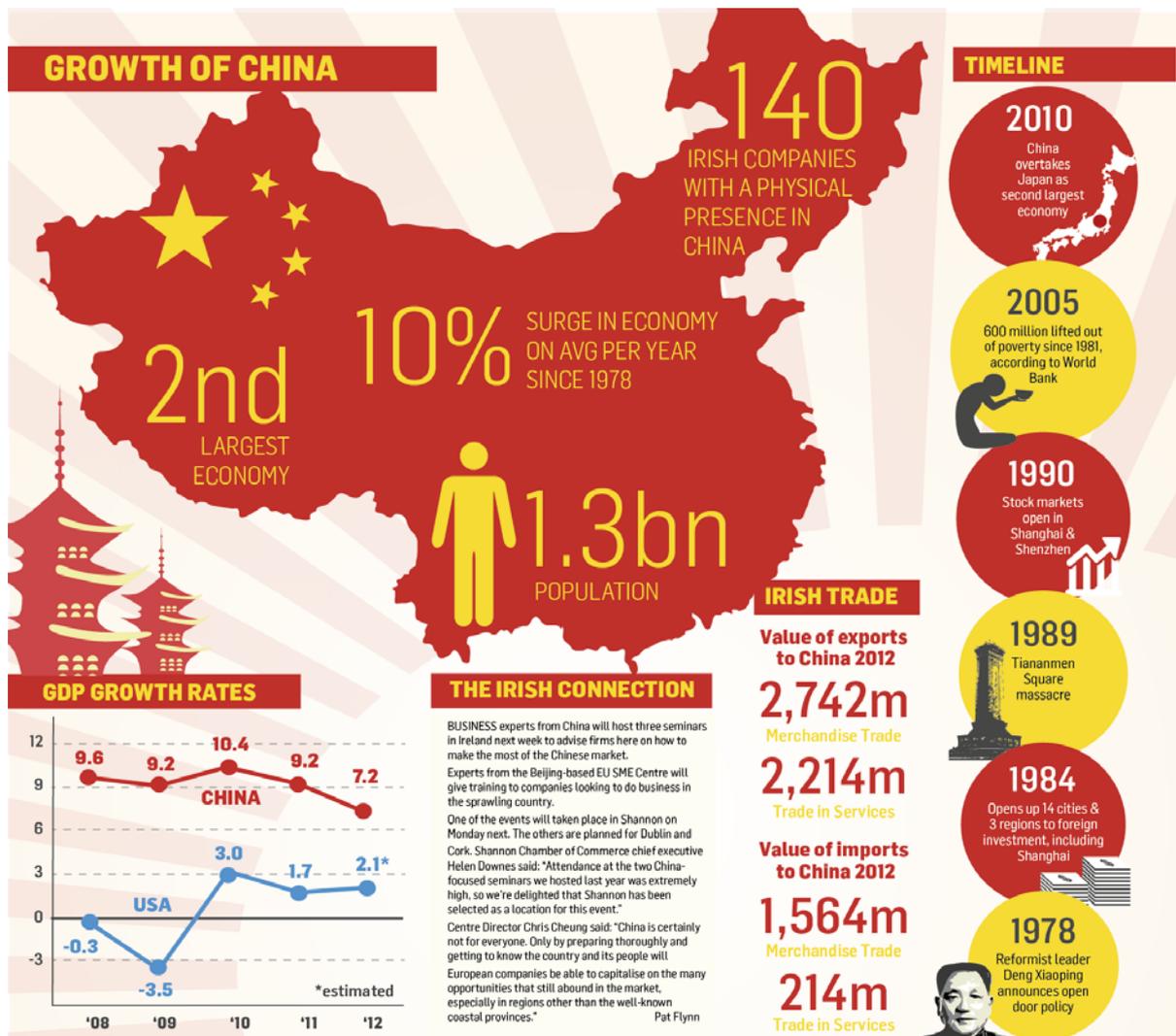


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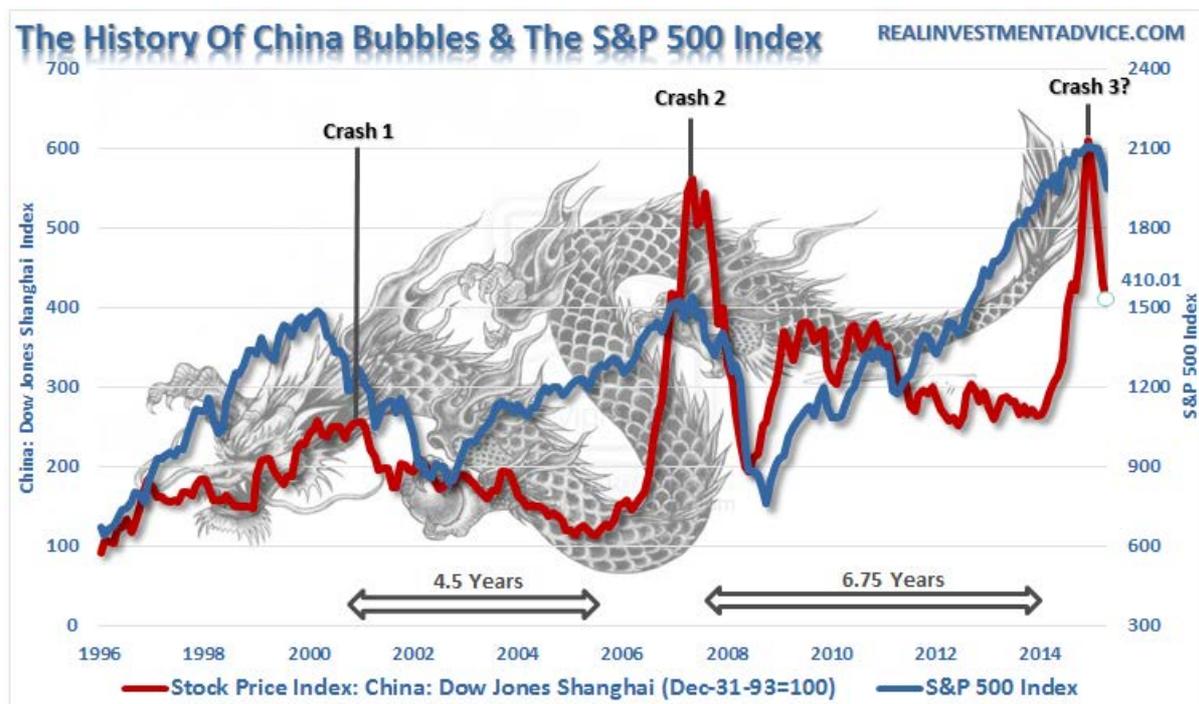
Session: Semester 2, 2016/2017

Course objectives

China's relevance in the world of global finance is undeniable if not now at least that which will be in the future. In context, China has FX reserves of about US\$3.2tn and owns US\$1.24tn (31%) of U.S. treasury bills, notes and bonds. Reserves are expected to grow as China continues to maintain its trade surplus. Coupled with the gradual liberalization of the Renmenbi ("RMB"), and the inclusion of the RMB as part of the SDR currency basket, RMB assets will and can only play a more important role in investment portfolios and capital markets. Whilst we know what should, the question is why hasn't it happened yet?



China's equities market has grown rapidly from US\$400bn in 2005, to US\$4tn in 2010 and US\$7.1tn in May 2016 (CAGR_{2005-2016May} of 31.8%). Granted it has grown very fast, the best is yet to come as reforms kick in with a flurry of M&A activities as seen in industries such as real estate, railways, iron & steel etc. But the devil is in the details and approaching China with western concepts is a likely recipe for financial disaster. China is a unique market and the market microstructure is very different, from investor psyche, trading mentality, analysis etc. Change will eventually come as the effects of globalization and free and interchangeable markets kick in. Events such as the Shanghai Hong Kong connect, the impending Shenzhen Hong Kong connect, QFII, QDII and RQFI investors are all but part of the liberalization of China's capital markets. China's capital markets will be taken to yet another new level as soon as MSCI includes China A shares in its indices. The opportunities are immense and undeniable, and could be once in a life time.



China Capital Markets is an introductory course that examines China's Listed Equity, Private Equity, Bond and Derivative markets from a development perspective and its convergence towards international standards and beyond.

The course will use a combination of cases, professional and academic articles to provide an understanding of the concepts, issues and investors involved in China's Capital Markets. An underlying theme of this course is how China's Capital Markets have developed and improved, despite the grievances and misgivings widely espoused by the investment community.

This course is essential for those persons seeking to gain an insight of China's Capital Markets. The significance of China's Capital Markets should not be underestimated given its rapid development and the internationalization of the Renminbi, its increasing relevance in global finance and increasing influence disrupting the global FINTECH industry.

Pre-requisites

Students need to have read the following modules: International Financial Markets and have a basic understanding of capital market theory, finance theory and valuation.

Basic text

China's Capital Markets are relatively young and rapidly evolving. There is no prescribed textbook in English. [All English texts are a few years old and frightfully expensive. I will be trying to get a book in China on the capital markets, but it is in Chinese.] All course materials will be made available ahead of the course.

