

# Banking and Financial Markets

**Course Teacher:** YANG Mengying

**Teaching Language:** English

**Contact Hours:** 36

**Prerequisites:**

**Semester:** Fall

**Course Code:**

**Targeted Students:** Master Candidate

**Extracurricular class hours:** 72

**Number of learners:** Less than 40

**Credits:** 2

## 1. Course Description

This course discusses banking and financial market mechanism, and the behavior of main players under market economy. Basic elements, functions and development of banking and financial market will be introduced, followed by study of the main sub-markets, i.e. money market, bond market, stock market, fund market, foreign exchange market, gold market and financial derivative market.

China has developed and opened up its banking system and financial market step by step. The paces have quickened significantly in the recent years in line with its WTO commitments and The Belt and Road Initiative. Now financial market plays a central role in the modern market economy system.

## 2. Course Objectives and Requirements

### 1. Course Objectives:

This course is aimed at helping the students

- a) To learn credit, interest rate and their functions.
- b) To understand money supply & demand and monetary policy.
- c) To understand central bank and its regulation mechanism.
- d) To be aware of the operation of commercial banks.
- e) To have a more comprehensive and in-depth understanding of the basic structure and operating mechanism of each financial sub-market, and the behavior of each main player.
- f) To improve the ability to analyze and solve the relevant problems of financial markets.

### 2. Requirements:

Since studying is based on case and class discussions, and exchanging of the students' ideas and experiences, participants will be encouraged to take active part in the class and share their experiences and questions with the class. Students are, therefore, expected to

attend and participate in all class sessions.

Students are expected to read assigned readings before class if there is any and get prepared for lectures.

### 3. Course Arrangement

Unit 1	Fundamentals
Session 1-2	<ol style="list-style-type: none"> <li>1. Credit and credit instrument <ol style="list-style-type: none"> <li>1.1 The generation and development of credit</li> <li>1.2 Credit format</li> <li>1.3 Credit instrument</li> <li>1.4 The impact of credit on economy</li> </ol> </li> <li>2. Interest rate <ol style="list-style-type: none"> <li>2.1 The definition of interest rate and its role in pricing</li> <li>2.2 Changes in interest rates</li> <li>2.3 The impact of risk and term structure on interest rate</li> <li>2.4 Financial market efficiency</li> </ol> </li> <li>3. Lenders and borrowers</li> <li>4. Financial system and the real economy</li> </ol>
Unit 2	Banking
Session 3-7	<ol style="list-style-type: none"> <li>5. Introduction to banking <ol style="list-style-type: none"> <li>5.1 What is special about banks?</li> <li>5.2 Banking activities and current issues in banking</li> <li>5.3 Types of banking</li> <li>5.4 International banking</li> </ol> </li> <li>6. Central banking and bank regulation <ol style="list-style-type: none"> <li>6.1 Theory of central banking (incl. Money and monetary policy)</li> <li>6.2 Central banks in practice</li> <li>6.3 Bank regulation and supervision</li> </ol> </li> <li>7. Issues in bank management <ol style="list-style-type: none"> <li>7.1 Bank's balance sheet and income structure</li> <li>7.2 Managing banks</li> <li>7.3 Banking risks</li> <li>7.4 Banking risks management</li> </ol> </li> </ol>
Case Study & Group Work	<ol style="list-style-type: none"> <li>[1] Didier Cossin and Hongze (Abraham) Lu, Industrial and Commercial Bank of China: Governance Lessons from East to West, IMD-571, 2012</li> <li>[2] Charles Dhanaraj et al, Bank of America and the Chinese Credit Card Market, IVEY 910M55, 2010</li> </ol>
Unit 3	The financial system
Session 8-15	<ol style="list-style-type: none"> <li>8. Deposit-taking institutions</li> </ol>

