

MASTER OF ARTS IN FINANCIAL SERVICES

PROGRAM STRUCTURE AND CONTENT

PROGRAM STRUCTURE

The degree is a "nine units" course, comprising five core (compulsory) subjects, three subjects from a number of "Category A Electives" and one subject from a number of "Category B Electives". In addition, participants must also complete a dissertation written under the supervision of one of the members of the teaching staff.

Core courses

The aim of the core courses is to provide participants with in-depth coverage of key areas of financial services with which every professional adviser in the field should be familiar. The five core courses cover :

- CML 5006 - Company Law (2 Credits) (4 ECTS Credits)
- ACC 5032 - Accounting and Finance (2 Credits) (4 ECTS Credits)
- CML 5007 - International Taxation (2 Credits) (4 ECTS Credits)
- BKF 5031 – Investments & Portfolio Theory (1 Credit) (2 ECTS Credits)
- CML 5008 - The Regulation of Financial Services (1 Credit) (2 ECTS Credits)

Two preparatory modules are also being organised - one in Accounting and Finance and the other in Taxation - to enable participants without a basic knowledge in these areas to effectively participate in the Accounting and Finance unit and in the International Taxation unit.

Elective courses

Participants are also required to select four electives : **THREE** from a list of courses involving a relatively high law content ("**Category A Electives**") and **ONE** from a menu of courses involving accounting and finance ("**Category B Electives**"). The elective courses enable participants to choose areas of particular interest or specialisation.

The following is the current list of electives being offered:

Category "A" Electives

- CML 5009 - Trusts (1 Credit) (2 ECTS Credits)
- CML 5010 - Stock Exchange Regulation (1 Credit) (2 ECTS Credits)
- CML 5011 - Winding Up and Corporate Insolvency (1 Credit) (2 ECTS Credits)
- BKF 4122 - The Regulation of Banks and Financial Institutions(1 Credit) (2 ECTS Value)
- CML 5014 - Insurance Services and the Regulation of Insurance Business (1 Credit) (2 ECTS Credits)
- CML 5012 - The Regulation of Investment Business (1 Credit) (2 ECTS Credits)
- CML 5013 - Legal safeguards against the abuse of the Financial System (comprising the Regulation of Money Laundering, Insider Dealing and Professional Secrecy). (1 Credit) (2 ECTS Credits)

Category "B" Electives

- BKF 5051 – Introduction to Derivatives * (1 Credit) (2 ECTS Credits)
- ACC 5012 - Financial Control ** (1 Credit) (2 ECTS Credits)

* This elective cannot be taken by participants who are qualified in Banking and Finance.

** This elective cannot be taken by participants who are qualified in Accountancy.

N.B. The Faculty reserves the right to withdraw a study-unit from the Category “A” Electives if less than a guaranteed minimum number of participants have chosen the study unit.

Duration

The Program may be followed on full-time or a part-time basis. The full-time course will extend over one academic year. The part-time course will extend over two academic years.

- CML5015 - DISSERTATION

Individual dissertation

Participants who opt to follow the course on a full-time basis must present a written proposal for a dissertation topic not later than six months from the beginning of the course. Those who opt to follow the course on a part-time basis shall present their proposal not later than six months from the beginning of the second year of the Course.

The dissertation should be done under the supervision of a member of the teaching staff. The dissertation, which should not exceed 25,000 words, will be expected to involve original research and to demonstrate a close linkage with the material covered in core or elective courses. The topic is to be selected by the participant and approved by the Faculty.

Those participants following course on a full-time basis must submit the dissertation not later than six months after the taking of the Final Examinations which are normally held in late May or June referred to in regulation 8 (check Regulations attached to the back of the Course Catalogue). Part-timers should submit their dissertation not later than twelve months after the Final Examinations in the Second year of their Course (normally in late May or June). The Board may in its discretion grant a candidate an extension of the submission date up to a maximum of six months.

A Candidate should submit **EIGHT** copies of the dissertation, **FOUR** of which should be softbound and the remaining **FOUR** should be bound in a **BLACK HARD COVER** with gold lettering. The dissertation should be also presented in electronic format therefore we would also require a **CD**.

The title of the dissertation should be written on the spine and on the front cover of the dissertation. The name of student, name of course, month and year of graduation should be written underneath each other on the right hand side at the bottom of the dissertation and on the spine of the dissertation. Also, in one of the hardbound copies a student must include a signed letter declaring that the thesis is his or her original work.

N.B. On submission of the dissertation the student should present a copy of the receipt of the examination fees (LM100) which should be paid at the cash office at the Finance Department at the Administration office. A letter from his or her supervisor stating that the student maybe allowed to submit the dissertation should also be presented with the dissertation. The supervisor will be asked to make any necessary comments he or she would like to say regarding the work, effort and progress of the student.

