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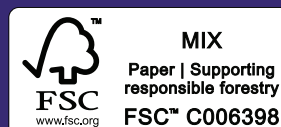
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College of Business

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FEATURES

5 Regulating big tech in China: Does it matter?

Dr Shan Zhao examines the effect of antitrust enforcement on Chinese internet platforms.



7 What is financial literacy and why does it matter?

Dr Vikas Kakkar investigates the skills and aptitudes that can help us achieve lifetime financial security.

9 Is there a bright side to dark markets?

Dr Nilanjan Roy looks at the effect of dark pools which lack transparency on the wider market.



13 The importance of centrality for firms in business groups

Dr James O'Donovan shows how ultimate owners can control complex networks of business groups.

CORPORATE

15 My journey to the front office

Jeff Chan shares on the value of gaining work experience first, and how he ultimately got to work in a client-facing role.



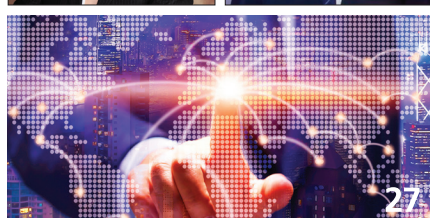
19 Pioneering the interdealer market in China

Benny Luk explains the role of Inter-Dealer Broker firms in the financial world, and provides tips on business areas to watch and job prospects for graduating students.



23 Delivering a seamless world

Henry Ko talks about how he decided to work with a technology-driven freight forwarder start-up which now employs over 700 people.



RESEARCH SNAPSHOTS

NEWS

WELCOME TO OUR NEW FACULTY

ALUMNI CLASS NOTES

City Business Magazine takes a fresh look at breaking global business issues with an East Asia perspective. We showcase the achievements of our faculty, students, alumni and distinguished guests. Established in 2014, we reach some 50,000 alumni, international partners, and corporate stakeholders in hard and soft copy.

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From the Dean



As we emerge from the pandemic era, the College of Business looks forward to contributing to Hong Kong's economic recovery which is well underway. One of the foundations of Hong Kong's economic prosperity is a strong regulatory framework, and financial regulation is one of the issues that we look at in this Economics and Finance themed edition of City Business Magazine.

How far should the financial sector be regulated? In recent years the fast-innovating technology sector has come under particular scrutiny. On the one hand regulation is enacted for the greater public good; on the other the possibly negative effects on competitiveness have to be considered. In *Regulating big tech in China: Does it matter?* Dr Shan Zhao examines the economic effects of antitrust enforcement on Chinese internet platforms. This series of regulatory actions has raised intense debate regarding the impact on both the industry and stock markets and Dr Zhao sheds light on the debate. Another issue is the increasing lack of transparency in financial markets. In *Is there a bright side to dark markets?* Dr Nilanjan Roy looks at the effect of dark pools. Is the informational efficiency of prices and market quality necessarily degraded when dark trading occurs?

A further area which can be opaque to retail investors, is the way that complex networks of business groups are controlled. In *The importance of centrality for firms in business groups*, Dr James O'Donovan shows how ultimate owners can control such networks through centrally placed firms in business groups.

The necessity to enjoy some measure of financial security is common to us all, and in *What is financial literacy and why does it matter?* Dr Vikas Kakkar investigates the skills and aptitudes that can help us achieve this goal. Interestingly, a growing body of academic research documents that levels of financial literacy around the world are alarmingly low, with one literacy survey revealing that only 1 out of 3 adults worldwide are financially literate. So, what are the basic financial concepts that we should master? What are the investor strategies that we should emulate, and what should we avoid?

We are fortunate enough to carry three interviews with our College alumni packed full of tips and advice for successful financial careers. Many fresh graduates are keen to enter the world of finance in a client-facing role. Jeff Chan of Colt Technology, Hong Kong highlights the value of gaining work experience of any kind first. As he says "There's a common perception that if you start in the back office you will stay there forever. Based on my experience that is not true. You get your experience first, and then you can start to move towards the middle office."

Benny Luk, Group Executive Managing Director, CEO Greater China, BGC Group, recently presented to our EF students and here provides tips on business areas to watch and job prospects for graduating students. Finally, Henry Ko, Vice President of Corporate Development APAC and Chairman of Greater China at Flexport, talks about the explosive growth of a technology-driven start-up in the freight forwarding sector, and the value of sometimes taking a career risk.

I am sure you will find this edition of City Business Magazine interesting. Enjoy the read!

Professor Jeong-Bon Kim
Dean
College of Business

Introduction from EF



Let me briefly introduce the Department of Economics and Finance (EF) in terms of facts and aims. As the largest of the six departments of the College of Business, we consist of two major cost centres, Economics and Finance, defined by the Research Grants Council of the HKSAR. The Finance group has 28 academic faculty members, and the Economics group has 18.

EF offers two undergraduate majors, BBA in Finance and BBA in Business Economics, both allowing some double majors/degrees teamed up with other departments. We contribute significantly to CB's elite BSc in Computational Finance and Financial Technology programme and the Joint Bachelor's Degree Programme between City University of Hong Kong and Columbia University. EF also offers three non-UGC master's-level programmes: MSc in Applied Economics, MSc in Finance, and MSc in Financial Engineering, with two of these being the most sustainably-expensive programmes at CityU. Each year we also admit around 10 PhD students.

EF constantly improves its curricula, a critical aspect being our students' ability to apply what they have learned in the classroom in an ever-changing business world. We remind each faculty to incorporate such training in extension activities to promote innovation abilities in their teaching. The ultimate goal of our programmes is to give our graduates a competitive edge in the job market.

EF graduates are highly sought after by employers and other external stakeholders. Many graduates, especially those with excellent academic performance, have been recruited by leading organizations such as Goldman Sachs, Morgan Stanley, JP Morgan Chase, Credit Suisse, Bank of China (HK), HKEX, Hong Kong Monetary Authority, HSBC, Hang Seng Bank, Cathay Pacific, Cheung Kong Holdings, Mercedes Benz, PwC, Ernst & Young, etc.

Our research-intensive faculty run weekly academic seminars, organize theme-specific workshops, and the department encourages colleagues to participate in reputed international conferences, keeping our faculty on the research frontier. Our faculty regularly publish in A+/A journals recognized by top business schools worldwide, whilst top-performing faculty are highly visible in their respective fields. Each year we also make a great effort in faculty recruitment, competing for top talents with the best schools in the world. The department is consciously contributing to the university's strategic goals, embracing the five strategic themes on education and student development, research and knowledge transfer, faculty and staff advancement, campus growth and sustainability, and global identity and university advancement.

Professor Junbo Wang
Head
Department of Economics & Finance



College of Business achieves EQUIS reaccreditation for another five years

The College of Business has secured reaccreditation from the EFMD Quality Improvement System (EQUIS), one of the world's top international business school accreditation systems, for a further five years. This reaffirms the College's position among the world's leading business schools and recognizes the quality of its educational programs and research. The College of Business was commended for its strategic plan, international partnerships, research performance, programme management, student quality, and the quality of its MSc in Professional Accounting and Corporate Governance programme, which was selected for in-depth review.

Professor Jeong-Bon Kim, Dean of the College of Business, praised the CB community for the dedication to quality education and research, and the EQUIS exercise for providing a good opportunity to benchmark with international standards. "We are very pleased to achieve consecutive 5-year reaccreditation for the third time, exemplifying our deep-rooted quality culture. The concerted effort of all participating members demonstrates that we are strongly unified to meet the challenges ahead. My thanks and congratulations to everyone involved, including all CB departments, colleagues, students, alumni, corporate partners, and friends."

The reaccreditation bears special meaning as the 5-year review period overlapped substantially with the Covid period. Despite the various challenges, CB was able to make significant progress in the period especially through digitalization in teaching and learning to overcome the social distancing barrier. The College of Business has been accredited by EQUIS since 2007. EQUIS benchmarks business and management schools against rigorous international standards, evaluating the school's governance, strategy, programmes, students, faculty, research and development, executive education, resources and administration, internationalisation, ethics, responsibility, sustainability, and connections with practices. There are currently 209 EQUIS-accredited business schools around the globe.

The College of Business also holds accreditation from the Association to Advance Collegiate Schools of Business (AACSB).



Regulating big tech in China: Does it matter?

Dr Shan Zhao examines the effect of antitrust enforcement on Chinese internet platforms. Previous laissez-faire environments have given way to ever-increasing regulatory scrutiny. But what impact has the new approach had on market value?



The Chinese internet industry has witnessed rapid growth under laissez-faire regulation for over two decades during which time a few internet companies have grown into global giants. Alibaba has been the market leader of the e-commerce sector thanks to the success of its e-commerce platforms Taobao and Tmall, along with its popular payment solution Alipay, logistic network Cainiao, and financial wing Ant Finance. In 2020, goods valued at \$1.2 trillion were sold globally on Alibaba's platform, higher than Amazon's \$575 billion record. Tencent, originally a leading social network internet company with featured products such as WeChat, QQ, and Q-Zone (sometimes referred to as China's Facebook) has expanded into gaming, digital payments, music, and video streaming.

JD.com and Pinduoduo are market followers in the e-commerce sector in China but have quickly evolved into strong players. Meituan initially mimicked the business model of Groupon but eventually became a market leader in food delivery and reservations, comparable to a conglomerate of Grubhub, OpenTable, and Uber Eats. The combined stock market value of the top five Chinese internet firms (i.e., Alibaba, Tencent, JD.com, Pinduoduo, and Meituan) reached \$1.87 trillion in 2021, approximately 10.5% of China's GDP. Although these platforms have grown into giants, major antitrust enforcement cases were not made on them until 2021.

From laissez-faire to regulation

On February 7, 2021, the State Administration for Market Regulation (SAMR), China's antitrust authority,

officially released the Antitrust Guidelines for Platform Economy (the "Platform Antitrust Guidelines"), which was a milestone in the gradual transition of China's antitrust enforcement from a laissez-faire mode to a strong regulation mode. Along with the legislation, SAMR launched two investigations—against Alibaba and Meituan—for their "either-or" exclusive dealing policy with merchants, on December 24, 2020 and April 26, 2021, respectively. These two investigations result in SAMR imposing a fine of \$2.79 billion on Alibaba, equivalent to 4% of Alibaba's total domestic sales in 2019, and a fine of \$0.53 billion on Meituan, equivalent to 3% of Meituan's domestic sales revenue in 2020. In the meantime, a series of legislation was imposed against internet platforms in China, including the Data Security Law, Provisions on Prohibited Acts of Unfair Online Competition (draft), and so on. Consequently, the stock prices of internet platforms plummeted, with the Nasdaq China US Internet Tiger Index's (QNETCN) value dropping by 52.2% from February 17, 2021 to March 15, 2022.

