

BA 4843 – CAPITAL MARKET REGULATIONS: THEORY AND PRACTICE  
Th 14:45 – 17:30

<b>Instructor:</b>	Yener Coşkun <sup>1</sup>
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<b>Office Hours:</b>	Before and after lectures, or by appointment
<b>Course Web Page:</b>	TBA
<b>Course Description:</b>	
<p>The primary purpose of this course is to introduce students to the capital market regulations and their applications globally and locally. The latest global and Turkey specific industry trends, risks, and business opportunities will be also analyzed. The course starts with the lectures on theories of regulation and local/international perspectives on capital market regulation. Then we will focus on financial intermediation, equities, investment banks, complex trading, and institutional investment. Global financial crisis and real estate markets are also analyzed from the regulatory and market perspectives. Furthermore, rulemaking, existing regulations and their applications will also be analyzed. The learning framework of the lectures provides an opportunity to do business in capital markets and to prepare for the license exams of Capital Market Board of Turkey. Beside theoretical foundation, the course provides a rich practical content through a site visit, guest lecturers and a homework project.</p>	
<b>Course Prerequisites:</b>	
<p>Students enrolled in this course should have completed fundamental courses in economics and finance. The instructor will be happy to communicate with those who want to attend the course but also have confusions on prerequisites.</p>	
<p><b>Upon successful completion of this course, students should be able to:</b></p> <p><b>Course Specific Skills:</b></p> <ol style="list-style-type: none"> <li>1. Define the role of financial intermediation in financial markets</li> <li>2. Understand the dynamics of regulation/supervision/enforcement in capital markets</li> <li>3. Analyze investment incentives of Turkish households</li> <li>4. Discuss relative importance of financial sub-sectors and capital market instruments</li> <li>5. Discuss global and Turkey-specific industry trends</li> <li>6. Understand investment banking globally and securities firms in Turkey</li> <li>7. Analyze portfolio management companies and investment trusts</li> <li>8. Understand mutual funds, pension funds and hedge funds</li> <li>9. Discuss complex trading strategies in the case of short selling and high frequency trading</li> <li>10. Analyze crime, failures and crisis and their connections with regulations and market dynamics</li> <li>11. Analyze real estate markets by focusing on housing finance and REITs</li> <li>12. Learn how to study for several license exams in Turkish capital markets.</li> <li>13. Get first-hand experience from a site visit (in Ankara) and guest lecturer(s)</li> </ol> <p><b>Discipline Specific Skills:</b></p> <ol style="list-style-type: none"> <li>14. Understand the concepts of capital markets in theory and practice</li> <li>15. Recognize the fundamentals and trends of financial intermediation and products in stock markets</li> <li>16. Learn the features of real marketplace in Borsa Istanbul through regulations and market professionals</li> </ol> <p><b>Personal and Key Skills:</b></p>	

<sup>1</sup> **W1:** [https://www.researchgate.net/profile/Yener\\_Coskun](https://www.researchgate.net/profile/Yener_Coskun), **W2:** <http://ankara.academia.edu/yenercoskun>; **ORCID:** <https://orcid.org/0000-0002-3351-998X>; **SCOPUS:** <https://www.scopus.com/authid/detail.uri?authorId=57183932200>

17. Learn how market rules and concepts are applied in practice by market players such as public firms, regulators, investment banks, traders, and institutional investors.
18. Develop problem solving skills through various case study analysis
19. Develop ideas and discussion skills on the problems and fundamentals of stock market

### Learning and Teaching Methods:

To achieve goals and learning outcomes, Instructor will apply several criteria as the semester requirement. Grades are based on judgmental evaluation of student performance by the instructor as in any other course. Students' grades in this course will be based on their performance on an interim exam, a final exam, a homework project, class participation & case study analysis. Below approximate weights will be used in determining final grades of students:

### Required Reading:

(Selected chapters listed in the course outline from the books below will be provided in a course pack)  
 -- Moosa, I.A. (2014). Good Regulation, Bad Regulation: The Anatomy of Financial Regulation, Palgrave Macmillan  
 --Chisholm, A.M., (2009), An Introduction to International Capital Markets, 2 nd Ed., Wiley.

