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Erasmus+ Programme
of the European Union



Reforming Master Programmes in Finance in Armenia and Moldova / REFINE

An Erasmus+ Capacity Building Project (2017-2020)

International Finance COURSE OVERVIEW

AESM

Assoc. Prof. Ph. D. Denis Vostricov



BASIC INFORMATION



TITLE OF THE COURSE	International Finance (IF)
TEACHERS	Assoc. Prof. Ph. D. Denis Vostricov
YEAR OF THE COURSE	II
SEMESTER OF THE COURSE	III
LANGUAGE	English
NUMBER OF ECTS CREDITS	5

LEARNING OUTCOMES



- To understand what international finance means and how it is organised;
- To characterize current state of international financial relations;
- To reflect the essence and to assess the benefits of economic globalization as well as the effects of international capital movements;
- To comprehend the structure and to explain the functioning of financial market;
- To describe the operations and to identify credit on the international credit markets. To break down the constitution of funds on the international credit market. Give example of crediting of FDI;

LEARNING OUTCOMES



- To evaluate and appreciate the role of International Organizations in the Capital Markets' functioning.
- To discuss the concept and the structure of international liquidity; To generalize about the foreign exchange reserves and to conclude about the role of the international gold market; To examine the external debt and assess the external debt management.;
- To develop on the different stages of evolution of International Monetary Systems;
- To compare the factors and phenomena influencing the exchange rates and to differentiate the foreign exchange regimes;
- To outline the balance of payment structure (BP) and name its elements; list and value the factors influencing the BP; Apply the methods of adjusting the BP;

LEARNING OUTCOMES



- To prove the role, functions and structure of international organizations (IMF, WB, EBRD, EIB, etc.);
- To conduct a research about the role of intergovernmental and international organizations on the local economies;
- To illustrate the role of International Monetary Fund in the cross-border capital flows;
- To prove knowledge, analysis, assessment and specialized practical skills in the realm of international finance;
- To display skills of collecting, synthesizing and structuring the information of different category and complexity that is necessary for substantiating research in financial, banking, monetary and investment realm;
- To demonstrate, possess and promote professional ethics, values of moral and social integrity; to respond to social, scientific and ethical issues that arise in the process of study and communication.

SYLLABUS OF THE COURSE



Day	TOPIC
1	Meaning, Role, Scope of IF
2	Globalisation of the World Economy
3	Structure of financial markets
4	International credit market
5	International capital market
6	Concept and Structure of International Liquidity
7	Overview and Evolution of IMS
8	Exchange rates regimes
9	Factors influencing Exchange Rates.
10	Introduction to BP and Components of BP
11	Factors influencing the BP
12	Methods of adjusting BP
13	The role of other IFIs in IF
14	The IMF Role Regarding Cross-Border Capital Flows

Day 1. Meaning, Role, Scope of IF



- Contents of the topic:

The topic defines IF from different perspectives. The role and scopes of the IF are explained.

- Individual Study:

To develop on the subject of importance of IF.

- Minimal recommend literature:

Kozak, Y., Sporek, T., & And others. (2014). *Essentials of International Economics: Questions & Answers*. Kiev-Katowice, NY: CUL. Sections 1,5.

Mishkin, F. (2018). *The Economics of Money, Banking and Financial Markets* (12th ed.). MA: Pearson. Part I, III.

Feenstra, R. C., Taylor, A. M., & Taylor, J. (2014). *International Macroeconomics* (3rd ed.). New York, NY: Worth Publishers. Chapter 1.

Feenstra, R. C., & Taylor, A. M. (2014). *Essentials of International Economics* (3rd ed.). New York, NY: Worth Publishers. Chapter 1.

Eichengreen., B., *Globalizing Capital: A History of the International Monetary System*. Third Edition. 2019.

Lopotenco, V. *Analiza evoluției sistemului monetar internațional prin abordarea stabilității hegemonice*. În: *Analele Academiei de Studii Economice din Moldova*. Chișinău, 2014, ed. XI, p. 303-313, 1 c.a. ISBN 978-9975-75-608-2

Day 2. Globalisation of the World Economy



- Contents of the topic:

The topic gives insight on the process of globalization, its characteristics as well as causes and effects on world economy.

- Individual Study:

To determine and characterize the major players in economic globalization.

