

Elective Course 6: International Finance

Course Type:	PS: Program Specialisation	Course Credits:	2
Course Code:	F3PE514	Course Duration:	30 Hours

Course Objective:

- To provide knowledge of international monetary systems and their implications on global finance.
- To enable students to analyze India's position within global financial markets, focusing on balance of payments, FDI, and market integration.
- To impart practical skills in interpreting exchange rates, currency mechanisms, and arbitrage through parity theories.
- To educate students on international financial instruments, markets, and their regulatory considerations.
- To train students in developing comprehensive risk management strategies using currency derivatives and addressing geopolitical risks.

Course Outcomes:

- CO1: Explain the evolution of international monetary systems, including the gold standard, Bretton Woods, and modern currency systems, and assess their impact on global financial flows.
- CO2: Analyze the structure and impact of the Balance of Payments (BoP), foreign investment types (FDI, FPI), and India's position in global financial markets, including GIFT City and INR internationalization.
- CO3: Apply concepts of exchange rate mechanisms, including spot, forward, and cross rates, and evaluate parity theories (PPP, IRP) to interpret currency fluctuations and arbitrage opportunities.
- CO4: Evaluate instruments and participants in international financial markets, such as Eurocurrency, foreign bonds, GDRs/ADRs/IDRs, and assess their risk-return profiles.
- CO5: Develop risk management strategies using currency derivatives, including forwards, futures, options, and swaps to hedge against international financial exposures and geopolitical risks.

Unit / Module	Content	CO Mapping	Hours Assigned
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1	<p>Fundamentals of International Finance: International Monetary Systems - Classical Gold Standard, Bretton Wood System, SDRs and Smithsonian agreements, Fixed and Floating Rate Systems, European Monetary System; Determinants of demand for and supply of currency, exchange rate and factors affecting exchange rate.</p> <p>Balance of Payment - current account, capital account and reserve account, Deficit in Balance of Payment and its impact.</p> <p>Foreign direct investments and foreign portfolio investments, participatory notes, Off-shore banking, tax havens</p>	CO1, CO2	6
2	<p>India and Global Financial Markets - International Finance Centre, GIFT City: Constituents and Benefits, Internationalization of INR, De-dollarization</p>	CO2	3
3	<p>Foreign Exchange Markets – Methods and Applications: Exchange rate quotations, direct and indirect rates, cross currency rates, vehicle currency, spreads and calculation of cross rates, settlements – cash, tom, spot and forward, arbitrage, speculation; Purchasing power parity, Interest rate parity and, covered interest rate parity and arbitrage; Calculation of forward rates through use of forward schedules, annualized forward margin, Calculation of swap points.</p>	CO3, CO 4	6
4	<p>International Currency Markets: Eurocurrency Markets - Origin and reasons for growth of Eurocurrency markets, their characteristics and components, Euro</p>	CO 3 CO 4	3

	currency deposits, loans, bonds and notes International Debt Markets - International bond markets, types of foreign bonds, FCCBs, ECBs, Risks in international bonds. International Equity Markets: - Mechanisms and systems - Global depository receipts, American Depository Receipts; Indian Depository Receipts, Fungibility		
5	Currency Forward and Futures: Currency Forward and Currency futures terminologies, pricing currency futures, Using Forward and Futures for hedging, speculation and arbitrage, Non deliverable Forwards (NDFs)	CO 4 CO 5	3
6	Currency Options and Swaps: Introduction, option terminologies, options pay-offs, hedging and speculation with currency options, Vanilla options, Exotic options; Swaps - Interest Rate Swaps and currency swap.	CO 4 CO 5	3
7	Risk & Exposure Management: Concept of Risk in International Finance, Management of risks including Geopolitical Risks in international trade / business operations - Case Discussion including discussion on Country Risk Analysis	CO 4 CO 5	6

Textbooks:

1. Apte P.G. & Sanjeevan Kapshe (2022). International Financial Management (8th Edition). McGraw Hill education
2. Shapiro A.C. & Hanouna Paul (2019). Multinational Financial Management (11th Edition., Wiley

Reference Books:

1. Madura J. (2021). International Financial Management (14th Edition) Cengage Learnings
2. Levy M.D. (2018). International Finance (6th Edition). Routledge