	9. Non-deposit-taking institutions 9.1 Insurance companies 9.2 insurance companies 9.3 Pension funds 9.4 Unit trusts 9.5 Investment trusts 10. The money markets 3.1 The discount market 3.2 The interbank market 3.3 The market for certificates of deposit 3.4 The commercial paper market 3.5 The local authority market 3.6 Repurchase agreements 11. The capital markets 4.1 Bonds market 4.2 Equities market 12. Foreign exchange markets 13. Derivatives markets
Case Study & Group Work	[3] G. Tsai, Ping An of China: the Making of an Insurance Giant and a Leading Chinese Integrated Financial Service Group, IMD316, 2006 [4] F. Warren McFarlan, Zenglibao- an Internet Money Market Fund Run by Tianhong Asset Management Co., TU0068, 2014 [5] A. Musacchio, China and Yuan-Dollar Exchange Rate, HBS9-711-110, 2011 [6] LI JIN, Stock Reform of Shenzhen Development Bank, HBS9-211-080, 2011 [7] E. Hrnjić, Alibaba's Bonds Dilemma: Location, Timing, And Pricing, IVEAW17088, 2017
<b>Unit 4</b>	<b>Risks</b>
Session 16	14. Financial market failure and financial crises 14.1 Borrowing and lending problems in financial intermediation 14.2 Financial instability: bubbles and crises 14.3 Fraudulent behavior and scandals in financial markets 14.4 The damaging effects of international markets?
	<b>Course evaluation</b>
Session 17	The final exam/report

## 4. Teaching Methods

Lecturing, Discussions, Role Plays, Case Analysis, etc.

## 5. Learning Outcomes

Category	Learning Outcomes
Knowledge Learned	<ol style="list-style-type: none"> <li>1. Credit, interest rate and their functions.</li> <li>2. Money supply &amp; demand and monetary policy.</li> <li>3. Central bank and its regulation mechanism.</li> <li>4. Operation of commercial banks.</li> <li>5. Evolution of China financial market.</li> <li>6. Institution, instruments and major players of China financial market.</li> <li>7. Recent reforms of China financial market.</li> </ol>
Intellectual abilities Improved	<ol style="list-style-type: none"> <li>8. Familiar with China monetary and capital market; and able to make international comparison.</li> <li>9. Ability to understand and analyze the relationship between politics, economy and the development of financial market.</li> <li>10. To have a more comprehensive and in-depth understanding of the basic structure and operating mechanism of each financial sub-market, and the behavior of each main player.</li> </ol>
Practical skills improved	<ol style="list-style-type: none"> <li>11. Skills of setting micro financial strategies.</li> <li>12. Basic skills of security investment.</li> </ol>
Personal competences and characters Cultivated	<ol style="list-style-type: none"> <li>13. The competence of thinking questions by using globalization view and the idea of sustainable development</li> <li>14. The competence of critical acceptance of knowledge and innovative</li> <li>15. The competence of planning and risk management</li> <li>16. The team spirit of cooperation</li> </ol>

## 6. Performance Evaluation: Means & Ratio

Evaluation Means	Ratio ( % )	Link with learning outcomes expected
Class Participation	25	All Category
Group Work	25	All Category
Final Test/Assignment	50	All Category

### Requirements of Individual Final Assignment

1. An essay on a topic relevant to the China Financial Market
2. Length: ideally 3,000 words (no more than 5,000 words)
3. Give a suitable title to your essay.
4. Give citations, references properly.

5. Deadline: to be announced.

Policy on attendance and participation:

This will be allocated by the lecturer on the basis of commitment & involvement in class discussion – this is not to be confused with excessive ‘airtime’!

Preparation:

Students are requested to read all the cases PRIOR to the class.

Feedback:

Any feedback, whether verbally or electronically, on anything that concerns you is always appreciated.

