

NAME OF THE COURSE		THEORY OF FINANCIAL INTERMEDIATION				
Code	EUE403	Year of study	2.			
Course teacher	Full professor Ana Kundid Novokmet, PhD Full professor, Marijana Ćurak, PhD	Credits (ECTS)	5			
Associate teachers		Type of instruction (number of hours)	L	S	E	F
			26		26	
Status of the course	Obligatory/elective	Percentage of application of e-learning	30%			
COURSE DESCRIPTION						
Course objectives	To enable students to critically evaluate and valorise the social benefit of the existence and regulation of financial intermediaries and to link the content of financial services with the management of financial intermediaries and the norms of financial crises.					
Course enrolment requirements and entry competences required for the course	Requirements for the course enrolment are regulated by the Statute of the Faculty of Economics, Business and Tourism and by the Rulebook of study programs and studying system. Knowledge of basic concepts in the field of financial markets, banking and financial management is required and passed exam from at least one course dealing with the aforementioned areas (in example: Financial Markets, Banking, Banking and Insurance, Financial Institutions and Markets, Financial Management, Stock Exchanges).					
Learning outcomes expected at the level of the course (4 to 10 learning outcomes)	<p>Course learning outcome:</p> <ol style="list-style-type: none"> To justify the existence, diversity and regulation of financial intermediaries in the economic system, and to re-examine various theoretical controversies and innovative practical concepts in the field of the contemporary financial industry. <p>Particular learning outcomes:</p> <ol style="list-style-type: none"> Determine the importance and the features of financial intermediation and its regulation in financial/economic systems. Present theoretical interpretations of the functionality of financial markets and compare the concepts of banking intermediation according to different criteria. Identify the key aspects of reducing the information asymmetry in banks. Present the basic starting points of financial crisis and identify the types of different financial intermediaries' regulation forms. Conclude about the causes of financial intermediaries' regulation inefficiency. Conclude about the causes and potential contraindications from the application of certain regulatory instruments/concepts. 					
Course content broken down in detail by weekly class schedule (syllabus)	Week	Lectures		Exercise		
		Topics	hours	Topics	hours	
	1	Modes, content and the basic functions of financial intermediation. The interdependence of financial intermediation and economic growth.	2	Information about the course. Evolution and types of financial system.	2	

	2	The role of regulation in the financial system development. Forms of regulation over dominant financial intermediaries.	2	The causes of permanent inefficiency in financial regulation. Assignment: Identification and discussion of examples of regulatory trap, resistance, compromise and arbitrage in practice.	2
	3	Traditional theories of financial market functionality: the perfect and efficient market theory.	2	Alternative theories of financial market functionality. Discussion of paper in the field of contestable market theory.	2
	4	Neoclassical vs. behavioural finance.	2	Behavioural finance in the libertarian paternalism function or Assignment: Comprehension check of the basic micro-behavioural phenomena.	2
	5	Traditional and contemporary theory of financial intermediation: information asymmetries, transaction costs and unsystematic risks in focus.	2	Assignment: Comprehension check of various risk types, financial transformation and risk management. Practical task: Open position calculations.	2
	6	The importance of systemic risk concept for the financial system.	2	Project task: Diagnosis of accumulation sources and systemic risk materialization on the selected examples.	2
	7	Conventional and alternative types of banking intermediation.	2	Assignment: Comprehension check of key banking concepts. Discussion of materials in the field of certain types of banking intermediation in practice or about innovative concepts in banking.	2
	8	Information asymmetry between banks and its borrowers.	2	Discussion of articles in the field of methodology of measuring credit risk throughout the credit scoring system and restrictive clauses usage in banking practice.	2
	9	Theory and practice of credit rationing.	2	Selected topic in the field of diminishing the credit rationing problem.	2
	10	Financial innovations in the credit risk management.	2	Selected topic in the field of financial innovations in credit products.	2
	11	Information asymmetry between banks and its creditors.	2	Deposit insurance.	2
	12	Worldwide convergence of regulation: causes and consequences. Case study: Basel Accords.	2	Banks adjustments to Basel Accords and their economic consequences.	2
	13	Determinants of banking crises.	2	The causes of bank failures. The lender of last resort doctrine.	2
	<input type="checkbox"/> lectures			<input type="checkbox"/> independent assignments	