Curbing the disorderly expansion of capital

The ever-increasing regulatory scrutiny has evoked concerns from investors and industry participants. It has also dampened their incentive to invest, which further dimmed the prospects of the internet platform economy. As emerging economic entities, internet platforms have been a major driving force of the market economy. However, with the Chinese government's determination to prevent the capital from expanding in a disorderly fashion (later on termed as "to curb the disorderly expansion of capital"), internet platforms have become one of the major targets for government regulation. (Zhang, 2021, 2022). This series of regulatory actions has raised intense debate regarding the impact of current regulatory policies on the industry and stock markets. To shed light on the debate, we examine the impact of antitrust regulations on firm market value for Chinese internet platforms in comparison with their US counterparts. Specifically, we conducted an event study analysis using historical stock market data of the Chinese

and US internet platforms listed on the US and Hong Kong stock exchanges.

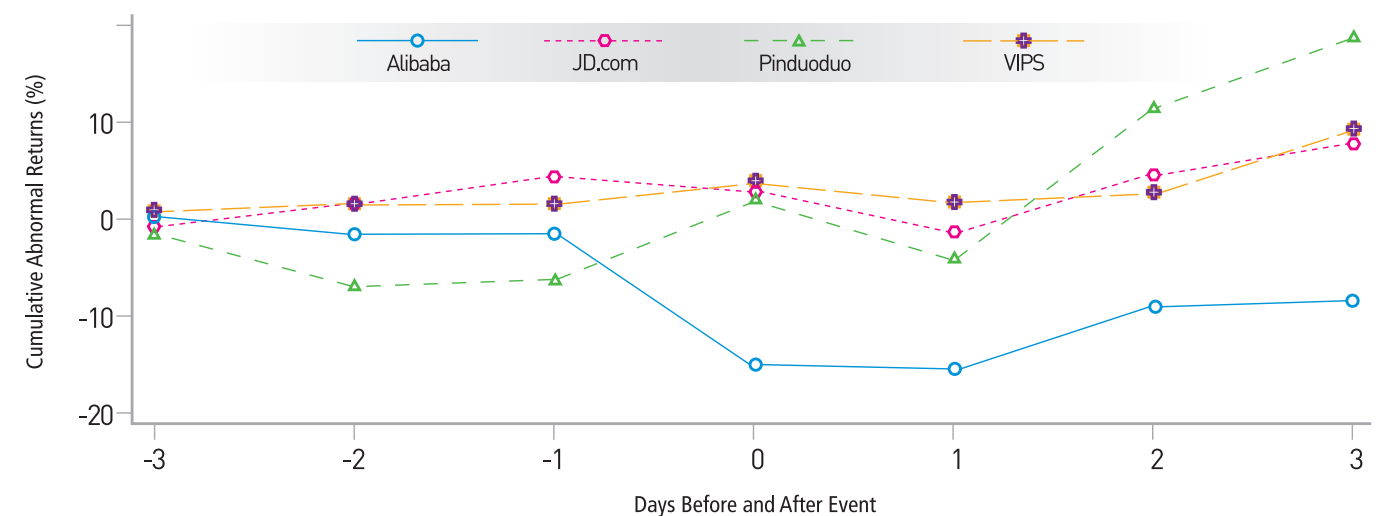
The results of antitrust investigation

We have five main findings. First, we find that the start of antitrust investigations of Chinese internet platforms has led to a significant decrease in the target firms' market values. Alibaba's stock price dropped about 15% relative to market index. The seven-day abnormal change of Alibaba's stock price is -8.5%. Second, the start of antitrust investigations boosted target firms' competitors' stock prices. For example, the rivals of Alibaba, JD.com, Pinduoduo,

and VIPs experience a seven-day abnormal change of stock price of -12%. The findings suggest that antitrust regulations curb anticompetitive behaviour and foster a healthier environment for competition, thereby increasing competitors' market values.

The figure below shows the stock price changes of Alibaba, JD.com, Pinduoduo, and VIPs around the antitrust investigation of Alibaba on December 24, 2020. The figure shows that the stock prices of Alibaba dropped significantly in response to the investigation while the stock prices of its rivals increased.

The impact of the launch of the Alibaba investigation



Third, we show that the end of antitrust investigations in China resulted in a stock price surge for the investigated company, presumably because of the resolution of market uncertainties, while the stock prices of other leading platforms with similar anticompetitive conduct decreased. Fourth, applying the same analysis to the EU/US antitrust regulations against US internet platforms, we find that the effects were minor. This difference in results may be explained by the differences in institutional background. In the European Union and the United States, the implemented administrative enforcement mechanisms and judicial remedies take a longer time, and the final outcomes are more uncertain than in China. Therefore, the start of the investigations in the European Union and the United States had negligible effects on the market values of the US platforms. Only when the outcomes were disclosed at the end of the investigations did the US platforms suffer from a negative drop in market prices. Finally, we examine the impact of antitrust legislation on the firm value of Chinese and US internet platforms. We find that stock markets react more strongly to the cases of Chinese companies than their US counterparts. This finding may reflect investors' belief in the Chinese antitrust authority's stronger discretion in antitrust enforcement.

Our work is novel in three aspects. First, to the best of our knowledge, this is the first work to estimate the impact of Chinese antitrust regulations on the market value of Chinese internet platforms. Second, we compare the impact of Chinese and EU/US antitrust regulations on the market value of Chinese and US internet platforms and document the contrasting findings, thereby highlighting jurisdictional heterogeneity in the antitrust domain. Finally, we examine the impact of Chinese antitrust regulations on competitors and document the different findings from those in existing literature.

Reference



Dr Shan Zhao
Associate Professor
Department of Economics and Finance

What is financial literacy and why does it matter?

Dr Vikas Kakkar investigates a topic that affects us all – the skills and aptitudes that it takes to achieve lifetime financial security. What makes us financially literate and what kinds of behavioural biases lose us money?

Financial literacy can be conceptualized as “the ability to use knowledge and skills to manage one’s financial resources effectively for lifetime financial security”. A growing body of academic research in recent years has documented that financial literacy levels around the world are alarmingly low. The Standard & Poor’s Ratings Services Global Financial Literacy Survey is among the largest and most comprehensive studies ever conducted to measure financial literacy in over 140 countries. The survey, which assessed the general public’s knowledge of four basic financial concepts, revealed that only 1 out of 3 adults worldwide are financially literate. While the concepts of numeracy and inflation were relatively well understood by the public, risk diversification was the least understood concept. Another concerning finding of the survey was that women’s financial literacy levels are significantly lower than those of men. The results of many other country-level surveys are similar and confirm that these findings are fairly robust and not a mere statistical artifact.

Low levels of financial literacy are a cause for concern

These low levels of financial literacy are a cause for concern for policy makers and economists because

financial products are gradually becoming more sophisticated and the responsibility for retirement planning and saving is increasingly shifting from governments and private companies to individual households. For instance, the employer-sponsored defined benefit pension plans that were previously the norm are increasingly being replaced by defined contribution plans. Although these new plans confer the benefits of more flexibility and mobility on workers, they also presume that workers are endowed with the necessary financial skills to make wise retirement-related decisions. Low levels of financial literacy imply that households do not possess the knowledge required to make sound financial decisions and hence their financial security and well-being may be significantly compromised. In stark contrast to conventional economic theory depicting rational individuals maximizing intertemporal utility via optimal asset accumulation over the life cycle, evidence suggests that many adults have no retirement plan and lack adequate savings for retirement.

What makes people financially literate?

The last couple of decades have seen a burgeoning of the literature exploring the measurement of financial

literacy and how it potentially affects a wide variety of household financial behaviour. Broadly speaking, this literature shows that higher levels of financial literacy are associated with a host of desirable financial behaviours, including greater participation in equity markets, being better prepared for retirement and financial emergencies, and being more comfortable with using digital financial services and products. People with higher levels of financial literacy are also less likely to fall prey to financial fraud, default on their loans, or utilize high interest rate loans.

In a recent contribution to this literature, we utilize data from the first large scale survey of financial literacy conducted by the Central Council for Financial Services Information in Japan to investigate the relationship between financial literacy and wealth accumulation. In contrast to the bulk of the literature, which relies on a small number of questions to measure financial literacy, we measure overall financial literacy as the number of correct answers to 12 questions covering various dimensions of financial literacy. We also consider the possible impact of cognitive biases such as myopia and loss-aversion on wealth accumulation.

What are the effects of financial literacy?

Our empirical results show that overall financial literacy has an economically and statistically significant positive impact on wealth accumulation. We estimate that a one-point increase in overall financial literacy increases the financial asset balances of a Japanese household by JPY 3.26 million. It is noteworthy that a positive association between financial literacy and wealth could also obtain when causality runs from wealth to financial literacy. This is because wealthier households have more opportunities to acquire financial literacy via the process of investing and managing their wealth. It is therefore reassuring that our results are robust to the possibility of reverse causality.

In order to get a more nuanced view of which aspects of financial literacy have a greater impact on wealth accumulation, we also decompose overall financial literacy into five sub-components, comprising Deposits Literacy, Risk Literacy, Insurance Literacy, Debt Literacy and Inflation Literacy. Our results show that there are significant variations in the impact of these sub-

components on wealth accumulation. Specifically, we find that Deposits Literacy, Risk Literacy and Debt Literacy have large economically and statistically significant impact on wealth accumulation. By contrast, Inflation Literacy and Insurance Literacy do not have statistically significant impact on the accumulation of wealth in Japan.

Behavioural biases lose money

Turning to the effects of behavioural biases on wealth accumulation, we find that higher levels of myopia are associated with lower levels of wealth. This implies that myopic investors, who are more concerned with relatively short-term results, might make poor long-term financial choices with adverse consequences for wealth accumulation. Loss aversion refers to the psychological phenomenon whereby losses are perceived by individuals as far more painful than the happiness generated by equivalent gains. The fear of losses looms so large as to cause investors to hold a losing stock too long and sell a winning stock too soon, thereby lowering overall returns. Consistent with this intuition from behavioral economics, we find that loss aversion has a significantly negative impact on wealth accumulation.

To conclude, our research shows that financial literacy has a positive and significant causal impact on wealth accumulation. However, it is important for policy-makers to distinguish between various types of financial literacies in the design of financial education and training programs because of their differential impact on our financial well-being. There is also a role for inculcating a greater awareness of common behavioral biases via financial education and training programmes.

