

Sage Texts.

**DISCIPLINE SPECIFIC ELECTIVE COURSE-21: INTERNATIONAL
BANKING AND
FINANCE**

**CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE
COURSE**

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Prerequisite of the course (if any)
		Lecture	Tutorial	Practical/Practice		
International Banking and Finance DSE- 21	4	3	1	0	-	-

Learning Objectives:

To provide an understanding of the essential elements of the international banking and financial environment in which the multinational firm operates.

Learning outcomes:

By studying this course, the students will be able to:

- Understand basic concepts of fundamentals of international finance.
- Have overview of international financial markets.
- Know Foreign Exchange Market and Foreign Exchange Management in India.
- Learn management of risk in international market and international banking operations.

Unit1: Fundamentals of International Finance (9 hours)

Introduction of International Finance, unique dimension of international finance, International Flow of Funds: Balance of Payment, Components, Deficit in Balance of Payment, Factors Affecting International Trade Flows.

Exchange Rate Determination: Measuring Exchange Rate Movements, Exchange Rate Equilibrium, Factors That Influence Exchange Rates.

Fundamental International Parity Condition: Purchasing Power Parity, Interest Parity.
International Monetary System: Gold Standard, Bretton Woods System, Fixed Exchange Rate System, Floating Exchange Rate System, Current Exchange Rate Systems in practices.

Unit 2: International Financial Markets **(12 hours)**

International Capital Flows: FDI, FPI, FII. International Money Market, International Credit Market, International Bond Market: Eurobond Market, Development of Other Bond Markets, Risk of International Bonds, Concepts of Foreign Currency Convertible and Foreign Currency Exchangeable Bonds, Participatory Notes. International Equity Markets, Concept of Depository Receipts, GDR, Characteristics, Mechanism of Issue, Participants Involved, ADR, Types and Characteristics, Concept of IDR.

Unit 3: Foreign Exchange Markets and Managing Risk **(12 hours)**

Introduction, Spot Market, Forward Market, Future Market, Option Market, Foreign Exchange Management in India, Retail and Whole Sale Component of Indian Foreign Exchange Market, Role of FEDAI, FEMA and Regulatory Framework, Dealing Room Operations. Foreign Exchange Arithmetic, Exchange Rate Quotations, Direct, Indirect and Cross rate, Percentage Spread, Arbitrage, Geographical, Triangular and Interest Rate (formula method only), Calculation of Forward Rates using Schedule of Swap Points, Authority of Financial Markets (AFM)

Risk Management: Measuring and Managing Transaction, Translation and Economic Exposure, Transaction, Position, Settlement, Pre-settlement, Gap/Mismatch Risk faced by Banks, Internal and External Hedging, Country Risk Management.

Unit 4: International Banking Operations **(12 hours)**

International Banking Operations: Introduction, Definition, Overview International Bank Activities, Features of International Banking, Reasons for Growth of International Banking, Functions of International Banking, Correspondent Banking, International Payment Systems, NRI accounts, Export Finance, Import Finance, International Merchant Banking, Financing Project Exports, Derivative Offering, Remittances, Compliance related- Interbank Functions, Internal Functions, Letter of Credit and Bank Guarantees.

International Lending Operation, Loan Syndication, Parties Involved, Phases /Stages in Loan Syndication, Types of Syndication, Role of LIBOR, Risk in International Lending, Role of International Credit Rating Agencies.

Recent Trends in International Banking: Emergence of Crypto currency - Overview, Brief Overview of Bitcoin and other Crypto Currencies, Note on Mining and Crypto Currency Exchanges, Advantages, Disadvantages of Crypto Currency.

Essential/recommended readings:

1. Madura, Jeff (2020) "International Financial Management", Cengage Learning
2. Shapiro, Alan C (2013) "Multinational Financial Management", Wiley

Suggestive readings:

1. Federal Deposit Insurance Corporation:

<https://www.fdic.gov/regulations/safety/manual/section11-1.pdf>