Format of instruction	<input type="checkbox"/> seminars and workshops <input type="checkbox"/> exercises <input type="checkbox"/> <i>on line</i> in entirety <input type="checkbox"/> partial e-learning <input type="checkbox"/> field work		<input type="checkbox"/> multimedia <input type="checkbox"/> laboratory <input type="checkbox"/> work with mentor <input type="checkbox"/> (other)			
Student responsibilities	<p>To attain a signature, student has to regularly attend course – for the full-time student, minimum is 60% of lectures and exercises, and for the part-time student, minimum is 30% of lectures and exercises. To attain a signature, student is also required to actively participate in lectures and exercises. During the semester, in the weeks in which lectures and exercises are held, 4 self-evaluation tests will be organized. Students are required to try to solve each of the 4 online self-evaluation tests, which will be composed of open-ended questions, critical appraisal or problem tasks. Solving self-evaluation tests successfully is not a substitute for the written tests or exam, but can contribute to a higher positive grade. Two self-evaluation tests precede the first written test, after which the other self-evaluation tests will follow.</p>					
Screening student work (name the proportion of ECTS credits for each activity so that the total number of ECTS credits is equal to the ECTS value of the course)	Class attendance	0,7	Research		Practical training	
	Experimental work		Report		Self-evaluation tests	0,3
	Essay		Seminar essay		(Other)	
	Tests	4*	Oral exam		(Other)	
	Written exam	4	Project		(Other)	
Grading and evaluating student work in class and at the final exam	<p>Two written tests, written exam. The exam is conducted by the course teacher. The student can pass the exam if he/she passes both tests. In addition, the student's activity in the exercises will be evaluated. Students who are actively involved in exercise discussions, problem-solving and case studies and/or correctly write and present the paper on the topics offered can increase the final grade. * Positive assessment of both tests replaces the final written exam. During the semester there will be two written tests. A positively evaluated first written test is a requirement for the student's admission on second test. A student who achieves a positive assessment from both tests is not required to undertake the final written exam. The final grade is formed as the average grade of written tests grades and can be increased in case of special student's engagement in the exercises. Exam dates will be defined by exam calendar. Written exam consists of 10 questions/question blocks. Each answer is evaluated with maximum 10 points. For positive assessment, the student has to achieve minimum of 55 points. Score thresholds and corresponding grades for written exams: 55-69 points = sufficient (2); 70-79 points = good (3); 80-89 points = very good (4) and 90-100 points = excellent (5).</p>					
Required literature (available in the library and via other media)	Title			Number of copies in the library	Availability via other media	
	1. Course materials.			/	Merlin	
	2. Kundid, A. (2010) <i>Regulacija, deregulacija i reregulacija u evoluciji finansijskog sustava i kontinuitetu finansijskih kriza</i> poglavlje chapter in Vidučić, Lj., Ivanov, M. and Pečarić, M. (ur.) <i>Financije danas – dijagnoze i terapije</i> , Split: Sveučilište u Splitu, Ekonomski fakultet & Zagreb: Sveučilište u Zagrebu, Ekonomski fakultet, pp. 123-141.			3	Merlin	
	3. Pojatina, D. (2000) <i>Tržište kapitala</i> . Split: Ekonomski fakultet.			13	/	
	4. Kundid Novokmet, A., Medvidović, M. (2019) <i>Razum i osjećaji na finansijskom tržištu: uspon</i>			/	Merlin/Internet	

