

**Advanced Diploma in Banking and Financial Services****P.1**

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## Advanced Diploma in Banking and Financial Services

### Program Learning Outcomes

After completion of the Advanced Diploma in Banking and Financial Services program, participants are expected to demonstrate the level of knowledge and skills that could be induced from the set of learning outcomes below:

1. Diagnose customers' problems, needs, constraints and make critical considerations in the real world before planning and designing for tactical solutions;
2. Compare different financing alternatives in the capital markets;
3. Identify and analyze the relevant risks, and suggest mitigation techniques;
4. Review and keep abreast of the international trade finance environments, commercial trade practices, and demonstrate the knowledge of the flow of trade-financing transactions;
5. Perform comprehensive customer analysis to incorporate various trade promotion and supporting services in the design of international trade financing solutions;
6. Discuss the types of risks involved in international trade financing alternatives including protection against those risks;
7. Examine the roles, importance and effects of information systems, keep abreast of changes of information security to the financial services industry today;
8. Evaluate the wide-ranging application of information technology systems in today's banking environment;
9. Generate critical thinking over the aid of information technology for different supervisory or management functions within an organization;
10. Be equipped with a solid ground of knowledge and skills before progressing to the next advanced stage of specialist studies, where participants would:
  - critically assess the problems and issues that they and their organization face in a chosen specific banking sphere related to credit management, treasury management or banking operations and management today;
  - apply their knowledge and skills drawn from the professional framework on Accounting, Law and Technology in the process of problem identification, evaluation and strategy formation;
  - extend in-depth evaluation on the respective risk management issues in a specialist area, and formulate viable solutions for the problems using an all-round approach.



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## Corporate Finance Services

### Prerequisites

- Completion of Diploma in Banking and Financial Services Program

### Objective

Corporate finance bankers nowadays may also act as advisors to provide specific corporate finance applications, by helping corporations analyze their financing needs and to recommend tailored-made solutions. This subject contributes to the achievement of the Program Learning Outcomes by drawing participants' attention to the market segments where the financing needs of corporate borrowers are identified (Program Outcome 1), before applying their knowledge to discuss the different financing alternatives for customers under different situations (Program Outcome 2). Together with the considerations for risk management options in the corporate financing market, (Program Outcome 3), the topics covered in this subject serve to equip participants with the necessary techniques for the next stage of studies under the AHKIB program, such as "Bank Lending", "Credit Risk Management", "Treasury Markets & Operations" (Program Outcome 10).

### Learning Outcomes

On completion of this subject, participants should be able to:

- plan and design an appropriate package of credit solutions and capital-raising strategies to meet the domestic or international financing needs of customers in different markets.
- diagnose the key risks and issues involved in the corporate financing transactions to both the borrowers and the financiers.
- communicate to peers of all levels the strategies for managing the risks issues in the lending process.

### Highlight

The subject is divided into 2 sections: the financing options and strategies of corporations today; the types of risks involved in this service area and most importantly, how those risks are managed. While these two content areas are commonly taught in a lot of finance courses nowadays, they are covered in this course in both the perspectives of corporations and bankers. This would altogether give participants a platform of solid understanding and application of the related concepts in the real banking world.

### Assessment Method

- Examination: **50-60 Multiple Choice questions and TWO Essay questions out of THREE**
- Passing mark for this subject is **60%**.
- Time allowed: **Three hours**.

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**Corporate Finance Services**

A. Sources and Types of Finance for Corporations			
1	Corporate Lending	1.1 1.2 1.3	Term loans; syndicated loans; and leveraged leasing; standby facilities, revolving credits and note issuance facilities. Choice of debt market (e.g. euro-dollar market, domestic market). Lending policy and procedure (e.g. credit analysis, loan review).
2	Debt financing	2.1 2.2 2.3 2.4 2.5 2.6 2.7	Alternatives to bank finance including bonds, foreign bonds; euronotes; commercial paper, and Medium Term Note (MTN) facilities. Bond issuing (e.g. bond price, bond covenants, call provision) Bond rating Convertible bonds Leasing Mortgage backed securities, CMOs and CDOs Developments in the Hong Kong bond market.
3	Equity financing	3.1 3.2 3.3 3.4 3.5	Features of common stock; preferred stocks; ETFs; convertible securities and warrants, and ADRs. IPO and Costs & benefits of new issues Methods of listing; offer for subscription; offer for sale; open offer; and rights issues. The private equity markets Developments in Hong Kong and characteristics of the Hong Kong equity market: e.g. "H" shares and over subscription problems
4	Financing special transactions or projects	4.1 4.2	Project finance - limited recourse; impact on borrower's and project sponsor's balance sheet; Advantages of borrowing on project terms.