Course outline

The course will cover the following topics:

1. Introduction: The History and Development of China's Capital Markets
2. China's Domestic and Offshore Equity Markets
 - i. Shanghai Stock Exchange
 - ii. Shenzhen Stock Exchange
 - iii. National Equities Exchange and Quotations (NEEQ)
 - iv. Hong Kong Stock Exchange
 - v. Other Exchanges
3. China's Bond Markets
4. China's Derivative Markets
 - a. Shanghai Futures Exchange
 - b. China Financial Futures Exchange
 - c. Hong Kong Futures Exchange
5. China's Private Equity Markets
6. Internationalization of the Renminbi
7. Capital Markets legal and regulatory system (CSRC, CBRC, CIRC, SAFE, PBC, NDRC)
8. China's Financial Shenanigans

NOTES:

This course will have a number of guest lectures and students would be expected to prepare ahead for each lecture. In addition there will be many case studies, to which students would also be expected to prepare ahead of class discussions.

Assessment methods

Term paper	30%) individual credit
Test	20%)
Class participation	10%)
Group journal article/case presentation	40%) group credit

It is the student's responsibility to clear the plagiarism test before uploading all individual term paper and group project report to the IVLE workbin. Please go to <http://www.turnitin.com>. Enter Course ID: XXXX Password: XXXX. Any student caught with plagiarism will be penalized heavily.

Assessment components:

1. Term paper (30%)

Each student is required to write a short term paper on China's Capital Markets. This assessment component evaluates the student's analytical (both qualitative and quantitative), critical thinking and writing skills. Each student is required to review journal (academic and professional) articles in the research topic and empirically address the research question.

This paper shall not exceed 20 (A4) pages (one-inch margins all round, double-spaced, font size 11) in length, excluding tables, figures and references. References must be drawn from at least four journal article sources. There is a penalty for paper length in excess of 20 pages or any deviation from the prescribed format style. All referencing should follow the APA style.

Students may choose from the following list of research issues:

Topic #1:

A case study on Chinese companies (select one or more) with listings on two or more stock exchanges discussing differences in valuation, liquidity, accounting treatments, corporate governance, regulations, investor pools, internationalization of RMB etc.

Topic #2:

Comparison, evaluation and projection of China's onshore and offshore Bond Markets.

(Consideration: government bonds, corporate bonds, yield curves, convertible bonds, regulations, pricing, internationalization of RMB etc)

Topic #3:

Many have argued that China will get old before it gets rich given China's rapidly aging population. If this is true, then it is implied that there is a funding gap between future assets and liabilities.

As the newly appointed advisor to the Central Government on this issue, how would you propose changing or setting the direction in China's Capital Markets to facilitate addressing the funding shortfall.

(Consideration: all aspects of the Capital Market, NSSF etc)

Topic #4:

Case study of Chinese company using instruments in China's Capital Markets ie from private equity, listed equity, debt issuance, futures hedging etc.

Topic #5:

Any other topic related to China's Capital Markets (subject to approval by lecturer)

2. Test (20%)

3. Class Participation (10%)

Students will be continually assessed throughout the course for their positive contribution and participation.

4. Group Work Requirements (40%)

Students are to form groups of between three to five members per group to carry out a group research project. All groups are to submit their group project proposal to the instructor by week #3 for approval. The group project will consist of a presentation, a power point and a written report. A breakdown of the assessment is as follows:

- (1) Group research/case presentation with power point (20%)
- (2) Group project written report (20%)
- (3) Peer evaluation of group members

Groups will schedule a presentation followed by a question and answer session that will not last more than 30 and 15-minutes respectively. Class presentations will be evaluated on the amount of team learning, besides clarity of presentation and the ability to motivate the class to learn together with the team. Therefore, having one student dominate the entire delivery without reference to the rest of the team is not encouraged. Splitting the case or project into segments and having each student present one part is not an indication of team learning as well. There is generally more learning when the rest of the class participates in interactive learning with the team.

A specific grading matrix will be made available prior to the scheduled presentation date.

Possible research topics could include but are not limited to:

1. Shanghai Futures Exchange: A comparative analysis of regional and global exchanges.
2. A survey on private equity deal origination, structuring, investing and divestment in China. What are the top three popular investment sectors? What kinds of opportunities and threats are involved? How will government interpretation and public discussions on VIE (Variable Interest Entities) change the fundamental aspects of the industry? What is the future of China's private equity market? Trends and prospects.
3. A survey of China's Local Government Financing Vehicles: Implications on China's Capital Markets and possible solutions. Was there a regulatory lapse? Will it happen again? What is the road going forward?

4. And other topics related to China's Capital Markets (subject to approval by lecturer)

Groups are evaluated on clarity of research topics and questions, creativity and how the research questions and topics are addressed. This assessment component evaluates the group's analytical, critical thinking and writing skills. Each group is also required to review journal articles in the research topic and empirically address the research question.

This paper shall not exceed 40 (A4) pages (one-inch margins all round, double-spaced, font size 11) in length, excluding tables, figures and references. References must be drawn from at least eight journal article sources. There is penalty for paper length in excess of 40 pages or for any deviation from the prescribed format style. All referencing should follow the APA style.

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