Reference



Dr Vikas Kakkar
Associate Professor
Department of Economics and Finance



Is there a bright side



to dark markets?

Dr Nilanjan Roy looks at the effect of dark pool trading volume on the quality of price discovery and whether the lack of transparency is impacting the wider market. Are hedge funds and other big actors manipulating markets?



In the last few decades, there has been a proliferation of equity trading systems, among which dark pools have rapidly grown in popularity. Dark pools accounted for 13.66% of US equity trading volume in November 2021, as opposed to 7.51% in 2008. In November 2021, dark venues executed 18.84% of pan-European on-venue turnover, and dark MTFs hit a market share high. In a dark pool, investors can buy and sell stocks without publicly displaying their orders. As opposed to traditional stock exchanges, these dark venues lack pre-trade transparency. Traders in dark pools submit buy and (or) sell orders, and trades are executed using prices derived from the exchanges.

As markets are becoming fragmented and a significant part of liquidity is increasingly unobserved, the long-held view that prices are a valuable source of information is called into question. Do prices at the exchanges continue to convey meaningful information? Indeed, dark pools have raised regulatory concerns in that they may harm price discovery in financial markets. For instance, in 2014, then-SEC-Chair Mary Jo White remarked that “we must continue to examine whether dark pool trading volume is approaching a level that risks seriously undermining the quality

of price discovery provided by lit venues.” As recent as August 2021, on CNBC’s Squawk Box, the SEC-Chair Gary Gensler pointed out that dark pools have been increasingly common during the recent rise in retail investing and asserted that the agency is “looking very closely” at market structure and dark pools of trading hidden from the public until execution to promote transparency. He was responding to allegations from retail traders that hedge funds and other “big actors” may be manipulating markets.

Effect on information efficiency of prices

Although dark trading has existed in stock markets for quite some time now in the form of either over-the-counter (OTC) decentralized trading or special hidden order types on exchanges, the emergence of dark pools as alternative trading systems operating fully outside transparency requirements has attracted enormous trade volumes. Given the prominence of the issue, there has been significant interest in academic research in recent years to investigate the effect of dark trading on the informational efficiency of prices. Theoretical studies have yielded conflicting results. Empirical papers also differ in their results on the impact of

dark pools on price and market quality measures.

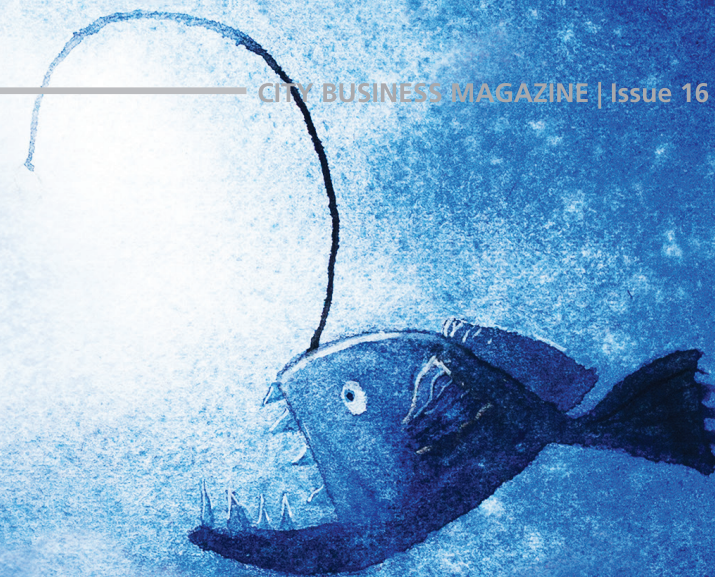
While it is essential to study how dark trading influences the ability of asset prices to aggregate diverse information already available in the market, it is of utmost significance to analyze how the amount of new information produced by traders at the outset is affected by the presence of a dark pool. The literature has given significant attention to the former question. Still, the latter issue of the causal effect of dark pool trading on costly information acquisition remains largely unexplored.

Given that a substantial portion of the liquidity is anticipated to be hidden, does the incentive to acquire costly information about stock fundamentals increase compared to the benchmark of a centralized trading institution with full pre-trade transparency? How does the relative usage of the dark pool vis-à-vis the lit exchange depend on the relative strength of private information held by an investor? Are informational efficiency of prices and market quality necessarily degraded when dark trading occurs?

Research methodology: using laboratory experiments

We design an experimental asset market with the endogenous





acquisition of costly information. We assume two equally likely states of nature, A and B, and a single asset, namely, an Arrow-Debreu security that provides a payoff only in state A. Before trading, some individuals can acquire costly, imperfect signals about the state of nature. Signals are binary and are independent and identically distributed (i.i.d.), conditional on the state. In the experiments, we implement markets with either low or high precision of signals. We investigate two market structures, one with a single lit exchange where all order submissions by a trader are observable to other traders, and another where two parallel trading venues exist. In the latter institution, in addition to the lit exchange, traders can submit orders and transact in a dark pool where order submissions of other investors are unobservable. Transaction prices in the dark pool are derived from the existing buy and sell offer prices in the lit exchange. Participants in our experiments are recruited from the population of undergraduate and graduate students.



Experiments provide a useful complement to theoretical and empirical studies on the consequences of dark pool trading. In the laboratory, one can employ a trading mechanism

close to the one used in actual markets while still having the ability to control and change variables to allow clean causal inferences. The novelty of our analysis stems from the fact that we consider fragmented markets in the laboratory where traders can exchange an Arrow-Debreu security either in a lit market with a fully transparent limit order book or in a dark pool where order submissions are hidden.

Effects of addition of a dark pool

The impact of trading in dark pools on information acquisition, informational efficiency of prices, and market outcomes depends crucially on the informativeness of the signals acquired by investors. There is a strong negative crowding out effect on liquidity at the lit exchange irrespective of the information precision of signals. With market fragmentation, traders now use both lit and dark venues for their transactions. The aggregate trade volume remains the same with and without a dark pool and the additional venue now substitutes transactions from the lit exchange. There are two positive effects of the addition of a dark pool: information acquisition effect whereby investors acquire a greater number of signals, and a sorting effect wherein traders

with stronger signals use the lit exchange relatively more than either traders with moderate signals or uninformed ones.

Costly information acquisition

It is observed that dark trading encourages costly information acquisition among investors, significantly so in the high information precision environment. There are two reasons for this observation. First, investors would anticipate that a sizeable number of orders will now be traded off-exchange given that markets are fragmented, resulting in less information being impounded into prices of transactions at the exchange. This would incentivize traders to acquire a larger number of signals. This is because information is valuable irrespective of whether precision is low or high. Informed traders outperform the uninformed ones given that prices are not fully revealing in markets with low precision. Even when they fully reveal the available information in several of the markets with high information precision, it takes time to do so which allows informed traders to outperform uninformed ones, and an incentive to acquire information is present in all our markets. Second, it seems likely



that some traders would acquire more information in the hope that they will trade in the dark pool and be able to prevent the information leakage that would have resulted from placing orders in the lit exchange. Whether or not these traders are able to use the dark pool for performing their transactions though depends on several endogenous factors, like the execution risk and wait time in the dark pool.

The sorting effect is observed only under the high information precision environment. In this setting, the strongly informed traders have close to perfect information, cluster on the heavy side of the market, and suffer lower execution probabilities in the dark pool. As a result, they are more likely to migrate to the lit exchange for faster execution. With low precision of signals, the proportion of traders with strong signals in the market is much lower, and information risk is substantial, and hence the sorting effect disappears.

Efficiency and level of dark trading

With high precision of signals, at modest level of dark trading, the combination of information acquisition effect and sorting effect outweighs the crowding

out effect. As the dark market participation goes up, the crowding out effect grows stronger and eventually exceeds the positive effects. This results in a non-linear relationship between the informational efficiency of prices and the level of dark trading in the market. In contrast, when information precision is low, none of the positive effects are observed, and only the negative effect is present. Even then, price efficiency does not decline significantly with dark trading and only starts to deteriorate when dark market participation is very high.



Are informed traders better off with the introduction of a dark pool?

Informed traders are able to outperform the uninformed ones in markets with low precision as well as high precision. In general, the extent of outperformance is greater when information precision is low. Traders with strong signals can reap substantial benefits when compared to uninformed ones. However, the moderately informed traders get similar profits to the uninformed traders. At the same time, the availability of an additional dark venue for trading in itself does not affect the earnings of each

type of trader (whether strongly informed, moderately informed, or uninformed).

It is further observed that, while informed traders' earnings are not affected significantly by their relative use of the dark pool vis-à-vis the lit exchange, uninformed traders who have a higher net dark transaction volume obtain higher profits. This indicates that uninformed traders face a higher adverse selection risk at the lit exchange than at the dark pool. The addition of a dark pool allows them to use the additional trading venue to mitigate part of the adverse selection risk.

Reference



Dr Nilanjan Roy
Associate Professor
Department of Economics and Finance

The Importance of Centrality for Firms in Business Groups

Dr James O'Donovan shows how centrally placed firms in business groups play a crucial role in allowing the ultimate owner to control a large share of the entire group, and how this has implications for stock returns.

We all have an intuitive sense that ownership and control should be strongly related to economic incentives alignment – which is why we can't insure another person's property, as we would not suffer the loss of property, but we would gain from insurance payout. Because publicly listed corporations are financed by external equity, but markets can't direct all resources of the firm, some decisions need to be delegated, meaning a separation between ownership (shareholders who have rights to cash flows) and control (e.g. CEO, board of directors, employees who can direct firm resources). Most academics come at this problem in a corporate context from the US perspective where ownership is typically dispersed among shareholders, and the board of directors (elected by shareholders) make decisions.

Our starting point

The US perspective fails to account for the global context where business groups – multiple publicly listed companies having the same ultimate owner – are a key part of the financial landscape. Outside the US, firms can be embedded in complex networks of ownership structures. This means that when you purchase a share of equity in a listed firm, the ultimate owner (controlling shareholder of that firm) may control the firm through another listed company. When a business group controls multiple firms, it has the flexibility to collect assets from each affiliated firm to build up the group's reserves and to reallocate them to those firms when needed. There is a long literature studying expropriation – where an owner tunnels assets out of a firm or a business group. However, we add a new perspective, given a network structure of interlocking ownership, some firms will be more important than others with respect to controlling business group assets.

