

# Introduction to Banking Industry in China

## **NOTE:**

*This course is offered to registered students only. Please do **not share** any course material (Tencent Meeting information, lecture notes, homework, references, wechat group code and etc) without my permission. Unauthorized sharing/copying might result in failing or being banned from the course.*

## **Time and Location:**

In this semester, this course is a hybrid course offered to students offline and online via **Tencent Meeting** in the [Global Virtual Classroom Shanghai Jiao Tong University](#), and [Virtual Exchange Program of the APRU](#) (Alliance of Pacific Ring University)

- **Time:** Week 2-6: Thursdays 18:00 pm – 20:40 pm  
(September 22, 29, October 6, 13 20)
- **Virtual Classroom:** Tencent Meeting
  - Meeting ID: TBA
  - PWD: TBA

## **Office Hour and Contact:**

In this semester, I will use Tencent Meeting+ MOOC Classroom to teach an online interactive course. To facilitate the interaction during the teaching, please prepare the following:

1. Install Tencent Meeting on your computer/ipad, and make sure the camera and microphone on the computer is working properly.
2. Install wechat on your mobile phone, and register an account.
3. Register at <https://www.icourse163.com>, search course "Bank Management" by Nan Li, Shanghai Jiao Tong University and join the course (To be updated)
  - China MOOC: <http://www.icourse163.org/course/SJTU1-1457912173>
  - Or use wechat to scan the following QR code to join the course:
4. Scan the QR code using Wechat to join the Online Classroom at China MOOC.
5. Join the course wechat group by scanning the QR code (TBA)

Note:

1. **Please change you group Nickname to:**  
"real name" + University + PhD/MA/Undergraduate + Year.
  2. **Please do not post anything in this group irrelevant to this course. I will kick out and ban anyone who violates this rule without warning.**
- Online Office hour is by appointment.
  - The most efficient way to contact me is by email [nanli@sjtu.edu.cn](mailto:nanli@sjtu.edu.cn), or by wechat

message in the course group, and I will usually reply in 24 hours.

- Course Website (For students need credits):
  - CANVAS: oc.sjtu.edu.cn
- Personal Website: www.nanlifinance.org

### **Important Due Dates:**

- October 6, 6:00 pm: Class Assignment 1 Due
- October 20, 6:00 pm: Class Assignment 2 Due
- October 29, 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 essential issues related to the 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 evidence 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:**

- **World Bank Data**
- **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**

## Course Outline

### Topic 1: Special Role of Banking Industry in China

- Lecture notes 1
- Case Study:
  - The IPO Suspension of Ant Group: FinTech and Financial Regulation
  - 2008 Credit of Crisis

#### References:

- FIM Chapter 1-2, 7
- *Supervisory Statistics of the Banking and Insurance Sectors 2020Q2*
- *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.
- 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 in China and Digital Currency

- Lecture notes 2
- Case Study:
  - What is Digital RMB?
  - Cryptocurrency and CBDC

#### 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: 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: Student presentation on various topics related to banking industry in China**