

THE UNIVERSITY OF
NEW SOUTH WALES



SCHOOL OF
BANKING AND FINANCE

***FINS5550 INTERNATIONAL BANKING MANAGEMENT
COURSE OUTLINE - SESSION 2, 2003***

General

This course provides students with an understanding of international financial market environments relevant for the operations of international banking institutions. Firstly, the international banking functions are presented; international trade financing, participation in the interbank foreign exchange and Eurocurrency markets, international investment banking services, sovereign lending. In addition, other important topics are presented; international money laundering, international banking and debt crises, regulation of international banking activities, offshore banking markets.

Staff and Organisation

Lecturer: Associate Professor Suk-Joong Kim	Contact Details: Rm 3061, Quad Tel: 9385-4278 Email: s.kim@unsw.edu.au	Consultation Hours: Mon 3-5pm
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Lecture Times

Day and Time: Monday 6-9pm	Location: CLB 7
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Assessment Format

	<u>Weight</u>
Mid-Term Exam (Week 9 , 180 minutes):	40%
Final Exam (180 minutes):	35%
Project:	25%
Total:	100%

Note 1

The mid-session examination will be held in week 9 (**6-9 pm Monday 22nd September**). It will cover the materials for weeks 1 to 6. The location of the exam will be same as normal lectures.

Note 2

A compulsory project is worth 25% of overall assessment and can be attempted by a group of no more than **THREE** people. The topic is open. You can conduct research in any area of the topics covered in the course. You must submit a one page research proposal by the end of lectures in **week 5** (25th August), and a final report (typed, double spaced and no more than 25 pages) by 5pm on the Monday of **week 14** (3rd November).

References

The recommended text is

Hughes, J. and Macdonald, S. (2002) International Banking: Text and Cases, Addison Wesley. (HM) (OR Cat. S332.15/123, 123A, 123B)

Weekly readings are specified in the lecture outline and available

- in Course Booklet (indicated with ^(CB) in front of the title) which is available for purchase from the University bookshop
- as web-based readings (indicated with ^(WEB) in front of the title) and 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).
- In the Open Reserve section of the Library (indicated with ^(OR) in front of the title).
- Other readings may be provided in class.

Some of these readings are also available in the main library's open reserve section (refer to the call number for each reading below).

The following is a list of books that are used in at least one topic and are placed in the Open Reserve.

Dufey, Gunter and Giddy, Ian (1994), The International Money Market, 2nd Edition, New Jersey: Prentice Hall. (OR. Cat. S332.45/128B, 128D and 128E)

Chapters 5 and 6 are used

Smith, Roy C. and Walter, Ingo (1997), Global Banking, New York: Oxford University Press. (OR. Cat. S332.15/119 and 119A)

Chapters 14

Smith, Roy C. and Walter, Ingo (2003), Global Banking, second edition, New York: Oxford University Press. (on order)

Mullineux, Andrew W. and Victor Murinde, eds (2003), Handbook of international banking, Edward Elgar, Cheltenham, U.K. (SREF 332.15/124)

Eng, Maximo V., Lees, Francis A. and Mauer, Laurence J. (1998), Global Finance, Addison-Wesley. (OR. Cat. WP/1039, A, B)

Chapters 6, 9 and 12 are used

Course Web Site

<http://banking.web.unsw.edu.au/>

First visit the school's web page above and then navigate through to the course web page. Alternatively, you can access it directly by typing

<http://banking.web.unsw.edu.au/fins5550/>

This is a secure site and access is permitted to only those students enrolled in the subject. If you have enrolled late, you will have access when the faculty records are updated. The login and password are the same as your UNIPASS. If you are unsure about your access, contact DISCONNECT (located in the lower level of the main library).

You are required to visit the site regularly as all the course materials (lecture notes, lecture slides, additional readings, if any, important announcements) will be made available for downloading/viewing on a weekly basis.

Special Consideration

Special considerations on assessable components of the course are given only when justifiable case is made. In general, no automatic supplementary exam will be given to missed mid-session or final exams. Submission of an official special consideration to the NewSouth Q is required for any special consideration, but there is no guarantee that it will be successful. Please refer to the school (and faculty)'s position on special consideration at http://banking.web.unsw.edu.au/curr/spec_cons_v6.pdf

Plagiarism

The University takes academic misconduct seriously. Please refer to http://www.student.unsw.edu.au/academiclife/assessment/academic_misconduct.shtml

Lecture Outline

Part I Overview and International Banking Functions

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

Topic 1: Overview (1.5)

^(WEB)Lecture notes***

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

HM Chapters 2*, 4** and 15**

^(CB)Eng, et al (1998), Chapter 9: *Global Banking, Overview**.

