THE UNIVERSITY OF HONG KONG  
FACULTY OF BUSINESS AND ECONOMICS  
School of Economics and Finance

FINA0602/FINA3353 Regulatory and Operational Issues in Finance  
Semester 2, 2017 – 18

GENERAL INFORMATION

Instructor: Ronald K. CHUNG, Ph.D.
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Office: (852) 280-281-28
Phone: (852) 280-281-28
Consultation times: 5.30 p.m. – 6.30 p.m., Mondays. Students who cannot attend the consultation hours may request for a separate consultation time via appointment.

Lecture: Monday, 14:30 – 17:20 in MB122

Pre-requisites:
FINA0301/FINA2322 Derivatives; and
FINA2802/FINA2320 Investments and portfolio analysis or STAT2309/STAT3609 The statistics of investment risk

Other important details:
FINA2330. Financial markets and institutions (6 credits) [the current course builds on a typical financial markets and institutions course]
FINA2331. Management of commercial banks (6 credits) [the current course will go into details w.r.t. operations issues and, of course, have coverage in banking regulations]
FINA3322. Credit risk (6 credits) [the current course will look into the operations management of credit]
FINA3340. Risk management (6 credits) [the outline in FINA 3340 stated that it covers risk management for financial institutions. The current course takes a more management perspective of the issues.]
FINA3383. Ethics, laws, regulations and compliance (6 credits) [the current course takes a more management policy perspective]

COURSE DESCRIPTION

This course examines with students a number of practical issues in quantitative finance, more specifically, how practices by market participants are affected by regulations and the regulatory environment.

Regulations from the macro regulatory environment are then transformed into operational practices in financial markets and its respective institutions.

In this course, the macro regulatory issues are discussed in class while operational issues are examined in the context of life cases.

The course is put together with a blend of concepts, theories and frameworks as well as practices. The course focuses on how issues (risks) from operations are addressed through personal ethics, professional codes and industry best practices, as well as regulations, compliance and its related costs, put together by regulatory bodies such as central banks, securities exchange commissions etc. at the local level, and, BIS, Basel, etc. at the global level.

COURSE OBJECTIVES

After completing this course, the students will be able to:

- Implement the compliance functions in a financial institution in accordance with contemporary global regulatory standards;
- Manage the operational risk in a financial institution;
- Conduct analysis on regulatory and operational issues in finance industry;
- Deal with financial regulators; and
- Analyze and present cases professionally.
### FACULTY GOALS

Goal 1: Acquisition and internalization of knowledge of the programme discipline

Goal 2: Application and integration of knowledge

Goal 3: Inculcating professionalism and leadership

Goal 4: Developing global outlook

Goal 5: Mastering communication skills

### COURSE LEARNING OUTCOMES

<table>
<thead>
<tr>
<th>Course Learning Outcomes</th>
<th>Aligned Faculty Goals</th>
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</thead>
<tbody>
<tr>
<td>CLO 1: Understand the philosophy and rationale behind contemporary financial regulation</td>
<td>Goal 1, 4</td>
</tr>
<tr>
<td>CLO 2: Evaluate the impacts and analysis the tradeoffs managers face in responding to these regulations</td>
<td>Goal 1, 2, 3</td>
</tr>
<tr>
<td>CLO 3: Manage the operational issues in a financial institution</td>
<td>Goal 1, 2, 3, 5</td>
</tr>
</tbody>
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### COURSE TEACHING AND LEARNING ACTIVITIES

<table>
<thead>
<tr>
<th>Course Teaching and Learning Activities</th>
<th>Expected contact hour</th>
<th>Study Load (% of study)</th>
</tr>
</thead>
<tbody>
<tr>
<td>T&amp;L1: Lectures and class discussions</td>
<td>39</td>
<td>32.5%</td>
</tr>
<tr>
<td>T&amp;L2: Case preparations and group discussions</td>
<td>27</td>
<td>22.5%</td>
</tr>
<tr>
<td>T&amp;L3: Case presentations and delivery</td>
<td>18</td>
<td>15%</td>
</tr>
<tr>
<td>T&amp;L4: Self-study and research</td>
<td>36</td>
<td>30%</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

### Assessment Methods

<table>
<thead>
<tr>
<th>Assessment Methods</th>
<th>Brief Description (Optional)</th>
<th>Weight</th>
<th>Aligned Course Learning Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class participation</td>
<td>Credits will be given if students could make good contribution to in-class discussion and debate. Learning attitude such as efforts and classroom behavior will also be considered in granting class participation credits.</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Group project: presentation</td>
<td>Students will form groups to investigate a topic directly related to the subject matter of the course and make a presentation at the end of the semester.</td>
<td>10%</td>
<td>ALL CLOs</td>
</tr>
<tr>
<td>Group project: final report</td>
<td>Write a detailed analysis report on the selected topic.</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Mini-assignments/tests</td>
<td>The mini-assignments/tests are designed to assess the basic industry knowledge on financial regulations.</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>
Final exam | A comprehensive examination to be given at the end of the course to help students develop an integrative, capstone experience. | 50%
---|---|---
Central | | Total 100%