## 7.Textbook, References and Reading Materials

### Textbook

- [1] 胡庆康. 复旦博学·金融学系列：现代货币银行学教程（第五版），上海：复旦大学出版社，2014.8
- [2] 弗雷德里克·S.米什金 斯坦利·G.埃金斯. 金融市场与金融机构（英文版·第八版）（高等学校经济类双语教学推荐教材·经济学经典教材·金融系列），北京：中国人民大学出版社出版，2018.6

### Other references

- [1] ZHENG Changde and YANG Shengli, *中国金融市场概论 (Introduction to China Financial Market)*, China Economic Publishing House, 2010
- [2] PBC Shanghai Head Office, China Financial Market Development Report Committee, *China Financial Market Development Report*, China Financial Publishing House, 2015
- [3] Kok-Boon Oh and Lilai Xu, *China's Financial Market in the 2000s and Beyond*, Shanghai Academy of Social Sciences Press, 2013
- [4] Frank J Fabozzi and Franco P Modigliani, *Foundations of Financial Markets and Institutions*, 2014

### Cases

- [1] Didier Cossin and Hongze (Abraham) Lu, Industrial and Commercial Bank of China: Governance Lessons from East to West, IMD-571, 2012
- [2] Charles Dhanaraj et al, Bank of America and the Chinese Credit Card Market, IVEY 910M55, 2010
- [3] LI JIN, Stock Reform of Shenzhen Development Bank, HBS 9-211-080, 2011
- [4] Wee-Kiat Lim et al, China's Venture Capital and Tech Startup Landscape, NTU097, 2016
- [5] F. Warren McFarlan, Zenglibao- an Internet Money Market Fund Run by Tianhong Asset Management Co., TU0068, 2014

### Online resources

- [1] <http://www.lib.tongji.edu.cn/>
- [2] <http://english.caijing.com.cn>

- [3] <http://www.nafmii.org.cn/english/>  
 [4] [http://www.chinaclear.cn/english/en\\_index.shtml](http://www.chinaclear.cn/english/en_index.shtml)  
 [5] <http://en.pedaily.cn/en/>  
 [6] <http://www.irj.com.cn>  
 [7] <http://www.zgjrw.com>

## 8. Assignment Requirements

### The criteria of assignment evaluation (100 points)

Assessment Criteria Grid	Max. points	Points Attributed
<b>Comprehension of key issues:</b> <ul style="list-style-type: none"> <li>Understanding of concepts treated in class</li> <li>Ability to apply concepts to new context/s</li> <li>Proper use of subject matter vocabulary</li> <li>Addressed fully the assignment requirements</li> </ul>	20%	
<b>Analysis:</b> <ul style="list-style-type: none"> <li>Display of critical thinking relative to subject matter</li> <li>Application of key models and concepts to the analysis</li> <li>Ability to apply concepts/models from other disciplines to the analysis</li> </ul>	20%	
<b>Structure &amp; presentation:</b> <ul style="list-style-type: none"> <li>Well-structured ideas and information</li> <li>Clarity of presentation</li> <li>Professional layout – tables, figures, images, headings, hierarchy of information</li> <li>Use of transitions and interim conclusions</li> </ul>	20%	
<b>Conclusions &amp; recommendations:</b> <ul style="list-style-type: none"> <li>Logical continuation of reasoning/ideas/analysis developed in assignment</li> <li>Concision and relevancy to the analysis</li> <li>Relevance to the analysis</li> </ul>	20%	
<b>References &amp; citation:</b> <ul style="list-style-type: none"> <li>Citations within paper</li> <li>Proper format of citation and no acts of plagiarism (intentional or unintentional)</li> <li>Reference/Bibliography section</li> <li>Depth and breadth of sources</li> </ul>	10%	
<b>Other:</b> <ul style="list-style-type: none"> <li>Elements of assessment at Professor's discretion relative to the discipline</li> <li>Creativity and originality of ideas/approach/analysis/findings</li> <li>Demonstrated general attainment of module learning objectives</li> </ul>	10%	
<b>TOTAL</b>	<b>100%</b>	

## 9. Appendices:

1. The course PPT
2. Case material
3. Other teaching materials (such as reading materials, the articles)