

**THE UNIVERSITY OF HONG KONG  
FACULTY OF BUSINESS AND ECONOMICS**

**FINA3353 Regulatory, Operational and Valuation Issues in Finance Institutions**

<b>GENERAL INFORMATION</b>	
<p>Instructor: Ronald K. CHUNG, Ph.D.</p> <p>Email: rkchung@consulteqcc.com Office: (852) 280-281-28 Phone: (852) 280-281-28 Consultation times: 5.30 p.m. – 6.30 p.m., Mondays. (venue TBC, advanced appointment is preferred) Students who cannot attend the consultation hours may also request for a separate consultation time via appointment.</p> <p>Tutor:</p> <p>Pre-requisite(s): FINA2320 Investments and Portfolio Analysis</p> <p>Co-requisite(s): Mutually exclusive:</p> <p>Course website: Other important details:</p>	
<b>COURSE DESCRIPTION</b>	
<p>This course examines with students <b>practical</b> issues involving financial institutions.</p> <p>These include how banks shapes and, in the meantime, are bounded by regulations <u>the regulatory environment</u>. In turn, how the macro regulatory environment then transformed into <u>operational practices</u> in financial markets. To enrich participants' understanding of the issues, the course will also go into how these operating issues are translated into <b>financial models</b> for analysis and <u>valuation</u> purposes, commercial banks will use used as cases here.</p> <p>The course will be highly practical, blending theories and concepts into frameworks and models, preparing students for real life situations. As such, operations modeling will be a significant part of this course and learning.</p>	
<b>COURSE OBJECTIVES</b>	
<p>After completing this course, the students will be able to:</p> <ul style="list-style-type: none"> <li>• Understand the regulatory environment and its implications to financial institutions</li> <li>• Gain insight to how financial institutions are set up for operation and how they differ from the typical corporations</li> <li>• Conduct analysis on performance by institutions in finance industry;</li> <li>• Build and work with financial models for financial institutions;</li> <li>• Performance valuation on financial institutions;</li> <li>• Analyze and present cases professionally.</li> </ul>	
<b>FACULTY LEARNING GOALS (FLGs)</b>	
<p><b>FLG1:</b> Acquisition and internalization of knowledge of the programme discipline  <b>FLG2:</b> Application and integration of knowledge  <b>FLG3:</b> Inculcating professionalism  <b>FLG4:</b> Developing global outlook  <b>FLG5:</b> Mastering communication skills  <b>FLG6:</b> Cultivating leadership</p>	
<b>COURSE LEARNING OUTCOMES (CLOs)</b>	
<b>Course Learning Outcomes</b>	<b>Aligned Faculty Learning Goals (FLGs)</b>

CLO 1: Understand the philosophy and rationale behind contemporary financial regulation	Goal 1, 4		
CLO 2: Evaluate the impacts and analysis the tradeoffs managers face in responding to these regulations	Goal 1, 2, 3		
CLO 3: Manage the operational issues in a financial institution	Goal 1, 2, 3, 5		
<b>COURSE TEACHING AND LEARNING ACTIVITIES</b>			
<b>Course Teaching and Learning Activities</b>	<b>Expected Study Hours</b>	<b>Study Load (% of study)</b>	
T&L1: Lectures and class discussions	39	32.5%	
T&L2: Case preparations and group discussions	27	22.5%	
T&L3. Case presentations and delivery	18	15%	
T&L4. Self-study and research	36	30%	
Total	120	100%	
<b>Assessment Methods</b>			
<b>Assessment Methods</b>	<b>Brief Description (Optional)</b>	<b>Weight</b>	<b>Aligned Course Learning Outcomes</b>
Class participation	Credits will be given if students could make good contribution to in-class discussion and debate. Learning attitude such as efforts and classroom behavior will also be considered in granting class participation credits.	20%	ALL CLOs
Case Studies: presentation	Students will form groups to investigate a topic directly related to the subject matter of the course and make a presentation at the end of the semester.	10%	
Group project: final report	Write a detailed analysis report on the selected topic.	10%	
Mini-assignments/tests	The mini-assignments/tests are designed to assess the basic industry knowledge on financial regulations.	10%	
Final exam	A comprehensive examination to be given at the end of the course to help students develop an integrative, capstone experience.	50%	
	Total	100%	
<b>STANDARDS FOR ASSESSMENT</b>			
<b>Course Grade Descriptors</b>			
A+, A, A-	Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply evaluate and synthesis.		
B+, B, B-	Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply evaluate and synthesis.		
C+, C, C-	Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning: describe, apply but not at high levels of learning such as evaluate and synthesis.		

D+, D	Evidence of basic familiarity with the subject.
F	Little evidence of basic familiarity with the subject.

**Assessment Rubrics for Each Assessment** (Please provide us the details in a separate file if the space here is not enough)

Class participation

- Demonstrates preparation of relevant topics prior to class meetings.
- Demonstrates understanding of the subject matter.
- Contributes to the discussion, engages with other students' ideas sensitively and helps move the discussion forward in class meetings.
- Presents ideas clearly, fluently and articulately.

Case Studies: presentation

- Identifies and addresses the main themes and issues, including their subsidiary, embedded or implicit aspects.
- Consistent perceptive and critical engagement with the themes and issues based on understanding of relevant concepts and theories, with effective analysis, synthesis and application of knowledge.
- Demonstrates command of existing arguments relevant to the topic, and examines the issues from the important perspectives including rival positions and counter-evidence.
- The arguments fit together logically and build a compelling case.
- The presentation has an outline, structure and conclusion, with clear transition between different parts (by different presenters).
- Presenters show command and understanding of the presented contents (e.g., PowerPoint files, if any), which are their own writing.
- Presenters engage the audience through good communication skills (e.g., eye contact, gestures and variation in tone) and adhere strictly to the set time limits.

