

THE UNIVERSITY OF
NEW SOUTH WALES



Australian School of Business
School of Banking and Finance

FINS3650
INTERNATIONAL BANKING

COURSE OUTLINE
SEMESTER 1, 2009

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1. STAFF CONTACT DETAILS

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Lecturer:

Associate Professor
Suk-Joong Kim

Contact Details:

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Tel: 9385-4278
Email: s.kim@unsw.edu.au

Consultation Hours:

Mon 3-5pm

2. COURSE DETAILS

2.1 Teaching Times and Locations

Day and Time:

Thursday 2-5pm

Location:

CLB 6

2.2 Units of Credit

6 UOC

2.3 Summary of Course

The major focus of this course is in providing students with an understanding of international banking and finance in the contemporary environment. Due to the dynamic nature of the international banking environment, it is necessary to develop skills to effectively identify and understand the effects of current developments. Firstly, the international banking functions are presented; international trade financing, participation in the interbank foreign exchange and Eurocurrency markets, international investment banking services, and sovereign lending. In addition, other important topics are presented; international money laundering, international banking and debt crises, and offshore banking markets.

2.4 Course Aims and Relationship to Other Courses

The major aim of this course is to equip students with the background and current knowledge on International Banking. Together with FINS3651 International Financial Services and FINS3616 International Business Finance, this course forms the basis of International Finance concentration. In addition, this course complements FINS3630 Bank Financial Management by providing international market perspectives of Banking.

2.5 Student Learning Outcomes

Upon successful completion of this course students will gain following.

1. Understanding of the international financial market environment for international banking
2. Appreciation of the current issues and challenges faced by international banks
3. Ability to conduct independent research in international banking (provided optional research assessment component is taken)

3. LEARNING AND TEACHING ACTIVITIES

3.1 Approach to Learning and Teaching in the Course

For each lecture topic there will be a list of readings that need to be completed. Readings are classified in terms of their relevance for the topic. As some reading materials are extensive, students must use their judgements to decide the coverage and the depth necessary for each reading.

3.2 Learning Activities and Teaching Strategies

For each topic, there will be a lecture note and corresponding lecture slides which will be made available on the webvista prior to each lecture. It is recommended that students read the note thoroughly before lecture and this will provide necessary information on the optimal depth of reading coverage.

There is a list of review questions for each topic at the end of each lecture note. Students are required to go through these questions and some of these will be discussed in review lectures.

The three hour lecture block will be broken into three. There will be a succession of three 50 minute lectures interleaved with two 10 minute breaks.

4. ASSESSMENT

4.1 Formal Requirements

There will be two closed-book exams and an optional group research assessment. An optional group assessment is worth 30% of overall assessment and can be attempted by a group of no more than **THREE** people.

There will be two short research type assignments and BOTH must be handed in (deadlines will vary – Assignment 1 is due in Week 6). More information on this will be released shortly.

There is no need to formally inform me of your assessment option. If you choose option 2 just submit on time.

4.2 Assessment Format

	<u>Option 1</u>	<u>Option 2</u>
Mid-Term Exam (Week 7 , 120 minutes):	50%	35%
Final Exam (120 minutes):	50%	35%
Two Assignments:		30%
Total:	100%	100%

4.3 Assignment Submission Procedure

Email submission by the deadline

4.4 Late Submission

Late submission will not be accepted.

5. ACADEMIC HONESTY AND PLAGIARISM

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For UNSW's policies, penalties, and information to help you avoid plagiarism see: <http://www.lc.unsw.edu.au/plagiarism/index.html> as well as the guidelines in the online ELISE tutorial for all new UNSW students: <http://info.library.unsw.edu.au/skills/tutorials/InfoSkills/index.htm>.

6. COURSE RESOURCES

All the lecture and course materials are available from Webvista.

7. COURSE EVALUATION AND DEVELOPMENT

This course will be available for on-line course evaluation and students are encouraged to provide feedbacks to help improve the course.

8. STUDENT RESPONSIBILITIES AND CONDUCT

Students are expected to be familiar with and adhere to university policies in relation to class attendance and general conduct and behaviour, including maintaining a safe, respectful environment; and to understand their obligations in relation to workload, assessment and keeping informed.

Information and policies on these topics can be found in the 'A-Z Student Guide': <https://my.unsw.edu.au/student/atoz/ABC.html>. See, especially, information on 'Attendance and Absence', 'Academic Misconduct', 'Assessment Information', 'Examinations', 'Special Consideration', 'Student Responsibilities', 'Workload' and policies such as 'Occupational Health and Safety'.

8.1 Workload

It is expected that you will spend at least **eight hours** per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to complete assignments or prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

8.2 Attendance

Your regular and punctual attendance at lectures and seminars is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.

8.3 Special Consideration and Supplementary Examinations

You must submit all assignments and attend all examinations scheduled for your course. You should seek assistance early if you suffer illness or misadventure which affects your course progress. For advice on UNSW policies and procedures for granting special consideration and supplementary exams, see:

‘UNSW Policy and Process for Special Consideration’:
<https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>

The ‘ASB Policy and Process for Special Consideration and Supplementary Exams in Undergraduate Courses’ is available at:
<http://www.docs.fce.unsw.edu.au/fce/current/StudentSuppExamProcedure.pdf>.