^(CB)Mullineux, A. W. and Murinde, V. (2003) Globalization and convergence of banking systems, Chapter 1 of *Handbook of International Banking*, Mullineux, A. W. and Murinde, V (eds), Edward Elgar, UK*

^(WEB)"The international banking market" in *BIS Quarterly Review, June 2003*.
(http://www.bis.org/publ/qtrpdf/r_qt0306.pdf)

Topic 2: International Trade Financing (0.5)

^(WEB)Lecture notes***

^(CB)Thompson, T. and Bruce, R. (1996) *Trade Finance*, Chapter 12 in *Handbook of Australian Corporate Finance*, 5th ed. Butterworth, Sydney.***

Other readings might be specified later.

Topic 3: Foreign Exchange Markets (1)

^(WEB)Lecture notes***

^(CB)Flood, M. (1989) *Microstructure Theory and the Foreign Exchange Market*, Federal Reserve Bank of ST. Louis, Review, pp-52-70.***

HM Chapter 8**

^(CB)Madura, J. Appendix 4 of Chapter 4 in *International Financial Management*, ITP*

Other readings might be specified later.

Topic 4: Euro Debt Markets (1.5)

^(WEB)Lecture notes***

^(CB)Eng, et al (1998), Chapter 6: Eurocurrency and Offshore Banking***

^(OR)Duffey and Giddy(1994)*,
Chapter 5: Euromarket Funding Practices, pp. 195-236.
Chapter 6: Lending Techniques in the International Money Market, pp. 237-280.

Topic 5: International Investment Banking - International Loan Syndication (0.5)

^(WEB)Lecture notes***

HM Chapter 5***

^(CB)Duffey and Giddy(1994),
Chapter 6: Lending Techniques in the International Money Market, pp. 237-280.***

^(CB)Khambata, D. (1996) Chapter 11: International Syndicated Loans, in The Practice of Multinational Banking, Quorum, Westport, pp.224-243.***

Topic 6: Sovereign Lending, Country Risk analysis and International Debt Crisis (1)

^(WEB)Lecture notes***

HM Chapter 14***

^(CB)Saunders, A. (2000) Financial Institutions Management, 3rd ed. McGraw-Hill, Chapter 16: Sovereign Risk, pp.328-356.***

^(OR)Eng, et al. (1998), Chapter 12: Bank Lending, Euroloans and Country Risk Analysis, pp. 354-400.**

^(WEB)IBM (1999) International Financial Markets 1999, Annex 5: Credit ratings and recent crisis. (<http://www.imf.org/external/pubs/ft/icm/1999/pdf/file11.pdf>)*

Part II Other Topics of International Banking

Topic 7: Competitive Strategy of Banking (1)

^(WEB)Lecture notes***

^(CB)Smith and Walter (1997), Chapter 14: Strategic Positioning and Competitive Performance, pp. 401-445.***

Revision 1 (week 8)

<p><i>Mid-Session Exam: 6-9pm Monday 22nd September (Week 9)</i> <i>Coverage: Topics 1-6</i></p>
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Topic 8: Offshore Banking Centres and International Money Laundering (1)

^(WEB)Lecture notes***

HM Chapters 7 and 12***

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

^(WEB)Billy's Money Laundering Information Website, <http://www.laundryman.u-net.com/>***

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

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

Eng, et al (1998), Chapter 6: Eurocurrency and Offshore Banking, pp.133-169.*
(This reading is available in the open reserve, (OR. Cat. WP/1039, A, B))

Further Readings:

Walter, Ingo (1990) The secret money market, Harper Collins (private copy)*.

