

FIN546 & ECON584 EMPIRICAL BANKING Module 4, 2015-2016

Course Information

Instructor:

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Classes:

Lectures: Tuesdays and Fridays, 8:30-10:20

Venue: PHBS Building, Room TBA

Course Website:

Course materials will be distributed in the class.

1. Course Description

1.1 Context

Course overview:

The objective of this course is to read and understand scientific papers in banking. This course will focus on various empirical applications of relevant questions for both banking theory and policy as well as basic methodologies used in empirical banking research. Any empirical research should be based on theoretical foundations, so this course will explore selected theoretical models upon which empirical applications are based.

Prerequisites:

None

1.2 Textbooks and Reading Materials

I will recommend a number of academic papers. The list of the papers to be covered will be distributed in the first class. I followed the following textbook when I chose the topics and papers covered in this course.

Hans Degryse, Moshe Kim and Steven Ongena, 2009, *Microeconometrics of Banking*, Oxford University Press, Oxford, UK.

The following book can provide relevant theoretical foundations on the topics covered in this course.

Xavier Freixas and Jean-Charles Rochet, 2008, Microeconomics of Banking, MIT Press, Cambridge, US.

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	Presentations & Assignments
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	Presentations & Assignments
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	Group Assignments
	2.2. Students will be able to apply leadership theories and related skills.	Group Assignments
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	N/A
	3.2. Our students will practice ethics in the duration of the program.	N/A
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	Exams & Assignments
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	Exams & Assignments
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	Exams & Assignments
	5.3. Our students will demonstrate competency in critical thinking.	Exams & Assignments

2.2 Course specific objectives

1. Our students will be able to understand various issues in bank management.	5.1. Our students will have a good understanding of functions and forms of banking.	Exams & Assignments
	5.2. Our students will have a good understanding of corporate governance and accounting issues in the banking industry.	Exams & Assignments
2. Our students will be able to understand various issues in banking risks and banking regulation.	2.1. Our students will understand the nature of various banking risks and learn how to manage those risks.	Exams & Assignments
	2.2. Our students will demonstrate understanding in international banking regulation such as Basel II accord.	Exams & Assignments

2.3 Assessment/Grading Details

Type	Weighting	Date
Presentation and Participation	20%	TBA
Group Assignment	20%	TBA
In Class Examination	30%	TBA
Individual Assignment	30%	TBA
Total	100%	

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

3. Topics to Be Covered

TOPIC 1. WHY DO FINANCIAL INTERMEDIARIES EXIST?

- Application of event studies (1): Effects of loan announcements
- Application of event studies (2): Effects of bank distress and bank merger announcements
- Long-run impact of bank distress on firm performance

TOPIC 2. IMPACTS OF BANK COMPETITION AND MARKET POWER ON FIRMS

- Measuring banking competition and market power: classical and new measures
- Effects of banking competition on loan rates and availability of credit
- Effects of banking competition on firms' capital structure

TOPIC 3. IMPACTS OF BANK RELATIONSHIPS ON FIRMS

- Impact on the cost of credit
- Impact on collateral, loan size, credit availability, and maturity
- Impact on firms' performance

TOPIC 4. THE MACROECONOMIC CONSEQUENCES OF FINANCIAL IMPERFECTIONS

- Relationship between banks and economic growth
- Direction of causality between banking and growth and its channels
- Relationship between banks, financial markets, and economic growth

TOPIC 5. THE REGULATION OF BANKS

- Regulation and market structure
- Regulation and banks' conduct and strategy
- Regulation and financial stability and development

TOPIC 6. INDIVIDUAL BANK RUNS AND SYSTEMIC RISK

- Determinants of banking crisis: market and economic conditions
- Implications of banking crises and their results
- Regulation and banking crises
- Interbank market exposure and contagion

4. Miscellaneous

I expect you to have read the assigned chapters/papers for each session thoroughly before each class. I will evaluate your participation based on the quality of your contribution to class discussions. If the presenter makes a mistake, you should be familiar enough with the papers to identify and help correct the mistake. Thorough preparation and participation in every class is mandatory.