

# Chinese Financial Markets

**Department:** Fudan International Summer Session 2026

Course Code	GEIS30020						
Course Title	Chinese Financial Markets						
Credit	2	Experiment (including Computer) Credit		Practice Credit		Aesthetic Education Credit	
Credit Hours Per Week	9 credit hours per week. 36+3 tutorial hours in total (one credit hour is 45 minutes)	Education on The Hard- Working Spirit Credit Hours		<b>Language of Instruction</b>		Honors Course	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Course Type	<input type="checkbox"/> Core General Education Course <input type="checkbox"/> Specific General Education Course <input type="checkbox"/> Basic Course in General Discipline <input checked="" type="checkbox"/> Others			2+X Major :			
				<input type="checkbox"/> Professional Core Course <input type="checkbox"/> Professional Advanced Course Non 2+X Major : <input type="checkbox"/> Professional Compulsory Course <input type="checkbox"/> Professional Elective Course			
Course Objectives	<p><b>Mastery of Knowledge:</b> Students will acquire a comprehensive understanding of the core components of the Chinese financial system, including the historical development, micro-structure, and operating mechanisms of the banking sector, money markets, bond markets, and equity markets.</p> <p><b>Comparative and Institutional Analysis:</b> Students will build a systematic analytical framework to compare the Chinese financial system with developed economies (e.g., the US) and analyze the institutional logic behind China-specific financial phenomena (such as shadow banking, Local Government Financing Vehicles (LGFVs), and dual-track interest rates).</p> <p><b>Application of Frontier Trends:</b> Students will explore the latest core reforms and frontier developments in Chinese capital markets, including the registration-based IPO reform, the opening-up of the bond market (e.g., the Bond Connect program), and the</p>						

	<p>profound application of Financial Technology (FinTech), Artificial Intelligence, and Large Language Models (LLMs) in financial services.</p> <p><b>Behavioral and Practical Insights:</b> Integrating perspectives from behavioral finance and narrative economics, students will develop the ability to use modern financial theory to analyze unique phenomena in the Chinese market (e.g., retail investor behavior, A-H share premiums), enhancing their practical application and academic research literacy.</p>
Course Description	<p>This course provides a comprehensive and systematic introduction to the operating mechanisms and latest development trends of Chinese financial markets and institutions. Starting with a macroeconomic overview of the Chinese financial system's role in the global economy, the course delves into the banking sector and shadow banking, money markets and interest rate liberalization, the pricing of credit risk in bond markets, and the multi-level structure and core institutional reforms of the stock market.</p> <p>Building on traditional financial market theories, this course incorporates cutting-edge academic perspectives. We will explore how FinTech, machine learning, and Large Language Models (LLMs) are reshaping traditional financial landscapes, including applications in intelligent investment advisors (robo-advising) and risk management. Furthermore, the course utilizes behavioral finance to analyze the unique characteristics of retail investors in China and the impact of financial narratives on asset pricing. Through case studies and academic literature, students will not only master quantitative analysis tools but also gain a deep, globalized understanding of the uniqueness and future evolution of China's financial system.</p>
<p>Course Requirements: Prerequisites: None.</p>	
<p>Teaching Methods: Tutorial + Case discussions</p>	
<p>Course Director's Academic Background: Dr. Jiajun Jiang is an Associate Professor of Finance at the School of Economics, Fudan University. He obtained his Ph.D. in Economics from Peking University in 2018. From 2016 to 2017, Dr. Jiang is a visiting scholar at Stern Business School, New York University. His research interests are in the areas of behavioral finance, household finance, and fintech. He teaches Corporate Finance, Financial Institutions and Markets, Investments, and Financial Risk Management to both undergraduates and graduate students.</p>	
<p>Instructor's Academic Background:</p>	
<p>Members of Teaching Team</p>	

Name	Gender	Professional Title	Department	Responsibility
Jiajun Jiang	Male	Associate Professor	School of Economics	Main Instructor

Course Schedule:

Session 1: Overview of the Chinese Financial System

- **Content:** The scale and historical evolution of China's financial system; the shift in proportion between direct and indirect financing; a macroeconomic comparison of the US and Chinese financial systems; the internationalization of the RMB.
- **Design/Discussion:** Discussion on the intrinsic link between China's economic growth model and its financial system structure.