Outline of theory

Consider Figure 1 to fix ideas. Let's assume that with dispersed ownership a blockholder with 20% ownership

can control a firm and that each firm has an equal value. If the ultimate owner loses control of firm A, he will still have a chain of ownership through firm B to control firms C, and D. Likewise if the ultimate owner loses firm B he can still use firm A to control firms C and D. However, losing control over firm C would result in the loss of control of both firms C and D. In this case, we would call firm C a "central" firm, and the other firms are relatively "peripheral" firms. This logic leads to the hypothesis that business group ultimate owners will protect their ownership over firms like firm C. In reality, the identification of ultimate owners and the calculation of centrality is computationally and economically challenging, and only recent advances in computational power made it feasible at a large scale. In our study, centrality is a continuous variable that captures the percentage of business group assets the ultimate owner would lose if they lost control of a given firm.

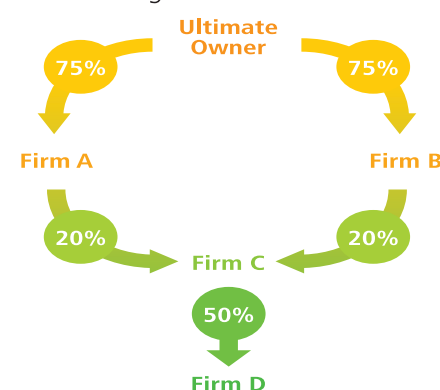


Figure 1

Business group ultimate owners protect their firms

The first thing we do is check whether business group ultimate owners indeed protect their most central firms. We calculate unexpected industry shocks by taking the unforecasted shock from a prediction of industry sales, and then we analyse the sensitivity of central firms valuation (measured by market to book ratios) to these shocks. We find that a one standard deviation increase in centrality could offset approximately 12% of the negative

impact of a negative shock. This observation is consistent with the notion that central firms are highly protected by business groups ultimate owners. We also construct a test using unexpected commodity price shocks. We find central firms' returns are much less sensitive to unexpected negative industry shocks. A one standard deviation increase in centrality could offset approximately 32% of the negative impact of this shock. These results suggest that central firms are indeed protected from shocks in the way we would expect.

Protected central firms have different stock return characteristics

Given the incentives for ultimate owners to protect central firms, and the empirical evidence in favour of this protection. It seems that centrality should be related to stock returns, in the sense that investors who realise these firms are less sensitive to shocks should also realise these firms are less risky, and thus command a lower risk premium (lower expected return). We can think of these firms like insurance; when bad things happen we know the ultimate owner will protect the firm, so we pay a premium for the firm (higher price) which means a lower expected return. We assess the evidence in multiple ways – we show that cross sectionally higher centrality means lower returns on average. A one-standard-deviation increase in centrality equates to a 14 basis points lower out-of-sample monthly return after controlling for common return predictors. We also build portfolios and find that higher centrality is related to lower returns on average. For example, we find across all firms high centrality portfolios have a 67 basis point lower monthly return (controlling for known predictors of portfolio returns) than high centrality portfolios. We also find that taking only the highest centrality firm from each business group, we high centrality firms have a 36bp lower return than low centrality firms, which indicates the effect holds even when we focus on differences between the most central firms across different business groups.

Is centrality distinct from expropriation?

Since most of the existing literature on business groups focuses on expropriation and tunneling, we devote some time to distinguishing the economic grounds of the expropriation incentive from our strategic reallocation incentive. One key idea in the paper is that central firms are special because they allow ultimate owners to control a large amount of assets in the business group. An alternative explanation is that this variable merely finds the firm which is used to extract assets from the business group. To test this idea, we identify the extractor firm in each group, and show that it is typically distinct from the most central firm (53% of the time) and we also show that the extractor firm does not predict returns in the same way as centrality. As a final check, we identify "apex" firms, those firms in which the ultimate owner has the highest stake. This can be used as a proxy for the central firm. We find similar but weaker results using this proxy for centrality (the apex firm is distinct from the central firm in 24% of cases). This is sensible as our measure takes into account the entire network structure of the firm in identifying centrality, not merely the firm in which the ultimate owner has the largest stake.

Conclusion

We show that the position of a firm within a business group is important. In particular, central firms play a crucial role in allowing the ultimate owner to control a large share of the entire group. When their control is under threat, business group owners may strategically reallocate group assets to protect central firms in retaining control, thus changing the risk profile of these firms. Using a novel dataset of worldwide ownership for 2001-2013, we have shown that central firms are better protected in bad times. We have also documented lower expected returns for these firms. Overall, centrality helps to explain the cross-section of stock returns in the international market, thereby augmenting the explanatory power of traditional models.

Reference



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My journey to the front office

Interview by Eric Collins

Jeff Chan is an EF MSc alumnus and Sales Specialist of Colt Technology, Hong Kong. While many finance graduates look for a client-facing role in their first job, Jeff took a different path. Here he shares on the value of gaining experience first, taking a CityU MSc, and how he finally got to a front-line position.



Where do you work?

I work with Colt Technology as a sales specialist in capital markets. Typically, I work with a buy-side client such as a bank, and a sell-side client such as a hedge fund, pension fund, or insurance company. I sell exchange market data so that clients can start trading, discount financial trades, or run their own business model. We also provide physical networks. That's a different area from my previous jobs at Bloomberg and Merrill Lynch which was mainly dealing with after-market data trading systems. Now I am involved a little bit more with the network side and the physical cloud. In the old days the buy-side and sell-side would have to spend money on a market data centre, with perhaps hundreds of servers, but now they are moving towards the cloud they can save a lot of resources.

I also focus on high-frequency trading clients. These companies put their servers very close to exchange trading rooms. For example, in the Hong Kong Stock Exchange they have their trading engine located at the TKO data center. We will help build the infrastructure so they can connect to the trading engine directly and these high frequency clients take advantage of the speed to beat the market.

What was your first job?

That was at ABCO Inc. in Toronto working as a Price Analyst. ABCO did not give me too much experience of the financial world but it did give me direction and

help me come to an understanding of what kind of job I might like to aim for. When I got back to Hong Kong I started from zero but at least I had found my interest, so then I felt motivated to work harder and catch up.

How important is it to change jobs?

Let me answer this by giving you a bit of background on the structure of companies in the financial sector. Typically, there's a back office, that looks after operations, more routine jobs, and tends to follow procedures. Then there's a middle office which is more IT-based, and could be a stepping stone to the front office. Lastly, the front office is more client-facing, exchange-facing, and more to do with trading. This is where a lot of people want to start out. But, if you don't have a perfect GPA, or connections, or simply good luck, it's quite hard to land a front-line position when you graduate. That doesn't mean that you are a loser. For me, firstly I had to find my interest and secondly, I needed to build up experience. So, collecting various experiences in different companies is very important. That is why my CV might look a bit jumpy.

Where did you start?

I started with the back office in operations. There's a common perception that if you start in the back office you will stay there forever. Based on my experience that is not true. You get your experience first, and then you can start to move towards – I wouldn't say jump even – move towards the middle office. For me, that's more

like the IT skills set which I got from Société Générale (SocGen) the French investment bank. Then, in my next job at Merrill Lynch I achieved one of my goals which was to work on the electronic trading desk, mainly covering futures. Then I moved to Bloomberg where I experienced a wider client base and got experience beyond futures to equities, bonds, and so on, and I got to know more about high frequency trading.

How did you benefit from being educated in Toronto?

I was almost ten years in Toronto as I went there for both high school and university. It certainly helps, especially when you are joining an international company. You feel the benefit of that cultural background, and that's a common starting point to talk about things. In terms of educational content, these days you have to be independent in research wherever you are, so there's not such a big difference between say Hong Kong and Canada. Being in university gives you logical thinking and finding your own way to do research. But more important is job experience.

How useful was the MSc in Financial Engineering at CityU?

The MSc gave me a much broader knowledge in the financial area. When I was in the University of Toronto the emphasis was on logical thinking, math, modelling, and so on. But when I started my job in the financial world, I found out there were so many varieties of





financial knowledge. The MSc helped consolidate and broaden that experience.

Maybe 30% of textbook knowledge will be useful when you start work in, say, a bank. Each of the banks or trading institutions will have their own platform, systems, and products. The school can't teach that. The product taught at school may be quite general. Later you will need to learn the subsets of the product, that people are using to trade in the real world. Lastly, schools may give you the basic IT technology, but the actual trading technology, how the bank builds its server, how it is connected to market data, how it sends orders to the exchange, and how the trades are executed is learned on the job. There are something like 60 to 90 exchanges in the world, each with thousands of products.

The CityU MSc gave me a solid product knowledge, for example, in derivatives which are very complex, and futures and options which are very popular. Later you learn how to enhance the system for a particular product. Another reason I took this programme was that there was a course where professionals were invited to share their experience, and this I found very valuable. That's why I try to volunteer now, in my turn, to offer professional sessions and share as much as I can.

So, CityU helped open up a wider world for you?

Yes, after graduating I finally got into the front office area when I joined Meryll. Many students spend a lot of time taking Chartered Financial Analyst (CFA), but I didn't do that. You need to do the course which will give you the foundational knowledge for your target specialism. CFA is for entering firms where you might be a portfolio manager, or a specialist in a particular area, or an accountant.

Is AI affecting your work area?

There's a lot of perception out there that AI is taking jobs from humans. Yes and no. In the banking sector the technology is quite advanced. That helps us to simplify procedures, and facilitate operations in trading. But I don't see a lot of job cutting. There are more programmers in demand. The greater your IT skills set, the more chance you have of getting a job.

Do you still work in the office?

Yes, it's more effective when we meet the client face-to-face, and more casual than talking to them on Zoom or on the phone. I would say about 70% of the time we need to go out to meet the client and go back to the office but 30% of the time would be more effective working from home, things like internal meetings, daily

jobs, etc. The IT team may work from home four days a week but for client – facing teams you spend more time at the office or meeting face-to-face.

Are you a leader or a team player?

In the financial area, for the first 3 to 5 years, you've got to be a good team player. Then you can move forward and either choose to be a leader or take a specialist role. There's so many different types of financial technologies and products. You need to decide your talents and interests. If you want that leader role of course you need leadership experience, and you won't need to be very technical. If you're heading for a specialist role you focus on that area. Then the leader will find you because they have their own team. If they have a high frequency trading client they will say "Heh Jeff, we need your help."

Where do you see yourself in five years?

I will probably stay in the product specialties area and move into new specialisms. Once I feel I've learned enough in finance I may try to get back to school to share some experience. I help to recruit trainees. I see so many different students approach the beginnings of their career in the wrong direction. I see people who spend four years on school and get 3.8 GPA, but four minutes on their CV. It's difficult perhaps to teach, but based on my experience I hope I will be able to show how to use time more efficiently.



