Information for

Fourth Year Honours Students in 2005

in

Banking and Finance
SCHOOL OF BANKING AND FINANCE
THE UNIVERSITY OF NEW SOUTH WALES

INFORMATION FOR FOURTH YEAR HONOURS STUDENTS IN 2005

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1. Why do honours in Finance?

The Finance industry is becoming increasingly complex and global in its scope. As such, it demands graduates with first-rate training in Finance who can be immediately employed to add value to an organisation. The honours year will provide students with an opportunity to learn the necessary skills to tackle the financial issues and challenges they will encounter in their future careers. These include analytical skills in problem solving (identification of problems, mapping out solutions and executing them) and Financial (both practical and academic) research skills. In fact, completing an honours degree has become a prerequisite for a successful placement in certain sectors of the financial services industry, for example investment banking, consulting, risk management and international finance.

The School has accumulated an enviable reputation of generating top class honours graduates who move on to key Finance industry positions not only in Australia but also in major Financial centres in the world (see some of the success stories below).

Case 1: John Ho, First Class Honours with University Medal, 1997

John Ho received the University Medal when he finished his honours degree three years ago. A very hard worker, John chose a topic in real options for his thesis, a topic that was both mathematical and empirical.

After graduating with a combined degree in Finance and Mathematics, John joined the Boston Consulting Group. His role as an analyst in the management-consulting firm took him to far-flung places such as Fiji, Florida, Seville, Paris and Bangkok. He has worked on advising a large overseas conglomerate in acquiring an Australian corporate icon; and helped a major Australian bank re-configure its distribution networks and its performance management system. Over the last years, he has used his option pricing knowledge to help companies set up executive option schemes and evaluate real options.

He was also fast-tracked and promoted from “Associate” to “Consultant” in a relatively short span of time. John continuously takes up new challenges. As part of the BCG program, he worked in Chicago for a hedge fund on secondment. He worked for “Citadel Investment Group”—one of the largest and arguably most successful hedge funds in the world. His role was to assist the corporate strategy team—to further Citadel’s growth and to develop its hedge fund products and strategies.
Case 2: Andrew Carpenter, First Class Honours with University Medal, 2002

Andrew Carpenter wrote his honours thesis on the price discovery process in the foreign exchange market. His thesis was one of the few studies in the foreign exchange literature that examines the information content of trades by different participants. Through careful econometric analyses, he presented evidence of an information hierarchy across different types of players and the choices of trading mechanisms in the foreign exchange market. He graduated in 2002 and was awarded the University Medal. Andrew's success in his honours study, and in his thesis in particular, was the result of hard work and perseverance. He started his thesis earlier than most others, stayed focused and was undeterred by several major hurdles from data acquisition and quality to econometric analyses.

Andrew is currently working at UBS as an equity and derivatives trader.

Case 3: David Jacobs, First Class Honours with University Medal, 2003

David Jacobs excelled throughout his honours year and topped his class of 16 students in the thesis and overall honours assessment. His thesis topic was on the efficacy of the foreign exchange market intervention by the Reserve Bank of Australia. His thesis was judged to be of highest quality amongst his peers and attracted one of the highest marks awarded in the school's history. He was awarded with the University Medal for his efforts. The contributing factors of his success include amongst others: diligence, persistence, solid quantitative training prior to the honours year, and hard work.

David works at the domestic markets department of the Reserve Bank of Australia.

2. Application Procedure and Admission Criteria

Entry into the BCom Honours in Finance program is open to all outstanding students who have completed their BCom degree requirements with a Major in Finance and have completed a minimum of seven finance courses (one of which must be FINS3775 Research Methods 1). Students in double degree programs at UNSW may do the honours year prior to or after their second degrees. Students with comparable qualifications from other institutions may apply. Further information may be found at http://www.unsw.edu.au/futureStudents/undergrad/sad/entryreq.html#Honours

Applicants to the honours program in finance should send the following materials to Ms. Shirley Webster, School of Banking and Finance, University of New South Wales, UNSW SYDNEY NSW 2052:

- a cover letter highlighting the background and strengths of the applicant (a formal application form may be required, check school's web site towards the end of session 2, 2004)
- a copy of your CV and academic transcript,
- and other supporting documents (e.g. rewards, research papers), if any.
Applicants can contact Shirley at 02-9385-5855 for Q&As. The deadline for application is November 30, 2004. Applicants should submit an academic transcript for S2, 2004 as soon as it is available.