Session 2: Chinese Banking Industry and Shadow Banking

- **Content:** The structure of the Chinese banking industry (State-owned banks, joint-stock banks, city commercial banks); bank balance sheets and profit models; the operating mechanisms of shadow banking (Wealth Management Products, trust companies) and their impact on systemic risk.
- **Design/Discussion:** Case study: The evolution of shadow banking operations before and after the implementation of the New Asset Management Guidelines.

Session 3: Money Markets and Interest Rate Liberalization

- **Content:** Core instruments in the money market (interbank borrowing, repos, negotiable certificates of deposit); China's interest rate liberalization process and dual-track characteristics; policy rate system design (Shibor, LPR, and the interest rate corridor).
- **Design/Discussion:** How the central bank's Open Market Operations (OMO) and Medium-term Lending Facility (MLF) guide market interest rates.

Session 4: The Impact of FinTech on Financial Markets

- **Content:** The rise of internet finance (e.g., Yu'e Bao) and liquidity risk; the impact of FinTech on traditional bank liabilities and net interest margins; the algorithmic logic and experimental cases of intelligent investment advisors (robo-advising).
- **Design/Discussion:** How traditional financial institutions can respond to cross-border competition from tech giants.

Session 5: Chinese Bond Market I: Government Bonds and LGFVs

- **Content:** The dual-track system of the bond market (interbank and exchange markets); pricing and liquidity differences between Treasury bonds and Policy Bank bonds (CDBs); the historical evolution of local government bonds and Local Government Financing Vehicles (LGFVs).
- **Design/Discussion:** An economic analysis of the local government hidden debt swap plan.

Session 6: Chinese Bond Market II: Credit Bonds and Market Opening

- **Content:** The structure of enterprise and corporate bonds; the normalization of credit bond defaults and the breaking of implicit guarantees; the opening-up of the Chinese bond market to foreign

investors (QFII, CIBM Direct, and the Bond Connect program).

- **Design/Discussion:** Case study: How landmark State-Owned Enterprise (SOE) bond defaults impact market risk premiums, and the role of foreign capital in improving bond market liquidity.

#### Session 7: Chinese Stock Market I: History and Multi-level Structure

- **Content:** The history of the stock market and share classifications (A, B, H, Red-chip shares); the multi-level capital market structure (Main Board, ChiNext, STAR Market, BSE); the opening process of the equity market (Stock Connect programs, MSCI inclusion).
- **Design/Discussion:** The impact of foreign capital inflows on the micro-liquidity and volatility of China's A-share market.

#### Session 8: Chinese Stock Market II: System Reforms and Pricing

- **Content:** The historical logic and economic impact of the Split-Share Structure Reform; the evolution from an approval-based to a comprehensive registration-based IPO system and the IPO underpricing phenomenon; Shell Value and the pricing logic of reverse mergers.
- **Design/Discussion:** Comparing the institutional roots of differences in first-day IPO returns between the US and Chinese stock markets.

#### Session 9: Cross-listing and China Concept Stocks

- **Content:** Motivations for overseas listing by Chinese companies (VIE structures, dual-class shares); the valuation logic and regulatory conflicts of China Concept Stocks in the US market (HFCAA); the wave of returning companies and the A-H premium puzzle.
- **Design/Discussion:** Why do A-shares generally trade at a significant premium to H-shares despite having identical voting and dividend rights? An analysis of limits to arbitrage.

#### Session 10: Investor Behavior and Behavioral Finance in China

- **Content:** The micro-structure and herding behavior of a stock market dominated by retail investors; the impact of investor sentiment on asset pricing; the transmission mechanisms of narrative economics in financial markets; typical anomalies in the Chinese market.
- **Design/Discussion:** Integrating recent academic literature to explore how social media narratives drive short-term asset price fluctuations.

