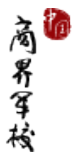




# PHBS

北京大学汇丰商学院



## Finance Elective Financial Markets and Investments in China Module 2, 2019-20

### Course Information

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**Instructor: Professor XIAO Geng**

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Office Hour: Monday 13:30-15:30; Thursday 13:30-15:30; Friday 14:30-15:30;

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**Classes:**

Time: Monday and Thursday, 15:30-17:20

Venue: 319 PHBS Building

### 1. Course Description

#### 1.1 Summary of Course Contents

This course introduces China's investment environment by examining how financial markets, institutions, and regulations work in China. It will cover the basic theories and practices of financial markets for bonds, stocks, and foreign exchanges etc., financial institutions such as banks and non-bank financial entities, and financial regulations, including central banking and financial services regulators, with particular attention to key challenges to the development and opening of China's financial system and the opportunities and risks to domestic and global investors, as well as implications on China and the global economy.

#### 1.2 Textbooks and Reading Materials

No required textbooks for this course. The following is a list of reading materials for references while preparing class discussions, group projects, and individual assignments. Additional references will be provided as available and appropriate.

Frederic S. Mishkin and Stanley G Eakins, **Financial Markets and Institutions**, 8th Edition, Pearson Education, 2018.

Marlene Amstad, Guofeng Sun and Wei Xiong, **Handbook of China's Financial System**, <https://www.chinafinancialsystem.com/chapters/>

Geng Xiao, **Monthly column on China's economy and finance**: [www.project-syndicate.org/columnist/geng-xiao](http://www.project-syndicate.org/columnist/geng-xiao)

Douglas J. Elliott and Kai Yan, ***The Chinese Financial System: An Introduction and Overview***, John L. Thornton China Center, Brookings Institution, 2013.

Udaibir S. Das, Jonathan Fiechter and Tao Sun, Editors. ***China's Road to Greater Financial Stability: Some Policy Perspectives***. Washington, D.C.: International Monetary Fund, 2013.

IMF, ***People's Republic of China: 2019 Article IV Consultation***. Washington, D.C.: International Monetary Fund.

Geng Xiao, ***Challenges with which Shanghai is faced to become a global financial center & its policy choices***, Brookings-Tsinghua Center for Public Policy, 2008.

Geng Xiao, ***Ten Policy Recommendations to Make Shanghai a Top IFC within a Decade***, Brookings-Tsinghua Center for Public Policy, 2008.

Economist, ***Opening the books: Assessing local government credit risk in China***, The Economist Intelligence Unit, 2016.

The Economist, ***China's supply-side structural reforms: Progress and outlook***, The Economist Intelligence Unit, 2017.

Qu Hongbin, Julia Wang, Li Jing, and Aakanksha Bhat, ***How worrying is China's debt?*** HSBC Research Report, 2016.

Michelle Kwok, ***China Real Estate: Catching Phoenixes***, HSBC Global Research, June 2017.

Deutsche Bank, ***Investing in China's Bond Market: An Overview for Global Investors***, 2016.

ASIFMA, ***China's Capital Markets: Navigating the Road Ahead***. Hong Kong: Asia Securities Industry and Financial Markets Association, 2017.

Eswar S. Prasad, ***China's Efforts to Expand the International Use of the Renminbi***, Report prepared for the U.S.-China Economic and Security Review Commission, 2016.

Geng Xiao, ***China's Exchange Rate and Monetary Policies: Structural and Institutional Constraints and Reform Options***. Asian Economic Papers, MIT Press, page 31-49, 7:3, 2008.

Geng Xiao, ***China's exchange rate policy and what it means for the dollar***, What Matters, McKinsey & Company, January 13, 2010.

Geng Xiao, ***Is the Renminbi the Next Global Currency?*** McKinsey Quarterly, February 2010.

Matthew Harrison and Geng Xiao, ***Enhanced Special Drawing Rights: How China Could Contribute to a Reformed International Monetary Architecture***, China & World Economy, 41-61, Vol 26, No. 4, 2018.

Ba Shusong, ***Bond Connect Scheme: New strategy for internationalization of China's bond market***, The Commercial Press (H.K.) Ltd., 2019.

Ba Shusong, ***New Progress in RMB Internationalisation: Innovations in HKEX's offshore financial products***, The Commercial Press (H.K.) Ltd., 2018.

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (1) to (4)
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	Yes, see (2) and (4)
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	Yes, see (3)
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	Yes, see (3)
	2.2. Students will be able to apply leadership theories and related skills.	Yes, see (3)
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	Yes, see (1) and (3)
	3.2. Our students will practice ethics in the duration of the program.	Yes, see (1) and (3)
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	Yes, see the list of readings and course summary
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	Yes, the first part of the course will review theories
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	Yes, see (3) and (4)
	5.3. Our students will demonstrate competency in critical thinking.	Yes, see (4)

### 2.2 Course specific objectives

- (A) Master the basic theories and practices of financial markets, financial institutions, and financial regulations in China;
- (B) Understand and debate on the challenges to the development and opening of China's financial system and the implications;
- (C) Appreciate the opportunities and risks of doing financial investments in China;

### 2.3 Assessment/Grading Details

(1)	Class participation (1% for each class meeting)	15%
(2)	Assignment on literature review (no more than 15 slides)	20%
(3)	Group presentation (no more than 20 slides)	30%
(4)	Final essay (2000 words plus no more than 10 slides)	35%
Total		100%

## **2.4 Academic Honesty and Plagiarism**

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

### 3. Topics, Teaching and Assessment Schedule

- Class 1: Introduction
- Class 2: Overview of financial markets, institutions, and regulations
- Class 3: What is special about China's macroeconomic dynamics?
- Class 4: What is wrong with China's stock markets?
- Class 5: China's shadow banking and local government financing platform
- Class 6: RMB exchange rate and RMB internationalization
- Class 7: China's digital currency and fintech application
- Class 8: China's offshore financial ecosystem: domestic and international implications

***Assignment on literature review due on Class 9 (December 12, 2019)***

- Class 9A: Banking Institutions and Regulations  
Class 9B: Monetary Policy Framework and Transmission Mechanism
- Class 10A: Monetary Policy Instruments  
Class 10B: Interest Rate Liberalization
- Class 11A: Chinese Bond Markets and Interbank Market  
Class 11B: Macro effects of China's financial policies
- Class 12A: China's Real Estate Market  
Class 12B: Infrastructure Financing
- Class 13A: RMB Internationalization  
Class 13B: China's Capital Account Liberalization
- Class 14A: The Chinese Stock Market: A Review and Future Reforms  
Class 14B: Investor Behaviour
- Class 15A: Corporate Governance in China  
Class 15B: The Accounting System in China
- Class 16A: Investments Funds in China  
Class 16B: China's Venture Capital Market
- Class 17A: Development of the Chinese Pension System  
Class 17B: Fintech Development
- Class 18: Summary

***Final essay due on the last class (January 13, 2019)***

End.