

City University of Hong Kong

Information on a Course offered by Department of Economics and Finance with effect from Semester A in 2014/2015

Part I

Course Title	:	International Finance and Banking
Course Code	:	EF4331
Course Duration	:	1 semester
Credit Units	:	3
Level	:	B4
Medium of Instruction	:	English
Prerequisites	:	CB3410 Financial Management or FB3410 Financial Management AND CB2402 Macro-Economics or EF2401 Economic II or FB2401 Economic II AND EF4420 Derivatives Analysis and Advanced Investment Strategies or EF4320 Advanced Security Analysis and Portfolio Management or EF4321 Derivatives and Risk Management
Precursors	:	EF4334 Regulation and Management of Financial Institutions
Equivalent Courses	:	Nil
Exclusive Courses	:	Nil

Part II

Course Aims

This course aims to familiarize students with international financial management, provide a solid background on banking from the international perspective, and enhance students' ability in making sound financial decisions for banks and firms in a complex and global economy.

The course also aims to develop students' creative and innovative abilities through various assessment tasks that involve the discovery and innovative process. Lectures would encourage students to develop their discovery abilities through class discussions and Q&A throughout the lecture sessions. Problem sets and essays would require students to discover and innovate through the use of course material and the relevant databases. Students would get to know how to use these tools to come up with their own analyses on important issues related to international financial management and banking. The final exam will be comprehensive which evaluates the students' accomplishments of discovery and innovation.

Course Intended Learning Outcomes (CILOs)

Upon successful completion of this course, students should be able to:

No.	CILOs	Weighting (if applicable)
1	Explain various theories, e.g., the purchasing power parity, on the determination and exchange rate, and evaluate their use in forecasting future exchange rates.	25%
2	Explain the functions, operations, and performance evaluations of banks; Interpret the role of regulatory organizations in the environment of international banking that can influence the location, operation, and decisions of international banks.	20%
3	Interpret the operations of central banks and money creation. Students would discover how to apply this tool to analyse real world issues such the impact of QE on HK financial and real estate markets	10%
4	Analyze the trading in foreign exchange markets and features of various foreign exchange derivative assets as financial tools provided by international banks to their multinational corporation clients.	25%
5	Manage the interest rate risk and foreign exchange risk for international businesses using derivatives contracts and other tools. Students would discover how to use these and their innovative skills by structuring solutions to address the particular hedging needs of the bank or the firm.	20%

Teaching and Learning Activities (TLAs)

(Indicative of likely activities and tasks designed to facilitate students' achievement of the CILOs. Final details will be provided to students in their first week of attendance in this course)

TLA	Functions
TLA1. Lectures	Lecturer encourages students to think critically and logically by asking students to respond to questions and getting students to solve the problems by themselves rather than the lecturer giving out the solutions without engaging students.
TLA2. In-class discussion	In class, discussions are highly encouraged as it would enhance students' communication skills, critical thinking and develop students' creative and innovative abilities.
TLA3. Problem sets	To enhance students' understanding of lecture materials and to allow students to perform analyses on banking and global issues using relevant databases. This is important to develop students' abilities and skills to discover and innovate. BankScope is among the most important databases for financial and banking analysis.
TLA4. Essays	<p>Written essay assignments bring out the creative elements of students, lead them to organize their work and think critically, and provide them opportunities to innovate by putting forward solutions and suggestions to address problems.</p> <p>Possible written essay assignments (students are also welcome to pick-up their own topics):</p> <ol style="list-style-type: none"> 1. Should China liberalise the capital account? 2. Should HKD de-peg from USD and peg to CNY or to a basket of currency? 3. Should Greece leave the Eurozone? 4. Ethical issues in China's banking and securities industry? 5. Comparison of the differences in regulatory structure between China and the US.

Mapping of TLAs to CILOs

CILOs	TLAs
CILO 1	TLA1, TLA2, TLA3, TLA4
CILO 2	TLA1, TLA2, TLA3, TLA4
CILO 3	TLA1, TLA2, TLA3, TLA4
CILO 4	TLA1, TLA2, TLA3, TLA4
CILO 5	TLA1, TLA2, TLA3, TLA4

Summary of how DEC is incorporated in Assessment Tasks, and Teaching and Learning Activities (TLAs)

DEC Elements	Assessment Tasks and TLAs
Developing students' attitude to discover and innovate	Lectures and In-class discussions
Developing students' abilities to discover and innovate, accomplishments of Discovery and Innovation	Problem sets
Developing students' abilities to discover and innovate, accomplishments of Discovery and Innovation	Essays
Accomplishments of Discovery and Innovation	Final Exams

Assessment Tasks/Activities

(Indicative of likely activities and tasks designed to assess how well the students achieve the CILOs. Final details will be provided to students in their first week of attendance in this course.)

Final examination (3 hours)	60%
Coursework	
Problem sets	20%
Essays	20%
<hr/> Total	<hr/> 100%

Grading of Student Achievement

Letter Grade	Grade Point	Grade Definitions	Remarks
A+	4.3	Excellent	Very strong evidence of applying international banking and international financial management concepts to the topics outlined in the CILOs. Students have demonstrated very strong overall ability to discover and innovate, and shown very strong evidence of accomplishments of discovery.
A	4.0		
A-	3.7		
B+	3.3	Good	Strong evidence of applying international banking and international financial management concepts to the topics outlined in the CILOs. Students have demonstrated strong overall ability to discover and innovate, and shown strong evidence of accomplishments of discovery.
B	3.0		
B-	2.7		
C+	2.3	Adequate	Some evidence of knowing how to apply international banking and international financial management concepts to the topics outlined in CILOs. Students have demonstrated some ability to discover and innovate, and shown satisfactory evidence of accomplishments of discovery.
C	2.0		
C-	1.7		
D	1.0	Marginal	Marginal familiarity with the subject matter to enable the student to progress without repeating the assignments. Students have demonstrated marginal ability to discover and innovate, and shown marginal evidence of accomplishments of discovery.
F	0.0	Failure	Little evidence of familiarity with the subject matter. Students have demonstrated little evidence of ability to discover and innovate, and shown little evidence of accomplishments of discovery.

Part III

Keyword Syllabus

1. International monetary system, current exchange rate arrangements, European monetary system, fixed versus flexible exchange rate regimes.
2. Balance of payments accounts, balance of payments identity. Current account, capital account, changes in reserves, the meaning of a deficit or surplus.
3. Foreign exchange market: Foreign exchange market quotations, premium and discounts on forward quotations.
4. International parity relationships: purchasing power parity, Fisher effect, International Fisher effect, interest rate parity. Forecasting exchange rates.
5. Derivatives on foreign exchange, interest rate and currency swaps, foreign exchange risk, transaction exposure, economic exposure, translation exposure.
6. International banking, international banking services, international banking offices, commercial banking and investment banking.
7. International portfolio investment, optimal international portfolio selection.
8. Offshore financial centers.
9. Bank crashes, bank supervision, regulation.
10. Money laundering, anti-money laundering.
11. Country risk, international debt crisis.
12. Current issues in global banking.

Recommended Reading

Textbook

Cheol S. Eun and Bruce G. Rensnick, ER: International Financial Management, latest Edition, McGraw-Hill Companies, Inc. (required)

Online Resources

<http://www.info.gov.hk/hkma>

<http://www.worldbank.org>

<http://www.imf.org>

<http://www.bis.org>