DSEF10 – International Financial System

Masters of Commerce
Semester IV
DSE - Elective Paper
International Financial System

Course Type/ Course Code	Course Title	Lectures	Tutorials	Practical	Credit	Pre-requisites
DSEF10	International Financial System	3	1	0	4	NIL

Objective: The objective of this course is to equip students with the ability to analyze the evolution, growing importance and functioning of the international financial system as well as challenges thrown up by the increasing globalization of finance.

Learning Outcomes: After completion of the course, learners will be able to:

- Assess the factors affecting exchange rates and the inter linkages among them.
- Critically analyze the evolution of the international monetary system both in terms of historical construct and its implications for the contemporary system.
- Comprehend the evolution and spread of international financial markets and the implications of globalized finance.
- Evaluate the functioning of international banking and its consequences for the international financial system.
- Analyze causes and consequences of financial crises in both developing and developed countries, similarities and differences between the crises and implications of different ways of handling the crisis.

Contents:

Unit I **(9 Hours)**

Balance of payments trends in major countries and their implications; Foreign exchange reserves-costs and benefits; Changing global dominance of the USA; Dedollarization.

Evolution of the international monetary system, classical gold standard, Bretton Woods system, special drawing rights, fixed versus floating exchange rates; European Monetary Union- costs and benefits.

Unit II **(15 Hours)**

Factors influencing exchange rates, government intervention; International Monetary Trilemma; Interest rate parity and Purchasing power parity; forecasting exchange rates.

Unit III **(9 Hours)**

Foreign exchange market; International money, bond and equity markets; Regulation and its implications.

Offshore banking, shadow banks, bank failure and safety nets, issues in regulating international banking; Systemically important financial institutions; Basel Committee issues and challenges.

Unit IV **(12 Hours)**

Global financial flows, contagion, problem of original sin; Great depression, Crisis in Latin America, growth and crisis in Asia, securitization and Global Financial Crisis, Eurozone crisis; Role of IMF and its criticism; Lessons learnt from crises and other contemporary issues.

Tutorial Exercise:

The students shall be asked to identify one major global financial entity and critically examine its activities. Also, choose a country which has had a financial crisis, examine its causes and critique the handling of the crisis. Reading newspapers and debating contemporary issues in finance is a must for this paper.

Suggested Readings:

- Krugman, P., Obstfeld, M., and Melitz, M.,(2024). *International Finance: Theory and Policy*, Pearson
- Fabozzi, F.J., Jones, F.J., Fabozzi, F.A., and Mann, S.V.,(2019). *Foundations of Global Financial Markets and Institutions*, The MIT Press.
- Jacque, L.L., (2019). *International Corporate Finance*, Wiley
- Eun, C.S., and Resnick, B., (2021). *International Financial Management,* McGraw Hill.
- Madura, J., (2020). *International Financial Management,* Cengage