	<i>bihevioralnih financija</i> chapter in Rimac Smiljanić, A., Šimić Šarić, M. and Visković, J. (eds.) <i>Financijska kretanja – najnoviji događaji i perspektive</i> , Split: Sveučilište u Splitu, Ekonomski fakultet, pp. 295-322.		
	5. Ćurak, M., Kundid, A., Visković, J. (eds.) (2014) <i>Financije nakon krize: forenzika, etika, održivost</i> . Split: Ekonomski fakultet (selected chapters).	12	Merlin/Internet
	6. Smaga, P. (2014) <i>The Concept of Systemic Risk</i> , The London School of Economics and Political Science, Systemic Risk Centre Special Paper, No. 5, August.	/	Merlin/Internet
	7. Rose, P. S., Hudgins, S. C. (2015) <i>Upravljanje bankama i financijske usluge</i> . Zagreb: MATE.	12	/
	8. Rose, P. S., Hudgins, S. C. (2013) <i>Bank Management & Financial Services</i> . USA: McGraw-Hill.		
	9. Kundid, A. (2012) <i>Mala poduzeća, velike banke i nepremostive razlike u kreditnom odnosu: istina, mit ili izazov?</i> chapter in Vidučić, Lj. (eds.) <i>Mala i srednja poduzeća – Financijska politika i ekonomsko – financijski okvir podrške</i> , Split: Sveučilište u Splitu, Ekonomski fakultet, pp. 33-56.	3	Merlin/internet
	10. Kundid, A. and Ercegovac, R. (2011) Credit Rationing in Financial Distress: Croatia SMEs' Finance Approach, <i>International Journal of Law and Management</i> , Vol. 53, No. 1, pp. 62 – 84.	/	Merlin
	11. Kundid Novokmet, A. (2015) Kontroverze regulacije banaka kroz kapitalne zahtjeve, <i>Ekonomski pregled</i> , Vol. 66, No. 2, pp. 156-176.	1	Merlin/Internet
	12. Kundid, A. and Ercegovac, R. (2011) <i>Liquidity Risk Management Paradox in Contemporary Banking (Re)regulation</i> , Global Business & Economics Anthology, Volume II, Issue 2, December, Business & Economics Society International, Worcester, MA, USA, pp. 436-449	/	Merlin
	13. Kundid Novokmet, A. (2019) <i>Zdravlje bankarskog sektora</i> , chapter in Rimac Smiljanić, A., Šimić Šarić, M. i Visković, J. (eds.) <i>Financijska kretanja – najnoviji događaji i perspektive</i> , Split: Sveučilište u Splitu, Ekonomski fakultet, pp. 197-220.	/	Merlin/Internet
	14. Articles selected for discussion.	/	Merlin
Optional literature (at the time of submission of study programme proposal)	<ol style="list-style-type: none"> 1. Stiglitz, J. E., Weiss, A. (1981) <i>Credit Rationing in Market with Imperfect Information</i>, The American Economic Review, Vol. 71, No. 3, pp. 393 – 410. 2. Ayadi, R., Cucinelli, D., de Groen, W. P. (2019) <i>Banking Business Models Monitor – Europe: Performance, Risk, Response to Regulation and Resolution: 2005-2017</i>. Cass Business School. https://www.ceps.eu/ceps-publications/banking-business-models-monitor-2019-europe/ 3. Kjellman, A., Kangas, T., Tainio, R. (2021) <i>Nuclear Finance: Bank Management in Disruption</i>. Novum pro. 4. Saunders, A., Millon Cornett, M., Erhemjamts, O. (2020) <i>Financial Institutions Management: A Risk Management Approach</i>. McGraw-Hill Education. 5. Kundid Novokmet, A. (2021) <i>Troubles with the Chf Loans in Croatia: The Story of a Case Still Waiting to Be Closed</i>, Journal of Risk and Financial Management 14(2), 75. 		

	<ol style="list-style-type: none"> 6. Kundid Novokmet, A., Matković, M. (2020) <i>Anticipating a Reverse Mortgage Adoption in Croatia</i>, Studies in Business and Economics, Vol. 15, No. 3, pp. 132-151. 7. Kundid Novokmet, A., Vasić, A. (2021) <i>Kapitalni zahtjevi kao ključna odrednica kreditnog rasta: dokazi za Hrvatsku</i>, poglavlje u Družić, G., Šimurina, N. (eds.) Zbornik radova sa znanstvenog skupa "Financije u svijetu punom izazova", Zagreb: Hrvatska akademija znanosti i umjetnosti, Sveučilište u Zagrebu, Ekonomski fakultet, pp. 137-160. 8. Kundid Novokmet, A. (2021) <i>Do Capital Buffers add to Bank Risk-Taking in South-Eastern Europe? A Look at the Pre-Basel III Period</i>, poglavlje u The Changing Financial Landscape: Financial Performance Analysis of Real and Banking Sectors in Europe (eds. Karanović, G., Polychronidou, P. i Karasavoglou, A.), Springer, pp. 141-169. 9. Busch, D., Ferrarini, G., Grünewald, S. (2021) <i>Sustainable Finance in Europe: Corporate Governance, Financial Stability and Financial Markets</i>. Palgrave Macmillan. 10. Official website of the Croatian National Bank.
<p>Quality assurance methods that ensure the acquisition of exit competences</p>	<ul style="list-style-type: none"> • Monitoring the class attendance and execution of other student's obligations (Teacher) • Teaching Supervision (The Vice-Dean for academic and student affairs) • Analysis of the studying performance for all courses of the study program (The Vice-Dean for academic and student affairs) • Student survey on the quality of teachers and teaching for each course of the study program (UNIST, Centre for Quality Improvement) • All learning outcomes of the course are examined by the examination conducted by the course teacher. • Periodic examination of the content of the exam is conducted in order to verify the appropriateness of the method of validating the learning outcomes (The Vice-Dean for academic and student affairs).
<p>Other (as the proposer wishes to add)</p>	<p>Lectures in Croatian language.</p>