- Minimal recommend literature:

Kozak, Y., Sporek, T., & And others. (2014). *Essentials of International Economics: Questions & Answers*. Kiev-Katowice, NY: CUL. Section 5, 6.

Guttman, R. , Plihon, D., *Whither the Euro? History and Crisis of Europe's Single-Currency Project*. Centre d'Economie de l'Université Paris Nord. 2013.

Weiss, J., Sachs, A., Weinelt, H., *2018 Globalization Report. Who benefits Most from Globalization?*. Bretelsmann Stiftung. 2018.

Day 3. Structure of Financial Markets

- Contents of the topic:

The topic gives an overview on the structure of financial markets. It explains the functioning of Debt and Equity Markets; Primary and Secondary Markets; Exchanges and Over-the-Counter (OTC) Markets; Money and Capital Markets.

- Individual Study:

Study the minimal recommended literature.

- Minimal recommend literature:

Mishkin, F. (2018). *The Economics of Money, Banking and Financial Markets* (12th ed.). MA: Pearson. Chapter 18.

Pilbeam, K. (2018). *Finance and Financial Markets* (4th ed.). Red Globe Press. Chapters 2, 3.

Bikker, J. A. and J. W. B. Bos, *Bank Performance: A Theoretical and Empirical Framework for the Analysis of Profitability, Competition and Efficiency*, Routledge, London. 2008.

Day 4. International Credit Market

- Contents of the topic:

The topic gives insight on types of operations and credit on the international credit markets. Constitution of funds on the international credit market. Crediting of FDI.

- Individual Study:

Study the minimal recommended literature.

- Minimal recommend literature:

Kozak, Y., Sporek, T., & And others. (2014). *Essentials of International Economics: Questions & Answers*. Kiev-Katowice, NY: CUL. Chapter 15.

Pilbeam, K. (2013). *International Finance* (4th ed.). Red Globe Press. Part III.

Day 5. International Capital Market



- Contents of the topic:

The topic develops the structure and functioning of capital market. It explains the role of International Organizations in the Capital Markets functioning.

- Individual Study:

Read the minimal recommended literature.

- Minimal recommend literature:

Pilbeam, K. (2013). International Finance (4th ed.). Red Globe Press. Part III.

Mishkin, F. (2018). *The Economics of Money, Banking and Financial Markets* (12th ed.). MA: Pearson.

Shapiro, A., *Multinational Financial Management*, tenth edition. University of Southern California. 2013

Kozak, Y., Sporek, T., & And others. (2014). *Essentials of International Economics: Questions & Answers*. Kiev-Katowice, NY: CUL. Chapter 16.

Jordan, C., *International Capital Markets: Law and Institutions*, Oxford University Press, 2014

Day 6. Concept and Structure of International Liquidity



- Contents of the topic:

The topic develops on the concept, the structure of international liquidity; explains the foreign exchange reserves and the role of the international gold market; characterizes external debt and external debt management.

- Individual Study:

Read the minimal recommended literature.

- Minimal recommend literature:

Mishkin, F. (2018). *The Economics of Money, Banking and Financial Markets* (12th ed.). MA: Pearson. Chapter 18.

Mocanu, N., Draguta, S., Beda O., *International financial-currency relations*. University course notes. ASUM, Chisinau. 2015.

Kozak, Y., Sporek, T., & And others. (2014). *Essentials of International Economics: Questions & Answers*. Kiev-Katowice, NY: CUL. Chapter 6 and Section 4.

Day 7. Overview and Evolution of IMS



Contents of the topic:

There will be given an insight over the evolution and characteristics of different IMS: Bimetallism, Classical Gold Standard, Inter war period 1915-1944, Bretton Woods System, Flexible exchange rate regime.

- Individual Study:

To develop on the factors on the evolution of the IMS.

- Minimal recommend literature:

Mishkin, F. (2018). *The Economics of Money, Banking and Financial Markets* (12th ed.). MA: Pearson. Chapter 18.

Helleiner, E., *States and the Resurgence of Global Finance: From Bretton Woods to the 1990's*. Cornell University Press. 1994.

Day 8. Exchange rates regimes



- Contents of the topic:

The lecture gives an overview over the existing exchange rates regimes and generally explains the functioning of the foreign exchange market.

- Individual Study:

Analyze how the exchange rate regime can influence the economic growth.