The **baseline requirements** for admission to the honours program are

(i) the applicant has never failed any (FINS and non-FINS) course and has
(ii) completed a minimum of seven finance courses (two optional courses in addition to the five compulsory courses: FINS1612, FINS1613, FINS2624, FINS3616, FINS3775)
(iii) the applicant has achieved an overall average of 75/100 for all finance courses and should not have a grade below 65 in any of the FINS courses

Admission is based on whether the applicant is deemed to be able to achieve first class honours (average 85 and above during the honours year, see honours weighting scheme in section 9), or honours 2-1 (average 75 and above during the honours year). The admission decision will be notified in early January.

3. Financial Support

There will be Faculty funded scholarships available. Further information regarding the amount of scholarships and the application form will be made available in the Faculty’s web site


**Faculty scholarship**

In 2004, there were four $5,000 and two $2,500 Faculty scholarships and ten Banking and Finance scholarships awarded to Finance honours students.

**School scholarship**

In 2004, there were
- Three $5,000
- Four $2,500, and
- Three $2,000

Scholarships awarded.

School and faculty scholarships are mutually exclusive.

**University Scholarship**

Various scholarships are available for 2005. More information is available from the scholarship’s office (http://www.scholarships.unsw.edu.au/98calts3.htm#UGRDHonsFaculty).

In 2004, three students of Finance were awarded UNSW Honours scholarships of $1,200 each.

**Other scholarships**
Students who are accepted into the honours program are eligible to apply for scholarships provided by the Capital Market Collaborative Research Centre (CMCRC) or other industry bodies. The scholarships are open to honours students in all Australian universities and are awarded on the basis of merit. Students who are awarded school’s scholarships are not prevented from applying for the CMCRC scholarships. Information on CMCRC scholarships can be found at http://www.cmcrc.com/.

Casual Teaching

A number of qualified honours students will be employed as casual tutors in the school. A formal application is required. Further information will be posted on the honours web site.

4. Course Work

Session 1 of year 3

FINS3775 Research Methods in Finance 1

Session 1 of fourth year (subject to minor adjustment)

3 courses are compulsory
FINS4774 Financial Decision Making Under Uncertainty
FINS4776 Advanced Topics in Asset Pricing
FINS4779 Research Methods in Finance 2

Plus one elective from
FINS4777 Advanced Topics in Corporate Finance
FINS4778 Recent Developments in Banking Research
FINS4781 Special Topics in Finance

The four courses contribute 50% towards the honours grade (each course is worth 12.5%)

Session 2

FINS4795 Thesis (Finance)

The thesis is worth 50% of the total mark.

5. Thesis

The thesis requirements are:

(a) It is to be written on an approved topic (see below).

(b) Its length is to be no more than 100 pages including all its components (main text, tables, figures, appendices, etc.) but not including references. A document with style requirement is available online.
(c) A research proposal must be submitted by the last week of April 2005, to the approved supervisor, with a copy to the Director of Undergraduate Honours Program, A/Prof Suk-Joong Kim (QUAD 3061, ext 54278, email s.kim@unsw.edu.au).

(d) A project seminar will be held in the first (and second, if necessary) week/s of May 2005 and each student will present their research proposal for comments and discussions before other students and staff.

(e) By the end of second week of session 2, each student must provide A/Prof Suk-Joong Kim with a written report on the progress of his/her thesis to that time, together with a timetable outlining dates for completing drafts of each of the chapters.

(f) Completed drafts of each chapter must be submitted to the supervisor for comments and suggestions for revision. It is expected that Honours students report to and consult with their supervisor/s about the progress of their thesis on at least a fortnightly basis.

(g) Final drafts of thesis must be completed (typed) and submitted to the supervisor no later than last week of October 2005.

(h) A seminar will be held during the first week of November 2005 and each student will be required to present a synopsis of the thesis for final comments and suggestions from other students and staff.

(i) Two soft bound copies of completed thesis must be lodged with A/Prof Suk-Joong Kim by the end of second week in November 2005. These will be sent to examiners. Two hard bound copies (no changes from the soft bound versions are allowed) must be submitted within a week.

