FINA 5331
International Finance
Fall 2016

Instructor: Dr. Aaron Smallwood
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Course Webpage: I will use blackboard. Please refer to the UTA blackboard site for posted course materials.

Time and Location:
- August 29: 8-11 COBA 253; 1-4, COBA 138
- August 31: 8-11 COBA 253; 1-4, COBA 138
- September 2: 1-4 COBA 138
- September 7: 8-11 COBA 253; COBA 1-4 COBA
- September 9: 8-11 COBA 253; COBA 1-4 COBA
- September 12: 8-11 COBA 253; COBA 1-4 COBA
- September 14: 1-4; COBA 138
- September 16: 8-11 COBA 253; COBA 1-4 COBA

Make sure you check your email and the course page on blackboard regularly for updates.

Office Hours:
- Tuesday 4:30 pm – 5:30 (p.m.)
- Thursday: 12:45 pm – 1:45 (p.m.)
- And by appointment.

Textbook:
Formally, there is no textbook for the class. For those that would like supplemental reading, the central library has a copy of the following textbook:


The world of international finance is ever-changing with exciting events impacting the topics on a daily basis. It should be noted that the course is very heavily skewed toward current events, and I will frequently discuss issues appearing in periodicals, such as The Wall Street Journal. A link for The Wall Street Journal has been provided on your course website.

Case Studies:
2. “Currency crises in the United Kingdom and Hong Kong” Harvard Case Study: UV-5693-PDF-ENG.
3. “China: To float or not to float (C): Esquel Group and the Chinese RMB” Harvard Case Study: 706023-PDF-ENG.
   url: https://www.ciaonet.org/attachments/27608/uploads
6. “Parity conditions in international markets” Harvard Case Study: UV 2538-PDF-ENG
Course Description and objectives:
The course deals with issues in international macroeconomics that emerge as a result of trade in goods and services and financial assets, with specific attention given to issues in China and Taiwan. International transactions are often complicated by the existence of an exchange rate, the price of one country’s currency relative to another. The course begins with an introduction of the exchange rate market and the historical monetary arrangements that countries have used. We also discuss the choices that exist today and place specific emphasis on China and Taiwan. Next, I provide a discussion of balance of payments. The second phase of the course includes a discussion of hedging and exchange rate risk. I will show how traders can use derivative assets to both hedge against risk and to speculate. By the end of the course, the successful student should be able to do each of the following:

1. The student will have mastered an understanding of the exchange rate market, especially as it relates to China and Taiwan. In addition, the student will be able to assess the importance of this global market.
2. The student will gain a general understanding of the modern empirical theories of international finance.
3. The student will have an understanding of how the changing international finance climate is expected to affect them, China, Taiwan and the firms they work for.

Grading: Course grades will be based on the following:

Presentation and participation 25% total
Exams #1-3 25% each

I. Exams:

Exam 1: Tentatively scheduled for August 2
Exam coverage: determined by pace of the course.
Exam 2: Tentatively scheduled for September 9 afternoon class
Exam coverage: Again determined by the pace of the course.
Exam 3: Tentatively scheduled for September 16 afternoon class
Exam coverage: Again, determined by the pace of the course

II. Group presentation:

As noted above, we will discuss five case studies throughout our time together. Participation is expected and you will be graded on your contribution to in class discussion. Please read the case studies. Each group will be assigned a case study. Your group will be assigned a set of questions for each case study. Every member of the class will be required to participate. Additionally, as a whole, your group should prepare a complete presentation. Please refer to the outline below. You will note that presentations will begin during the final week, hopefully concluding on the Wednesday of the third week. The following are necessary elements for your presentation.

a. An individual write-up.
b. Your oral presentation within your group.

More specific instruction will be given out during our first week of classes.
Course Outline (tentative): Please note that the course is very dynamic and thus will be skewed heavily toward current events. Please note that topics can and will likely change and that the following may also change due to the pace of the course.