Further information for undergraduate students is on the ASB website (see ‘Policies and Guidelines for Current Students’).

8.4 General Conduct and Behaviour

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: www.my.unsw.edu.au

8.5 Occupational Health and Safety

UNSW Policy requires each person to work safely and responsibly, in order to avoid personal injury and to protect the safety of others. For more information, see <https://my.unsw.edu.au/student/atoz/OccupationalHealth.html>.

8.6 Keeping Informed

You should take note of all announcements made in lectures, tutorials or on the course web site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information. It is also your responsibility to keep the University informed of all changes to your contact details.

9. ADDITIONAL STUDENT RESOURCES AND SUPPORT

The University and the ASB provide a wide range of support services for students, including:

- **ASB Education Development Unit (EDU)** (www.business.unsw.edu.au/edu)

Academic writing, study skills and maths support specifically for ASB students. Services include workshops, online and printed resources, and individual consultations. EDU Office: Room GO7, Ground Floor, ASB Building (opposite Student Centre); Ph: 9385 5584; Email: edu@unsw.edu.au

- **UNSW Learning Centre** (www.lc.unsw.edu.au)
Academic skills support services, including workshops and resources, for all UNSW students. See website for details.
- **Library training and search support services:** <http://info.library.unsw.edu.au>
- **UNSW IT Service Desk:** Technical support for problems logging in to websites, downloading documents etc. Library, Level 2; Ph: 9385 1333.
Website: www.its.unsw.edu.au/support/support_home.html
- **UNSW Counselling Service** (<http://www.counselling.unsw.edu.au>)
Free, confidential service for problems of a personal or academic nature; and workshops on study issues such as 'Coping With Stress' and 'Procrastination'.
Office: Level 2, Quadrangle East Wing ; Ph: 9385 5418
- **Student Equity & Disabilities Unit** (<http://www.studentequity.unsw.edu.au>) Advice regarding equity and diversity issues, and support for students who have a disability or disadvantage that interferes with their learning. Office: Ground Floor, John Goodsell Building; Ph: 9385 4734

10. COURSE SCHEDULE

10.1 References

Weekly readings are specified in the lecture outline and they are available in three forms.

- Course Booklet (indicated with ^(CB) in front of the title) contains most of the required reading and is available for purchase from the University bookshop.
- Web-based readings (indicated with ^(WEB) in front of the title) are available only as internet downloads (pdf format). They need to be individually downloaded from the web by visiting the appropriate web sites. The web addresses of the readings are provided below and the links to these readings are to be found on the course web site (see below).
- Some readings are placed in Webvista in appropriate folders and are denoted as ^(WEBVista).

10.2 Lecture Outlines

- *** refers to essential reading
- ** refers to additional reading
- * refers to useful reference

Topic 1: Overview

^(WEB)Lecture notes***

^(CB, WEBVISTA)Canals, Jordi (1997) Universal Banking, Oxford University Press, New York, Chapter 9: Internationalization of Banking, pp.242-275. ***

^(CB, WEBVISTA)Eng, Maximo V., Lees, Francis A. and Mauer, Laurence J. (1998), Global Finance, Addison-Wesley. Chapter 9: Global Banking, Overview **.

^(WEB)McGuire, Patrick and Goetz, von Peter (2008) International banking activity amidst the turmoil, BIS Quarterly Review, June
http://www.bis.org/publ/qtrpdf/r_qt0806e.pdf **

^(WEB)BIS Annual report 2008, Chapter 1. Introduction: the unsustainable has run its course <http://www.bis.org/publ/arpdf/ar2008e1.pdf> **

^(WEB)McGuire, Patrick and Tarashev, N. (2006) Tracking International Banking Flows, BIS Quarterly Review, Dec. 2006, pp 27-40
(http://www.bis.org/publ/qtrpdf/r_qt0612e.pdf) *

^(WEB)“The international banking market” in *BIS Quarterly Review, Various Issues*
(<http://www.bis.org/>) *

Topic 2: International Trade Financing

^(WEB)Lecture notes***

^(CB) Madura, J. (2006) International Financial Management, 8th ed., Thompson. Chapter 19 Financing international trade. ***

Other readings might be specified later.

Topic 3: Foreign Exchange Markets

^(WEB)Lecture notes***

^(CB) Hughes, J. and Macdonald, S. (2002) International Banking: Text and Cases, Addison Wesley. Chapter 8 Banking on the foreign exchange market. ***

^(WEB)Lindley, Robert (2008) Reducing foreign exchange settlement risk, BIS Quarterly Review, September, http://www.bis.org/publ/qtrpdf/r_qt0809g.pdf **

^(WEB) Clifton, K., Plumb, M. (2007) Intraday currency market volatility and turnover. RBA Bulletin December.
(http://www.rba.gov.au/PublicationsAndResearch/Bulletin/bu_dec07/Pdf/bu_1207_1.pdf) *

^(WEB) Gallardo, Paola and Heath, Alexandra (2009) Execution methods in foreign exchange markets, BIS Quarterly Review, March,
http://www.bis.org/publ/qtrpdf/r_qt0903h.pdf *

Other readings might be specified later.