**Schedule**

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friday of week 2, session 1</td>
<td>Submission of names of supervisors and topic areas</td>
</tr>
<tr>
<td>Last Friday of April</td>
<td>Submission of thesis proposals approved by supervisors</td>
</tr>
<tr>
<td>First week of May</td>
<td>Presentation of thesis proposals</td>
</tr>
<tr>
<td>Second week of Session 2</td>
<td>Submission of progress reports and timetables</td>
</tr>
<tr>
<td>Last week of October,</td>
<td>Submission of completed drafts of thesis</td>
</tr>
<tr>
<td>Second week of November,</td>
<td>Submission of two soft-bound copies of thesis – for grading</td>
</tr>
<tr>
<td>session 2</td>
<td>Submission of two hard-bound copies of thesis – for storage</td>
</tr>
<tr>
<td>Third week of November, session 2</td>
<td>All submissions are made to the Honours Director.</td>
</tr>
</tbody>
</table>

6. **Topics and Supervisors**

The topic choice is up to you, BUT you have to find a supervisor willing to supervise that topic! The research interests of academic staff are listed in Section 10. Honours students should discuss possible topics with at least one member of the academic staff (lecturers and above) in the School of Banking and Finance, and ascertain their availability to supervise. Students are encouraged to read honours theses completed in previous years (copies are available in the school's office). A thesis
proposal must be submitted to the Honours Director in late April and presented to staff for discussion. Any major change in a topic must be approved by the Honours Director after discussion with the supervisor.

Broadly speaking our staff cover the following finance areas in terms of research:

1. Corporate finance (e.g. IPO's and takeovers)
2. International Finance (e.g. exchange rate modeling)
3. Banking (e.g. contract features of term loans or public debt issues, risk and regulation of financial institutions)
4. Market microstructure (e.g. exchange design, the relative merits of competing trading mechanisms, determinants of the bid-ask spread)
5. Funds management (e.g. evaluating (mutual) funds based on different performance measures, trading strategies, international investments)
6. Financial econometrics (e.g. forecasting asset price volatility)
7. Option pricing
8. Risk management
(See school's web site for research interests of staff)
(http://banking.web.unsw.edu.au/staff/researchindex.shtml)

How to find a topic

1. Determine the area you are interested in, through reading journal articles (just focus on the abstract, and possibly the introduction and conclusion).
2. For the area you are interested in, do some serious reading to get a good picture of the existing literature (and to see if you still like it).
3. Try to find a niche in that literature (you are supposed to contribute to the literature, the best outcome would be a publication) and speak to potential supervisors about your proposed topic. OR
4. Talk to potential supervisors about your area of interest, and see if they have any specific topic you are interested in. You could also ‘fish’ for supervisor topics after step 1 above, and see if you are interested in such a topic. You should get some reading material or references from the potential supervisor to see if you like the topic/area.
5. Check out the viability of the topic: Are the necessary data available? Can the project be completed on time? If not, go back to step 3 or 4, or in the worst case, go back to 1 or 2 (especially keep data availability in mind before spending too much time on any proposal!).

7. Data available

Global economic and financial data: Datastream, SIRCA
Australian company and market data: UBS-Warburg, SIRCA
US company and market data: CRSP, CompuStat, TAQ

8. Penalty for non-compliance
Failure to comply with the thesis’s formal requirements will result in a penalty in terms of marks awarded for the thesis. The university rules for special consideration apply to the thesis. The award of honours degree will be withheld until the hardbound copies of your completed thesis have been lodged with the Honours Director.

9. **Award of honours**

A weighted-average mark will be calculated for each student at the end of the honours year. The weights for the four courses are 12.5% each. The weight for the thesis is 50%. The degree is awarded with the following honours classes according to the weighted average mark achieved:

<table>
<thead>
<tr>
<th>Class</th>
<th>Mark Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Class Honours</td>
<td>85 HD and above</td>
</tr>
<tr>
<td>Second Class Upper Division</td>
<td>75 – 84 DN</td>
</tr>
<tr>
<td>Second Class Lower Division</td>
<td>65 – 74 CR</td>
</tr>
<tr>
<td>Third Class</td>
<td>55 - 64 PS</td>
</tr>
</tbody>
</table>

To qualify for the award of the University Medal, a prize reserved for our most outstanding students, it is necessary to have a weighted-average mark of at least 90 and no failures recorded in your degree. The UNSW University Medal Committee determines this award upon recommendation from the Faculty of Commerce and Economics.