#### Session 11: AI, Machine Learning, and LLMs in Finance

- **Content:** The application of machine learning and big data in corporate default prediction and risk management; AI-driven quantitative trading models; the emerging role of Large Language Models (LLMs) in finance (e.g., using LLMs for sentiment analysis, financial text mining, and shaping financial narratives).
- **Design/Discussion:** Class demonstration/discussion: How LLMs can be utilized to extract narrative signals from financial news to predict market movements or enhance robo-advising interactions.

#### Session 12: Final Project Presentations and Course Summary

- **Content:** Group presentations where students apply learned financial theories, data analysis methods, or behavioral finance perspectives to a specific topic in Chinese financial markets (e.g., robo-advising experiments, specific bond default cases, the effectiveness of the registration-based reform).
- **Design/Discussion:** Instructor feedback, Q&A, and a summary and outlook on the future reforms and research directions of Chinese financial markets.

The design of class discussion or exercise, practice, experience and so on:

The course heavily emphasizes interactive learning and the practical application of financial theories to real-world Chinese market scenarios. The design includes:

- **Interactive Case Studies:** Students will analyze landmark events in the Chinese financial markets, such as high-profile State-Owned Enterprise (SOE) bond defaults, the evolution of shadow banking products, and the impact of the Split-Share Structure Reform. These cases are designed to bridge the gap between textbook theory and institutional reality.
- **Policy Debates and Discussions:** Regular class discussions will prompt students to critically evaluate ongoing financial reforms. Topics will include the pros and cons of the registration-based IPO system, the effectiveness of the Bond Connect program, and regulatory responses to cross-border listing disputes.
- **Data-Driven Exploration:** For modules involving FinTech and market micro-structure, students will be encouraged to think empirically.
- **Behavioral Finance Applications:** Students will participate in exercises where they apply behavioral finance frameworks and narrative economics to explain unique Chinese market anomalies.

If you need a TA, please indicate the assignment of assistant:

Grading & Evaluation:

**1. Attendance & Participation (20%)** Active engagement is critical to the success of this course. Students are expected to attend all sessions, come prepared having reviewed the relevant materials, and contribute meaningfully to in-class case studies, policy debates, and Q&A sessions. Quality of contribution is valued over quantity.

**2. Group Term Project (40%)** Students will form groups to conduct an in-depth analysis of a specific phenomenon or reform within the Chinese financial markets

- **Format:** A professional group presentation delivered during Session 12.
- **Evaluation:** Grading will be based on the depth of research, application of course concepts (including quantitative or behavioral frameworks), clarity of the presentation, and the ability to handle Q&A from peers and the instructor.

**3. Individual Research Essay (40%)** To synthesize their learning, students will write an individual research essay exploring a specific topic related to Chinese financial institutions or markets.

- **Format:** A structured academic or professional policy paper. Students are encouraged to incorporate advanced perspectives discussed in class.

**Usage of Textbook:**  Yes (complete textbook information form below)  No

**Textbook Information** (No more than two textbooks) :

Title	Author	ISBN	Publishing Time	Publisher	Type I	Type II
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Financial Markets and Institutions	Frederic S. Mishkin, Stanley G. Eakins	9780134519265	2018	Pearson	<input type="checkbox"/> Self-compiled Textbook (Published) <input checked="" type="checkbox"/> Non-mainland Textbook <input type="checkbox"/> Other Textbook (Published)	<input type="checkbox"/> National Planning Textbook <input type="checkbox"/> Provincial and Ministerial Planning Textbook <input type="checkbox"/> School Level Planning Textbook <input checked="" type="checkbox"/> Others
					<input type="checkbox"/> Self-compiled Textbook (Published) <input type="checkbox"/> Non-mainland Textbook <input type="checkbox"/> Other Textbook (Published)	<input type="checkbox"/> National Planning Textbook <input type="checkbox"/> Provincial and Ministerial Planning Textbook <input type="checkbox"/> School Level Planning Textbook <input type="checkbox"/> Others
Teaching Materials & References: Mariene Amstad, Guofeng Sun and Wei Xiong, The Handbook of China's Financial System, 2020 <a href="https://www.chinafinancialsystem.com/chapters/">https://www.chinafinancialsystem.com/chapters/</a>						