Financial Markets and Banking

Lecturers: Dr. Magda Pečená Rejentová, Dr. Václav Brož

Course Description:

This course offers a comprehensive introduction to the structure, functions, and dynamics of modern financial markets and the institutions that operate within them, in Czechia and Central Europe in worldwide context. The main objective of the course is to equips students with a solid conceptual foundation in financial instruments, market behaviour, risk management, and the role of central banks and regulatory authorities. Combining theoretical frameworks with real-world applications, the course provides an integrated view of how financial systems support economic activity, interact with the corporate sector, and respond to global trends and innovations.

Further modules introduce the core functions of central banking, financial regulation and supervision, and the Basel framework. The course concludes with an overview of financial innovation - crypto assets, private credit, and prediction markets - and their implications for financial stability and regulation.

Several sessions will be accompanied by guest lectures provided by industry experts.

Course Prerequisites:

One introductory-level economics course strongly recommended
Familiarity with algebra and calculus is welcome

Course Objectives/Learning Outcomes:

By the end of the course, students will be able to:

- Understand financial markets — Explain the structure of financial markets and the role of key institutions and instruments.

- Apply valuation principles — Use basic financial mathematics to value bonds, equities, and simple derivatives.
- Interpret monetary policy — Understand inflation, interest rates, and how central banks influence financial markets.
- Read financial statements — Interpret core financial statements of banks and other financial institutions.
- Identify financial risks — Recognise major financial risks and understand basic approaches to their measurement and management.
- Explain central banking and regulation — Describe the functions of central banks and the rationale behind financial regulation and supervision.
- Evaluate financial innovation and crypto assets - Assess the relevance and risks of crypto assets, private credit, and prediction markets.

Course Requirements:

Final Exam (max. 40 points) - The Final Exam will be a written test and will cover material from all the lectures. The Final Exam will take place on the last session of the semester.

Presentations (max 30 points) - Students will work in groups of three to prepare short presentations (approximately 15 - 20 minutes) on an assigned topic, using the recommended sources or their own additional materials. The class will then engage in a discussion based on these presentations.

Midterm test (max 20 points) - The Midterm Test will be written during the semester and will cover material from the lectures up to the point of the Midterm Test.

Active participation (max. 10 points) - Students are expected to attend lectures and actively participate in the classroom. Students who attend at least 70% of the lectures and engage regularly with the course material will obtain these 10 points.

Academic Experience in Prague

Grading Policy:

Letter Grade	Percentage	Description
A+	97-100	Excellent Work
A	93-97	Outstanding Work
A-	90-92	
B+	87-89	Good work
B	83-86	
B-	80-82	
C+	77-79	Acceptable Work
C	73-76	
C-	70-72	
D+	67-69	Work that is significantly below average
D	63-66	
D-	60-62	
F	0-59	Work that does not meet the minimum standards for passing the course

Mandatory Completion Policy
Note that all mandatory assignments and exams must be completed to the best of your ability in order for your final grade to be issued. Failure to complete a mandatory assignment or exam may result in a failing grade

AEP Academic Integrity Policy
Plagiarism and other forms of academic dishonesty are not tolerated. The use of Artificial Intelligence (AI) for the development of knowledge and learning is encouraged at many stages of the learning process. While we value technology for educational purposes, we also value originality and the retainment of knowledge, and thus using AI for assignments and examinations, even if rephrased, is strictly prohibited and considered an academic integrity violation, unless the instructor explicitly allows for it in the context of evaluated work

AEP Non-Discrimination/Harassment Policy
The AEP program in Prague promotes a diverse learning environment where the dignity, worth, and differences of each individual are valued and respected. Discrimination and harassment, whether based on a person's race, gender, sexual orientation, color, religion, national origin, age, disability, or other legally protected characteristics, are repugnant and completely inconsistent with our objectives. Retaliation against individuals for raising good faith claims of harassment and/or discrimination is prohibited.

AEP Diversity Policy
AEP is committed to fostering an inclusive and welcoming community that values diversity in all its forms. We believe that one of the most meaningful lessons of studying abroad is learning to navigate and appreciate differences with curiosity and an open mind. While engaging across differences can sometimes be challenging or uncomfortable, these moments are essential for growth and learning. We recognize that every member of our community, even with the best intentions, may occasionally make missteps. Our commitment is to provide a supportive environment where respectful and honest dialogue helps us learn from these experiences, ensuring that every student has the opportunity to thrive and broaden their perspective.

Weekly Schedule

Please note that changes to this plan may be announced during the semester.

Week 1
AEP Introductory Lecture Series

Week 2
Introduction to Financial Markets and Banking, Financial Institutions in Central European and global context

Introduction to financial markets and its players, global trends, role of financial industry and its institutions, overview of the financial institutions in the Czech Republic, Central Europe and worldwide, incl. stock exchanges and bond markets (incl. BCPP), deposit insurance (DI schemes), credit registers

Week 3
Financial mathematics and Valuation principles

Financial mathematics and valuation, basic accounting principles for financial instruments (value of money, valuation principles, pricing and valuation of instruments - bonds, stocks, introduction to derivatives)

Week 4
Context of monetary policy and interest rates

Definition of money and inflation, inflation measurement, costs of inflation, central banks, monetary policy, inflation targeting, interest rates set by central banks and their relevance for financial markets, inflation expectations, deflation, central bank independence

Week 5
Interaction with corporate sector

Financial statement analysis – introduction to financial statements of banks, non-bank loan providers, investment firms and investment funds, pension funds, brokerage, leasing, insurance, financial groups, interaction with corporate (production) segment

Week 6
Introduction to Risk management

Business model analysis and associated risks, key risk indicators in various financial institutions, Asset and Liabilities management, current challenges and risks affecting financial institutions and how they are identified, monitored, measured and controlled.

Week 7
Bond markets and Equity markets

Definition of stocks and bonds, public and private players in bonds and stocks, connection to the banking sector, stock indices, market operations (EFTs, passive investing, short selling), demand and supply for stocks and bonds, sovereign bonds and government indebtedness, risks related to stocks and bonds, impact of AI

Week 8
Credit risk, Market, Liquidity and Interest rate risk management

Introduction to measurement and management of credit risk, market risks, liquidity risk and other risks

Week 9
Central Banking

Core functions of central banking, including monetary policy and financial stability, financial market supervision, payment system oversight, and currency and reserves management. Institutional set-up.

Week 10
Regulation and Supervision

Why, what and how we regulate - role of regulation, supervision, licencing, enforcement and resolution (for banks and other financial institutions). Institutional set-up. Basic regulatory requirements (Basel Accords, Basel I, Basel II, Basel III).

Week 11
Crypto assets & private credit & prediction markets

The relationship of financial innovation to the traditional financial system, types of crypto assets, blockchain, stablecoins, functions of private credit and prediction markets, assessment of systemic risk relevance, regulatory implications, ethical issues

Week 12
Excursion to the Czech National Bank

Week 13
Summary, what was left from previous weeks, concluding remarks and Final test