(Check Regulations at the end of course catalogue)

COURSE DESCRIPTION

CORE SUBJECTS

CML 5006 - COMPANY LAW (2 Credits) (4 ECTS Value)

The company is one of the most important institutions of contemporary society. Approximately 30,000 limited liability companies are registered in Malta, varying radically in size and commercial significance from the basic Lm500 "one-man company" to the large public companies. The company is undoubtedly the dominant form of business organisation. A number of reasons account for the company's continuing popularity: its flexibility as a commercial institution, its convenient and low cost availability, and the limited liability it offers to its shareholders.

Broadly, this course examines the role of company law and the use of the corporate structure in the business world. It explores the relationships, rights and duties of the various parties involved in such a structure. The course aims to equip its participants with the conceptual apparatus of company law and to address the fundamental policy issues underlying the regulation of the company form. In addition to the conceptual approach, the course will, through the medium of seminars, investigate a number of practical issues arising in company law, such as the issue of shares and debentures to the public, the listing of companies on the Malta Stock Exchange, the negotiation and execution of share transfer agreements and the duties of the company secretary.

The topics covered in the course are

- (i) the historical development of Maltese company law and company law reform with particular reference to the transition from the Commercial Partnerships Ordinance 1962 to the Companies Act 1995 and the influence of European Union Directives.
- (ii) the process of incorporation and its consequences, including the notions of separate juridical personality and corporate capacity. The problem of "pre-incorporation" agreements will also be examined.
- (iii) corporate management, including the distribution of power within a company, the duties of directors and other officers of a company, the enforcement of such duties, and the relationships between directors and shareholder.
- (iv) corporate capital including the various types and classification of securities, the raising and maintenance of capital and the distribution and reduction of capital.
- (v) shareholder rights, dealing primarily with the nature of the shareholder's interest and the protection of shareholder rights, including where applicable, class rights.

- (vi) Organic changes, including conversions, amalgamations and divisions.
- (vii) Financial Markets Act and public listing requirements.
- (viii) the appointment and functions of the auditors and their liability towards the company, its shareholders and creditors.
- (ix) the appointment, functions and role of the company Secretary.

LECTURER/S: Dr. Kris Borg, Dr Roderick Zammit Pace
METHOD OF ASSESSMENT : - Assignment

ACC 5032 - ACCOUNTING AND FINANCE (2 Credits) (4 ECTS Value)

1. Module Objective

The Accounting and Finance module provides participants with a working knowledge of both the regulatory aspect of a company as well as the internationally accepted standards of company reporting. The module areas also include the understanding and application of tools used in the interpretation and financial information and the management of the working capital of a company. Finally, the module also treats aspects of company structures and restructuring approaches, including an appreciation of share and business valuations.

2. Method of Assessment

The module is assessed in the form of a written assignment earmarked at assessing the participant's knowledge and application of the topics covered during the module's lectures, to the results and information of a company quoted on the Malta Stock Exchange. In the assessment of the assignment consideration will also be taken of the extent of participation in the module's lectures.

3. The Subject Areas Covered

(a) REPORTING OF ASSETS AND LIABILITIES IN A COMPANY'S FINANCIAL STATEMENTS

- The Concepts of Current and Non-Current Assets and Liabilities
- Shareholders Equity
- Distributable and Non-Distributable Reserves
- Stock Exchange Fundamental Reporting Requirements
- IFRS 38 – Intangible Assets

(b) GROUP ACCOUNTING

- Basic Principles of Groups and Group Accounting
- The Merger and Acquisition methods
- IFRS 22 – Business Combinations
- IFRS 24 – Related Party Disclosures
- IFRS 27 – Consolidated Financial Statements
- IFRS 29 – Investments in Associates
- IFRS 31 – Financial Reporting in Interests of Joint Ventures
- IFRS 33 - Earnings per Share

(c) CASH FLOWS AND WORKING CAPITAL MANAGEMENT

- Internal and External Sources of Cash
- Application of Cash resources
- IFRS 7 – Cash Flow Statements
- Interpretation of Cash Flow Statements
- Short-term Financing of Business Investments
- Working Capital Requirements
- Overcapitalisation and Overtrading

(d) INTERPRETATION OF ACCOUNTING INFORMATION AND RATIO ANALYSIS

- Principles of Ratio Analysis
- Classification of Ratios
- Rules of Interpretation
- Solvency, Financial Strength and Gearing
- The Cash Operating Cycle
- Working capital and Liquidity ratios
- Cash-based Accounting ratios
- Asset Turnover and Proprietorship ratios

- Profitability and Business Efficiency
 - Stock Market ratios
- (e) **CAPITAL REDUCTION, RECONSTRUCTION AND REORGANISATION**
- Share Capital and Company Financing
 - Bonus and Rights Issues
 - Capital Reduction
 - Purchase of own shares
 - Causes of Company Failure
 - Liquidation
 - Capital Reconstruction
 - Schemes of Reconstruction
- (f) **SHARE AND BUSINESS VALUATIONS**
- Markets for Buyers and Sellers
 - Book Value
 - Valuation Methods
 - Valuation of Minority and Majority Interest
 - Negotiation and Price Issues
 - Discounted Cash Flow Techniques
 - Shareholder Value Analysis