### Suggested Reading:

Suggested readings and regular reading of financial media (provided as handout)

Suggested regulations of Capital Markets Board of Turkey (provided as handout) and CMB License exam materials (reviewed during the lectures, no need to print these out,) available at: <http://www.spl.com.tr/Home/Content/23>

### Assessment and Grading:

Form of Assessment	% Contribution	Size of the assessment	CSLOs covered by the assessment	Feedback Method
Class participation & case study analysis	10	Self-study hours (1+ hours) & Observation of Instructors	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17,18,19	Written, oral (in class) and email communication
Project	30	Self-study hours (15+ hours)	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17,18,19	Written, oral (in class) and email communication
Interim Exam	30	90-minute essay-type examination	1, 2, 3, 4, 5, 13, 14, 15, 16, 17,18,19	Written
Final Exam	30	120-minute essay-type examination	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17,18,19	Written

I will be evaluating your performance in class on a continuous basis. I will also encourage you to communicate with me via e-mail for your questions about additional subjects and/or your project.

### SPK License Exams

I will overview the official content of the SPK Level 1 License exams during the lectures through publicly available documents. The students will not be responsible from the content of these discussions and relevant materials on the exams.

## Course Policies:

### Attendance

Active involvement in the class discussions is strongly suggested. Students also have opportunity to communicate industry leaders during a site visit and guest lecturer sessions. A student who did not participate at all but came to all the class sessions will only get 40% of the class participation grade. A seating chart is maintained and absences are recorded periodically.

### Interim Exam

Students will take one interim exam. The interim exam is planned during 6<sup>th</sup> week according to below syllabus, however the exact date of the exam will announce later. Please make a note of the exam date since this is firm and will not be changed unless something *very important* and *unforeseeable* comes up during the term.

### Final Exam

There will be a final exam scheduled during the regular final exam period of the University.

**No exam make-ups will be given, except for extreme reasons.** If you believe that you have an extreme reason, please try to notify me in writing before the exam and obtain my permission for not taking the exam. Please make sure that you added all supporting documents to your letter. If you cannot notify me before the exam, then try to do so as soon as possible after the exam in writing. If I am convinced that you had an extreme reason, I will redistribute the weight of the exam that you missed to the remaining exams.

### Improve Learning Outcomes

To improve learning outcomes, the lecturer reserves the right to communicate with students through pop-up exams, case study analysis and/or e-mail questions depending on the individual/overall performance.

### Practice Sessions, Site Visit, Guest Lecturer and Workshops

The lecturer will notify planned practice sessions, site visit, guest lecturer and workshops with supportive materials and request preparation for a specific analysis.

### Homework Project

This homework project will comprise **30% of your course grade** and will be due on the 13<sup>th</sup> week of the semester, as seen in the tentative course outline. Any unexpected changes to this due date will be announced well in advance in class. Late assignments will not be accepted under any circumstances. The details of the process of homework project is below.

#### 1. Process & Communication & Timing

- This is an active/innovative research and discussion environment for the specific subjects.
- The project subject is defined by the team members and the lecturer jointly at the end of the week 3.
- The project will be completed and presented in the week 13.
- So, the project team has 2 months to prepare and present their study.
- Final version of the study and presentation should be sent two days before the presentation day to the lecturer.
- The lecturer will formally provide 3 feedbacks on the project during the preparation period. Those feedback periods are in the weeks of 5, 8 and 11.
- In case teams need, the lecturer will provide resources and communication channels with the industry.

#### 2. Subject & Methodology

- Potential topics for analysis: investment banking, public companies, complex trading, institutional investors, capital market, financial intermediaries etc.
- It is expected that studies may involve literature review, stylized facts, discussions, references.

- Expected paper format will be discussed during class.
- Empirical studies are welcome and supported by the lecturer.

