

Introduction to Banking Industry in China

Time and Location:

- Week 1-6: Thursdays 18:00 pm – 20:40 pm, Online via zoom

Zoom ID: **65673564816** Zoom pwd: **12615378**

- Note: We won't have class on Oct. 1, as it is a public holiday.

Office Hour and Contact:

- Office hour is by appointment.
- The most efficient way to contact me is by email nanli@sjtu.edu.cn, and I will usually reply in 24 hours.
- A wechat group is set up for this class



- Course Website:
 - CANVAS: oc.sjtu.edu.cn
 - MOOC: <http://www.icourse163.org/course/SJTU1-1457912173>
 - www.nanlifinance.org/teaching.html
 - sjtu.fanya.chaoxing.com

Important Due Dates:

- September 24, 6:00 pm: Class Assignment 1 Due
- October 9, 6:00 pm: Class Assignment 2 Due
- October 25, 6:00 pm: Term Paper Due

Course Objective:

This course builds on basic financial theory and the principles courses in economics to address topics that are important for managing banks in China. Upon successful completion of the course, students are expected to understand recent development in the Chinese banking industry and how banking reforms change the banking industry landscape in China. More importantly, students are expected to understand the special role of financial institutions in the Chinese economy and how to manage the risks faced by the banks in China in a rapidly changing international environment.

Prerequisites:

Students should have some background in basic macroeconomics, microeconomics, finance, algebra, differential calculus, statistics, and a disposition to keep themselves informed of current developments in the area of banking and finance in China as well as in the world.

Textbooks and References:

- Lecture notes
- Saunders and Cornett, *Financial Institutions Management: A Risk Management Approach*, 8th edition, International Edition, McGraw Hill, 2014 (FIM)
- Peter S. Rose and Sylvia C. Hudgins, *Bank Management and Financial Services*, 8th Edition, Machinery Industry Press, 2011 (BMFS)

Grading Policy:

- Class Assignment: 50%
- Presentation: 20%
- Term Paper: 20%
- Class Participation: 10%

Class Assignments

- There will be two class assignments. Each student should finish the assignments on her or his own and hand in separate answers.

Term Paper and Class Presentation

- Students are advised to form a working group of no more than 5 students. Each group should write a term paper and present it in the class. Each group can choose to write a paper on important issues related to Chinese banking industry and apply the methods and techniques learned in the class to analyze the problems. The topic chosen by each group is subject to the approval of the lecturer. The term paper can be a *case study*, *research paper* or a *referee report* of the paper in the references. The following questions should be addressed in your term paper,
 - What is the question and why it is interesting and important?
 - What are your opinions? What are the arguments and empirical evidences to support your opinion?
 - What are the policy implications or the implications on the risk management of Chinese banks of your research?
- Each group should prepare to present the term paper in Week 5, with 20 minutes presentation and 5 minutes Q&A. The presentation slides and term paper should be submitted before the presentation.
- The term paper should be no more than 20 pages with double spaces and fonts no smaller than 12 pt. The data source and references should be clearly and completely documented.

Class Participation

- Students are encouraged to actively participate in the class discussion. Such activities include comments and questions for lecturer in the class as well as for presenters in the group presentation.

Warning:

Plagiarism is taken very seriously. Students caught plagiarizing in class

assignments and/or term paper in this course will be severely penalized according to the school regulation.