- Minimal recommend literature:

Feenstra, R. C., Taylor, A. M., & Taylor, J. (2014). *International Macroeconomics* (3rd ed.). New York, NY: Worth Publishers. Chapters 10-12

Wang, P. (2005). *The Economics of Foreign Exchange and Global Finance* (3rd ed.). Berlin, NY: Springer Science & Business Media.

Feenstra, R. C., & Taylor, A. M. (2014). *Essentials of International Economics* (3rd ed.). New York, NY: Worth Publishers. Chapter 15.

International Monetary Fund. *Annual Report on Exchange Arrangements and Exchange Restrictions 2018*. Washington, DC: IMF.2019

Day 9. Factors influencing Exchange Rates



- Contents of the topic:

The lecture explains how different macroeconomic structural and conjunctural factors and phenomena influence the exchange rates' evolution.

- Individual Study:

Explain how the BP status influence national exchange rates.

- Minimal recommend literature:

Mocanu, N., Draguta, S., Beda O., *International financial-currency relations*. University course notes. ASUM, Chisinau. 2015.

Pilbeam, K. (2018). *Finance and Financial Markets* (4th ed.). Red Globe Press. Chapters 11, 12.

Pilbeam, K. (2013). *International Finance* (4th ed.). Red Globe Press. Part II.

Day 10. Introduction to BP and Components



- Contents of the topic:

There will be explained macroeconomic variables that measure transactions between two economies, accounted for in the Balance of Payments by the international accounting system. There will be explained how international transactions are divided, according to their nature, among the three Balance of Payments accounts: the Current Account, the Capital Account, and the Financial Account.

- Individual Study:

Analysis of the two most recent BP of the Republic of Moldova.

- Minimal recommend literature:

Mishkin, F. (2018). *The Economics of Money, Banking and Financial Markets* (12th ed.). MA: Pearson. Chapter 18.

Feenstra, R. C., Taylor, A. M., & Taylor, J. (2014). *International Macroeconomics* (3rd ed.). New York, NY: Worth Publishers. Chapter 13.

Pilbeam, K. (2013). *International Finance* (4th ed.). Red Globe Press. Part I.

Terra C., *Principles of International Finance and Open Economy Macroeconomics*. Theories, Applications, and Policies. Université de Cergy-Pontoise, 2015.

Day 11. Factors influencing the BP



- Contents of the topic:

The topic will list and explain each factor influencing the BP and how it is affected.

- Individual Study:

Study of the minimal recommended literature.

- Minimal recommend literature:

Wang, P. (2005). *The Economics of Foreign Exchange and Global Finance* (3rd ed.). Berlin, NY: Springer Science & Business Media.

Feenstra, R. C., Taylor, A. M., & Taylor, J. (2014). *International Macroeconomics* (3rd ed.). New York, NY: Worth Publishers. Chapter 13.

Fetiniuc, V., Lopotenco, V., Belobrov, A. *Relații valutare-financiare internaționale. Note de curs*. Chișinău: ASEM, 2005. 189 p. ISBN 9975-75-198-9

Day 12. Methods of adjusting BP

- Contents of the topic:

The topic will list and explain methods and mechanism through which the different elements of BP are equilibrated.

- Individual Study:

Give a characteristic to the national BP.

- Minimal recommend literature:

Mocanu, N., Draguta, S., Beda O., *International financial-currency relations*. University course notes. ASUM, Chisinau. 2015.

Day 13. The role of other IFIs in IF

- Contents of the topic:

The topic expands on the role of IFIs and supranational financial institutions on the cross-border capital flows.

Individual Study:

Please evaluate the role of one EU supranational institution over the cross-border capital flows.

- Minimal recommend literature:

Pilbeam, K. (2018). *Finance and Financial Markets* (4th ed.). Red Globe Press. Chapter 18.

Please review BIS, ECB, FSB papers in this regard.

Day 14. The IMF Role Regarding Cross-Border Capital Flows



- Contents of the topic:

The topic expands on the role of International Monetary Fund in the cross-border capital flows.

Individual Study:

Develop on the role of IMF in FinTech evolution and proliferation of digital finance.

Minimal recommend literature:

IMF, *The Fund's Role Regarding Cross Border Capital Flows*, Nov. 2011.

Center for Economic Policy Research, *IMF-Supported Macroeconomic Policies and the World Recession: A Look at Forty-One Borrowing Countries*, 2009.