Group project: final report

- Identifies and addresses the main themes and issues, including their subsidiary, embedded or implicit aspects.
- Consistent perceptive and critical engagement with the themes and issues based on understanding of relevant concepts and theories, with effective analysis, synthesis and application of knowledge.
- Demonstrates command of existing arguments relevant to the topic, and examines the issues from all important perspectives including rival positions and counter-evidence.
- The arguments fit together logically and build a compelling case.
- The report has a clear structure and organization, with an introduction that states the main themes and writer's position and a conclusion that summarizes the main arguments. Each paragraph has a central idea which is developed throughout the paragraph with supporting details.
- The report has very few, if any, errors in grammar and vocabulary. Conventions of academic writing (e.g., citation, references, footnotes, etc.) are followed meticulously.
- Quoted materials from other sources (with proper citation) are used to support and strengthen arguments instead of replacing the student's own writing.

Mini-assignments/tests

- Demonstrates grasp of different aspects of the course (basic concepts and major perspectives and arguments in the literature).
- Demonstrates ability to interrelate and synthesize course materials, and to arrive at one's own position in controversial issues based on knowledge acquired from the course.

Final exam (take home)

- Demonstrates grasp of all aspects of the course (basic concepts and major perspectives and arguments in the literature).
- Demonstrates ability to interrelate and synthesize course materials, and to arrive at one's own position in controversial issues based on knowledge acquired from the course.

### COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE

Indicative Outline (Outline may vary depending on class size w.r.t. Group Presentations, we try to limit to no more than 2 presentations per week)

Week 1 (Sept 06) Overview: Operating Environment (FI and markets)

Week 2 (Sept 13) Financial Regulations: Objectives and Implications

Week 3 (Sept 20) Analysis of Operating Environment of FIs (IS and BS)

Week 4/5, (Sept 27, Oct 4) Operational Modeling for Financial Institutions I: IS and BS modeling

Week 6, ( Oct 11) Reading week

Week 7, (Oct 18) Operational Modeling for Financial Institutions II: How everything tie together

Week 8, (Oct 25) Operational Modeling Dynamics and Analysis

Week 9, (Nov 1) Review of BASEL

Week 10, (Nov 8) Modeling Regulatory Implications

Week 11, (Nov 15) Funding and liquidity risk management **and Group Presentations**

Week 12, (Nov 22) Credit risk management **and Group Presentations**

Week 13, (Nov 29) Compliance risk management **and Group Presentations**

### REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS (e.g. journals, textbooks, website addresses etc.)

#### Key readings

Koch T. W. & MacDonald S. S. 2014. Banking Management (8th ed.).

Hull 2015. Risk Management and Financial Institutions (4th ed).

OCI, 2013. Study Notes for the Principles and Practice of Insurance Examination.

HKSI 2017. Study Manual for Paper 1 – Fundamentals of Securities and Futures Regulation.

HKMA, 2013. Guide to Authorization.

PRMIA, 2013. PRM Self Study Guide - Exam IV (case studies).

HKMA, 2005. OR-1 Operational Risk Management.

HKMA, 2011. LM-1 Liquidity Risk Management.

HKMA, 2011. LM-2 Sound Systems and Controls for Liquidity Risk Management

HKMA, 2015. ML-1 Guideline on Anti-Money Laundering and Counter-Terrorist Financing.

#### Further discussions

*Restoring Financial Stability: How to Repair a Failed System* (2009), edited by Acharya and Richardson, John Wiley & Sons.

*Regulating Wall Street: The Dodd-Frank Act and the New Architecture of Global Finance* (2009), by Acharya, Cooley, Richardson, Walter, and Scholes, John Wiley & Sons.

*From Crisis To Crisis. The Global Financial System and Regulatory Failure* (2009) by Buckley and Arner, Wolters Kluwer.

*The Regulatory Aftermath of the Global Financial Crisis* (2012), by Ferran, Moloney, Hill, and Coffee, Cambridge University Press.

*Financial Regulation and Supervision: A Post-crisis Analysis* (2012), by Wymeersch, Hopt, and Ferraini, Oxford University Press.

#### Online Resources:

Case studies and PRMIA Standards: Governance, Best Practices and Ethics from PRMIA website:

[https://prmia.org/Public/PRM/Case\\_Studies\\_and\\_Standards.aspx](https://prmia.org/Public/PRM/Case_Studies_and_Standards.aspx)

**MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE**

- conducting mid-term survey in additional to SETL around the end of the semester
- Online response via Moodle site
- Others: \_\_\_\_\_ (please specify)

**COURSE POLICY (e.g. plagiarism, academic honesty, attendance, etc.)**

Class conduct

Students are expected to attend all classes on time. There will be no make-up class due to the absence of any students.

The lecturer has the discretion to give penalty in case of any class misconducts.

Academic dishonesty

The University regulations on academic dishonesty will be strictly enforced. Please check the University statement on plagiarism on the web: <http://www.hku.hk/plagiarism/>

Academic dishonesty is any act that misrepresents a person's own academic work or that compromises the academic work of another. It includes (but not limited to) cheating on assignments or examinations; plagiarizing, i.e. representing someone else's ideas as if they are one's own or sabotaging another's work.

**ADDITIONAL COURSE INFORMATION (e.g. e-learning platforms & materials, penalty for late assignments, etc.)**