

Course Title	:	Introduction to Banks and Financial Institutions
Course Code	:	ECO2102
Recommended Study Year	:	2 and 3
No. of Credits/Term	:	3
Mode of Tuition	:	Lecture-Tutorial
Class Contact Hours	:	3 hours per week
Category in Major Prog.	:	Major in Global Economics and Banking (Foundational Course)
Discipline	:	Economics
Prerequisite(s)	:	N/A
Co-requisite(s)	:	N/A
Exclusion(s)	:	N/A
Exemption Requirement(s)	:	N/A

Brief Course Description

This course introduces to students how commercial banks and other financial institutions (lending institutions, insurance companies, securities firms, investment banks, investment companies, pension funds, and other institutions) work. Financial institutions not only affect your everyday life but also serve many important functions in the economy.

Aims

The aim of this course is to provide students with the necessary knowledge about the financial institutions and the new changes that are taking place. Students will be expected to develop practical perspectives on government regulations, and be able to articulate implications for future financial development and practices not only in Hong Kong and on the Chinese Mainland, but also in other major financial centers around world.

Learning Outcomes (LOs)

On completion of the course, students will be able to:

1. describe the landscape and characteristics of commercial banks and different financial institutions (LO 1);
2. explain how commercial banks and other financial institutions operate and what major functions they serve for the economy (LO 2); and
3. apply the knowledge analyse relevant issues in the real world (LO 3).

Indicative Contents

- I. Overview of financial institutions
 - a. Functions of financial institutions
 - b. Types of financial institutions
 - c. Risks of financial institutions
 - d. Regulation of financial institutions
 - e. Global trends and issues

- II. Interest rate fundamentals
 - a. Loanable funds theory
 - b. Movement of interest rates over time
 - c. Determinants of interest rates
 - d. Term structure of interest rates
 - e. Forecasting interest rates

- III. Commercial Banking Industry Overview
 - a. Definition
 - b. Balance sheet
 - c. Size, structure, and composition of the industry
 - d. Regulators
 - e. Risk management
 - f. Global trends and issues

- IV. Commercial Banks' finance statements
 - a. Balance sheet structure
 - b. Off-balance-sheet items
 - c. Basic financial statement analysis

- V. Regulations of commercial banks
 - a. Specialness of commercial banks and special needs for regulation
 - b. Types of regulations and regulators
 - c. Foreign versus domestic regulations
 - d. Global trends and issues

- VI. Lending Institutions
 - a. Savings institutions
 - b. Credit unions
 - c. Finance companies
 - d. Regulations
 - e. Risk management
 - f. Global trends and issues

- VII. Insurance companies

- a. Life insurance companies
 - b. Property-casualty insurance companies
 - c. Regulations
 - d. Risk management
 - e. Global trends and issues
- VIII. Securities firms and investment banks
- a. Services offered
 - b. Size, structure and composition of the industry
 - c. Activity areas
 - d. Regulations
 - e. Risk management
 - f. Global trends and issues
- IX. Investment Companies
- a. Size, structure, and composition of the industry
 - b. Mutual fund returns and costs
 - c. Hedge funds
 - d. Regulations
 - e. Risk management
 - f. Global trends and issues
- X. Pension funds
- a. Definition
 - b. Sizes, structure, and composition of the industry
 - c. Regulations
 - d. Risk management
 - e. Global trends and issues

Teaching Method

Lectures combined with tutorials involving presentations and discussion. Tutorials are designed to assess students' understanding of lectures and assigned readings. Cases discussions on up-to-date headline news with data and diagrams will be discussed in tutorials to help students to understand the real society with economic principles and models.

Measurement of Learning Outcomes

Specific Assessment Methods/Tasks	LO	Tutorial Discussion/Class Participation	News Presentation	Tests	Final Exam	Total
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		and/or Assignments				
Weightings		10%	10%	30%	50%	100%
Course Intended Learning Outcomes to be Assessed	1	√	√	√	√	
	2	√	√	√	√	
	3	√	√	√	√	

Program Learning Goals (PLG)	CONTRIBUTION TO PLG
I. Possess up-to-date practical and theoretical knowledge for economics and international banking;	Students learn various important knowledge related to banks and financial institution management. Current events are analyzed in light of academic knowledge.
II. Communicate the aforementioned knowledge effectively among their colleagues and in professional settings;	News presentations and discussions in class with classmates would enhance students' communication skills.
III. Solve problems and make decisions by drawing on critical thinking skills;	Current events are analyzed in light of academic knowledge.
IV. Pursue a career or further study in a related field as a competitive candidate when measured against similar programs;	Current events are analyzed in light of academic knowledge.

Assessment

Continuous assessment		<u>50%</u>
Individual news presentation	10%	
Mid-term test	30%	
Tutorial discussion/participation	10%	
Final examination		<u>50%</u>

Required/ Essential Reading

Saunders, A. and Cornett, M. M. (2019), Financial Markets and Institutions, 7th Edition, McGraw-Hill.

