



Course and Examination Fact Sheet: Autumn Semester 2021

9,334: Theoretical Behavioural Finance

ECTS credits: 4

Overview examination/s

(binding regulations see below)

Decentral - Oral examination (individual) (100%)

Examination time: term time

Attached courses

Timetable -- Language -- Lecturer

[9,334,1.00 Theoretical Behavioural Finance](#) -- Englisch -- [De Giorgi Enrico Giovanni](#)

Course information

Course prerequisites

No prerequisites.

Learning objectives

- Students understand and explain how behavioural finance extends classical finance. They understand and explain how behavioural finance addresses some well-documented puzzles in classical finance, i.e., empirical facts that classical finance models cannot explain.
- Students understand and explain the behavioural models for financial decision making treated in class. They understand under which assumptions the different models holds and explain how deviations from the stated assumptions change the implications of the models.
- They apply behavioural models for portfolio selection and asset pricing to obtain testable assumptions related to portfolio decisions and asset prices.
- They explain how wealth management can be improved with the integration of relevant insights from behavioural finance.

Course content

This course gives an introduction to the Theory of Behavioural Finance. We first review classical paradigms of decision making under risk and discuss some of their main implications for portfolio selection and asset pricing. We then introduce the most important behavioural models for decision making under risk, focusing on Cumulative Prospect Theory, and more specifically, on editing, loss aversion, probability weighting, etc. We finally study behavioural portfolio selection and asset pricing models, also discussing important application, e.g., to the advisory process of banks.

Content

1. Classical decision making and implications
2. Behavioural models of decision
3. Behavioural portfolio selection and asset pricing
4. Applications to private banking

Course structure and indications of the learning and teaching design

The course consists in eleven two-hour frontal lectures that combine the theoretical discussion with applications. To stimulate



the discussion in class, selected papers are made available on the StudyNet and students are expected to prepare accordingly before the lectures take place.

An oral exam will take place during the last week of the semester.

Course literature

Bachmann, Kremena, Enrico De Giorgi, and Thorsten Hens (2018): "Behavioral Finance for Private Banking: From the Art of Advice to the Science of Advice", Wiley.

Barberis, Nicholas and Richard Thaler (2003): "A Survey of Behavioral Finance," Handbook of the Economics of Finance, Edited by G.M. Constantinides, M. Harris and R. Stulz, Chapter 18, pp. 1051-1121. Available at <https://www.sciencedirect.com/science/article/pii/S1574010203010276> (restricted access from Uni St. Gallen network).

De Giorgi, Enrico (2021): Theoretical Behavioural Finance, Lecture Notes, HSG.

Shefrin, Hersh (2010): "Behavioralizing Finance," Foundations and Trends in Finance, 4(1-2), pp 1-184. Available at <http://ssrn.com/abstract=1597934>.

Shleifer, Andrei (2000): Inefficient Markets: An Introduction to Behavioral Finance, Oxford University Press, Oxford.

Additional course information

In the case of the President's Board having to implement new directives due to the SARS-CoV-2 pandemic in AS2021, the course information listed above will be changed as follows:

The lectures and the oral exam will be conducted online via the platform zoom.

The information to access the lectures will be provided via Studynet.

Examination information

Examination sub part/s

1. Examination sub part (1/1)

Examination time and form

Decentral - Oral examination (individual) (100%)

Examination time: term time

Remark

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Examination-aid rule

Extended Closed Book

The use of aids is limited; any additional aids permitted are exhaustively listed under "Supplementary aids". Basically, the following is applicable:

- At such examinations, all the pocket calculators of the Texas Instruments TI-30 series and mono- or bilingual dictionaries (no subject-specific dictionaries) without hand-written notes are admissible. Any other pocket calculator models and any electronic dictionaries are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as notebooks, tablets, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

Supplementary aids

No additional aids.

Examination languages



Question language: English

Answer language: English

Examination content

The oral examination covers all topics treated in class. Specifically, all four chapters:

1. Classical decision making and implications
2. Behavioural models of decision
3. Behavioural portfolio selection and asset pricing
4. Applications to private banking

Examination relevant literature

The necessary examination literature are the lecture notes "De Giorgi, Enrico (2021): Theoretical Behavioural Finance, Lecture Notes, HSG." made available week-by-week on the StudyNet. The relevant date for the material on the StudyNet is 14 December 2021.

Please note

Please note that only this fact sheet and the examination schedule published at the time of bidding are binding and takes precedence over other information, such as information on StudyNet (Canvas), on lecturers' websites and information in lectures etc.

Any references and links to third-party content within the fact sheet are only of a supplementary, informative nature and lie outside the area of responsibility of the University of St.Gallen.

Documents and materials are only relevant for central examinations if they are available by the end of the lecture period (CW51) at the latest. In the case of centrally organised mid-term examinations, the documents and materials up to CW 42 are relevant for testing.

Binding nature of the fact sheets:

- Course information as well as examination date (organised centrally/decentrally) and form of examination: from bidding start in CW 34 (Thursday, 26 August 2021);
- Examination information (regulations on aids, examination contents, examination literature) for decentralised examinations: in CW 42 (Monday, 18 October 2021);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised mid-term examinations: in CW 42 (Monday, 18 October 2021);

Examination information (regulations on aids, examination contents, examination literature) for centrally organised examinations: two weeks before the end of the registration period in CW 45 (Monday, 8 November 2021).