

## Economics 252 – Financial Markets

Spring 2011

Guest Lecture by Laura Cha, former vice chair of the China Securities Regulatory Commission, member of the Executive Council of Hong Kong and of the government of the People's Republic of China, and director of the Hong Kong Shanghai Banking Corporation (HSBC)

March 28, 2011

### Multiple Choice Questions

#### **Question 16.1**

Which of the following statements represent Ms. Cha's view of the interplay between the private and the public sector of financial markets?

(More than one answer may apply.)

- (a) The public sector, although it might appear less enticing than the private sector, is important, because the regulators and policy setters help ensure that the market functions in an orderly fashion.
- (b) She complains about the lack of any interchange between the public and the private sector in the U.S.
- (c) Working in the private sector provides the market experience needed to work in the public sector, and working in the public sector instills the discipline of an orderly market.
- (d) The private sector is more cyclical, whereas the public sector is steadier.

#### **Question 16.2**

During her work as a regulator, to which major pieces of regulation did Ms. Cha contribute?

(More than one answer may apply.)

- (a) She designed a structure for state-owned enterprises in China to become listed companies in Hong Kong.
- (b) She helped demutualizing the stock and futures exchange in Hong Kong, which were merged together, and joined with a clearinghouse.
- (c) In the beginning of the 1990s, she promoted corporate governance in China, e.g. by introducing quarterly reporting and the requirement of independence of executive directors.
- (d) She set up the Singapore Exchange (SGX).

## **Question 16.3**

What, according to Ms. Cha's account, are the motivations and objectives for the international board at the Shanghai Stock Exchange?

(More than one answer may apply.)

- (a) Creating a board, where companies registered outside of China such as the red chips would return to the Shanghai Stock Exchange.
- (b) Providing an opportunity for multinationals, which are already listed in the outside market, to be inside China, in order to make them available for Chinese investors.
- (c) Securing funding for small businesses inside of China.
- (d) Raising the profile and the standard of the Shanghai Stock Exchange, as the Shanghai Stock Exchange has ambition to be an international financial center.

## **Question 16.4**

What is Ms. Cha's view of the overall state of the current regulatory environment in China?

(More than one answer may apply.)

- (a) The fact that China to date is the largest recipient of foreign direct investments provides an indication that China's regulatory framework is still deficient in many ways.
- (b) It is crucially important for market regulation that the regulations are clear, are consistently applied, and are fair.
- (c) It is not a lack of regulation that is the major problem, but the enforcement of regulation.
- (d) China is developing so fast that the market is way ahead. Chinese markets are developing faster, quicker and bigger than the government and the regulators have anticipated.

## **Question 16.5**

Which points does Ms. Cha make with regard to the most recent changes in international regulation and with regard to the harmonization of financial standards?

(More than one answer may apply.)

- (a) Basel III will be very inexpensive for HSBC, her current employer, to implement.
- (b) As exemplified by the Sarbanes-Oxley Act from 2002, regulators are usually preventing an old problem from repeating itself, but new problems will be entirely different.
- (c) To have one set of international and harmonized standards is very hard, as the history of the Financial Stability Board shows.
- (d) Regulation has uniformly become very stringent in response to the financial crisis from 2007-2008, and banks are not treated separately depending on how well they have been able to weather the crisis.

# Open Yale courses

© Yale University 2012. Most of the lectures and course material within Open Yale Courses are licensed under a Creative Commons Attribution-Noncommercial-Share Alike 3.0 license. Unless explicitly set forth in the applicable Credits section of a lecture, third-party content is not covered under the Creative Commons license. Please consult the Open Yale Courses Terms of Use for limitations and further explanations on the application of the Creative Commons license.

## **Correct Answers:**

16.1: (a), (c), and (d)

16.2: (a), (b), and (c)

16.3: (a), (b) and (d)

16.4: (b), (c) and (d)

16.5: (b), (c), and (d)