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Course Objectives  
This course provides an introduction to banking and financial intermediation. It enables students to know the models in which banking and financial intermediation emerge as institutional arrangements to overcome some fundamental frictions of an economy. Those models help understand some common practices in financial intermediation. They are also useful to understand financial crisis and regulations.

Intended Learning Outcomes  
1. Know the basic models built on coalition of depositors, coalition of borrowers, delegated monitoring, etc. (PILO 1, 2)  
2. Learn the complicacy of the borrower-leader relationship due to costly state verification and moral hazard. (PILO 1, 2)  
3. Understand some common practices in financial intermediation, financial crisis and regulations (PILO 1, 2)  

Prerequisites: Econ 5130, 5140

The course material  
1. Lecture notes.  

Grading: The grade is based on the performance of homework sets (15%), the midterm exam (25%), and the final exam (60%). The final exam is accumulative.

Academic integrity: Cheating and plagiarism are not tolerated. Any violation will be reported to the university. See http://www.ust.hk/vpaaot/ug-guide/integrity/ for details.
Course outline (subject to adjustment if necessary)
31/01 Introduction, Lecture 1
14/02 Lecture 1
21/02 Lecture 2
28/02 Lecture 3
07/03 Lecture 4
14/03 Lecture 5 (9-10:30) and midterm (11:00-12:20)
21/03 Lecture 6
28/03 Lecture 7

Lecture 1: Intermediary as coalition of consumers
Lecture 2: Intermediary as coalition of producers
Lecture 3: Intermediary as delegated monitor
Lecture 4: Partial disclosure and costly state verification
Lecture 5: Collateral, bank’s capital, and credit crunch
Lecture 6: Credit Rationing
Lecture 7: Liquidity, credit line