10. **Staff research interests and contact details**

The figures in parentheses are the room numbers and the last five digits of the telephone number. All telephone numbers commence with 938.

**Professor Les Balzer (Quad 3025, Ext 57931):**
Investment risk and utility  
Optimal portfolio construction involving  
Downside risk measures  
Multiple objectives  
Multiple time periods  
Optimal execution & transition management in equity markets  
Hedge funds  
Return drivers & risk factors  
Optimal asset allocation to hedge funds  
Manager selection & funds of hedge funds  
Application of dynamic systems & control theory to investment

**A/Prof. Ram Bhar (Quad 3056A, Ext 54930):**
Research Fields:  
Quantitative Finance  
Advanced Econometrics  
Computational Issues  
Current Research Interests:  
Hidden Markov Models  
Estimation of Stochastic Volatility Models  
State Space Models with Markov Switching  
Non-fundamental Component of Asset Price  
Dynamic Bayesian Algorithm  
Portfolio Flows and Its Impact on Asset Prices  
Independent Component Analysis for Factor Models
Professor Philip Brown  (QUAD 3121, 56109):
Disposition effect
Stock price clustering
Accuracy and bias in security analysts’ earnings and dividend forecasts

Mr. Zhian Chen (Quad 3051, Ext 55878):
Corporate governance
Market microstructure
Chinese equity markets

Dr David Colwell (Quad 3065, Ext 55851):
Quantitative finance
Derivative securities
Fixed income securities and interest rate derivatives
Financial applications of Stochastic Calculus

A/Prof. Douglas Cumming (Quad 3055A, Ext 55709):
Venture capital and private equity
Initial public offerings
Law and finance

Mr. Vic Edwards (Quad 3047, Ext 55860):
Payment cards and payment systems
Financial management of financial institutions
Credit monitoring systems

Associate Professor John Evans (Quad 3061A, Ext 54924):
Reliability of forward predictions for capital markets
Analysis of securitization market in Australia

Dr. Kingsley Fong (Quad 3024, Ext 54932):
Market microstructure
Valuation and behavioural finance
Investment strategies
Investment funds performance measurement, benchmarking and evaluation

A/Prof David Feldman (Quad 3055, Ext 55748):
Investments
Asset pricing
Incomplete information
Statistical estimation-filtering
Derivatives
Information economics
Real estate finance/economics
Law and finance/economics

Professor Douglas Foster (Quad 3061, Ext 57313):
Asset pricing
Information economics
Market design
Risk management

A/Prof David Gallagher (Quad3031B, Ext 54291):
Investment management
Performance measurement
Portfolio configuration and trading strategies
Risk management
Corporate governance and incentive arrangements
Market microstructure
Behavioural finance

Dr. Ron Guido (Quad 3063, Ext 55862):
  Asset Pricing
  Bayesian Analysis
  Market Microstructure
  Financial Econometrics

Ms. Julia Henker (Quad 3058, Ext 55854):
  Behavioural finance and asset pricing
  Characteristics of individual investor trading
  Individual investor impact on market prices

Dr. Thomas Henker (Quad 3060, Ext 55854):
  Market microstructure
  Alternative investment instruments

Dr. Vince Hooper (Quad 3023B, Ext 55984):
  Emerging Capital Markets

A/Prof. Suk-Joong Kim (Quad 3061, Ext 54278):
  International finance
  Foreign exchange intervention
  International financial market linkages

Professor Robert Kohn (QUAD 3075, Ext 52150):
  Bayesian methodology
  Variable selection and model averaging; Nonparametric regression models
  Time series modeling
  Multivariate Gaussian and non-Gaussian regression
  Markov chain Monte Carlo simulation algorithms

Dr. Donghui Li (Quad 3046, Ext 55873):
  Firm bankruptcy
  Investment banking
  International finance
  Risk and insurance
  Initial public offerings
  Chinese capital market
  Mergers and acquisitions (M&As)
  Managerial compensation
  Diversification and globalisation
  Institutional shareholding and firm value
  Chinese and Australian Corporate Governance

Dr Raymond Liu (Quad 3050, Ext 55852):
  Market Microstructure
  Political economy

Professor Fariborz Moshirian (Quad 3064, Ext 55859):
  International finance
  Multinational financial management
Asian financial markets

Dr. Pascal Nguyen (Quad 3071, Ext 55773):
  Quantitative Finance
  Asset allocation and risk management
  Corporate financial decisions