TEACHING METHODOLOGY



- Predominant form of **lectures** organization is frontal instruction. Frontal instruction refers to a teacher-centred instruction, where the lectures are organised in a way that the lecturer stands in front of the auditoriums of students and professes material according to the learning program.
- When the lecture contains case studies where calculations are needed, students may be involved for calculations, in groups or individually.
- **Seminars** are organised more in form of group instruction, which is more student-centred instruction, with direct involving of students in teaching process through: making short presentations on the topics relevant to the subject of the lecture; group workshops.
- *Pedagogical approaches* employed for the course are the following: Didactic method, Learning, Research, Assessment, Exposure method.
- *Didactic means* used for both lectures and seminars, are the following: projector, computers, etc.

LABOUR MARKET RELEVANCE



This course is designed to introduce to the international financial relations, international capital flows, exchange rates, current account and debt dynamics.

The International Finance course's scope is to contribute to enhanced understanding of the rationale, methods and institutional design of the international financial relations. It prepares its students for a career in financial management, comprehensively addressing the breadth of the disciplines: International Monetary and Capital Relations, Corporate Finance, Macroeconomics, International Investments, etc.

LABOUR MARKET RELEVANCE



Public Sector

- Any supervisory function/ policy development function within Central Bank, MinFin, National Commission of Financial Market, National Security Service, The Office for Prevention and Combating of Money Laundering (Financial Intelligence Unit)
- Employee of financial department, policy, department, internal control function within the named institutions and any other public authority (city administration, other ministries, etc.)

Private Sector

- Employee of any of financial department, strategy department, internal control functions, etc.
- Financial consultancy and research companies

ASSESSMENT AND GRADING



The final grade consists of two components:

- **Current performance (formative assessment) represent the overall assessment of student's activity during the course - 60%.** Students can choose one or more from the types of assessment listed below, but with the preliminary coordination with the lecturer:
 - Assessment of current reports, individual works, research papers;
 - Assessment of intermediate tests, as the case may be, and course assignments 1 or 2;
 - Assessment of participating in relevant extracurricular activities (symposiums, conferences, round tables, etc.)
- **Examination mark (final evaluation) – 40%.**

Practical modality of final assessment: **writing paper** (descriptive and/or multiple-choice test and/or case study solving etc.), **oral examination** by choosing task cards, etc.

REFERENCES



De Haan, J., Oosterloo, S., Schoenmaker, D., *European Financial Markets and Institutions*. Cambridge University. 2009.

Mocanu, N., Draguta, S., Beda O., *International financial-currency relations*. University course notes. ASUM, Chisinau. 2015.

Kozak, Y., Sporek, T., & And others. (2014). *Essentials of International Economics: Questions & Answers*. Kiev-Katowice, NY: CUL.

Mishkin, F. (2018). *The Economics of Money, Banking and Financial Markets* (12th ed.). MA: Pearson.

Mocanu, N., Draguta, S., Beda O., *International financial-currency relations*. University course notes. ASUM, Chisinau. 2015.

Shapiro, A., *Multinational Financial Management*, tenth edition. University of Southern California. 2013

Pilbeam, K. (2013). *International Finance* (4th ed.). Red Globe Press.

COURSE ASSIGNMENT 1



- Select one of the international organizations (IMF, WB, EBRD, EIB, ECB, etc.); and analyse the influence of its activity the local economy. The analysis can be done both, in terms of policy measures or in terms of financial operations.
- Please select a concrete policy measure, financial operation or program and asses how it has influenced or more of the macroeconomic indicators of an individual country where the respective measure was applied or implemented.
- *For example, ECB monetary policy plays a crucial role in promoting investment, consumption and, ultimately, price stability by reducing the borrowing rates faced by the real economy. It is therefore can be concluded that on a local level of an individual economy (part of euro area) many of the jobs created over the past few years can be partly attributed to the implementation of ECB policies. This will represent the ECB's policy measure impact.*

COURSE ASSIGNMENT 2



- Choose one of the intergovernmental organizations/unions (EU, Benelux, etc.) and analyze the impact of such a cooperation on the local economies.
- Please select a concrete intergovernmental organization and describe how the participation in a such organization has influenced one of the individual participant economies.
- For example, the Eurozone crisis of late 2009 has negatively affected UK's economy being a part of EU's integrated economy.

THANK FOR ATTENTION

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