4. Recommended Reading

Modern Accounting in the Financial Services – Dick Edwards and Howard Mellett, *Financial World Publishing*

LECTURER/S : Mr. Pierre Pace, Mr. Peter J. Baldacchino
METHOD OF ASSESSMENT : - Assignment

CML 5007 - INTERNATIONAL TAXATION (2 Credits) (4 ECTS Value)

Fiscal considerations are of paramount importance to any financial centre, its users and their advisors. This course will deal with the following key issues:

(i) The Maltese tax system relevant to international transactions: The course deals with salient provisions contained in the Maltese income tax system which are relevant to the structuring of international transactions, including among others, the manner in which the non-resident person features in Maltese tax law, the Maltese systems of double taxation relief, the tax accounts, distributions of dividends, the concepts of “participating holding”, “international trading company” and “advance revenue rulings”, taxation of collective investment schemes and investors therein, and trusts. Furthermore, a number of tax planning techniques will be examined and illustrated with particular emphasis on the taxation of domestically-based non-resident activity. The course will also deal with certain key features of other Maltese taxes/ features which may be relevant for international tax planning purposes, e.g. VAT, duty on documents and transfers and permanent residence permit holders.

(ii) International tax considerations: The role of double taxation conventions in attracting investment and in alleviating the imposition of double taxation will be considered and illustrated by reference to the OECD Model Convention and salient selected articles therefrom, as well as by various practical applications from Malta's extensive treaty network. Salient international tax concepts will be discussed, as well as issues relative to international tax planning, tax havens and tax incentives, international anti-avoidance mechanisms and other tax provisions (such as salient EU direct tax directives) which are relevant in the context of structuring international transactions.

LECTURER/S : Dr. Neville Gatt, Mr Bernard Attard

METHOD OF ASSESSMENT : - Assignment

BKF 5031 – INVESTMENTS & PORTFOLIO THEORY (1 Credit) (2 ECTS Value)

The course is intended to provide a broad and rigorous understanding of Investment and Security Analysis, as well as of the important tools used by stockbrokers and investment managers over the course of their work. The course is underpinned by the core concepts of Risk and Return and enters into considerable depth into areas relating to portfolio construction and management. Topics covered include:

- The Investment Environment, Markets and Instruments
- Risk and Return
- Portfolio Theory and Capital Allocation
- Capital Market Theory and the Capital Asset Pricing Model
- Market Efficiency
- Share Valuation Models
- Fixed-Income Securities
- Measuring Portfolio Performance.

The course text recommended for purchase is : Z. Bodie, A.Kane and A. Marcus, “ *Investments*”, Irwin McGraw-Hill, 5th Edition

LECTURER/S : Mr. Philip Beattie
METHOD OF ASSESSMENT : - TEST
DURATION OF TEST : 1 ½ hours

CML 5008 – THE REGULATION OF FINANCIAL SERVICES (1 Credit) (2 ECTS Value)

The lectures in this unit shall generally be concerned with examining the role of the regulatory bodies and the legal provisions and mechanisms that seek to promote the protection of consumers and investors in the financial services sector. This exercise shall include a special focus on the following subjects.

- Understanding regulation, sources and techniques of regulation and the concept of regulated activities, with particular reference to financial services; defining the notions of financial services and the investor; consideration of the main principles and aims of investor protection; the concept of regulatory capture; a brief overview of the principal legislation which regulate the financial services sector, and reviewing the relevance of consumer and competition legislation.
- A review of the role, status and functions of the public authorities regulating the financial services sector during the past ten years, including an analysis of the functions and objectives the Malta Financial Services Authority and the Malta Stock Exchange; the evolution of the MIBA into the MFSA; the gradual establishment of a single unified financial services in Malta and relative advantages and disadvantages, as well as and relevant regulatory developments in abroad.
- Comparing the Maltese legal framework with the position in the United Kingdom and other countries; a brief review of the financial services framework of the European Union, especially the notions of the single passport and home country supervision, and the significance of the financial services commitments entered into under the World Trade Organization agreements, and their implications for Malta.
- Special attention shall be given to the Investment Services Act 1994, as a typical regulatory legislation, including a review of the role and powers of the competent authority, the licensing requirement and the fit and proper test and other regulatory techniques used in the Act for the protection of investors; investor compensation schemes, their objectives and features; and a review of the functions and decisions of the Financial Services Tribunal.

