



ACCT 003
Capital Markets in China
Course Outline 2015/2016 Summer

A. Instructor and Contact Information

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Consultation times: By appointment, or drop by

Section	Seminar Time	Venue
G1	TBA	TBA

B. Course Description

Since the establishment of two stock exchanges in Shanghai and Shenzhen in early 1990s, China's capital markets have experienced amazing growth and become one of the largest capital markets in the world. The equity market is the dominant capital market and has been evolving and growing towards a more even mix of investor classes, with institutions such as investment funds, pension funds, insurance companies, investment and trust companies, corporates, sovereign wealth funds and Qualified Foreign Institutional Investors (QFIIs) playing a more prominent role. With the newly introduced Shanghai-Hong Kong Stock Connect and the in-progress IPO registration reform, the Chinese equity market is expected to be more open to the international investor community. The bond and derivatives markets are emerging as well and there is huge growth potential in the near future.

However, the evolving China's capital markets are characterized with all sorts of problems: severe opportunistic corporate reporting practice which may cause resources misallocation; tight control of the government which may change the rule of the game halfway; inefficient financial intermediaries such as financial analysts and the mass media which may increase information asymmetry; severe financing constraints for all but the largest State Owned Enterprises; under-developed legal and institutional frameworks with insufficient protection to minority shareholders against insider expropriations, the capital flows from shadowing banking system which may increase market volatility, etc.

This course is designed to offer a detailed analysis of China's capital markets, ranging from the overall assessment of the macro-economic environment and political context, to the detailed micro level study of the specific players, instruments, and individual transactions. Through seminars, cases, discussions, and group projects, students explore the opportunities and challenges presented by the quickly evolving capital markets in China.

This course is designed for students who are interested in understanding the unique aspects of the capital markets in China. This certainly includes not only those who anticipate some interactions with Chinese companies (in China, Singapore or other part of the world) and Chinese investors later in their careers but also those who want to work in China. Many of the insights gleaned from the course can be readily applied to other emerging markets, thus this can also be a good course for students interested in understanding the functioning of emerging capital markets in general.

C. Course Objectives

The objective of the course is to enable students to *qualitatively*

- understand the political and macro-economic context of China's capital markets;
- understand various players, instruments, market segments, and representative transactions on the markets;
- understand some of the hot issues that highlight the challenges as well as opportunities facing market participants going forward.

D. Textbook and Readings

Main Readings

There is no prescribed textbook. Some chapters from the following books will be discussed in class. Other readings include academic articles, equity research notes, research by consulting firms, business cases, and topical articles. Detailed reading list for each topic will be provided in class.

CSRC (2008): China Securities Regulatory Commission (CSRC). 2008. *China Capital Markets Development Report*. China Financial Publishing House.

<https://openknowledge.worldbank.org/handle/10986/12643>

Mishkin and Eakins (2015): Mishkin, Frederic S. and Eakins, Stanley G. 2015. *Financial Markets and Institutions*. 8th Edition, Pearson.

OECD (2011), *Corporate Governance of Listed Companies in China*: Self-Assessment by the China Securities Regulatory Commission, OECD Publishing.

<http://dx.doi.org/10.1787/9789264119208-en>

Walter and Howie (2006): Walter, C. and Howie, F. 2006. *Privatizing China: Inside China's Stock Markets*. 2nd Edition, John Wiley & Sons. eBook available at SMU Library.

NOTE: All the above books are either available at the SMU Library or downloadable online for free. Singapore laws as well as SMU policies prohibit unauthorized reproduction of textbooks and other copyrighted materials. As aspiring business and community leaders, students are expected to make the ethical and legitimate choice and acquire only authorized copies of all published materials.

E. Assessment

To pass the course, a student is required to obtain a total mark of 50% or better. The assessment components are listed below: Progress Assessments (20%), Class Participation and Activities (20%), Group Project (30%) and Final Class Examination (30%).

1. Progress Assessments (20%)

There will be at least one individual presentation on selected topics during the term.