B. Sources and Types of Risks for Financial Management in Banks (20%)			
1	Cross-Border Risks	1.1 1.2	Use and parameters for country risk analysis Cross border lending risks, e.g. exchange control; regulatory and tax considerations, etc.
2	Corporate Treasury Management	2.1 2.2	Currency and interest rate risk and exposure management; Understanding of currency swaps; interest rate swaps; asset swaps; financial futures; forward contracts; options; negotiable instruments
3	Credit Risk Management in Bank Lending	3.1	Credit derivatives and its limitations (documentation, counterparty issues, etc.) for the management of risk.

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**Corporate Finance Services****Essential Readings**

- **Modern Financial Management**  
*Ross, Westerfield, and Jaffe and Jordan,*  
*8th edition McGraw-Hill (RWFJ)*  
*ISBN:9780071100885*

**Reference Readings**

- **Financial Institutions Management: A Risk Management Approach**  
*Saunders and Cornett,*  
*6th edition McGraw-Hill (SC) 2008*  
*ISBN: 9780071267045*



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## Finance of International Trade

### Prerequisites

- Completion of Diploma in Banking and Financial Services Program

### Objective

This subject contributes to the achievement of the Program Learning Outcomes by providing participants a very important background on the international trade environment today, in which not only importing and exporting corporations operate alone but also financiers aid to offer their package of financing solutions (Program Outcome 4). Leveraging on the above essential knowledge on the settings, participants would extend their analytical skills to the more technical side of international trade financing activities (Program Outcome 5). Participants would also explore and assess other areas of import/export trade such as trade promotions and support programs, and also the related risks involved in international trade-financing (Program Outcome 6), in order to achieve a complete discussion of this specialist banking area.

### Learning Outcomes

On completion of this subject, participants should be able to:

- to command an extensive base of knowledge on international trading terms and practice which serve as a solid ground of communications with a range of audiences including international trade finance customers, peers and internal operation units within banks.
- to interpret and evaluate the real financing needs of trade borrowers, and to react to their needs and problems by planning and designing tailored-made financing solutions.
- to diagnose the key issues, and manage the risks involved in the trade financing transactions.

### Highlight

The subject is very comprehensive and contains the most important and must-know knowledge on international trade financing. It starts with a rigorous introduction on the fundamentals related to trade practice and terms of the trading businesses, before investigating the hearts of international trade financing practices: documentary credits and collections, as well as risk management in all the related areas of import and export trade financing operations. Participants without prior knowledge on international trade finance would have access to a set of skills and knowledge which are essential in the financing practices on both external management with borrowers and internal operation and management levels.

### Assessment Method

- Examination: **50-60 Multiple Choice questions and TWO Essay questions out of THREE**
- Passing mark for this subject is **60%**.
- Time allowed: **Three hours**.

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**Finance of International Trade**

A. Introduction to International Trade Finance			
1	What is International Trade Finance?	1.1 1.2 1.3 1.4 1.5	Meaning and importance of international trade finance; Types of customers in Hong Kong and abroad; their needs and the opportunities for banks and other bodies that these present; Various roles of banks in facilitating international trade; growth of world trade and changes in its commodity and geographical composition; Importance of services in international trade; Basic understanding of logistic management and trade finance; non-bank trade service providers, e.g. Bolero (Bolero.net), Tradecard (Tradecard.com), upscapital.com
B. International Trading Practice			
1	Methods of Payment in International Trade	1.1	Collection; documentary credit; advanced payment; counter trade; barter/compensation trade; bilateral payment agreement/arrangement and forfeiting
2	International Payment, Settlement and Clearing Systems	2.1 2.2 2.3 2.4	Payment settlement and clearing; cheques, drafts, mail and telegraphic payment orders (including express money transfers); SWIFT; nostro and vostro accounts and procedures (in general terms); general concept and procedures of Real Time Gross Settlement (RTGS) Electronic banking services including payment and credit cards, giro transfers and means of making regular payments Payment and collection services available from correspondent banks abroad Settlement in Foreign Currencies (Rates of exchange; factors affecting the movement of rates; protection against exchange risks; mechanics of forward contracts)
3	Commercial and Shipping Terms Used in International Trade	3.1 3.2	Common shipping terms and meaning Purpose of the relevant Incoterms; risks and responsibilities of the parties involved, Incoterms 2000 (ICC Publication 560)
4	Documents Used in International Trade	4.1 4.2 4.3	Types and uses of bills of exchange; features and functions of basic, shipping, transport and insurance documents; Control and transfer of ownership of goods and insurance; Implications of Electronic Data Interchange (EDI) on international trade