### STANDARDS FOR ASSESSMENT

#### Course Grade Descriptors

<table>
<thead>
<tr>
<th>Grade</th>
<th>Description</th>
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<tbody>
<tr>
<td>A+, A, A-</td>
<td>Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply evaluate and synthesis.</td>
</tr>
<tr>
<td>B+, B, B-</td>
<td>Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply evaluate and synthesis.</td>
</tr>
<tr>
<td>C+, C, C-</td>
<td>Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning: describe, apply but not at high levels of learning such as evaluate and synthesis.</td>
</tr>
<tr>
<td>D+, D</td>
<td>Evidence of basic familiarity with the subject.</td>
</tr>
<tr>
<td>F</td>
<td>Little evidence of basic familiarity with the subject.</td>
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### Assessment Rubrics for Each Assessment

#### Class participation

- Demonstrates preparation of relevant topics prior to class meetings.
- Demonstrates understanding of the subject matter.
- Contributes to the discussion, engages with other students’ ideas sensitively and helps move the discussion forward in class meetings.
- Presents ideas clearly, fluently and articulately.

#### Group project: presentation

- Identifies and addresses the main themes and issues, including their subsidiary, embedded or implicit aspects.
- Consistent perceptive and critical engagement with the themes and issues based on understanding of relevant concepts and theories, with effective analysis, synthesis and application of knowledge.
- Demonstrates command of existing arguments relevant to the topic, and examines the issues from the important perspectives including rival positions and counter-evidence.
- The arguments fit together logically and build a compelling case.
- The presentation has an outline, structure and conclusion, with clear transition between different parts (by different presenters).
- Presenters show command and understanding of the presented contents (e.g., PowerPoint files, if any), which are their own writing.
- Presenters engage the audience through good communication skills (e.g., eye contact, gestures and variation in tone) and adhere strictly to the set time limits.
Group project: final report

- Identifies and addresses the main themes and issues, including their subsidiary, embedded or implicit aspects.
- Consistent perceptive and critical engagement with the themes and issues based on understanding of relevant concepts and theories, with effective analysis, synthesis and application of knowledge.
- Demonstrates command of existing arguments relevant to the topic, and examines the issues from all important perspectives including rival positions and counter-evidence.
- The arguments fit together logically and build a compelling case.
- The report has a clear structure and organization, with an introduction that states the main themes and writer’s position and a conclusion that summarizes the main arguments. Each paragraph has a central idea which is developed throughout the paragraph with supporting details.
- The report has very few, if any, errors in grammar and vocabulary. Conventions of academic writing (e.g., citation, references, footnotes, etc.) are followed meticulously.
- Quoted materials from other sources (with proper citation) are used to support and strengthen arguments instead of replacing the student’s own writing.

Mini-assignments/tests

- Demonstrates grasp of different aspects of the course (basic concepts and major perspectives and arguments in the literature).
- Demonstrates ability to interrelate and synthesize course materials, and to arrive at one’s own position in controversial issues based on knowledge acquired from the course.

Final exam (take home)

- Demonstrates grasp of all aspects of the course (basic concepts and major perspectives and arguments in the literature).
- Demonstrates ability to interrelate and synthesize course materials, and to arrive at one’s own position in controversial issues based on knowledge acquired from the course.

COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE

Week 1  Overview: Operating Environment
Week 2  Objectives of Financial Regulations
Week 3  Securities and futures regulations
Week 4  Regulations and issues in the insurance sector
Week 5  Banking regulations
Week 6  Operational risk management
Week 7  Funding and liquidity risk management
Week 8  Case studies 1 to 4
Week 9  Case studies 5 to 8
Week 10 Compliance risk management and AML
Week 11 Group presentation
Week 12 Group presentation
### REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS (e.g. journals, textbooks, website addresses etc.)

**Key readings**

- OCI, 2013. Study Notes for the Principles and Practice of Insurance Examination.

**Further discussions**


**Online Resources:**


### MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE

- Conducting mid-term survey in addition to SETL around the end of the semester
- Online response via Moodle site
- Others: ________________________ (please specify)

### COURSE POLICY (e.g. plagiarism, academic honesty, attendance, etc.)

**Class conduct**

Students are expected to attend all classes on time. There will be no make-up class due to the absence of any students. The lecturer has the discretion to give penalty in case of any class misconducts.

**Academic dishonesty**

The University regulations on academic dishonesty will be strictly enforced. Please check the University statement on plagiarism on the web: [http://www.hku.hk/plagiarism/](http://www.hku.hk/plagiarism/)

Academic dishonesty is any act that misrepresents a person’s own academic work or that compromises the academic work of another. It includes (but not limited to) cheating on assignments or examinations; plagiarizing, i.e. representing someone else’s ideas as if they are one’s own or sabotaging another’s work.

### ADDITIONAL COURSE INFORMATION (e.g. e-learning platforms & materials, penalty for late assignments, etc.)