### 3. The Quality

- The quality of the project depends on the research quality and the discussion abilities of the group.
- The lecturer will try to improve the quality of the paper and the presentation through his feedbacks.
- Project groups should innovatively prepare a minimum 20 page report with references.

#### Student Background Form

Students are expected to fill out a student background form. Due date for these forms is **October 14, 2018**. Students should submit their forms in class on that day. At the beginning of the class on **October 14, 2018**, the instructor will take digital photos of the students in class. Five points will be deducted from the overall grade of students for late submission regardless of how late the submission is. These forms will help the instructor learn the names of students and associate names with faces.

**Student Disabilities:** Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructors as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; [engelsiz@metu.edu.tr](mailto:engelsiz@metu.edu.tr)) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

#### Rules of Academic Honesty

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**Cheating:** All university, faculty, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure in the course and additional disciplinary action. Examinations are individual and are to be completed without unauthorized outside assistance. Persons observed cheating during examinations will automatically receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without unauthorized outside assistance as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments. In addition to the consequences above, the instructor will initiate disciplinary action against the student(s) involved in academic dishonesty.

**Plagiarism:** The instructor assumes that students will do their own work. By placing their names (individual or team) on assignments, students are affirming that the contents are their original work. Ideas should be stated in the student's own wording. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time.

**Civility in the Classroom:** Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, students are prohibited from using cellular phones or beepers, eating or drinking in class, arriving late or leaving early without prior permission, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result in, minimally, a request to leave class.

**Examination Rules:** Students must present a valid METU Student ID before they can be allowed into the examination rooms. Those students who cannot present this ID will not be allowed into the examination room under any circumstances. Cellular phones must be turned off and stowed away during the examinations. Students whose phones are observed to be turned on and/or not stowed away will receive a score of zero for the examination.

The following table gives the tentative schedule for the semester. The lectures will stress the most important and/or most difficult material. Appendices are required only if they are assigned. The students are required to read the chapters and appendices before they are covered in class.

Tentative Course Schedule				
Month	Day	Topic	Reading/ Assignment	CSLO
February		Theories & Pros/Cons of Regulation	(1) Chapter 1, Definition and Theories of Regulation. (in, Moosa, I.A. (2014). Good Regulation, Bad Regulation: The Anatomy of Financial Regulation, Palgrave Macmillan): pp. 1-15. (2) Chapter 2, Arguments for and against Regulation. (2014) (in, Moosa, I.A. (2014). Good Regulation, Bad Regulation: The Anatomy of Financial Regulation, Palgrave Macmillan): pp. 16-30.	1, 2, 5
February		Capital Market Regulation: Turkey and International Perspective	(1) Chapter 1, The Objectives of International Financial Regulation (in, Howard Davies and David Green. (2008). Global Financial Regulation. Polity Press. UK (ISBN-13: 978-07456-4349-6): pp. 12-30. (2) Chapter 1; Jurisdiction of Regulators - Who Regulates Whom and What, (in, Kotz, H.D. 2015, Financial Regulation And Compliance: How To Manage Competing And Overlapping Regulatory Oversight, Wiley, (ISBN 978-1-118-97221-2): pp. 1-13. <b>SPK License Exam Overview: Level 1; Capital Market Regulation; Class Code: 1001<sup>2</sup></b>	1,2,3,5
February		Guest Lecturer	Market Efficiency and Regulations: Capital Market vs. Banks <b>"Defining Team &amp; Subjects of Homework Projects"</b>	1,2,3,5
February		Financial Intermediation and Stock Markets	(1) Chapter 4, Stock markets and resource allocation by Franklin Allen (in, Mayer, C. and Vives, X. (eds.). (2003). Capital markets and financial intermediation, Cambridge University Press, ISBN 0 521 44397): pp. 81-104. (2) Allen, F. and Santomero A.M. (1998). The theory of financial intermediation. Journal of Banking & Finance 21: only pp. 1474-1483. <sup>3</sup> (3) Focused Regulations: Capital Market Law <sup>4</sup> <b>SPK Licence Exam Overview: Level 1; Capital Market Regulation; Class Code: 1001<sup>5</sup></b>	5, 6
March		Equity Markets and Equity Investment	(1) Chapter 2, Financial Instruments, Markets, and Intermediaries (in, Drake, P.P. and Fabozzi, F.J., (2010). The Basics of Finance, Wiley, New Jersey, US): pp. 13-33. (2) Chapter 8, Equity Markets and Equity Investment (in, Chisholm, A.M. (2009). An Introduction to International Capital Markets: Products, Strategies, Participants. 2 nd Ed., Wiley) pp. 129-149. (3) Focused Regulations: Procedures of Going Public <sup>6</sup> & Regulations of Public Firms <b>First Feedback for the Homework Project &amp; Case Study: Going Public in Turkey: Market Structure &amp; Procedures &amp; SPK Licence Exam Overview: Level 1; Capital Market Instruments; Class Code:1003<sup>7</sup></b>	2, 4, 5
March		Mid-Term Exam	<b>SPK License Exam Overview: Level 1; Custody &amp; Settlement &amp; Operation; Class Code: 1012<sup>8</sup></b>	14,15,16,17,18,19
March		Investment Banking	(1) Chapter 1, Introduction: The Market Context (in, , An Introduction to International Capital Markets: Products, Strategies, Participants, Chisholm, A.M., 2 nd Ed., Wiley): only pp. 1-11. (2) Coskun, Y. (2010). Why Turkish Securities Firms Have not Transformed to Full Service Investment Banks?: An Assessment of The Near Future of the Turkish Securities Firms Industry (Turkish/English). ISE Review 12 (46): 15-47. <sup>9</sup> (3) Focused Regulations: Investment Services and Structure/Products/Risks Management in Investment Firms <sup>10</sup> <b>Case Study: Balance Sheet Analysis of a Publicly Held Investment Bank in Turkey &amp; SPK License Exam Overview: Level 1; Investment Firms; Class Code:1005<sup>11</sup></b>	2, 5, 6