LECTURER/S : Dr. David Fabri

METHOD OF ASSESSMENT : - TEST

DURATION OF TEST : 1 ½ hours

COURSE CONTENT

CATEGORY "A" ELECTIVES

CML 5009 - TRUSTS (1 Credit) (2 ECTS Value)

The trust has been described as "the greatest and most distinctive achievement performed by Englishmen in the field of jurisprudence". The course will examine the basic concepts of a trust arrangement and the manner in which this institute originating in the English law of Equity, has been recognised in Malta, and made part of our domestic system of law. The Trusts Act 1988, as repeatedly amended and re-named over the years, will be analysed with particular focus on the essential features of a Maltese Trust and the powers and duties of trustees under Maltese Law, also in the context of the broader concept of fiduciary relationships as provided for in the Civil Code. The Hague Convention on the law applicable to trusts and their recognition will be considered and the extent of its applicability in Malta discussed. Finally some practical applications of the trust will be illustrated. (New developments in Trust Act will be reviewed)

LECTURER/S : Dr. Tonio Fenech, Dr. Stephen Attard

METHOD OF ASSESSMENT : - TEST

DURATION OF TEST : 1 hour

CML 5010 – STOCK EXCHANGE REGULATION (1 Credit) (2 ECTS Value)

Following an introduction into the history, workings and functions of the Malta Stock Exchange, this course will focus in detail on the law and regulation governing the Malta Stock Exchange, principally the Financial Markets Act, as well as the Bye Laws of the Malta Stock Exchange and the Listing Rules.

The course will focus on the status and role of the key players involved in stock exchange operation; the regulator, the stockbroker, the accredited representative, the investor and the Financial Services Tribunal.

Particular attention will be given to the listing process and other pre and post listing issues such as corporate governance and market abuse considerations.

LECTURER/S : Dr. Arthur Galea Salomone

METHOD OF ASSESSMENT : - TEST

DURATION OF TEST : 1 hour

CML 5011 - WINDING UP AND CORPORATE INSOLVENCY (1 Credit) (2 ECTS Value)

The first part of this course examines the legal framework and rules affecting the winding up of companies generally, both solvent and insolvent.

In its second part, the course concentrates on the complex issues of law and policy underlying the corporate insolvency regime and the features and effectiveness and the company recovery procedure. Is it lawful for the company to continue trading while insolvent? If the company does go into insolvent liquidation, what are the rights of the different classes of creditors, and in what circumstances may pre-liquidation transactions be set aside? To what extent does the law interfere with the rights accrued prior to winding up? What are the liabilities of directors for the debts of insolvent companies? Can the holding company be held liable for the debts of its insolvent subsidiaries?

The course aims to cover the following aspects of winding up and insolvency:

- (i) the framework of the winding up of companies; winding up by the court and MP voluntary winding up.
- (ii) the concept of corporate insolvency.
- (iii) the assets available for distribution in a winding up.
- (iv) the treatment of claims and liabilities, including the avoidance of transactions in winding up and the ranking of claims,
- (v) the liabilities of directors for fraudulent trading and wrongful trading.
- (vi) group trading and insolvency.
- (vii) company recovery procedures.
- (viii) cross-border insolvency.

LECTURER/S : Dr Arthur Galea Salomone, Dr Tiziana Filletti

METHOD OF ASSESSMENT : - ASSIGNMENT

BKF 4122 – THE REGULATION OF BANKS AND FINANCIAL INSTITUTIONS(1 Credit) (2 ECTS Value)

This Course aims to expose the student to the regulatory framework that governs the financial services industry, with particular reference to the business of banking. The course places an emphasis on the theory, concepts and practical implications of regulation, as a basis for understanding the broader issues of international regulatory and legislative developments in banking and related financial services. Specifically, the course provides students with:

- An understanding of the various financial markets and institutions, their structure, functions and regulation;
- A working knowledge of monetary control by the monetary authority and its impact on financial markets and institutions;
- An understanding of practical bank financial management issues, and their interface with risk management considerations;
- A working knowledge of the main concepts in relevant banking legislation and directives issued by supervisory authorities in Malta and overseas; and
- An appreciation of some current issues confronted by banks and financial institutions, and financial reforms.

The outline syllabus of the course comprises the following:

- 1) Legal and practical definition of the business of banking. Theory of financial intermediation. Depository vs. non-depository financial intermediaries. Erosion of traditional intermediation role. Growth of money and capital markets. Expansion of banks into the wider financial services industry.
- 2) The "banks of banking". Non-bank financial institutions and "non-bank banks". Major differences in scope/structure of banking industry in main economies: US, EU and Japan. Risks inherent in banking operations: credit risk, market risk, foreign exchange risk, interest rate risk, operational risk, reputation risk, etc.
- 3) Objectives of banking regulation. Concerns with safety, stability and structure. Monetary control. Conduct and structure regulation. The "structure-conduct-performance" model. Forces of change shaping the financial services industry: "T R I C K", and an assessment thereof. The "regulatory dialectic". Theory of financial innovation. The dynamic financial services industry: "-ISATIONS of banking".