Topic 4: International lending -Euro Currency Markets and Loan Syndication

^(WEB) Lecture notes***

^(CB) Smith, Roy C. and Walter, Ingo (2003), **Global Banking, second edition**, New York: Oxford University Press. (S 332.15/119 C). Chapter 2 International Money and foreign exchange markets, pp. 19-47 ***.

^(WEBVISTA) Smith, Roy C. and Walter, Ingo (2003), **Global Banking, second edition**, New York: Oxford University Press. (S 332.15/119 C). Chapter 5 International Bank Lending, pp. 99-117 ***.

Other readings might be specified later.

Topic 5: Competitive Strategy of Banking

^(WEB) Lecture notes***

^(WEBVISTA) Smith, Roy and Walter, Ingo (2003), Chapter 14: Strategic Positioning and Competitive Performance, pp. 356-395. ***

Other readings may be announced.

Topic 6: Secret Money

^(WEB) Lecture notes***

^(WEBVista) Hughes, J. and Macdonald, S. (2002) International Banking: Text and Cases, Addison Wesley. Chapter 12 Money laundering. ***

^(CB) Jüttner, D. J. (1998), Chapter 12: Offshore Financial Centres and International Money Laundering, pp.214-226. **

^(CB) Barry, P. (2000) Dirty Laundry, SMH 14 Oct. 2000*

^(CB)Kochan, Nick (2005) Cover-up! Bankers and their corrupt clients, in *The Washing Machine*, OUP, pp. 157-190. *

^(WEB)Financial Action Task Force on Money Laundering, OECD web site (<http://www.oecd.org/fatf/>) *

Topic 7: International Banking Crisis

^(WEB)Lecture notes***

^(CB)Bein, D. and Calomiris, C. (2001) *Emerging Financial Markets*, McGraw-Hill, Chap 7: The Trouble with Banks, pp.256-291.***

^(WEB)De Grauwe, Paul (2008) *The Banking Crisis: Causes, Consequences and Remedies* <http://www.policypointers.org/Page/View/8386>***

^(CB)Milne, A. and Wood, G. (2003) International banking crises, Chapter 15 in *Handbook of international banking*, Mullineux, A. and Murinde, eds, Edward Elgar.**

^(WEB)BIS Annual report 2008, Chapter 6. Financial markets <http://www.bis.org/publ/arpdf/ar2008e6.pdf> **

^(WEB)Laeven, Luc and Valencia, Fabian V. (2008) *Systemic Banking Crises: A New Database*, IMF Working Paper No. 08/224 <http://www.imf.org/external/pubs/ft/wp/2008/wp08224.pdf> *

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Topic 8: Regulation of International Banking

^(WEB)Lecture notes***

^(CB)Heffernan, Shelagh (2005), Chapter 4: Global Regulation of Banks, pp. 173-219.***

^(WEB)BIS (1983) Principles for the supervision of banks' foreign establishments (the "Concordat") (<http://www.bis.org/publ/bcbssc312.pdf>)*

^(WEB)BIS (1992) Minimum Standards for the supervision of international banking groups and their cross-border establishments. (<http://www.bis.org/publ/bcbssc314.pdf>)*

Topic 9: Role of Foreign Banks in Emerging Markets. (0.5)

^(WEB)Lecture notes***

^(CB)Domanski, D. (2005) Foreign banks in emerging market economies: Changing players, changing issues. *BIS Quarterly Review*, Dec. 2005, pp. 69-81. (http://www.bis.org/publ/qtrpdf/r_qt0512f.pdf) **

^(CB)Van Horen (2007) Foreign banking in developing countries: Origin matters, Emerging Markets Review 8, 81-105 **

^(WEB)IMF (2000), International Capital Markets 2000, Chapter 6: The role of foreign banks in emerging markets.
(<http://www.imf.org/external/pubs/ft/icm/2000/01/eng/pdf/chap6.pdf>) *

10.3 Lecture Timetable

Week	Date	Topics
1	12-Mar	1-Overview
2	19-Mar	1-Overview: Continued 2-Trade Financing
3	26-Mar	3-Foreign Exchange and
4	2-Apr	4- International lending -Euro Currency Markets and Loan Syndication
5	9-Apr	5- Competitive Strategy of International Banking
		Mid-Session Break: 10 Apr to 19 Apr
6	23-Apr	Revision 1
7	30-Apr	Mid-Session Exam (Topics 1-5)
8	7-May	6- Secret Money
9	14-May	7- International Banking Crisis
10	21-May	8- Regulation of International Banking
11	28-May	9-Role of Foreign Banks in Emerging Markets
12	4-Jun	Revision 2

Please note that the timing of the presentation of the topics may differ slightly from the above schedule due to additional materials that may be covered in some topics.