Useful Links:

- Data Library of ACEM: <http://202.120.22.10:8080/antai/index>
- Data subscription of ACEM: <http://202.120.22.10:8080/en-antai/resource/0506>
- World Bank Data: <https://data.worldbank.org/country/china>
- [China Banking and Insurance Regulatory Commission](#)
- [China Banking and Insurance Commission \(English\)](#)
- [The People's Bank of China](#)
- [The People's Bank of China \(English\)](#)
- [China Security Regulatory Commission](#)
- [China Security Regulatory Commission\(English\)](#)
- [Federal Reserve](#)
- [Federal Deposit Insurance Corporation](#)
- [Monetary Authority of Singapore](#)

Suggested Periodicals:

- Asiamoney www.asiamoney.com
 - The Asian Wall Street Journal www.awsj.com
 - The Banker www.thebanker.com/
 - The Business Times business-times.asia1.com.sg
 - The Economist www.economist.com
 - Euromoney www.euromoney.com
 - The Financial Times www.ft.com
 - The Financial Times Chinese www.ftchinese.com
 - The Wall Street Journal www.wsj.com
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Course Outline

Topic 1: Special Role of Banking Industry in China

- Lecture notes 1

References:

- FIM Chapter 1-2
- [*China Banking Regulatory Commission Annual Report 2016*](#)
- [Ancient Technique: Ri Sheng Chang Bank Draft](#) (CCTV National Treasure Program, video in Chinese with English subtitle)
- Naughton, Barry. Financial System. Chapter 19 in *The Chinese Economy: Transitions and Growth*. The MIT Press, page 449-483.
- FIM Chapter 1-2, 7
- Guofeng Sun, “[Banking Institutions and Banking Regulations](#)” (draft) in Marlene Amstad, Guofeng Sun and Wei Xiong (Eds): *The Handbook of China’s Financial System* (forthcoming in Princeton University Press)
- Amstad, Marlene and Zhiguo He, “[Chinese Bond Market and Interbank Market](#)” in Amstad, Marlene, Sun Guofeng and Wei Xiong (Ed): *The Handbook of China’s Financial System* (forthcoming)
- Jun Ma, “[China’s Interest Rate Liberalization](#)” in: Marlene Amstad, Guofeng Sun and Wei Xiong (Eds): *The Handbook of China’s Financial System* (forthcoming in Princeton University Press)

Topic 2: Monetary Policy and Liquidity Risk

- Lecture notes 2

References:

- FIM Chapter 2, 12,18-20
- [FIM Appendix 1B on Monetary Policy Tools](#)
- [Monetary Policy Report of PBC 2018 Q2](#)
- [Monetary Policy Report of PBC 2018 Q2 \(in Chinese\)](#)
- [The First Set of Ren Min Bi in the People’s Republic of China](#), CCTV National Treasure Program
- [2018: The 10th Anniversary of the Financial Crisis, Xu Xiaonian, Financial Times Chinese](#), in Chinese
- [2018: 10th Anniversary of the Financial Crisis](#), in English by google translate
- Yiping Huang, Tingting Ge and Chu Wang, “[Monetary Policy Framework and Transmission Mechanism](#)” (draft) in Marlene Amstad, Guofeng Sun and Wei Xiong (Eds): *The Handbook of China’s Financial System* (forthcoming in Princeton University Press)
- Tao Wang, “[Monetary Policy Instruments](#)” (draft) in: Marlene Amstad, Guofeng Sun and Wei Xiong (Eds): *The Handbook of China’s Financial System* (forthcoming in Princeton Press)
- Kaiji Chen and Tao Zha, “[Macroeconomic Effects of China’s Financial Policies](#)” (draft) in: Marlene Amstad, Guofeng Sun and Wei Xiong (Eds): *The Handbook of China’s Financial System* (forthcoming in Princeton University Press)

Topic 3: Interest Rate Risk

- Lecture notes 3

References:

- FIM Chapter 8-9

Topic 4: Credit Risk

- **Lecture notes 4**

References:

- Case Study
- FIM Chapter 10-11
- [Altman, E. I., Zhang, L. and Yen, J. \(2007\), Corporate Financial Distress Diagnosis in China. Working Paper](#)
- [FIM Appendix 10A on Credit Analysis](#)

Topic 5: Student presentation on various topics related to banking industry in China

- Covid-19 and Monetary Policy
- P2P
- Shadow Banking
- Interest Rate Liberalization in China
- Mobile Payment
- Digital Currency