Dr. Sian Owen (Quad 3057, Ext 54412):
  Mergers and acquisitions
  IPO’s
  Behavioural finance

Dr. Jerry Parwada (Quad 3049, Ext 57936):
  Managed funds
  Superannuation funds
  Investor behaviour
  Emerging financial markets

Dr. Pham (Quad 3040, Ext 55952):
  Corporate governance
  Ownership structure
  Initial Public offerings

A/Prof. Toan Pham (Quad 3053, Ext 55869):
  Corporate finance
  Term structure of interest rates
  Derivative securities
  International corporate leverage
  Dividend policy, mergers and acquisitions
  Vietnamese banking and financial system

Dr. Ronan Powell (Quad 3022, Ext 54925):
  Takeovers and other forms of corporate restructuring
  Corporate governance and agency theory
  Economic aspects of accounting and valuation
  Corporate cash holdings
  Capital structure and information asymmetry

Dr. Jonathan Reeves (Quad 3068, Ext 55874):
  Empirical finance
  Financial econometrics
  Value at risk
  Asset pricing
  International Finance

Professor Ian Sharpe (Quad 3038, Ext 55856):
  Banking and bank regulation
  Corporate finance
  Determinants of loan/bond contract terms
  Efficiency of financial institutions
  Debt structure of Asian firms & Asian banking

A/Prof. Ah-Boon Sim (Quad 3043, Ext 55868):
  Financial econometrics
  International finance
  Portfolio management
  Risk management
Term structure of interest rates
Time series models

**Dr. Jo-Ann Suchard (Quad 3063, Ext 55876):**
- Capital raising: IPOs, SEOs, venture capital
- Corporate governance

**Professor Peter Swan (Quad 3042, Ext 55871):**
- Asset pricing
- Corporate governance
- Executive compensation
- Market microstructure

**Professor Terry Walter (Quad 3037, Ext 55858):**
- Empirical tests of finance theory as it relates to the behaviour of capital markets
- Market microstructure
- Takeovers and mergers and initial public offers
- Anomalies in empirical capital market evidence
- Behavioural finance
- Performance of mutual funds

**Dr. Kathy Walsh (Quad 3031A, Ext 55884):**
- Asset Pricing
- Bayesian Analysis
- Regime Switching

**Dr. Jian-Xin Wang (Quad 3074, Ext 55863):**
- Trading mechanisms and price discovery in financial markets
- Asian emerging capital markets

**Dr. Kathy Wong (Quad 3041, Ext 57886):**
- Role of trading participants in the capital markets
- Initial public offerings
- Market microstructure
- Empirical analysis of capital market anomalies
- Securities market regulation
- Behavioural finance

**Dr. Li Yang (Quad 3059, Ext 55857):**
- Futures trading and hedging
- Contract design and its effects on the underlying markets
- Option valuation
- Risk management

**Dr. Alfred Yawson (Quad 3067, Ext 54900):**
- Corporate restructuring, takeovers, divestitures and bankruptcies
- Corporate Governance

**Dr. Henry Yip (Quad 3062, Ext 55870):**
- Bid-ask spreads
- Causality

**Dr. Jason Zein (Quad 3039, Ext 55875):**
- International finance
- International banking
- Corporate finance
- Forecasting volatility in financial markets
FOR FURTHER INFORMATION CONTACT

School of Banking and Finance  
Faculty of Commerce and Economics  
University of New South Wales  
UNSW Sydney NSW 2052 Australia

Telephone: 612-9385 5867  
Facsimile: 612-9385 6347  
E-mail: bankfin@unsw.edu.au

Or visit the web site at: http://banking.web.unsw.edu.au

For general information on the degrees offered by the Faculty of Commerce and Economics contact:

The Student Centre  
Faculty of Commerce and Economics  
University of New South Wales  
UNSW Sydney NSW 2052 Australia

Telephone: 612-9385 3187  
612-9385 3189  
Facsimile: 612-9313 7767  
E-mail: ceinfo@unsw.edu.au

Or visit the web site at: http://www.fce.unsw.edu.au

For international students:

The Student's Centre  
International Office  
UNSW Sydney NSW 2052  
Telephone: 612-9385 6996  
Facsimile: 612-9385 7382  
E-mail: internationaloffice@unsw.edu.au

Or visit the web site at: www.international.unsw.edu.au