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C. Documentary Collections & Documentary Credits			
1	Documentary Collections	1.1	Collection of cheques and bills of exchange, both clean and documentary. Terminology and procedures.
		1.2	Actions to be taken in the event of dishonour; protection of goods; avalisation of inward bills.
		1.3	A detailed knowledge of Uniform Rules for Collections ICC publication 522 and the relevant features of Bills of Exchange Ordinance
2	Documentary Credits	2.1	Main types of documentary letters of credit and their documentary requirements and procedures namely, opening, advising, confirmation, negotiation, payment and reimbursement;
		2.2	Liabilities and responsibilities of the parties;
		2.3	Examination of documents and treatment of discrepancies.
		2.4	Uses of credits including acceptance/deferred payment credits, red clause letters of credit, revolving credits, standby credits, transferable and back-to-back credits.
		2.5	A detailed knowledge of Uniform Customs and Practice for Documentary Credits UCP600 and Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credit, ICC publication 525, International Standby Practice ISP 98, ISBP and eUCP

D. Trade Finance Services and Trade Related Risk			
1	Import and Export Finance	1.1	Import financing, including produce/ merchandise advances against security of goods and trust receipt.
		1.2	Export financing, including purchasing, negotiating, accepting and discounting bills under documentary credits or documentary collections; packing loan; factoring; invoice discounting; advance under ECIC policies; banker's acceptance.
		1.3	Risks involved in granting trade finance facilities to importers and exporters. Difference between foreign L/C and local L/C.
2	Trade Promotion and Supporting Services	2.1	Trade promotion services from banks, official and semi-official bodies (e.g. Trade and Industry Department, Trade Development Council, Export Credit Insurance Corporation, Chambers of Commerce) to develop trade and investment
		2.2	Letters of introduction; sources of information/advice; using correspondent banks including status reports, economic conditions, entry to overseas markets.
		2.3	Types and procedures of bank guarantees and bonds in facilitating international trade; risks and responsibilities of issuers; ways to minimize risks; Uniform Rules for Demand Guarantees, etc

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		2.4	Other government involvement in export credit arrangement; need for export credit; export promotion schemes and facilities in other countries such as UK – ECGD and other EC countries, USA – EXIM bank, China – Import- Export Bank (general basic understanding).
		2.5	WTO and GATT and other agencies involved in international trade.
3	Trade Fraud	3.1	Types of trade fraud
		3.2	Fake goods
		3.3	Forged documents
		3.4	Money laundering
		3.5	Prevention measures
4	Risk and Risk Management in International Trade	4.1	Types of risk: political and economic risk, credit risk, performance risk, documentary risk, foreign exchange risk, transfer risk, interest rate risk
		4.2	Fraud
		4.3	Risk Management, including protection against above risks
		4.4	Rules and regulations governing fraud and money laundering

## Essential Readings

- **International Trade Finance: A Practical Guide**

*Luk Kwai Wing City University of Hong Kong*  
 ISBN: 9789629370503

## Reference Readings

- **ICC Guide to Incoterms 2000**, (ICC Publication 620) (International Chamber of Commerce)
- **ICC Guide to the eUCP**, (ICC Publication 639) (International Chamber of Commerce)
- **ICC Uniform Customs and Practice for Documentary Credits, (ICC Publication 600) + eUCP**, International Chamber of Commerce
- **ICC Uniform Rules for Bank-to-Bank Reimbursements - A Commentary**, (ICC Publication 725) (International Chamber of Commerce)
- **ICC Uniform Rules for Collections** (ICC Publication 522) (International Chamber of Commerce)
- **Incoterms 2000**, (ICC Publication 560) (International Chamber of Commerce)
- **ISBP - International Standard Banking Practice for Examination of L/C**, (ICC Publication 681) (International Chamber of Commerce)
- **ISP 98 - International Standby Practice - The Commentary**, (ICC Publication 947) (International Chamber of Commerce)
- **ISP 98 - International Standby Practice - The Rules**, (ICC Publication 590) (International Chamber of Commerce)



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## Management of Information System in Banking

### Prerequisites

- Completion of Diploma in Banking and Financial Services Program

### Objective

This subject contributes to the achievement of the Program Learning Outcomes by offering participants a technical platform of understanding to the world of information of systems (Program Outcome 7), and its vital assisting roles for managerial functions in the financial services industry (Program Outcomes 8 and 9). The framework of technical evaluation on information system and technology covered in this subject would supplement participants' other finance knowledge with an added technical perspective before they are ready in all aspects for specialist subjects of the next stage such as "Operational Risk & Quality Management" (Program Outcome 10).