Recommended/ Supplementary Readings

Mishkin, F.S. and Eakins, S.G. (2018), *Financial Markets and Institutions*, 9th Global Edition, Pearson.

Other contemporary materials relevant to Hong Kong and China's financial markets/institutions will be distributed to students throughout the semester.

Important Notes:

- (1) Students are expected to spend a total of 9 hours (i.e. 3 hours of class contact and 6 hours of personal study) per week to achieve the course learning outcomes.
- (2) Students shall be aware of the University regulations about dishonest practice in course work, tests and examinations, and the possible consequences as stipulated in the Regulations Governing University Examinations. In particular, plagiarism, being a kind of dishonest practice, is “the presentation of another person’s work without proper acknowledgement of the source, including exact phrases, or summarised ideas, or even footnotes/citations, whether protected by copyright or not, as the student’s own work”. Students are required to strictly follow university regulations governing academic integrity and honesty.
- (3) Students are required to submit writing assignment(s) using Turnitin.
- (4) To enhance students’ understanding of plagiarism, a mini-course “Online Tutorial on Plagiarism Awareness” is available on <https://pla.ln.edu.hk/>.
- (5) Students are required to fill in a mid-term survey and the end of course CTLE survey.

Grading Rubrics for Tutorial Discussion/Class Participation and/or Assignments (10%)

Dimensions	Good A, A-, B+	Satisfactory B, B-, C+, C	Poor C-, D+, D, F
Content (5%)	Shows good understanding of the topics and raises insightful comments/questions	Shows some understanding of the topics and raises constructive comments/questions	Shows little or no understanding of the topics and raises redundant comments/questions
Frequency (5%)	Frequently and actively participates in class discussions and activities	Sometimes participates in class discussions and activities	Rarely or never participates in class discussions and activities; only passively responds even when invited

Assessment Rubrics for News Presentation(s) (10%)

Criteria	Good A, A-, B+	Satisfactory B, B-, C+, C	Poor C-, D+, D, F
Choice of News (2%)	Very timely (within about 1 week); very relevant to the course, highly significant to the market	Quite timely (within the last 2-3 weeks); somewhat relevant to the course, marginally significant to the market	Not timely (older than 3 weeks); only remotely or not relevant to the course, insignificant to the market
Presentation Content (5%)	Excellent grasp of the news; useful and relevant additional background; insights beyond basic facts; handling questions with ease; significant benefits to classmates	Sufficient grasp of the news; some useful and relevant additional background; sporadic insights beyond basic facts; handling questions adequately; benefits to classmates	Poor grasp of the news; no useful and relevant additional background; no insights and insufficient basic facts; handling questions poorly; little or no benefit to classmates

Organization, Articulation and Presentation Tools (3%)	Logical and appealing organization that is easy to understand; drawing interest from classmates; clear voice; correct pronunciations; enthusiastic tone; positive image with upright posture; lively gestures; effectively uses tools (slides/ handouts/ props)	Reasonable organization that is understandable; keeping classmates attentive; clear voice; mostly correct pronunciations; positive tone and image; some appropriate gestures; suitably uses tools (slides/ handouts/ props)	Organization that is difficult to understand; losing interest from classmates; unclear voice; many incorrect pronunciations; passive tone; negative image; no or inappropriate gestures; fails to or inappropriately use tools (slides/ handouts/ props)
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Assessment Rubrics for Tests and Final Exam (30% and 50%)

Dimensions	Good A, A-, B+	Satisfactory B, B-, C+, C	Poor C-, D+, D, F
Accuracy (15% and 25%)	Demonstrates good knowledge of relevant subject matters; performs all or most of the required quantitative operations correctly	Demonstrates some knowledge of relevant subject matters; performs some required quantitative operations correctly	Demonstrates little or no knowledge of relevant subject matters; fails to perform all or most required quantitative operations correctly
Analysis (9% and 15%)	Critically analyzes the problems and formulates solutions with relevant knowledge/ theories; interpret results with appropriate criteria; justifies the answers with cogent arguments and convincing evidence	Analyzes the problems and formulates solutions with some relevant knowledge/ theories; interpret results with some applicable criteria; justifies answers with arguments and evidence	Poorly analyzes the problems and unable to formulate solutions with relevant knowledge/ theories; lacks interpretation of results; fails to justify the answers with cogent arguments and evidence

Articulation (6% and 10%)	Writes with high clarity, no or very few grammatical and spelling mistakes, as well as consistent style; effectively uses graphs/ tables/ diagrams and visual aids where appropriate	Writes with fair clarity, few grammatical and spelling mistakes, as well as mostly consistent style; uses some graphs/ tables/ diagrams and visual aids	Writes with low clarity, many grammatical and spelling mistakes, as well as inconsistent styles; does not or poorly uses graphs/ tables/ diagrams and visual aids
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The tests and final exam shall be graded according to their specific marking schemes.