

Finance Elective

Financial Markets and Investments in China

Module 4, 2019-20

Course Information

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Classes:

Time: Monday and Thursday, 10:30-12:20

Venue: Online Teaching

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 to 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 for class discussions and 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/>

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.

Andrew Sheng and Chow Song Ng (Editors), **Shadow Banking in China: An Opportunity for Financial Reform**, Wiley and Fung Global Institute, 2016.

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

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.

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.

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.

Matthew Harrison and Geng Xiao, **Linking the Hong Kong Dollar to the SDR: An Increasingly Attractive Option**. The China Review, 33-54, Vol. 19, No. 4, November 2019.

Matthew Harrison, Wendy Hong, Shirley Lan, and Geng Xiao. **The Promise of China's free trade zones – the case of Hainan**. Asian Education and Development Studies, Special Issue on Greater China, October 2019.

Matthew Harrison and Geng Xiao. **China and Special Drawing Rights – Towards a Better International Monetary System**. Journal of Risk and Financial Management, 60-75, Vol. 12, No. 2, 2019.

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

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) Participation and mid-term tests	30%
(2) Individual project	20%
(3) Group project	20%
(4) Final essay	30%
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*.

3.1 Topics

1. Overview of financial markets, institutions, and regulations
2. Economics of market institutions
3. The governance structure of China's economy and finance
4. China's corporate governance
5. China's macroeconomic environment
6. China's monetary policy and practice
7. China's exchange rate regime and capital account opening
8. China's banking, shadow-banking, and infrastructure finance
9. China's real estate markets
10. China's bond and interbank markets
11. China's stock markets
12. China's pension, investment, and venture capital funds
13. China's digital economy and fintech development
14. China's financial opening
15. China's offshore finance

3.2 Assessment

Assessment schedule:

- Three half-an-hour online tests arranged randomly over the teaching period
- Individual project due on class 10 (Monday 25 May 2020)
- Group project due on class 16 (Monday 15 June 2020)
- Final essay due on class 18 (Monday 22 June 2020)

Assessment details:

- (1) Participation and mid-term tests (30%):** Three short online tests in the form of multiple-choices questions and short answers will be conducted in randomly selected time slots of 30 minutes each during the teaching period with each test accounting for 10% of the total grade.
- (2) Individual project (20%):** Each student is required to do a literature review project for contribution to both the group project and the final essay. The review should be organized into a set of PPT slides of not more than 30 pages, summarizing key points and presenting key supporting data and evidences uncovered from the literature. The PPT should cover the following components.
 - First, you need to select a topic from the lecture topic 4 to 15. To ensure proper coverage of all topics by the class, each student should rank their preferences first. Then, our TA will coordinate and confirm your assigned topic. Students in the same assigned topic will form a team for group project on that topic.
 - Second, use questions or concise conclusions to summarize the key statistics, empirical patterns, and evidences you have uncovered from the literature and make sure you provide the sources.
 - Third, based on your literature review, prepare a brief proposal for your final essay. The proposal should include a tentative title, a few interesting questions to be explored, and some tentative answers with supporting evidences.
- (3) The group project (20%):** The objective of the group project is to refine and integrate the work of all group members to produce a quality PPT of no more than 30 slides on an assigned topic for sharing with all classmates. Below are a few guidelines:
 - The group should work together to identify key issues/questions to be debated.
 - For systemic and critical thinking, it is important to present alternative perspectives, including perspectives that challenge the existing ones in the literature or those that are not yet addressed in the literature.
 - Answers to questions need to be supported by well presented data, evidences, or stylized facts with sources.
 - Students in the same group will receive the same grade unless an individual member of the group fail to make significant contribution. In that case, other members of the group should inform teacher and TA before submitting the PPT.
- (4) Final essay (30%):** Your final essay should be short, between 1000 and 2000 words, excluding cover page, references and graphs. You can build it from your individual project of literature review, where you are required to provide a brief proposal for your final essay. You may make productive adjustments in both topic and content of your final essay. The objective is to produce a quality op-ed style article with systemic and critical thinking, taking advantage of the lectures, discussions, and group work throughout this course. When you submit your essay, please include one cover page with the following information:
 - Your name, student number, course title, essay title;
 - Key questions and conclusions of your essay;
 - Key statistics and evidences supporting the conclusions;
 - Key new contributions and insights from your work.

The End.