### Learning Outcomes

On completion of this subject, participants should be able to:

- keep up with the changing roles and functions of information systems in a banking organization;
- appreciate the key principles of information security;
- keep abreast of the market development and deploy resources for the applications of information technology in banking today;
- examine and undertake evaluation over how an organization in the financial services industry would operate effectively and efficiently by applying information technology in different managerial aspects.

### Highlight

The subject is divided into several areas of what information system is and how information technology is applied in the different levels of operations and management in an organization. This subject altogether gives participants solid understanding on technology in banking by drawing different applications of technology in management within a banking organization today.

### Assessment Method

- Examination: **50-60 Multiple Choice questions and TWO Essay questions out of THREE**
- Passing mark for this subject is **60%**.
- Time allowed: **Three hours**.

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**Management of Information System in Banking**

**A. Information Systems in the Organization**

1	Importance of Information System	1.1	The importance of IS in business, and in particular the financial services industry and its effect upon the organisation and the people who work in it. You should be able to quote examples of IS applications in the financial services industry to support any assertions made
2	Information Systems in various functional areas	2.1 2.2 2.3 2.4 2.5	Business - The effect of information systems on the type of business carried out and the response of the business to opportunities and competition Employees - The effects of information systems on employees and their working environment; - Impact on employment patterns and on individual clerical and management functions. Management - The application of systems to support management effectiveness and decision-making. - Management of change as a result of implementing new systems. - Achieving the business benefits from information systems Training - The importance of training in the effective use of IS and the dangers of inadequate training Strategic Issues - Business planning and the importance of a coherent IS policy; - Evaluation and achievement of benefits of implementing information systems. - The use of IS in achieving competitive advantage: EDI (Electronic Data Interchange), EFT (Electronic Funds Transfer), EC (Electronic Commerce), TBS (Telephone Banking System), CRM (Customer Relationship Management) System etc.

**B. Information Security**

1	Importance of Information Security	1.1 1.2	The reasons for securing data and the general principles which apply when assessing risks and determining what security measures need to be taken IT Security Policy
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2	Elements of Information Security	2.1  2.2  2.3	<p>Confidentiality</p> <ul style="list-style-type: none"> <li>- The classification of data, types of exposure, associated risks and methods of reducing or eliminating the risk.</li> </ul> <p>Availability</p> <ul style="list-style-type: none"> <li>- Maintaining computer system availability, assessment of the level of contingency and recovery required. Disaster recovery</li> <li>- Business Continuity Planning and Business Impact Analysis</li> </ul> <p>Integrity</p> <ul style="list-style-type: none"> <li>- Protecting system and data integrity from: Internal threats: software and hardware failures, data corruption during input, processing or transmission.</li> <li>- External threats: outsourcing, accidental or deliberate misuse, hacking</li> </ul>
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**C. Management of Information Systems**

1	General IT processing and topology concepts	1.1	Commercial application of systems used in banking services and products, e.g. telephone banking, internet banking, debit/credit card, options bank book, home banking (e.g. HSBCOne) and smart card (e.g. Octopus, Visa cash), etc.
2	Data Resource Management	2.1  2.2  2.3	<p>The role of data management in business information systems and its contribution to organizational performance</p> <p>Ways to develop an effective conceptual data models based on a set of business requirements</p> <p>Importance of the development of user-friendly database application program</p>
3	IT Service Management	3.1  3.2  3.3  3.4  3.5	<p>The major operations and information flow of the Retail Banking, Corporate &amp; Commercial Banking and Treasury</p> <p>The roles of information systems for the different operations</p> <p>Application of information systems concepts to support and manage various functions</p> <p>Datamining</p> <p>Database marketing</p>
4	System Development Lifecycle & Quality	4.1  4.2  4.3  4.4	<p>Development and maintenance of systems, with emphasis on those steps where users are most heavily involved, including post-implementation reviews</p> <p>Business re-engineering: use of process mapping in the understanding and analysis of improving delivery of products and services, use of IS to re-engineer rather than just automate manual processes.</p> <p>User involvement: use of techniques such as joint application design and prototyping.</p> <p>Quality: measurement of quality in systems design and implementation</p>

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5	Change Management	5.1	The definition of a project and its management, including an understanding of tools used to control projects, such as Gantt charts and network analysis
		5.2	Concepts underlying the transformation of business processes with an emphasis on reengineering the supply chain, explains the enabling role of information technology (IT), and demonstrates the application of different tools to the redesign of business processes

**Essential Readings**

- **Introduction to Information Systems**

*O'Brien, J. & Marakas, G.M.*

*13th edition Irwin/McGraw-Hill 2007*

*ISBN:9780071283269*

**Reference Readings**

- **Business Information Management – Improving performance using information systems**

*Chaffey D. and Wood S, Prentice Hall 2005*

*ISBN: 9780273686552*