Pioneering the interdealer market in China

Interview by Eric Collins and Jaime Poon

Benny Luk, CB DBA alumnus and Executive Managing Director, CEO Greater China, BGC Group, shares his career journey in the interdealer business and how he handles various market crises.



What was your first job?

Right after I graduated from secondary school in July 1976, I joined a Philippines merchant bank and worked there for almost 3 years. After a few months I assumed the role of Settlement Supervisor and this allowed me to have an insight into banking and finance, and the likely future development of Hong Kong as a financial centre.

You have worked extensively with inter-dealer broker (IDB) firms. Can you explain their role in the financial world?

I currently work with BGC Group, which like other IDBs is a specialized financial intermediary which facilitates

transactions between banks, investment banks, broker-dealers, and large financial institutions. Most IDB activity is agency business, meaning that trade ideas and orders originate from the trading desks of their clients. IDBs provide pricing information, liquidity, and anonymity for their trading actions. In a way, IDBs are each mini-exchanges where financial institutions can find prices (bids and offers) for their activities. In Hong Kong the commercial banks have always been predominant and so large institutional clients are handled by them. But in China IDBs are able to offer services to a wide range of clients, numbering into the thousands.

What have your main achievements been in Asia?

I managed the whole Asia Pacific region including India and Bahrain for Tullett and Tokyo Forex International where I worked for 26 years. With the beginning of China's reform and opening policy from 1978, the banking and financial system required an efficient money broking function. Luckily in the 90s more people, especially in Shanghai, began to understand the role of money broking. So, taking the opportunity, I established the very first money broking representative office with Tullett in 1994, and following that a JV operational office in 2005, both in Shanghai. The IDB market increased in size when a number of countries sought to mitigate the fluctuations of the US dollar, especially after the Asian economic crisis of 1997, by issuing debt in their own currencies.

Since 2018, I have been working with the BGC Group of Companies where I am currently Chief Executive Officer, Greater China with overall responsible for the operation of the Greater China region.

How have you handled the various market crises in the past?

The IDB sector is not a market maker and cannot create markets and so when there are crises and downturns, it is important that companies have very good cost control to survive. There is also a positive side to market crises. After the 2008 Lehman Brothers crisis the US Dodd-Frank Act in 2010 was designed to prevent excessive risk-taking. The trading of OTC derivatives products requires 3 mandatory requirements, they are reporting, clearing, and trading. This means all the relevant categories of derivatives trading under the Dodd Frank Act are required to be registered in their respective central repository which is normally managed by a government entity such as a central bank, and to be cleared through a clearing house which is usually run by an Exchange, and to be traded through an electronic platform once it is available. In the US, reporting commenced in 2013 and Hong Kong implemented mandatory reporting on 1st September 2016. The HKMA started to monitor the IDB sector more closely in these years.

Do you see work-from-home as increasing in the IDB sector?

There are definitely some pros for work-from-home such as saving travelling time and offering more options on when people work. On the other hand,

more informal communication between departments is possible when working in the same office space. There is a certain security in sharing information face-to-face which is more secure than communicating over electronic media. Market intelligences for example can be shared confidentially. Face-to-face still confers a degree of anonymity.

Is the IDB industry susceptible to brain drain?

Some people insisted on moving to places like Bangkok, Singapore, and Dubai, as a result of the social disturbance and pandemic, especially those in foreign banks. Most of the people moving were expats, wishing to have a more relaxed pandemic controls environment, especially those in their mid-30s and others of retirement age, and working in the IT area. But people are returning because Hong Kong is the biggest RMB hub by far. The recently established infrastructural facilities related to RMB such as Swap Connect, the issuing of more and more China debt mean that Hong Kong has once again become the biggest financial gateway to China.

You have given extensive service to the Treasury Market Association (TMA). What kind of work is this association involved with?

The mission of the TMA is to further promote the professionalism and competitiveness of the treasury markets in Hong Kong by developing appropriate codes and standards for the treasury markets, promoting market and product development, enhancing the professionalism of market



practitioners, and promoting Hong Kong as the preferred hub for treasury market businesses in the Asia Pacific region.

Where do you see yourself in five years?

After 46 years in the financial market, it is about time to consider taking a back seat. I may take up a consultancy role or help nurture the next-generation of management leaders. I am also happy to assume any public service roles to contribute to the wider society.

You entered the PolyU as a mature student in 1990. Can you tell us about your experience?

The Diploma of Management Studies I studied in 1990 was a 2-year part time programme jointly organized by the Hong Kong Management Association and the Hong Kong Polytechnic (as it was then). This was a very popular learning pattern in the 1980s and early 90s, as the opportunity for receiving tertiary education in Hong Kong was limited with only two universities.

You have three master's degrees and one doctorate. How important is university certification in the business world?

University certification is a benchmark of the knowledge that people possess in a specific area. Business entrepreneurs use a lot of soft skills such as leadership, time management, teamwork, communication, organization, problem-solving skills, etc. These kinds of abilities can result from real-world experience, can be developed independently, or may to an extent be 'learned' at university. Smart graduates can apply and adapt what they studied at school in the business world.

Undergraduate degree courses give many insights into different areas and offer a wide range of

career options. There are various industries that require specific training at the tertiary education level as an entry requirement, for example the banking and finance sector in China. At a later career stage, Master's degree courses can help strengthen the leadership and business skills but may not immediately help advance a career. As a stepping stone to industry-level recognition, they can definitely contribute to career progression and can also facilitate a career change to enter a specific profession. In sum, university certification is important in the business world as this is the very first effective yardstick for potential employers.

How was the DBA experience different from master's level work?

The DBA is like planning to have a baby when you have settled on an area of study. This process is similar to exploring, developing and innovating new ideas, practices and knowledge. Once a topic has been found and confirmed you need to learn the necessary nurturing tools with a concrete plan to raise this baby. You will be taught the research methodologies and problem-solving skill sets relevant to your area of interest. The CityU DBA course designates a mentor/ supervisor who acts like a nanny to help walk you through the whole journey. The DBA relies on an independent study mode, so a high level of self-discipline and observance of ethical issues are paramount.

How important is life-long education for a business career?

Life-long education is extremely important for a business career because it not only enables you to learn the necessary new skill sets and professional capabilities to further advance existing career/ job prospects, but also facilitates adapting to an ever-changing business world. Whether your study course is related to your existing career or not, it will probably help you build a larger network. This might open a new runway in your career.

What qualities/ skills does BGC look for in potential graduate employees?

BGC recruits BBA graduates as trainee brokers, preferably with a major in banking and finance. An ideal candidate is sociable and friendly; possesses excellent spoken and written communication skills; excellent interpersonal, negotiation, and conflict resolution skills; is able to share information in both large groups and one-on-one conversation; has excellent attention to detail with strong analytical skills; and has the ability to prioritize tasks.

Do you have career advice for our students?

ESG (Environment; Social; Governance) is an area to watch. In the past decade or so, ESG-minded business practices have become popular in the financial services industry. Bank of China, HSBC, Goldman Sachs, JP Morgan Chase, and others have published annual reports that extensively review their ESG approaches. ESG investing is also becoming a dominant theme for investors to consider as part of their overall investment strategies. ESG criteria would certainly be able to help investors avoid the blow-ups that occur when companies operating in a risky or unethical manner are ultimately held accountable for the consequences.

How do you see job prospects in the ESG area?

ESG specialists will increasingly be needed in-house in business organizations, and financial institutions. At the same time, government departments and statutory bodies are formulating ESG and sustainability regulations and policies, attracting foreign investments in ESG. Finally, ESG specialists will find increasingly opportunities in professional service firms such as the Big-4 accounting firms, the Big-3 business consulting firms (McKinsey, Bain & Co, Boston Consulting Group), and international law firms providing ESG regulatory compliance services.

Delivering a seamless world

Interview by Eric Collins

Henry Ko is Vice President of Corporate Development APAC and Chairman of Greater China at Flexport. Henry is a CB alumnus with a BBA Quantitative Analysis for Business and an EMBA. Henry has constantly looked for new challenges and here he shares how he developed his career at a startup.

How did you first arrive at CityU?

I enrolled at CityU for a BBA Qualitative Analysis Business (QAB) under the Department of Management Sciences. CityU education equipped me with what the commercial world is actually looking for. It was also very much a mathematical analysis and business treatment sort of education, so I cannot say it was a completely eye-opening experience but definitely a good opportunity to step up and try my business logical sense. I remember very clearly on the last day of the school, the QAB Course Director, Dr Gang Hao, shared with us on how to adapt academic models into real-life experience. Dr Hao said the last word that she can offer to us is "lifelong learning." The life journey has lots of changes and nobody can really guarantee that whatever you learn can truly make your success. The whole mentality is that you have to keep learning continuously to apply yourself, to equip yourself with new knowledge.

Where did you start work?

After graduating I was stationed in Guangzhou for four years and started to learn how to run a manufacturing plant but also to ship cargo to the rest of the world. After four years in mainland China I started to figure out that I need to return to Hong Kong. At that time, I remembered the words of Dr Gang Hao, so I did my research and looked at what would really add value for continuous learning, and I picked the MBA at CityU. When I went through the application process, and

interview, the professors looked at my profile and said "Oh Henry, with your strategic experience you should challenge yourself and go for the EMBA." I thought the exposure and the seniority in terms of learning partner might be beneficial and enjoyed studying on the EMBA.

How do you set challenges for yourself?

After that I joined Li and Fung, and then SF Express, big multinational companies. One day I went hiking with one of my EMBA classmates. We had both been pretty quick and successful in our careers. Hong Kong was changing. China was changing with lots of manufacturing moving away. We asked ourselves how can we set a challenge to get to the next step? We realised that Hong Kong's unique position is the rule of law, and the fact of its being a financial centre. The EMBA already covered the financial side. Immediately after the hike we had a couple of drinks. Later we went to CityU courses fair, and soon after enrolled for the Juris Doctor in Law. That was the beginning of a further 6-year part-time study at CityU. It was a very different journey to business study, which is often about business models, proof of concept, etc. With law you really have to soak up the details. It's about accuracy. You have to memorize and challenge yourself in logical thinking because you can act as plaintiff or defendant. You have to look at both sides before reaching a conclusion, so it's very good for training your logical mind.

How did you get to your current role?

A friend introduced me to the founder, Ryan Petersen, and we got into dialogue and tried to figure out what the future supply chain ecosystem would look like, globally and also in China. We believed it would cover three specific elements: number one was whether the business model was online & offline integrated. Second, whether the business model really enabled big data, and third whether it had an internet+ solution. Working with previous companies such as Li and Fung, we had already figured this out but executing with established multinational companies meant going through massive transformations in order to embrace this kind of business model. Flexport was a completely new startup. They had a strong vision to make the supply chain easy for everyone and had successfully concluded initial Series A funding. We met in China and figured out what the specific business model for China was, and how that could be injected into their business model. From my side, I had to decide should I go with a startup like Flexport at this stage, or stick in my comfort zone?