Walter, Ingo (1986) Secret money: the shadowy world of tax evasion, capital flight and fraud, Unwin, (S332.042/29).*

Topic 9: International Banking Crisis (1.5)

^(WEB)Lecture notes***

HM Chapter 9***

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

^(CB)Goldstein, M. and Turner P. (1996), *Banking Crises in Emerging Economies: Origin and Policy Options*, BIS Economic Papers, No. 46. (<http://www.bis.org/publ/econ46.pdf>) **

Topic 10: Regulation of International Banking (1)

^(WEB)Lecture notes***

HM Chapter 10***

^(CB)Smith and Walter (2003), Chapter 13: Global Banking Regulation, pp.335-355.***

^(WEB)BIS (1983) Principles for the supervision of banks' foreign establishments (the "Concordat") (<http://www.bis.org/publ/bcbsc312.pdf>)*

^(WEB)BIS (1992) Minimum Standards for the supervision of international banking groups and their cross-border establishments. (<http://www.bis.org/publ/bcbsc314.pdf>)*

Further Reading:

^(WEB)BIS (1996), *The Supervision of Cross-Border Banking*, Report by a Working Group, October. (<http://www.bis.org/publ/bcbs27.pdf>)*

Topic 11: Role of Foreign Banks in Emerging Markets. (0.5)

^(WEB)Lecture notes***

^(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>)

Revision 2 (week 14)

Lecture Time Table

<i>Week</i>	<i>Date</i>	<i>Topics</i>
1	28-July	1-Overview
2	4-Aug	1-Overview: Continued 2-Trade Financing
3	11-Aug	3-Foreign Exchange Markets
4	18-Aug	4-Euro Debt Markets
5	25-Aug	4-Euro Debt Markets: Continued 5-International Loan Syndication
6	1-Sep	6-Sovereign Lending, Country Risk analysis and International Debt Crisis
7	8-Sep	7-Competitive Strategy of Banking
8	15-Sep	Revision 1
9	22-Sep	Mid-Session Exam (Topics 1-6)
		Mid-Session Break: Saturday 27th Sep – Monday 6th Oct
10	6-Oct	Last day of session break – no lectures
11	13-Oct	8-Offshore Banking Centres and International Money Laundering
12	20-Oct	9-International Banking Crisis
13	27-Oct	10-Regulation of International Banking
14	3-Nov	11-Role of Foreign Banks in Emerging Markets 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.

Project

General:

There is an on-going structural shift in the international financial markets. The role of international banks are constantly redefined and reshaped due to ever-changing playing fields. Two of the most important background changes are financial deregulation and innovations in products and their delivery. The aim of this project is to overview the current trend in an area of international banking of your choosing. This is a joint project and you are allowed to form a group containing up to **THREE** members to carry out the project.

Topic:

Open. You come up with a project topic. As a first step, glance the list of topics for the course for a topic that catches your interest and proceed to the reading list. Alternatively, you might want to search for a topic that you hold your interests in. As long as the chosen topic falls within the coverage of this course, it is acceptable.

Project Proposal:

Once a topic is selected and initial background reading done, proceed to write a one-page project proposal. In the proposal, you should include the followings:

- Title
- List of Participants in the project
- Short description of the topic
- Justification of the choice of the topic
- Outline of the issues to be discussed
- References

The proposal is due in **Week 5** (25th August). Please hand in after lecture in week 5 or to my office (Quad 3061).

The acceptability of your proposal will be notified to you in the following week. If your proposal is accepted, you are cleared to proceed. If not, you must submit another (or fixed up) proposal by week 7.

Please be advised that once your proposal is accepted, you are committed to your chosen topic and must submit a final report by the due date (see below) or will receive zero for the project component in your assessment.

Final Report

The final report should be typed and not exceed 7,500 words (e.g. 25 pages of text at 250 words per page including Tables, figures and footnotes but excluding references). Figures and tables should be inserted in appropriate places in the main text. Both hard copy and Word file of your project (as email attachments) must be submitted. It should contain, as a minimum, following sections:

Executive summary

Introduction:

Specify the nature of the problem to be tackled here. That is, elaborate your reason for doing a project in your chosen topic. What issues are to be tackled, and how, etc.

Main report:

This is where you provide major findings in a logical sequence.

Conclusion:

A brief summary of your findings and concluding remarks.

References:

Alphabetise your references in the order of author's last name.

The final report will be uploaded to the course web site so it is important to avoid clippings from your readings. Instead, you should incorporate them in your Word documents.

The final report is due ***5pm Monday 3rd November (Week 14)***.

Submission list

- Hardcopy of project
- Word file of project*

* Please send them to me (s.kim@unsw.edu.au) as email attachments. Check for virus before sending it.

Deadline is ***5pm Monday 3rd November (Week 14)***.