Lecture 1: Introduction to international finance. Why do we trade? The concept of comparative advantage, specialization, and gains from trade.
Lecture 2: Introduction to the history of monetary institutions.
Lecture 3-4: History of monetary institutions concluded. IMF classifications of exchange rate systems.
Lecture 5: Exam #1. Currency unions and the euro.
Lecture 6: The debt crisis in Europe and historical currency crises. The law of one price and the real exchange rate
Lecture 7: Introduction to the balance of payments.
Lecture 8: Balance of payments concluded. The role of official reserves.
Lecture 9: The foreign exchange rate market (FOREX market). Discussion of the size of the FOREX market. Direct and indirect currency quotes. The bid-ask spread. Exam #2
Lecture 10: Triangular arbitrage.
Lecture 12: GROUP PRESENTATIONS. Introduction to covered interest rate parity.
Lecture 13: GROUP PRESENTATIONS. Hedging against exchange rate risk, both inside and outside China. Non-deliverable forward markets and money market hedges.
Lecture 14: GROUP PRESENTATIONS (possible). Discussion of currency options and futures contracts. Final exam.

Drop Policy: Students may drop or swap (adding and dropping a class concurrently) classes through self-service in MyMav from the beginning of the registration period through the late registration period. After the late registration period, students must see their academic advisor to drop a class or withdraw. Undeclared students must see an advisor in the University Advising Center. Drops can continue through a point two-thirds of the way through the term or session. It is the student's responsibility to officially withdraw if they do not plan to attend after registering. Students will not be automatically dropped for non-attendance. Repayment of certain types of financial aid administered through the University may be required as the result of dropping classes or withdrawing. For more information, contact the Office of Financial Aid and Scholarships (http://wweb.uta.edu/aaofao/).

Disability Accommodations: UT Arlington is on record as being committed to both the spirit and letter of all federal equal opportunity legislation, including The Americans with Disabilities Act (ADA), The Americans with Disabilities Amendments Act (ADAAA), and Section 504 of the Rehabilitation Act. All instructors at UT Arlington are required by law to provide “reasonable accommodations” to students with disabilities, so as not to discriminate on the basis of disability. Students are responsible for providing the instructor with official notification in the form of a letter certified by the Office for Students with Disabilities (OSD). Only those students who have officially documented a need for an accommodation will have their request honored. Students experiencing a range of conditions (Physical, Learning, Chronic Health, Mental Health, and Sensory) that may cause diminished academic performance or other barriers to learning may seek services and/or accommodations by contacting: The Office for Students with Disabilities, (OSD) www.uta.edu/disability or calling 817-272-3364. Information regarding diagnostic criteria and policies for obtaining disability-based academic accommodations can be found at www.uta.edu/disability.

Counseling and Psychological Services, (CAPS) www.uta.edu/caps/ or calling 817-272-3671 is also available to all students to help increase their understanding of personal issues, address mental and behavioral health problems and make positive changes in their lives.
Non-Discrimination Policy: The University of Texas at Arlington does not discriminate on the basis of race, color, national origin, religion, age, gender, sexual orientation, disabilities, genetic information, and/or veteran status in its educational programs or activities it operates. For more information, visit uta.edu/ eos.

Title IX Policy: The University of Texas at Arlington (“University”) is committed to maintaining a learning and working environment that is free from discrimination based on sex in accordance with Title IX of the Higher Education Amendments of 1972 (Title IX), which prohibits discrimination on the basis of sex in educational programs or activities; Title VII of the Civil Rights Act of 1964 (Title VII), which prohibits sex discrimination in employment; and the Campus Sexual Violence Elimination Act (SaVE Act). Sexual misconduct is a form of sex discrimination and will not be tolerated. For information regarding Title IX, visit www.uta.edu/titleIX or contact Ms. Jean Hood, Vice President and Title IX Coordinator at (817) 272-7091 or jmhood@uta.edu.