Why did you decide to work for a startup?

At that time startup models were popular in the west, but not so much in Asia, least of all in Hong Kong. Nobody had a clear view as to how startups could impact different industries. I shared my dilemma with one of my mentors, an ex-boss at DHL. He said "Why not go for it? You can take a risk for 5 years, just invest for a limited period." So, I immediately decided to go for Flexport. I was the first employee, and the first in Asia. Nowadays we have over 700 employees, with multiple offices, Hong Kong, Shanghai, Shenzhen, Singapore and Taiwan.

What is Flexport's competitive advantage?

Flexport is the first technology-driven freight forwarder. The key point is that to this day multinational companies are still using traditional ways of running supply chain operations. The supply chain is full of paper, printing, communication through mobile phone, email, Excel spreadsheets, calculators and so on. Sometimes you can still find fax machines as one of the key tools for running international logistics! As a technology company Flexport had a platform offering true visibility of every single cargo shipment. Every single process is tracked with real-time visibility, through export clearance, ocean transportation, import clearance, and then to distribution. Every single milestone is tracked with real-time visibility. You can see inventory, ocean/ air, real time, carbon emissions and container utilisation within a single platform. We are also running operations physically offline, in terms of transport charter, warehousing, etc., again all fully integrated. It's a seamless experience in what used to be a very fragmented industry. To this day, there is no single player in the market who is running an



operation like Flexport which is pretty much recognised as a leader in the digitalization of freight forwarding in international trade.

What sort of talent is Flexport trying to attract?

To be honest this industry is not sexy at all. A lot of talent goes for the Big 4 or ibanking. No one would think of going for freight forwarding. So, it's difficult to attract talent. And without talent, it's hard to innovate and continuously develop the industry. In the early days, I didn't have an office. All I had was a printed name card as I held multiple interviews over coffee in shopping malls. People wanted to know Where is your office? How big is your company? What are the benefits? They never want to think about taking risks. In Hong Kong it's still really about compensation. They are not convinced by business models.

After a few months, when we had our business license, an office and so on, we started to look again for fresh graduates from different universities. Three of the earliest cohort were quite unique, and I arrived

at them after interviewing 172 candidates. The first was a 100% local graduate, the second a mainland talent with masters' degree, and the third a European Chinese born in Italy, with two years' experience in the US who had then studied in Hong Kong for a masters' degree. These three really understood why Flexport was formed and how we are going to change the industry. They saw it as a burning opportunity to build their career with a startup. Having established this talent as a benchmark, we continued to build our recruitment at this or a similar standard.

How fast did Flexport grow?

Since then we have doubled our employee count every three to four months. That means you become a new company every three to four months. New talent needs to go through a learning curve, lots of process alignment, knowhow on how to run the business. And the majority of our employees were fresh graduates in the early days so we needed to encourage them to have a self-learning mentality. They needed to be very hungry for knowledge

but also figure out how they could add value to the company's overall interest, not to be shy of innovation opportunities, and offer specific processes to improve the customer experience.

We believe productivity depends on mindset and culture. 80% of our employees come to us with no prior supply chain industry knowledge. We welcome diverse backgrounds, outside-the-box perspectives and problem-solving mindsets.

Do you see a big step change coming in the next five years?

Definitely. There are so many destabilizations such as deglobalization and the pandemic, and the change of the retail model towards online consumption. So, all of that brings destruction to the global supply chain and creates opportunities. Lots of buyers and sellers in the supply chain are looking for more agile solutions and better digitalization solutions. For example, if there is a shortage in one specific location, that should be visible on the platform and the client can see the options in terms of transportation and make the decision and act

on one single platform. No need to go for the traditional route of looking for rates enquiry, maybe looking at the spreadsheet for the internal system, comparing the inventory here and there. It's a completely different game in this industry now.

Then there's ecommerce. Back in 2016 it only accounted for 6% of global retail distribution. In 2023 it could account for 20%. The pandemic has greatly accelerated the development of ecommerce consumption. If you have an item which suddenly becomes very popular in the US and it is manufactured in China, the logistics solution has to be an ecommerce-enabled platform offering an agile, flexible, international solution.

Another interesting opportunity is that digitalization generates a lot of data. This can be used in leveraging lots of value-added services, for example automation of customs clearance. It can also enable insurance products or trade finance products, including risk assessment. So, technology is moving us well beyond the traditional international transportation sector producing a seamless world.



Research Snapshots

Time-varying asset volatility and the credit spread puzzle



Most extant structural credit risk models underestimate credit spreads—a shortcoming known as the credit spread puzzle. Du Du and colleagues consider a model with priced stochastic asset risk that is able to fit medium- to long-term spreads. The model, augmented by jumps to help explain short-term spreads, is estimated on firm-level data and identifies significant asset variance risk premia. An important feature of the model is the significant time variation in risk premia induced by the uncertainty about asset risk. Various extensions are considered, among them optimal leverage and endogenous default.

DU, Du; Elkamhi, Redouane; Ericsson, Jan. "Time-Varying Asset Volatility and the Credit Spread Puzzle." August 2019; In: *Journal of Finance*. Vol. 74, No. 4, pp. 1841-1885

Asset pricing with fading memory



Building on evidence that lifetime experiences shape individuals' macroeconomic expectations, Zhengyang Xu and Stefan Nagel study asset prices in an economy in which a representative agent learns with fading memory about unconditional mean endowment growth. With IID fundamentals, constant risk aversion, and memory decay calibrated to microdata, the model generates a high and strongly countercyclical objective equity premium, while the subjective equity premium is virtually constant. Consistent with this theory, experienced payout growth (a weighted average of past growth rates) is negatively related to future stock market excess

returns and subjective expectations errors in surveys, and positively to analysts' forecasts of long-run earnings growth.

Nagel, Stefan; Xu, Zhengyang "Asset Pricing with Fading Memory." May 2022; In: *The Review of Financial Studies*. Vol. 35, No. 5, pp. 2190-2245

The role of high-skilled foreign labor in startup performance: Evidence from two natural experiments



Shenje Hsieh and colleagues examine the role of high-skilled foreign labor in VC-backed startups through two natural experiments. First, they show that winning more H-1B visas in random lotteries enhances VC-backed startups' financial performance, likelihood of going public, and quantity and quality of innovation. Second, they show that the H-1B quota reduction in 2004 caused permanent damage to the performance of startups that previously had used H-1B workers. The findings imply that high-skilled foreign workers possess skills or talents that are difficult to replace and that barriers to securing H-1B visas lower startups' innovation and financial performance.

Chen, Jun; Hsieh, Shenje; Zhang, Feng "The role of high-skilled foreign labor in startup performance: Evidence from two natural experiments." October 2021; In: *Journal of Financial Economics*. Vol. 142, No. 1, pp. 430-452

Mechanism design with costly verification and limited punishments



Yunan Li investigates mechanisms for allocating an indivisible object to a finite number of agents

with costly verification and limited punishments. A principal allocates an object (e.g., a job or grant) among several agents, each of whom wants the object and privately knows the value to the principal of assigning it to him. The object is allocated based on the agents' reports. The principal can choose to inspect an agent's report at a cost and impose a limited punishment on the one who receives the object. An optimal mechanism specifies two thresholds $v^l \leq v^u$. If every agent reports a value below v^l , the object is assigned to a random agent, and no one is inspected. If any agents report a value above v^l but all reports are below v^u , the agent with the highest reported value receives the object and is inspected with some probability. If any agents report values above v^u , one of them is randomly selected to receive the object and is inspected with certainty. An agent is punished if and only if his report is found to be false. When the number of agents is small, v^l is equal to the upper bound of the support of the value distribution. When the number of agents is large, $v^l = v^u$.

Li, Yunan "Mechanism design with costly verification and limited punishments." March 2020; In: *Journal of Economic Theory*. Vol. 186

Tax revenues in low-income countries



Xuan Song Tam and colleagues quantitatively investigate the welfare costs of increasing tax revenues in low-income countries. They consider three tax instruments: consumption, labour income, and capital income taxes. The analysis is based on a general equilibrium model featuring heterogeneous agents, incomplete financial markets, and rural and urban areas. They calibrate the model to Ethiopia and

decompose the welfare costs into their aggregate and distributional components. They find that changing taxes alter the composition of demand. This, together with limited labour mobility, causes the incidence of higher taxes to fall disproportionately on the rural population, regardless of the instrument. Consumption taxes are the instrument with the largest welfare loss.

Adrian Peralta-Alva, Xuan Song Tam, Xin Tang, and Marina M. Tavares "Tax Revenues in Low-income Countries" In: *Economic Journal*, forthcoming.

Price skimming: Commitment and delay in bargaining with outside option



This paper studies a bargaining problem in which the buyer's valuation and outside option are private information. Dongkyu Chang and Jong Jae Lee show that there exists a non-stationary equilibrium in which the seller can secure full commitment profit (from the optimal sales mechanism that exhibits price skimming) if and only if the buyer's outside option takes a zero value with positive probability (non-negligibly zero outside option). Their innovation is to show that (i) both the Coasean reversion and positive selection are necessary for the seller to secure the full commitment profit and (ii) the Coasean equilibria may coexist with positive selection despite their claimed incompatibility if the non-negligibly zero outside option exists.

Chang, Dongkyu; Lee, Jong Jae "Price skimming: Commitment and delay in bargaining with outside option." October 2022; In: *Journal of Economic Theory*. Vol. 205

NEWS



CB researchers among world's top 2% of scientists

The College is pleased to report that 15 faculty members of the College of Business of City University of Hong Kong are among the top 2% of the world's most highly cited scientists, according to Stanford University (released in November 2022). This compares to seven in 2021, and the College is excited to see more faculty members on the list, a recognition of their hard work and dedication to research excellence.