- 4) The "specialness" doctrine in bank regulation. Separation of banking and commerce at the origin of development of US bank regulation. Developments and evolution to date.
- 5) Capital adequacy and the solvency consideration for banks and financial institutions. External vs. internal capital raising strategies. Dividend policy theory and bank dividend policy considerations. The gearing/leverage approach and development of risk-based capital adequacy. Solvency ratios and their analyses. The Basle Accord and developments.
- 6) Liquidity adequacy. Asset and liability liquidity. The liquidity and profitability tradeoff. Liquidity measurement and maturity ladder. The various approaches and methods of measuring and appraising bank liquidity. Liquidity ratios and their analyses.
- 7) Concentration of risk. Large exposures, definition and their regulation. Prohibited transactions and precluded assets. The question of connected exposures. Identification and reporting of large exposures. Regulation of other banking risks.
- 8) Theory and objectives of prudential supervision. Supervision at the micro and macro levels. "Delegated monitoring theory" and its relevance to the purpose of supervision. Market and other disciplines induced by financial reporting and accounting requirements on banks. Offsite and onsite supervision. The "fit and proper" consideration for bank "controllers".
- 9) Deposit protection and deposit insurance systems. Implicit and explicit deposit protection. The issue of moral hazard. Deposit protection, the "too-big-to-fail" doctrine and regulatory reform.
- 10) Limitations on non-banking activities. Debilitating vs. benign regulation, e.g. currency (exchange) controls, interest rate controls, reserve deposit requirements, licensing restrictions, etc.. Other modes of government intervention.
- 11) Banking crises and their impact on evolution of regulatory standards and prudential supervision. Illustrations and examples of problem bank situations, the regulatory/supervisory response and lessons for regulators. The role of the Basle Committee on Banking Supervision.
- 12) Relevant Maltese legislation: Banking Act, Financial Institutions Act, Central Bank of Malta Act and Malta Financial Services Authority Act as well as subsidiary legislation/regulations (Notices, Directives, etc.) issued there under. Areas and issues of regulatory interest to banks and financial institutions in Malta. EU regulation, the question of "de-regulation" and "re-regulation". Developments in international bank regulation, with particular reference to North America.

LECTURER: Mr. Marcel Cassar

METHOD OF ASSESSMENT : - Assignment

CML 5014 – INSURANCE SERVICES AND THE REGULATION OF INSURANCE BUSINESS (1 Credit) (2 ECTS Value)

This course aims to provide an understanding, within the regulatory framework of the insurance industry, of the various classes offered and the types of insurance providers and intermediaries.

After an introduction of the historical development of the regulatory framework of the local insurance industry and an examination of the various classes of insurance – life, property, marine, liability and motor – the course then focuses on the various type of insurance players, that is, insurance companies, including Lloyd's, reinsurance companies and affiliated insurance companies, and intermediaries mainly, insurance agents, insurance managers, insurance brokers and sub-agents.

The course then reviews the regulatory regime governing the insurance industry, primarily under the Insurance Business Act, 1998, the Insurance Brokers and Other Intermediaries Act, 1998, the regulations made under both Acts and the Insurance Directives and insurance Intermediaries Directives and the Malta Financial Services Authority Act. Special attention is given to the following matters:

- The various organisational modes through which the business of insurance can be carried out.
- Authorisation of insurance companies requirements
- Insurance Activities pursuant to the Single Passport rules.
- The regime for companies carrying on affiliated insurance business
- Own funds requirements and assets required to be maintained in Malta
- Margin of solvency and guarantee fund;
- Technical provisions and equalisation reserves
- Accounts, Actuarial investigations and financial statements
- Supervision of insurance companies and powers of intervention
- Transfer of business of insurance
- Acquisition and disposal of shares, withdrawal, dissolution and winding up
- The Protection and Compensation Fund

- Redomiciliation of insurance companies
- General issues: Statutory Notice, Appeals, Advertisements and the language of insurance contracts
- Regulation and supervision of Insurance agents and insurance managers
- Regulation and supervision of insurance brokers and sub-agents

LECTURER/S : Dr. Marisa Attard, Mr. Joseph Kenely

METHOD OF ASSESSMENT : - Assignment

CML 5012 - THE REGULATION OF INVESTMENT BUSINESS (1 Credit) (2 ECTS Value)

This course addresses the important elements making up the investment services industry both from a private law angle as well as from the regulatory perspective, with particular reference to the Investment Services Act, 1994, regulations enacted thereunder and the MFSA Guidelines on Investment Services and Collective Investment Schemes. Areas covered include relevant instruments such as equities, bonds, futures and contracts for differences, relevant services such as investment management, advice and custody as well as different collective investment scheme structures and constitutive documentation. The course also covers licensing requirements for investment services and collective investment schemes, the obligations of license holders and the investigatory powers of the Competent Authority and the duties of auditors. The regulation of investment advertisements is also addressed in the context of the above.