For individual presentation, reading materials will be assigned to each student in the first week. Students are required to study the reading materials and make a 10-minute presentation in class. A softcopy of PowerPoint slides must be submitted to the professor before the scheduled presentation time. Students are expected to present a *qualitative* summary and critique of the assigned materials and quantitative analysis is not required. Students are strongly encouraged to incorporate related research on the assigned topic.

2. Class Participation and Activities (20%)

Class learning activities are designed to give you opportunities to participate in and contribute to your own learning and that of the entire class. This is typically done through in-class participation, homework assignment, and may include other assigned work, tasks, or questions (e.g. pre-class preparations and post-class reviews) during the term that will help you prepare for the class and review course materials in a timely manner.

3. Group Project (30%)

The group project aims to provide students with an understanding of a specific topic on capital markets in China. More details on the project will be disclosed during the term.

4. Final Class Examination (30%)

There will be one examination in the last class during the term. Further information will be provided as the term progresses.

Important Notice on Date and Time of In-Class Tests

The date and time of all class sessions are announced well in advance of each term's course bidding. Students should note the official date and time of class sessions for this course as published by the Office of Registrar. Requests by students to take the in-class tests on other than the official class sessions will not be approved except under extremely extenuating circumstances entirely beyond the student's control. Students who believe they may be unable to attend some of the class sessions should not enrol for this course this term.

F. Academic Integrity

All acts of academic dishonesty (including, but not limited to, plagiarism, cheating, fabrication, facilitation of acts of academic dishonesty by others, unauthorized possession of exam questions, or tampering with the academic work of other students) are serious offences. All work (whether oral or written) submitted for purposes of assessment must be the student's own work. Penalties for violation of the policy range from zero marks for the

component assessment to expulsion, depending on the nature of the offense. When in doubt, students should consult the instructors of the course. Details on the *SMU Code of Academic Integrity* may be accessed at <http://www.smuscd.org/resources.html>.

G. Accessibility

SMU strives to make learning experiences accessible for all. If you anticipate or experience physical or academic barriers due to disability, please let me know immediately. You are also welcome to contact the university's disability services team if you have questions or concerns about academic provisions: included@smu.edu.sg.

Please be aware that the accessible tables in our seminar room should remain available for students who require them.

H. Lesson Plan

The course will be conducted in class sessions that will last for 3 hours each with a short break in between. You are expected to come to these sessions prepared and be ready to respond to questions as required. This means doing the required readings and/or homework for each session.

<i>Session</i>	<i>Topic</i>	<i>Class Readings</i>
1	Introduction to the course Course logistics such as grouping, presentation topics and scheduling Topic 1: Fundamentals of financial markets	Mishkin and Eakins (2015): Ch 2 & 7
2	Topic 2: Overview of China's capital markets	CSRC (2008): Ch 1
3	Topic X: Introduction to databases on China's capital markets To be conducted by Librarian from the SMU LKS Library	
4	Topic 3: Regulatory and legal framework Individual Presentation	Walter & Howie (2006): Ch 3
5	Topic 4: Restructuring and listing of State-Owned Enterprises Individual Presentation	Walter & Howie (2006): Ch 4 & 5
6	Topic 5: IPOs in China's capital markets Individual Presentation	Walter & Howie (2006): Ch 6 Yu and Cheung (2013) Curran (2014)
7	Topic 6: Overseas listing for Chinese companies Individual Presentation	PWC (2013) Yap and Qiu (2014)

8	Topic 7: Corporate governance of listed companies in China Individual Presentation	OECD (2011)
9	Topic 8: Non-tradable share reform Individual Presentation	Walter and Howie (2006): Ch. 8, 9 & 10
10	Topic 9: Corporate reporting and other issues in China's capital markets Individual Presentation	Tang (2000) Gills (2014)
11	TEAM PROJECTS DUE Team Project Presentations	
12	Course Review Final Class Examination (two hours, closed book)	