<sup>2</sup>Available at: [https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1001\\_Dar%20Kapsam%4B1%20Sermaye%20Piyasas%4B1%20Mevzuat%4B1%20ve%20Meslek%20Kurallar%4B1\\_2016-2.pdf](https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1001_Dar%20Kapsam%4B1%20Sermaye%20Piyasas%4B1%20Mevzuat%4B1%20ve%20Meslek%20Kurallar%4B1_2016-2.pdf)

<sup>3</sup> Available at: <http://finance.wharton.upenn.edu/~allenf/download/Vita/theory.pdf>

<sup>4</sup> Available at: <http://spk.gov.tr/apps/Mevzuat/?submenuheader=-1>

<sup>5</sup>Available at: [https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1001\\_Dar%20Kapsam%4B1%20Sermaye%20Piyasas%4B1%20Mevzuat%4B1%20ve%20Meslek%20Kurallar%4B1\\_2016-2.pdf](https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1001_Dar%20Kapsam%4B1%20Sermaye%20Piyasas%4B1%20Mevzuat%4B1%20ve%20Meslek%20Kurallar%4B1_2016-2.pdf)

<sup>6</sup> Available at: <http://www.cmb.gov.tr/apps/teblig/index.aspx?lang=E&ps=N&submenuheader=-1>

<sup>7</sup> Available at: [https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1003\\_Sermaye%20Piyasas%4B1%20Ara%3A7lar%4B1%201\\_2016-2.1.pdf](https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1003_Sermaye%20Piyasas%4B1%20Ara%3A7lar%4B1%201_2016-2.1.pdf)

<sup>8</sup>Available at: [https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1012\\_Takas%20Saklama%20ve%20Operasyon%20%4B0%59Flemleri\\_2016-2.pdf](https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1012_Takas%20Saklama%20ve%20Operasyon%20%4B0%59Flemleri_2016-2.pdf)

<sup>9</sup> All of my articles are available through websites of publication and my websites such as academia (<https://spk.academia.edu/YenerCoskun>), SSRN ([http://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=467174](http://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=467174)) and research gate ([https://www.researchgate.net/profile/Yener\\_Coskun/publications](https://www.researchgate.net/profile/Yener_Coskun/publications)). Book chapters will be available through mail list.

