



香港中文大學
The Chinese University of Hong Kong

GLEF 4020 International Banking and Financial Regulation
2020-21 Term 2
Course outline

Instructor

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Teaching Assistant

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Time (online)

Monday 11:30am - 2:15pm

Course Description

This course gives an overview on the architecture and development of banking and financial regulation in the international context. It discusses the fundamental issues in banking regulation, the role of central banks and the international cooperation in monetary policies and financial regulations. It incorporates both normative and positive analyses of issues in banking regulation, including the cause and damage of financial crises, the function of regulatory bodies in maintaining the stability of financial system and in preventing or ameliorating financial crises, and how monetary authorities or institutions can deal with financial issues in the era of globalization. The course includes three major topics: (1) fundamental issues in financial regulation and the mitigation of systemic risks; (2) the development of the financial sector and its regulation; (3) new issues and development of financial regulation under globalization. (Pre-requisite(s): DSME1030 or ECON2011, and DSME1040 or ECON2021)

Learning Outcomes

Upon successful completion of the course, students should be able to explain fundamental issues in financial regulation and the mitigation of systemic risks, the development of the financial sector and its regulation and critically discuss new issues and development of financial regulation under globalization.

Honesty in Academic Work

Students must observe the University's policy on Honesty in Academic Work (<http://www.cuhk.edu.hk/policy/academichonesty/>).



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Readings

Main textbook:

Mishkin, **The Economics of Money, Banking, and Financial Markets**, 12th Edition (M)

Supplementary reference:

Acharya, Cooley, Richardson, and Walter, **Regulating Wall Street: The Dodd-Frank Act and the New Architecture of Global Finance**. (ACRW)

Adrian and Ashcraft, **Shadow Banking Regulation**, Federal Reserve Bank of New York staff report no. 559, April 2012 (AA)

Bernanke, Geithner and Paulson, **Firefighting** (BGP)

Greenbaum, Thakor and Boot, **Contemporary Financial Intermediation**, Third edition (GTB)

Komai and Richardson, **A Brief History of Regulations Regarding Financial Markets in the United States: 1789 to 2009.**" NBER Working Paper, 2011 (KR)

Mishkin, **Financial Markets and Institutions**, 7th Edition (Mi)

Pozsar, Adrian, Ashcraft and Boesky, **Shadow Banking**, Federal Reserve Bank of New York staff report no. 458, July 2010 (PAAB)

Reinhart and Rogoff, **This Time is different** (RR)

Tarullo, **Financial Regulation: Still Unsettled a Decade After the Crisis**, Journal of Economic Perspectives, Volume 33, Number 1, Winter 2019, Pages 61–80 (T)

Thorvald Grung Moe, **Shadow banking: policy challenges for central banks**, The Journal of Financial Perspectives, July 2015 (TGM)

Wiggins and Metrick, **The Lehman Brothers Bankruptcy H: The Global Contagion**, Journal of Financial Crises, 2019 (WM)

Assessment Scheme

30% Mid-term exam (in-class through Blackboard, week 7, there will be **NO** makeup exam for the mid-term definitely. If you miss the mid-term for your class due to documented illness or emergency **AND** received my approval, the weight of your final exam will become 60%. Approval is not always granted and will depend on your document and reasons submitted. For medical note, only the original copy of the medical note either issued by the University Health Service or issued by a doctor registered in the Medical Council of Hong Kong will be considered)

30% Presentations (in-class, 2 to 3 students per group, 30 minutes presentation)

10% Comments on two other groups' presentations (individual; to be submitted in week 12; not more than 400 words totally)

30% Final Exam (centrally scheduled by the University; exchange students are reminded that early departure is **NOT** a valid reason for not taking the final and no makeup exam will be given for this reason.)



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Syllabus

Topics	Required readings	Further readings
Introduction		
1	Macroeconomics background	M 1
2	Fundamentals of interest rates	M 5 & 6
The Economics of Financial Institutions		
3	An economic analysis of financial structure	M 8
4	Banking and the management of financial institutions	M 9 GTB 6, 10
5	Economics analysis of financial regulation	M 10 GTB 15 WM
6	Banking industry: structure and competition	M 11 GTB 11, 12 & 17
7	Financial crisis	M 12 T KR GTB 14 & 16 ACRW Prologue
Central Banking and the Conduct of Monetary Policy		
8	Central Banks: A Global Perspective	M 14
9	The Conduct of Monetary Policy and the Role of Central Banks	M 15, 16 & 17 BGP
Risk Management in Financial Institutions (if time allowed)		
10	Risk Management in Financial Institutions	M 9 & Mi 23

Some topics for presentation

Topics	Basic reference
Consumer Finance Protection	ACRW 3
Measuring and Taxing Systemic Risk	ACRW 4 & 5
Capital requirements	ACRW 6
Large Banks and the Volcker Rule	ACRW 7
Resolution Authority	ACRW 8
Shadowing Banking	PAAB, AA, TGM
Reforming Compensation and Corporate Governance	ACRW 17