The Top 2% of the World's Most Highly Cited Scientists at CB include:

- Professor Kevin Chiang, Professor, Department of Management Sciences
- Dr William Chung, Associate Professor, Department of Management Sciences
- Professor Robert Davison, Professor, Department of Information Systems
- Professor Jeong-bon Kim, Dean & Chair Professor of Accountancy, College of Business
- Dr Raymond Lau, Associate Professor, Department of Information Systems
- Professor Matthew Lee, Vice-President (Development & External Relations), Chair Professor of Information Systems & E-Commerce, Department of Information Systems
- Professor Julie Li, Chair Professor, Department of Marketing, Associate Provost
- Professor Xin Li, Professor, Department of Information Systems
- Professor Jane Lu, Chair Professor, Department of Management
- Professor Jian Ma, Professor, Department of Information Systems
- Professor Maris Martinsons, Professor, Department of Management
- Professor Fui-hoon Nah, Professor, Affiliate, Department of Information Systems
- Professor Keng-leng Siau, Head and Chair Professor, Department of Information Systems
- Professor Christian Wagner, Chair Professor, Affiliate, Department of Information Systems
- Professor Zhilin Yang, Professor, Department of Marketing

At the university level, over 180 CityU scholars are on the list. Compared to faculty size, CityU's percentage of the top 2% of the world's most highly cited scientists is among the top 100 in the world, with only a very few universities in Asia making the list. The College congratulates our faculty for their achievements.

Professor Keng-leng Siau receives AIS Fellow Award

Congratulations to **Professor Keng-leng Siau**, Head of the Department of Information Systems and Chair Professor of Information Systems, for being selected as an Association for Information Systems (AIS) Fellow Award recipient.

This award is in recognition of all of the valuable contributions Professor Siau has made to AIS and to the field of information systems during his distinguished career. Being named an AIS Fellow is one of the highest academic honours conferred on prominent practitioners in the IS field, and is in recognition of extraordinary contributions to the discipline in research, teaching, and service.

Professor Siau has more than 350 academic publications. According to Google Scholar, he has a citation count of more than 18,500. He is consistently ranked as one of the top information systems researchers globally based on his h-index and productivity rate. He is on Stanford University's list of the top 2% most-cited scientists in the world (he is ranked in the top 1%). Professor Siau took up a number of academic leadership roles in the US before joining CityU. He is Editor-in-Chief of the Journal of Database Management and a Senior Editor of the Industrial Management & Data Systems journal. He has been involved in projects totalling more than US\$6 million, and his research has been funded by NSF, IBM, NSFC, and other business organizations.

His many contributions to IS discipline are much valued and the College of Business extends its warmest congratulations to Professor Siau for his exceptional achievements.



Three students recognised for outstanding internship performance in social NGOs

Three undergraduate students, **Hiu-ching Tong** from BBA Accountancy, **Yui-hin Wong** from BBA Finance, and **Wing-hei Ng** from BBA Management, received Awards for Excellence in the Citi-HKCSS Community Intern Program 2022.

The Citi-HKCSS Community Intern Program aims to cultivate future business leaders to be more caring and responsible individuals. It promotes a broadened understanding of the community's needs and challenges of in the context of Corporate Social Responsibility (CSR). This year 77 business students from 10 local universities participated in the program, completing 160 hours of internship at 40 local NGOs. They were also given 20 hours of training to enrich their knowledge of pressing community issues such as the poverty gap and aging population as well as environmental conservation.

One of the awardees, Yui-hin Wong, worked for the Society of Rehabilitation and Crime Prevention, Hong Kong. He shared that it was a valuable chance to work with social workers. Sometimes, he needed to work out office for events and activities and meet service users. "I learnt more about the local community and the concept of corporate social responsibility through this internship," he said.



NEWS

College of Business receives three donations to fund scholarships for undergraduate students

The College of Business is honoured to receive three generous donations of HK\$500,000 from **Mr Raymond Cheng**, Chairman of HLB Hodgson Impey Cheng Limited; a HK\$250,000 donation from **Ms Joanne Wong**; as well as a HK\$100,000 donation from **Aji-No-Chinmi Company (Hong Kong) Limited**. These gifts will support the establishment of scholarships for undergraduate students.

Mr Raymond Cheng is a council member of HLB International and also a Departmental Advisory Committee member of the Department of Accountancy. The donation will be used exclusively to fund four newly-established scholarships in the Department of Accountancy from 2022 to 2026 including a Scholarship, Entrance Scholarship, Double Degree Scholarship, and Joint Degree Scholarship. Professor Yangyang Chen, Head of the Department of Accountancy, expressed heartfelt gratitude to Mr Cheng for his generous donation. "Mr Cheng has been a staunch supporter of our department. We appreciate his valuable support and advice that allow us to continue to attract high calibre students and nurture young accounting professionals."

Ms Joanne Wong is the Director of General Mills Foods Asia Limited. Her mother the late Madam Chong Kin Wo was a longstanding supporter of our Marketing Department. The donation was made as an extension of that support and the money will be used to set up the Chong Kin Wo Scholarship for Joint Degree Programmes for undergraduates at the College of Business. Meanwhile, Ms Wong has donated a further HK\$250,000 to support the research projects of the Jockey Club College of Veterinary Medicine and Life Sciences of CityU.

Aji-No-Chinmi Company (Hong Kong) Limited is a leading Japanese food importer in Hong Kong and staunch supporter of CityU. Scholarships will be set up for 10 outstanding undergraduate students at the College. The company has also donated another HK\$100,000 for scholarship for undergraduates of the College of Liberal Arts and Social Sciences. Mr Dennis Tokuaki WU, Managing Director of the company, visited the campus and met with some student recipients to share his entrepreneurship experience.

Professor Jeong-Bon Kim, Dean of College of Business, expressed heartfelt gratitude to the donors. "We are grateful for the donors' generosity and support. I believe that students will make good use of the scholarships to enhance their learning experience and I hope that they can try their best to give back to the society in the future."

We thank Mr Cheng, Ms Wong, and Aji-No-Chinmi Company (Hong Kong) Limited sincerely for the generous support to the College and our students.



Professor Jeong-Bon Kim (right) expresses appreciation to Ms Joanne Wong who has donated HK\$250,000 to the College of Business.



Professor Yangyang Chen, Head (AC), thanks Mr Raymond Cheng (left) for his generous donation.



Dr Raymond WONG (middle), Associate Dean (Undergraduate Programmes) presents a token of appreciation to Mr Dennis Tokuaki WU (fourth from the left), Managing Director of Aji-No-Chinmi Company (Hong Kong) Limited.

CityU scores world-first recognition for CPA Australia's Digital Finance subject



City University of Hong Kong and CPA Australia have signed a Memorandum of Understanding (MoU) for CPA Program exemption status for two courses offered by CityU's Department of Information Systems in its Master's programmes.

Under the MoU, CityU students and CPA Australia members who have completed CityU's postgraduate courses "Blockchain Technology and Business Applications" and "Foundations of Information and Electronic Business Systems" will be considered to have met the requirements of the Digital Finance subject in CPA Australia's CPA Program and granted an exemption in this subject.

This is CPA Australia's first collaboration with a university, where an exemption is granted in its CPA Program's Digital Finance subject for students who have completed the relevant courses in their Master's programmes. It is also the first time CPA Australia has recognised an information systems programme provider worldwide.

Professor Jeong-Bon Kim, Dean of the College of Business of CityU, said, "Given the rising importance of digital finance in business and innovation, CityU's College of Business has been enhancing its curriculum to equip our students with cutting-edge knowledge in the digital economy. We are honoured to be the first university worldwide to receive an exemption for the CPA Program's Digital Finance subject. This is recognition of the College's efforts to nurture future leaders for the new digital era."

Ms Deborah Leung FCPA (Aust.), Executive General Manager International of CPA Australia said, "As one of the world's largest accounting bodies, CPA Australia's goal is to prepare our members for today and tomorrow in this globally connected world. We have a trusted relationship with CityU, as we share the same vision of equipping future leaders with a global perspective. CPA Australia is honoured to partner with CityU in offering a CPA program subject exemption for students in the university's Master's programme. This is a remarkable milestone, and it will significantly accelerate the career advancement of our young people!"

Dr Shan Zhao named European Corporate Governance Institute Research Member

Dr Shan Zhao, Associate Professor at the Department of Economics and Finance, has been appointed as a Research Member of the European Corporate Governance Institute (ECGI), an international scientific non-profit association focusing on major corporate governance issues. ECGI appoints esteemed researchers from around the world who have made significant contributions to the field of corporate governance study.

The organisation provides a forum for debate and dialogue between scholars, practitioners and policymakers on corporate governance matters. Its appointed fellows include Nobel Laureates Jean Tirole, Oliver Hart, Bengt Holmstrom, and Douglas Diamond. As a Research Member of ECGI, Dr Zhao is entitled to distribute his work through its network.

Dr Zhao is an expert in corporate governance and corporate finance. His representative research includes "Internalizing governance externalities: The role of institutional cross-ownership," *Journal of Financial Economics*; "Reputation Concerns of Independent Directors: Evidence from Individual Director Voting," *Review of Financial Studies*; and "Firm-specific knowledge assets and employment arrangements: Evidence from CEO compensation design and CEO dismissal," *Strategic Management Journal*.

NEWS

College of Business Distinguished Alumni Award 2023

The College of Business Distinguished Alumni Award has recognised three award winners for 2023:

- Ms Loretta LEE Wing-yee** — Executive Master of Business Administration, 2022
Dr Louis POON Lok-ming — BA Business Studies, 1996; Doctor of Business Administration, 2014
Mr Banting SZE Wai-pan — MA Quantitative Analysis for Business, 1994

The Award aims to recognise the outstanding achievements and contributions of our distinguished alumni to their professions, the University and society.



Ms Loretta Lee is the Chairlady and Executive Director of the Canvest Environmental Protection Group Company Limited, a leading integrated urban environmental services provider listed on the Hong Kong Stock Exchange, which operates waste-to-energy and hygiene initiatives that create both business and social value. Ms Lee founded the ALMA Charity Foundation for the relief of the needy and the benefit of the Hong Kong community. She is also Chairperson of the Yan Tak Charity Fund and the Permanent Honorary President of the Pui Kiu Middle School and is committed to advancing sustainable development and promoting exchanges between the youth in Mainland China and Hong Kong. Ms Lee holds an Executive Master of Business Administration from City University of Hong Kong.



Dr Louis Poon is a leading marketing professional with 25 years international experience with preeminent asset management, banking and Fintech groups based in Hong Kong. Currently, he is the Director, Deputy Head of Wealth Management at Fusion Bank based in Hong Kong. Dr Poon is a passionate advocate for ESG impact investing & marketing. He has been the Senior Executive Vice Chairman of Association of Family Offices in Asia and Vice Chairman of Chartered Institution of Marketing UK Hong Kong Chapter. He has also been involved with several mentorship programmes at City University of Hong Kong for more than 10 years. Dr Poon holds a BA Business Studies and a Doctor of Business Administration, both from City University of Hong Kong.



