

# FUNDAMENTALS OF THE FINANCIAL SYSTEM

## Background

This course serves as an introduction to the financial system. It breaks down the financial system into its six elements: lenders & borrowers, financial intermediaries, financial instruments, financial markets, money creation and price discovery. It describes the non-financial surplus economic units (lenders) and the non-financial deficit economic units (borrowers), which are comprised of the four sectors of the economy: the household, corporate, government and foreign sectors, and direct (between ultimate lenders and borrowers), and indirect financing via the diverse financial intermediaries that exist. The financial markets (money, bond, forex, share/ stock) are given much attention as the avenues for bringing together lenders, borrowers and financial intermediaries. This is where price discovery takes place. Money creation is afforded special attention because this is a significant element of the financial system and the economy in that it is here where new debt instruments are created. This takes place in the money market, and it is here where the central bank intervenes in its function as the financial system referee. An understanding of the financial system is essential for participants in both the private and government sectors.

## Learning Objectives

At the end of the course, the participants should be able to:

- Discuss the ultimate lenders and borrowers of the financial system;
- Explain direct and indirect financing and the role of financial intermediaries;
- Describe the various financial intermediaries;
- Differentiate the different financial markets and describe the facets of price discovery; and
- Discuss money creation as a function not of the reserve requirement but of new bank lending.

## Content and Structure

The course consists of the following modules:

- Module I: Lenders and borrowers
- Module II: Financial intermediaries
- Module III: Financial instruments
- Module IV: Financial markets
- Module V: Money creation
- Module VI: Price discovery

## Methodology

In order to ensure the best possible outreach, the course will be delivered through e-learning. Through a multiple-instructional setting, the goal is to achieve the learning objectives by means of learning technologies that match personal learning styles and by the inclusion of non-linear learning that aims at the development of just-in-time skills of adult learners. At the same time, in order to allow participants maximum flexibility of scheduling, the learning will be conducted in an asynchronous manner. Using a state-of-the-art training architecture, UNITAR will combine self-learning with assessments and online discussions. The pedagogy -adapted specifically to

professionals in full-time work- will help train participants through various experiences: absorb (read); do (activity); interact (socialize); reflect (relate to one's own reality).

### **Targeted Audience**

This course is targeted to officials of government ministries and agencies directly involved in financial market matters such as central banks, state banks (such as development banks), state retirement and insurance funds, state representatives of securities exchanges and staff members of financial market-related supervising agencies. Private sector participants such as bank and other financial intermediary employees, members of exchanges / broker-dealers, lawyers, accountants, company treasurers and directors will also benefit from this course.