<sup>10</sup> Available at: <http://www.cmb.gov.tr/apps/teblig/index.aspx?lang=E&ps=N&submenuheader=-1>

<sup>11</sup> Available at: [https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1005%20Yat%4B1%4B1m%20Kurulu%59Flar%4B1\\_2016-2.3.pdf](https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1005%20Yat%4B1%4B1m%20Kurulu%59Flar%4B1_2016-2.3.pdf)

March		Complex Trading Regulations: Short Selling, High Frequency Trading and Hedge Funds	(1) Chapter 8, Bad Regulation: Short Selling (Moosa, I. A. (2014). Good Regulation, Bad Regulation: The Anatomy of Financial Regulation, Palgrave Macmillan): only pp. 148-160. (2) Chapter 9, Bad Regulation: High-Frequency Trading, (in, Moosa, I.A. (2014). Good Regulation, Bad Regulation: The Anatomy of Financial Regulation, Palgrave Macmillan): only pp. 168-174. (3) Focused Regulations: Margin Transactions and Hedge Funds in Turkey <sup>12</sup> <b>Case Study: Short Selling, High-Frequency Trading and Hedge Funds in Turkey &amp; Second Feedback for the Homework Project &amp; SPK License Exam Overview: Level 1; Investment Firms; Class Code:1005<sup>13</sup></b>	2,5,9
April		Site Visit: tba		6,8,9
April		Institutional Investment: Mutual & Pension Funds	(1) Chapter 6, The Institutional Investor (in, Foley, B.J. (1991). Capital Markets, Macmillan, Ed., London, UK, ISBN 978-0-333-52333-9): pp. 174-193. (2) Focused Regulations: Overview of Collective Investment Schemes in Turkey <sup>14</sup>  <b>Case Study: Mutual and pension funds industry in Turkey</b>	5, 8
April		Crime/Failure/Crisis and Regulations	(1) Chapter 3, Regulation, Deregulation and Financial Crises (in, Moosa, I.A. (2014). Good Regulation, Bad Regulation: The Anatomy of Financial Regulation, Palgrave Macmillan): pp. 31-55. (2) Focused Regulations: Insider dealing & manipulation regulations in Turkey <sup>15</sup> <b>Last Feedback for the Homework Project &amp; Case Study: Global Financial Crisis and Turkey</b>	2, 5, 10
May		Real Estate and Capital Market Finance	(1) Chapter 21, Real Estate Investment Trusts (REITs) (in, Brueggeman, W.B. and Fisher, J.D. (2011). Real Estate Finance and Investments. Mc Graw Hill). (2) Focused Regulations: REITs Regulations in Turkey <sup>16</sup> <b>Case Study: Mortgage Finance, Securitization &amp; REITs in Borsa Istanbul</b>	2, 5,11
May		Project Presentations		14,15,16,17,18,19
May		SPK License Exam General Overview: All Level 1 Classes		14,15,16,17,18,19

<sup>12</sup> Available at: <http://www.cmb.gov.tr/apps/teblig/index.aspx?lang=E&ps=N&submenuheader=-1>

<sup>13</sup> Available at: [https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1005%20Yat%C4%B1r%C4%B1m%20Kurulu%C5%9Flar%C4%B1\\_2016-2.3.pdf](https://www.spl.com.tr/spl/eep/Specific/OEP/Upload/1005%20Yat%C4%B1r%C4%B1m%20Kurulu%C5%9Flar%C4%B1_2016-2.3.pdf)

<sup>14</sup> Available at: <http://www.spk.gov.tr/apps/mevzuat/>

<sup>15</sup> Available at: <http://www.spk.gov.tr/apps/mevzuat/>

<sup>16</sup> Available at: <http://www.spk.gov.tr/apps/mevzuat/>