LECTURER : Dr. Max Ganado

METHOD OF ASSESSMENT : - ASSIGNMENT

**CML 5013 - LEGAL SAFEGUARDS AGAINST THE ABUSE OF THE FINANCIAL SYSTEM
(COMPRISING THE REGULATION OF MONEY LAUNDERING, INSIDER DEALING AND
PROFESSIONAL SECRECY) (1 Credit) (2 ECTS Value)**

The first part of the course traces the meaning and significance of Insider Dealing and other market abuse offences; the legal techniques adopted to control insider dealing and other illegitimate practices; and the general duties of company directors and officers in this regard. A critical analysis of the relevant legal provisions and case law will be highlighted within the context of the inter-action between the recent Prevention of Financial Markets Abuse Act, the Financial Markets Act and the Companies Act. The main provisions of the recent EU Directive on Market Abuse will also be examined. Finally, the role of the regulatory authorities and the Financial Services Tribunal will be considered.

The latter part of the course examines the basics of money laundering and its application in practice. The 1994 Act for the Prevention of Laundering Money in Malta will be considered and particularly the procedural remedies available to combat money laundering. The duties imposed, in terms of the Money Laundering Regulations, on providers of relevant financial business, will be analyzed in detail as will be the Act setting up the Financial Intelligence Analysis Unit.

In the last part of the Course various secrecy provisions will be analysed, including the Professional Secrecy Act, with a view to highlight the fact that secrecy provision do not provide a haven for abuse of the financial system.

LECTURER/S : Dr. Arthur Galea Salomone, Dr. David Fabri

METHOD OF ASSESSMENT : TEST

DURATION OF TEST : 1 ½ hours

COURSE CONTENT

CATEGORY "B" ELECTIVES

BKF 5051 – INTRODUCTION TO DERIVATIVES (1 Credit) (2 ECTS Value)

The course tries to help students attain a basic understanding of financial derivatives; forwards, futures, swaps and options. It uses an integrative graphical ‘building block’ approach that integrates the topics covered into one unified framework. An attempt is made to simplify the mathematical content and to emphasize the understanding of the underlying economic concepts.

Students are expected to read the course material before coming to the lecture and are encouraged to participate in the lecture with questions and comments. The final grade will depend on homework (20%), mid-term test (30%) and a final cumulative test (50%).

Main texts

Charles W. Smithson, Clifford W. Smith, Jr., and D. Sykes Wilford, *Managing Financial Risk*, 1995, Irwin (SSW).

John Hull, *Options, Futures and other Derivatives*, Fourth Edition, 2000, Prentice Hall (H).

Supplementary Texts

Robert A. Strong, *Speculative Market*, second edition, 1994, Harper Collins (S).

Country D. Smith, *Option Strategies*, second edition, 1996, Wiley.

Other texts

Lawrence Galitz, *Financial Engineering: Tools and techniques to Manage Financial risk*, revised edition, 1995, Pitman Publishing (G).

Peter Ritchken, *Derivative Market: Theory, Strategy and Applications*, 1996, Harper Collins ®.

Robert T. Daigler, *Financial Futures and Options Market*, 1994, Harper Collins (D).

Advanced Texts

John C. Cox and Mark Rubinstein, *Options Market*, 1985, Prentice Hall, (CR)

Paul Wilmott, *Derivatives: The Theory and Practice of Financial Engineering*, 1998, Wiley.

E. Briys, M. Bellalah, H.M. Mai and F. de Varenne, *Options, Futures and Exotic Derivatives*, 1998, Wiley.

Mathematical Texts

Paul Wilmott, Sam Harrison and Jeff Dewynne, *The Mathematics of Financial Derivatives, A Student Introduction*, 1995 Cambridge.

Satyajit Das (ed), *Risk Management and Financial Derivatives: A Guide to the Mathematics*, 1997, Macmillan.

1) INTRODUCTION

The new financial environment
Financial price risk.

SSW: 1S:1

2) FINANCIAL RISK

The risk profile
Tools for managing financial risk. Forward, futures, swap and option contracts.

SSW:2 H:1

Growth of derivatives. Uses of Derivatives. The Dealers. Regulation, Accounting and Taxation.

SSW:3

Risk Management and the value of the Firm.

SSW:4

Measuring Financial Price Risk.

SSW:5

3) **FORWARD CONTRACTS**

Structure of a forward contract. Foreign exchange forward contract. Interest Rate Parity.
Forward rate agreement (FRA)

SSW: 6

Using forwards to manage:

- a) Foreign Exchange risks.
- b) Interest Rate Risk

SSW: 7

4) **FUTURES**

The Futures Contract. Institutional features to reduce Credit Risk. Liquidity. Futures prices.
Cost of carry. Expected future spot prices. Basis.

SSW: 8H:2,3,4S:8

Using futures to manage:

- a) An underlying exposure. Basis risk.
- b) Rolling and cross hedging.

SSW: 9S: 9,10,11

5) **SWAPS**

Evolution of swap contract. Growth of the swap market

SSW: 10 H:5

Pricing of swaps. Valuing a swap.

SSW: 10 H: 5

Using swaps to:

- a) Reduce funding costs
- b) Increase Capacity
- c) Hedge the firm
- d) Create synthetic instruments

SSW:11

6) **OPTIONS**

The graphics of options. Option valuation. Put-call parity. The Binomial option-pricing model.