Mr Banting Sze is the founder, Chairman and CEO of Freetech Road Recycling Technology (Holdings) Limited, a Hong Kong public-listed company. Mr Sze is a pioneer of recycling and low-carbon economy in the pavement industry, owning more than 200 national and international patents. Mr Sze is the Chinese People's Political Consultative Conference (CPPCC) standing committee member for Jiangsu province. He is also the President of Hong Kong Institute of Technology, Education & Culture, the President of Jiangsu Province Hong Kong Chamber of Commerce, and the President of Nanjing (HK) Association Limited. Mr Sze is the committee member of Public-Private Partnerships (PPP) Experts of United

Nations Economic Commission for Europe (UNECE). He is also the Chairman of Departmental Advisory Committee of Department of Management Sciences at CityU. Mr. Sze holds an MA in Quantitative Analysis for Business from City University of Hong Kong.

Welcome to Our New Faculty

We welcome our new faculty who joined CB between March 2022 and February 2023.

Department of Accountancy

Dr Wonjae Chang
Assistant Professor



Dr Ha-yoon Yee
Assistant Professor



Department of Economics & Finance

Dr Minji Bang
Assistant Professor



Dr Arthur Beddock
Assistant Professor



Dr Guanliang Hu
Assistant Professor



Dr Jinge Liu
Assistant Professor



Dr David Yang Yilin
Assistant Professor



Department of Information Systems

Dr Qi Wang
Assistant Professor



Department of Management

Dr Joohyung Kim
Assistant Professor



Dr Haeyoung Koo
Assistant Professor



Dr Bryan Spencer
Assistant Professor



Department of Management Sciences

Dr Lilun Du
Associate Professor



Dr Baojun Dou
Assistant Professor



Dr Hanwei Li
Assistant Professor



Department of Marketing

Dr Lei Su
Associate Professor



Dr Chutian Wang
Assistant Professor



Alumni Class Notes

Share your news with classmates and CB alumni! Tell us about the highlights of your year – family, career, accomplishments, and interests. We will publish your updates in the “Alumni class notes” section of City Business Magazine and on the CB website.



Daniel Chow

Postgraduate Diploma in Corporate Administration 2001

I am an accountant with a strong interest in corporate administration, commonly known as company secretaryship. I joined the postgraduate diploma programme at CityU right after my completion of my CPA programme. I am so glad that I have undertaken this programme which enhanced my knowledge and skills in the subject area and also provided me with a ticket to join the Hong Kong Chartered Governance Institute (“HKCGI”) as a full member, where I have been a Council member since 2020. In addition to this, I have been re-elected as the Vice-chairman of the Restructuring and Insolvency Faculty Executive Committee of the Hong Kong Institute of Certified Public Accountants and also been appointed to the Board of Review (Inland Revenue Ordinance) by the Financial Services and the Treasury Bureau. With all these appointments I expect it will be a busy 2023 for me!

Dr Tim Cheng

MBA 2007

I studied for my MBA at City University in 2007 and have met great mentors and friends, and I still keep in contact with my classmates. I decided to change my career from the business sector to the teaching industry in the business school seven years ago. Today I am officially the Principal Lecturer of the Institute for China Business at the University of Hong Kong. I am also studying for my Master of Education at the University of Hong Kong this year for my job enrichment. I am grateful for the motto of CityU, “The great hermit is hidden in the city, and the study is out of the dust,” which I have used all my life!



Allan Wong

MBA 2007

Being a senior auditor of the Audit Commission and a member of the People’s Republic of China delegation, I attended the XXIV International Congress of Supreme Audit Institutions, held in Rio De Janeiro, Brazil from 7 to 11 November 2022. In the week-long Congress, I was able to meet veteran auditing professionals from nearly 200 countries and share the best practice in international public sector auditing. It was also a good opportunity to share the “good story” of Hong Kong, telling the world that Hong Kong is now back to the international stage.



Chun-kit Yu

MBA 2008

It’s my pleasure to meet all CB alumni. I feel gratitude that I completed my Bachelor and also Master degree in CityU. I worked in Healthcare IT for around 10 years. Then I changed my field to serve in the church for around 7 years. In past few years, I was invited to be guest speaker by YWCA Jockey Club Y Evergreen Learning Centre and provided seminars for healthy young olds on teaching Health Care IT knowledge. Currently, I am pursuing an advanced theological training in Doctor of Ministry (DMin) programme.

Jack Hung

BBA Business Economics 2019

Hi there! Writing this note takes me back to my journey at CityU which I found full of challenges. But now I actually see it as a fruitful adventure. CityU is a great place to explore and learn new things. After my student life, I tried role in finance office and now I am in market data management. I had no idea I would fall in love with tennis, as a previously nerdy student. My next destination?



Dr Alan Tsoi

DBA 2022

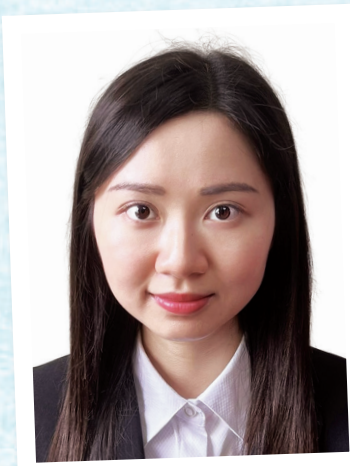
After 32 rewarding years in the profession, my wife and I decided to retire in 2021 and open a new chapter of our lives. We started to travel around to places that we have longed to see for many years, such as Tibet, Xinjiang and Guizhou, Mexico, Oregon, Cardrona, etc. Despite some COVID interruptions along the travel path, we had an absolutely wonderful time getting to know the people and culture. We have also become a self-declared “professional ski bum”. I finished two back-to-back ski seasons training in China and New Zealand and successfully obtained the ski instructor accreditation with Canada Ski Instructor Alliance. Studying for the ski instructor exam was almost as demanding as getting ready for the defence of my doctoral thesis. My excellent DBA training in CityU did help! Meanwhile, we are actively working on other projects and long trips. We are grateful and blessed that retirement has kept us very busy and healthy so far!

William Wong

BBA Accountancy 2022

I am thrilled to share that after I graduated from CityU, I got both PwC and Deloitte offers (Big4). I decided to go to Deloitte because I preferred the friendly culture more. It is my honour to work in such big accounting firm. Hope that everyone has good luck in 2023 also!





Victoria Chan

MSc Finance 2022

I am proud of being a graduate of MSc Finance. You would get a valuable and unforgettable learning experience in MSc Finance. The MSc Finance programme is comprehensive and covers a lot of useful financial knowledge and theories. I established a solid foundation in different financial theories and modelling. Not only did MSc Finance equip me with sound theoretical knowledge, but also practical skills since the content of course would cover various industry knowledge and government regulations. You, therefore, could acquire some job-related knowledge and skills! Some subjects such as financial econometrics and credit risk management can help you to strengthen your computer skills in Excel as well as develop your programming skills in R program. Professors are very nice and I could feel their teaching enthusiasm. They are very willing to provide support to you if you encounter obstacles. So, don't hesitate! Just apply the MSc Finance at CityU!^^

Ziang Wei

MSc Financial Engineering 2022

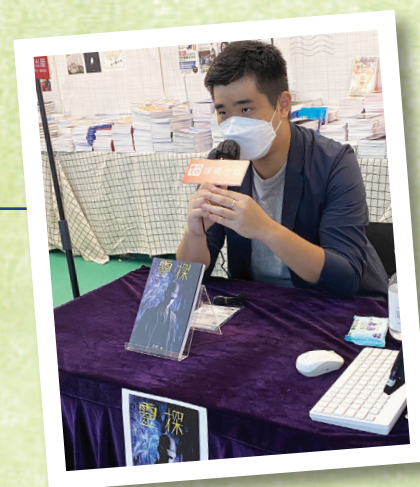
The financial engineering programme provides a professional and effective training for students like me who want to engage in quantitative finance; whether you want to engage in fundamental research, stock investment strategy development, derivatives trading or OTC structured derivatives design in the future, you can gain a lot from the programme. The professors with diverse backgrounds here come from all over the world, brought us international financial information and analytical perspectives. In addition, the Department regularly organized professional seminars allowing us to have a close dialogue with practitioners who shared the cutting-edge knowledge and latest development of the financial market to us. One year of study has benefited me a lot, I can not only feel the academic pressure that inspires me to study hard, but also experience a rich and colorful life. In any case, CityU's financial engineering programme can't be missed!



Cheng Chen

MSc Applied Economics 2022

Studying at City University of Hong Kong is hard, but I have gained a lot. It was not easy to get this certificate, as the saying goes, "you reap what you sow," and my efforts were finally rewarded. I would like to thank the business school for giving me a platform to study, and I would also like to thank the teaching professors for their hard work and spiritual guidance. I believe that this spirit of struggle and hard work will give me more courage to continue the road of research.



Isaac Lee

BBA Accountancy 2022

After graduation from Department of Accountancy, I joined PricewaterhouseCoopers as an X-Venturer to experience different roles in different departments throughout two years. Beyond the Accountancy, I became a novelist and promoted my novel in Hong Kong Book Fair 2022. Finally, my novel available in Hong Kong Public Libraries! What a fruitful year! No idea but hope my experience will let me appreciate it better.

Master of Science in Finance

UGC Targeted TPg Programmes Fellowships Scheme 2023/24

Master of Science in Financial Engineering

We sincerely invite outstanding university graduates and financial professionals to apply for the above programmes. Applicants who have a good academic record in a non-finance major are also welcome.

Programme Features

- Advanced topics in financial management including financing, investment strategies and risk management
- Professional seminars held regularly where practitioners share their professional experience and insights on hot issues in the markets
- A number of elective choices in order to meet students' interests and career development needs
- To be completed within 12 months via full-time study

Curriculum

■ MSc Finance

Total: 30 credit units (10 courses - 8 core and 2 elective courses):

- Investments
- Corporate Finance
- Derivatives and Risk Management
- Fixed Income Securities
- Financial Econometrics
- International Financial Management
- Advanced Corporate Finance
- Professional Seminars in Finance
- 2 elective courses*

■ MSc Financial Engineering

Total: 30 credit units (10 courses - 8 core and 2 elective courses):

- Investments
- Corporate Finance
- Derivatives and Risk Management
- Fixed Income Securities
- Stochastic Calculus for Finance
- Option Pricing
- Financial Computing
- Professional Seminars in Finance
- 2 elective courses*

* Students can choose two elective courses (either two finance electives or one finance elective and one other course offered by the Department or other departments in the College of Business, to suit students' interests and career development needs).