Academic Integrity: Students enrolled all UT Arlington courses are expected to adhere to the UT Arlington Honor Code:

I pledge, on my honor, to uphold UT Arlington’s tradition of academic integrity, a tradition that values hard work and honest effort in the pursuit of academic excellence.

I promise that I will submit only work that I personally create or contribute to group collaborations, and I will appropriately reference any work from other sources. I will follow the highest standards of integrity and uphold the spirit of the Honor Code.

UT Arlington faculty members may employ the Honor Code in their courses by having students acknowledge the honor code as part of an examination or requiring students to incorporate the honor code into any work submitted. Per UT System Regents’ Rule 50101, §2.2, suspected violations of university’s standards for academic integrity (including the Honor Code) will be referred to the Office of Student Conduct. Violators will be disciplined in accordance with University policy, which may result in the student’s suspension or expulsion from the University. Additional information is available at https://www.uta.edu/conduct/.

Electronic Communication: UT Arlington has adopted MavMail as its official means to communicate with students about important deadlines and events, as well as to transact university-related business regarding financial aid, tuition, grades, graduation, etc. All students are assigned a MavMail account and are responsible for checking the inbox regularly. There is no additional charge to students for using this account, which remains active even after graduation. Information about activating and using MavMail is available at http://www.uta.edu/oit/cs/email/mavmail.php.

Campus Carry: Effective August 1, 2016, the Campus Carry law (Senate Bill 11) allows those licensed individuals to carry a concealed handgun in buildings on public university campuses, except in locations the University establishes as prohibited. Under the new law, openly carrying handguns is not allowed on college campuses. For more information, visit http://www.uta.edu/news/info/campus-carry/.
**Student Feedback Survey:** At the end of each term, students enrolled in face-to-face and online classes categorized as “lecture,” “seminar,” or “laboratory” are directed to complete an online Student Feedback Survey (SFS). Instructions on how to access the SFS for this course will be sent directly to each student through MavMail approximately 10 days before the end of the term. Each student’s feedback via the SFS database is aggregated with that of other students enrolled in the course. Students’ anonymity will be protected to the extent that the law allows. UT Arlington’s effort to solicit, gather, tabulate, and publish student feedback is required by state law and aggregate results are posted online. Data from SFS is also used for faculty and program evaluations. For more information, visit [http://www.uta.edu/sfs](http://www.uta.edu/sfs).

**Final Review Week:** for semester-long courses, a period of five class days prior to the first day of final examinations in the long sessions shall be designated as Final Review Week. The purpose of this week is to allow students sufficient time to prepare for final examinations. During this week, there shall be no scheduled activities such as required field trips or performances; and no instructor shall assign any themes, research problems or exercises of similar scope that have a completion date during or following this week *unless specified in the class syllabus*. During Final Review Week, an instructor shall not give any examinations constituting 10% or more of the final grade, except makeup tests and laboratory examinations. In addition, no instructor shall give any portion of the final examination during Final Review Week. During this week, classes are held as scheduled. In addition, instructors are not required to limit content to topics that have been previously covered; they may introduce new concepts as appropriate.

**Emergency Exit Procedures:** Should we experience an emergency event that requires us to vacate the building, students should exit the room and move toward the nearest exit. When exiting the building during an emergency, one should never take an elevator but should use the stairwells. Faculty members and instructional staff will assist students in selecting the safest route for evacuation and will make arrangements to assist individuals with disabilities.

**Student Support Services:** UT Arlington provides a variety of resources and programs designed to help students develop academic skills, deal with personal situations, and better understand concepts and information related to their courses. Resources include tutoring, major-based learning centers, developmental education, advising and mentoring, personal counseling, and federally funded programs. For individualized referrals, students may visit the reception desk at University College (Ransom Hall), call the Maverick Resource Hotline at 817-272-6107, send a message to resources@uta.edu, or view at [http://www.uta.edu/universitycollege/resources/index.php](http://www.uta.edu/universitycollege/resources/index.php).