SSW: 12 H: 6,7,9 S: 2,3,4

The black-scholes option pricing model. Extensions of the black-scholes model. Numerical models.

SSW: 13 H:10,11 S: 5

Using options to hedge:

- a) Interest rate risk
- b) Foreign exchange rate risk
- c) Commodity price risk

SSW: 14 H: 8

7) **USING THE INSTRUMENTS**

Assembling the building blocks to produce “new” instruments. Redesigning of financial instruments. Swap options. Compound options. Options on stock Indexes. Currency options.

SSW: 15,16 H: 12,13 S:13

8) **REVIEW AND FINAL TEST**

LECTURER/S : Professor Joseph Falzon, Mr. Patrick Spiteri Swain (tutorials)

METHOD OF ASSESSMENT : TEST

DURATION OF TEST : 2 hours

ACC 5012 - FINANCIAL CONTROL (1 Credit) (2 ECTS Value)

Objective: To give students an overall appreciation of the need for financial information for internal-decision makers. Accordingly, this course is meant to indicate the application of accounting data in situations where different aspects of planning decision making and control are involved.

The syllabus is spread over four main modules:

(i) Module 1 - The Nature of Management Accounting

- (a) A study of the scope, principles and objectives of Management Accounting.
- (b) Relationship between Management Accounting and Financial Accounting.
- (c) Cost Ascertainment through the Marginal and Absorption Costing Systems. Activity based Costing.

(ii) Module 2 - Accounting for Decision-Making

- (a) Decision theory.
- (b) Management Accounting and organisational decision making and control. Relevant Costs for decision making.
- (e) Uncertainty in decision making.

(iii) Module 3 - Budgets and Budgetary Control

- (a) An evaluation of the budgeting system
- (b) The principal objectives of budgetary control.
- (c) The Role of Budgets.

(iv) Module 4 - Divisional Performance

- (a) Measurement of divisional performance, including return on investment and residual income.
- (b) Transfer pricing - an appreciation of the role of transfer prices in large divisionalised organisational.

LECTURER/S : Mr. George Vella
METHOD OF ASSESSMENT : TEST
DURATION OF TEST : 1 ½ hours

Updated last on 21/02/06. Approved by Senate meeting of the 23rd March 2006.

**MASTER OF ARTS IN FINANCIAL SERVICES - M. A. –
DEGREE COURSE REGULATIONS, 1997**

Citation and Interpretation

1. (1) These Regulations may be cited as the Master of Arts in Financial Services - M.A. - Degree Course Regulations, 1997.

(2) In these Regulations, unless the context otherwise requires: -

"the Board" means the Board of the Faculty of Laws;

"the Course" means the Course leading to the Degree of Master of Arts in Financial Services - M.A.;

"the Degree" means, as the case may require, the Degree of Master of Arts in Financial Services - M.A..

Applicability

2. These regulations shall apply to courses starting in 1995 or later.

Board of Studies

3. The Course shall be administered by a Board of Studies appointed by Senate and shall normally be composed of members proposed by the Faculty Board of Laws and the Faculty of Economics, Management and Accountancy and two students elected by and from among the students in the Course.

Eligibility for the Degree

4. To be eligible for the award of the Degree, a candidate must -

(a) be registered as a regular student in terms of the Admission Regulations of

the University;

- (b) satisfy the special course requirements for admission to the Course;
- (b) complete the course of studies, qualify in the examinations and comply with any other requirements as prescribed in these regulations; and
- (c) comply with any other requirements prescribed in any other relevant statutes and regulations of the University.

Special Course Requirements

5. (1) Candidates for admission to the Course shall be in possession of one of the following qualifications:

- (a) the LL. D. degree or the Diploma of Notary Public; or
- (b) a Bachelor's degree with at least second class honours in Accountancy or Banking and Finance; or
- (c) professional qualifications in Accountancy or Accountancy and Auditing recognised by the University of Malta for the purpose; or
- (d) equivalent qualifications in a related area from this University or another University recognised by the University of Malta for the purpose.

(2) The admission of candidates may be made conditional on the results of an interview, and in the case of candidates who are not in possession of the LL.D. or the B.A. (Hons) in Accountancy or the B.A. (Hons) in Banking and Finance, the Board may impose additional requirements including the requirement to follow a preparatory programme of studies and to pass a qualifying examination prior to registration for the Course.

Course Duration

6. The Course shall extend over one academic year of full-time study followed by a period of not more than six months during which candidates shall be required to complete a dissertation, provided that a candidate may choose, with the permission of the Board, to study for the degree on a part-time basis, in which case any period spent in part-time study shall be deemed to be equivalent to half the period required in full-time study.

Course of Studies

7. (1) In order to complete the Course candidates must obtain not less than twelve credits. At least eight credits must be in "core" subjects, three credits must be chosen from a list of elective study-units in the law area and one credit must be chosen from a list of elective study-units in the finance area. In addition, candidates must complete, and be approved in, a dissertation as prescribed in regulation 9.

