, cash, investment, foreign exchange, factoring, leasing, warranties, transfer, trust, mortgage, international, accounting, etc. The new banking services and products.

A bank as the subject of the economy. The order of the creation of the bank. Licensing and registration. Reorganization and liquidation of banks.

Resources of the bank, their formation and using. Relationships with clients on a contract basis. The concept of the bank liquidity. Banking risks. Relations with the central bank.

Theme 18. Non-bank credit-financial organizations

The concept of non-bank credit-financial organizations and their role in the credit system. Types, scope, objectives, the role of these organizations. The interaction with the banking system. Development prospects. Features of the regulation of their activities.

Leasing companies. Functions and the role. The basis of their activity. Investment funds. Financial companies. Factoring companies. Financial Exchange. Settlement and cash centers. Trust companies. Pawnshops. Credit unions and associations. Mutual credit societies. Dealing companies. Other types of non-bank credit-financial organizations.

Theme 19. Bank interest

The essence of the bank interest. Functions and the meaning of interest. Types of interests.

A deposit interest, its essence. Criteria to differentiate the level of deposit interest rates. Factors affecting the size of the deposit interest. The influence of the central bank on the deposit interest rate.

A loan interest. Criteria to differentiate the level of interest rates. Factors influencing the interest rates. Interrelation of deposit and loan interest. Bank margin. The interest rate policy of banks.

The refinancing rate. Factors affecting the size of the refinancing rate. The regulatory role of the refinancing rate.

The discount rate of the central bank, its essence. The discount rate of banks in securities transactions. Factors affecting the size of the discount rate at purchase (sale) of securities.

Theme 20. International financial institutions

International financial institutions: definition and goals. Main international financial institutions.

The World Bank group, main purposes. Structure of the World Bank: the International Bank for Reconstruction and Development; the International Development Association; the International Finance Corporation; the Multilateral Investment Guarantee Agency; the International Centre for Settlement of Investment Disputes.

The International Monetary Fund: origin; members and administration; statutory purposes; financial assistance; services.

METHODICAL RECOMMENDATIONS ON ORGANIZATION AND IMPLEMENTATION OF INDEPENDENT WORK OF STUDENTS IN DISCIPLINE «INFRASTRUCTURE OF INTERNATIONAL FINANCE AND BANKS»

The content and forms of the independent work are determined by students independently in accordance with the following recommended types:

For acquiring knowledge: reading a text (textbooks, primary source, additional literature); making a summary; graphic representation of the text structure; text notes; extracts from a text; familiarization with normative documents; using of computers and Internet, etc.;

For consolidation and systematization of knowledge: work with a lecture summary; work with educational material (textbook, primary source, additional literature); making a plan and theses of an answer; compilation of tables for the systematization of educational material; studying of normative materials using information retrieval systems; answering control questions; analytical processing of the text (annotation, reviewing, abstracting, etc.); preparation for a speech at a conference; preparation of abstracts, reports; compilation of thematic crossword puzzles; fulfillment of test tasks, etc.

The independent work is supervised by the student independently with the help of test tasks, questions for self-control, as well as by the teacher through interviews on practical classes, colloquium, during testing (including computer testing), preparation and protection of the abstract.

APPROXIMATE CURRICULUM WITH SELF-MANAGED WORK

№	Name of theme	Number of hours			Number of hours of self-managed work
		In all	Including		
			lectures	practical classes	
Section 1. THE BASICS OF INTERNATIONAL FINANCE					
1.	Introduction and motivation for international finance	2			2
2.	Balance of payments	2			2
Section 2. INTERNATIONAL CURRENCY MARKETS					
3.	Foreign currency and exchange rates	4	1		3
4.	Foreign exchange markets (Forex): essence, participants, types	4	1		3
5.	Spot markets for foreign currency	4	1		3
6.	Forward market for foreign exchange	4	1		3
7.	Currency derivatives: futures, options, swaps	4	1		3
Section 3. INTERNATIONAL MONEY AND CAPITAL MARKETS					
8.	International money market	2			2
9.	International bond market	4	1		3
10.	International equity market	4			4
Section 4. INTERNATIONAL CREDIT AND SETTLEMENTS					
11.	International credit	4			4
12.	Essence of international settlements	2			2
13.	Methods and procedures of international settlements	4	1		3
14.	Negotiable instruments in international settlements	4			4
Section 5. BANKS AND INTERNATIONAL FINANCIAL INSTITUTIONS					
15.	The credit system, its structure	2			2
16.	Central banks	4	1		3
17.	Banks, their role, operations and the basis of their activities	8	1		7
18.	Non-bank credit-financial organizations	2			2
19.	Bank interest	4			4
20.	International financial institutions	4	1		3
IN ALL:		72	10		62

