

East China Normal University

FINA32 International Finance

Instructor: Dr. Lei Meng

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Home University: East China University of Science and Technology

Semester: June 27 to July 15, 2022

Course Hour: Monday through Friday, 160 mins per teaching day;

Total Contact Hours: 64 contact hours

Credits: 4

Designated Textbook with ISBN:

David Eiteman et al., (2016) Multinational Business Finance 12th Edition, ISBN: 9787111543008

Course Prerequisite:

Fundamental knowledge in macroeconomics, finance and financial management.

**Notes: The course might be moved to online delivery due to COVID-19 pandemic. Students will be notified once such decision is made.*

Course Overview

This course provides an overview of the international financial system and factors that influence its development. The rise of FinTech, digital currencies, an international RMB and the implications for global financial governance are also highlighted. The working mechanism of the world foreign exchange market and the theories that support the exchange rate forecasting framework are explained and illustrated with case studies. From multinational corporations and international institution investors' perspective, accessing funding through international money, bond and equity markets are discussed. In particular, traditional international money market instruments such as commercial papers and repurchase agreements as well as Eurocurrency instruments are introduced. The important issues underlying the international bond market such as the drive towards ESG compliance, determinants of bond yield and valuation of various types of bonds are explained. Dynamics in the world equity market, Initial Public Offering, equity valuation methods are introduced and illustrated with cases. How derivatives such as futures, options and swaps can be used to mitigate risks from firms' multinational

business operations is demonstrated. Lastly, offshore centers and their implications on international tax avoidance are introduced.

Learning Outcomes

Upon completion of this course, students should:

1. Be able to demonstrate knowledge of the international financial system and factors that may influence its dynamics
2. Be aware of the rise of CBDC and RMB internationalisation and the impact on global financial governance
3. Familiarise with foreign exchange rate forecasting framework, calculating and interpreting various exchange rate problems
4. Understand how multinational corporations and international institution investors could access funding through international money and capital markets, and the valuation of respective instruments
5. Understand how various types of derivatives can be used to manage risks in the global markets.
6. Be aware of the implications of offshore centers on international tax avoidance

Grading Scale and Notes

The following definitions will be used as a guide for the assignment of grades:

Number Grade	Letter Grade	Definitions
94-100	A	Extraordinary distinction, indicating a full mastery of course content and excellent work.
90-93	A-	
87-89	B+	Strong performance demonstrating a high level of attainment, indicating a good comprehension of the course material and the student's full engagement with the course requirements and activities.
84-86	B	
80-83	B-	
77-79	C+	Acceptable performance, demonstrating an adequate and satisfactory comprehension of the course material and the student has met the basic requirements for completing assignments and participating in class activities.
70-76	C	
60-69	D	A marginal performance in the required exercises demonstrating a minimal passing level of attainment.
0-59	F	An unacceptable performance. The F grade indicates that the student's performance has revealed almost no understanding of the course content.

Assessment Policy

Assessment	Final Grade
Quiz	30%
Mid-Term Examination	30%
Final Examination	30%
Attendance	10%

Course Schedule

Date	Lecture
Day 1	Overview of International Financial System
Day 2	International Monetary System and Balance of Payment
Day 3	Central Bank Digital Currency & FinTech
Day 4	RMB Internationalisation
Day 5	Foreign Exchange Market
Day 6	Exchange Rate Forecasting
Day 7	Financing in International Money Market
Day 8	Mid-term Exam
Day 9	Financing in International Bond Market
Day 10	Financing in International Equity Market
Day 11	Transaction Exposure, Derivatives and Risk Management
Day 12	Transaction Exposure, Derivatives and Risk Management
Day 13	Offshore Centers and Tax Avoidance
Day 14	Course Review, Group Presentation
Day 15	Final Exam

Reading List:

Triennial Central Bank Survey of foreign exchange and OTC derivatives markets (2016), Bank for International Settlements.

<https://www.bis.org/publ/rpfx16.htm>

Triennial Central Bank Survey of Foreign Exchange and Over-the-counter (OTC) Derivatives Markets (2019), Bank for International Settlements.

<https://www.bis.org/statistics/rpfx19.htm>

CBDCs in emerging market economies (2022), Bank for International Settlements. <https://www.bis.org/publ/bppdf/bispap123.htm>

Determinants of Currency Composition of Reserves: a Portfolio Theory Approach with an Application to RMB (2019), International Monetary Fund. <https://www.imf.org/en/Publications/WP/Issues/2019/03/08/Determinants-of-Currency-Composition-of-Reserves-a-Portfolio-Theory-Approach-with-an-46653>