(2) A catalogue of study-units comprising the "core" subjects and electives, with the credits assigned to each, shall be published before the start of each academic year. A candidate may not register for more than fourteen credits.

Assessment and Examinations

8. (1) Each study-unit shall be assessed through coursework and/or by assessment tests.

(2) Comprehensive examinations consisting of four papers of three hours duration each shall be held at the end of the first year, or, in the case of part-time candidates, at the end of the second year.

(3) Credits for the coursework assessment or test of each study-unit and the grade for the examination papers shall be assigned according to the grades A, B, C, D, or F, in descending order of merit, F indicating Fail.

(4) A candidate who fails in the coursework assessment or test of one or more study-units together totalling not more than four credits shall be allowed to resubmit the coursework or re-sit the assessment test for the study-unit/s failed once only, normally within three months from the publication of the result of the coursework assessment or test. In such cases the maximum grade that can be awarded is Grade D. A student who fails to obtain a minimum of eight credits at the first sitting shall be considered to have definitively failed but may be allowed to recommence the Course once only.

(5) A candidate who fails in not more than two of the four examination papers referred to in paragraph (2) of this regulation shall be allowed to re-sit the paper/s failed once only. In such case, the maximum grade that can be awarded shall be D. A candidate who fails in more than two examination papers at the first sitting or any paper in the resit shall be considered to have definitively failed but may be allowed to recommence the Course once only.

Dissertation

9. (1) The dissertation shall be a compulsory element in the Course.
- (2) The dissertation shall be of not more than 25,000 words in length on a subject proposed by the candidate and approved by the Board. It should provide evidence of independent research and constitute an original contribution to the subject.
- (3) The candidate must present a written proposal for a dissertation topic not later than six months from the beginning of the Course. Part-time candidates shall present their proposal not later than six months from the beginning of the second year of the Course.
- (4) On approval of the dissertation proposal the candidate shall be assigned a supervisor who shall be appointed by the Board.
- (5) The dissertation must be submitted not later than six months after the taking of the Final Examinations referred to in regulation 8 above. Part-time candidates shall submit their dissertation not later than twelve months after the Final Examinations in the second year of their Course.
- (6) The Board may in its discretion grant a candidate an extension of the submission date referred to in the preceding paragraph of this regulation up to a maximum of six months.
- (7) The dissertation shall be examined by a Board of Examiners appointed by the Board.
- (8) Each candidate shall submit 8 copies of the dissertation and declare in writing that the dissertation is his own work and conforms to the requirements stated in paragraph (2) of this regulation.
- (9) The Board of Examiners shall be convened by its Chairman to discuss the Dissertation. A candidate may also be required to take a viva voce examination in defence of his dissertation.
- (10) The Board of Examiners may approve the dissertation. It may require the candidate to make corrections or to completely re-write the dissertation within a stated time limit. It may reject the dissertation altogether.
- (11) A candidate whose dissertation is rejected or whose corrections or re-writing are considered inadequate or have not been submitted within the stipulated time limit shall not be awarded the Degree.

Classification and Award of the Degree

10. (1) The award of the Degree shall be classified as a Pass with Distinction, or Pass, depending on the overall results obtained. For classification purposes, the performance of the candidate in the credits shall account for 20% of the final weighting. The performance of the candidate in the examinations shall account for 50% of the final weighting, while the performance of the candidate in the dissertation shall account for the remaining 30%.
- (2) The names of the successful candidates shall be published on the notice board of the University, in alphabetical order, as well as in the order of classification obtained.

University of Malta

Fees Payable by Maltese Students for Courses held Outside Regular Hours (including Research Degrees)

The following fees must be paid at the commencement of each academic year.

Course Fee per Academic Year

1. Courses leading to a Diploma / Certificate with the exception of courses leading to the Diploma / Certificate in Information Technology. Lm 100
2. Courses leading to the Diploma / Certificate in Information Technology and Information Technology in Education. Lm 500
3. Courses leading to a first degree. Lm 100
4. Arts-based taught courses leading to a Master's Degree, with the exception of Master's by research only and the Master in Business Administration (M.B.A.). Lm500
5. Courses leading to the Executive Master in Business Administration (M.B.A.). Lm 800
6. Science-based taught Courses leading to a Master's Degree. Lm 600
7. Master's Degree by research only, (including part-time Master of Arts) other than Master of Philosophy and the courses listed in 4 to 6 above. Lm 75

Examination Fees:

Maltese students registered for courses leading to a Master's or Doctorate Degree with the exception of the degrees of Doctor of Medicine and Surgery, Doctor of Laws and the Master in Business Administration, shall pay the examination fee indicated hereunder on submission of their thesis or dissertation:

1. Master's Degree by research (except Master of Philosophy) Lm 100
2. Master of Philosophy Lm 150
3. Doctor of Philosophy Lm 250
4. Doctor of Sacred Theology Lm 250