INFORMATION AND METHODOLOGICAL PART

Main literature

1. Germidis D. International banks and financial markets in developing countries. – Paris : OECD, 1984. – 95 p.
2. Gibson H. D. International finance. Exchange rates and financial flows in the international financial system. – London : Longman, 1996. – 355 p.
3. International investment instruments : A compendium. Vol. 6. –New York ; Geneva : United Nations, 2001. – XXVII, 568 p.
4. Sneyd M.R. International banking and finance. –Trowbridge : Prentice Hall, 1992. – 100 p.
5. Wellons P. Banks and specialised financial intermediaries in development. – Paris : OECD, 1986. – 150 p.

Additional literature

6. Chisholm Andrew M. An Introduction to International Capital Markets. Products, Strategies, Participants. Second Edition. – John Wiley & Sons, Ltd., 2009.
7. Johnson Hazel J. Global Financial Institutions and Markets. – Blackwell Business. University of Louisville. 2000.
8. Kenneth R. Szulczyk. Money, Banking, and International Finance, 2010.
9. Levy Maurice D. International Finance. 5th Edition. – Routledge, 2009.
10. Sercu Piet. International Finance. Theory into Practice. – Princeton University Press, 2012.
11. Smith Roy c., Walter Ingo. Global Banking. – Oxford University Press, 2003.

THE EDUCATIONAL-METHODICAL MAP OF THE DISCIPLINE

Number of section, theme	Title of section, theme; list of questions	Number of classroom hours					Number of hours of self-managed work	Forms of knowledge control
		Lectures	Practical classes	Seminar classes	Laboratory classes	Other		
1	2	3	4	5	6	7	8	9
	Section 1. THE BASICS OF INTERNATIONAL FINANCE							
1	Introduction and motivation for international finance	1	1					Tests, abstracts
2	Balance of payments	1	1					Tests, practical situations, abstracts
	Section 2. INTERNATIONAL CURRENCY MARKETS							
3	Foreign currency and exchange rates	2	2					Tests, practical situations
4	Foreign exchange markets (Forex): essence, participants, types	2	2					Tests, practical situations
5	Spot markets for foreign currency	2	2					Tests, practical situations
6	Forward market for foreign exchange	2	2					Tests, practical situations
7	Currency derivatives: futures, options, swaps	2	2					Tests
	Section 3. INTERNATIONAL MONEY AND CAPITAL MARKETS							
8	International money market	1	1					Tests, practical situations
9	International bond market	2	2					Tests, practical situations
10	International equity market	2	2					Tests, practical situations
	Section 4. INTERNATIONAL CREDIT AND SETTLEMENTS							
11	International credit	2	2					Tests, abstracts
12	Essence of international settlements	1	1					Tests
13	Methods and procedures of international settlements	2	2					Tests, practical situations
14	Negotiable instruments in international settlements	2	2					Tests, practical situations
	Section 5. BANKS AND INTERNATIONAL FINANCIAL INSTITUTIONS							
15	The credit system, its structure	1	1					Tests
16	Central banks	2	2					Tests

17	Banks, their role, operations and the basis of their activities	4	4					Tests, practical situations
18	Non-bank credit-financial organizations	1	1					Tests
19	Bank interest	2	2					Tests, practical situations
20	International financial institutions	2	2					Tests
	In all	36	36					Exam

**PROTOCOL OF HARMONIZATION OF THE CURRICULUM
 ON THE DISCIPLINE WITH OTHER
 DISCIPLINES OF THE SPECIALITY**

The name of discipline, which requires harmonization	The name of the department	Proposals for changes in the content of the curriculum	The decision taken by the department, which developed curriculum (with the date and the protocol number)
1	2	3	4
World Economy and Foreign Economic Policy	World Economy	<i>Преправлений од изменения неї</i> <i>S. A. A. - [signature]</i>	25.03.2021 №9