STERN SCHOOL OF BUSINESS

Course B40.3188.10
Topics in International Finance
Risk Management in Global Banking

This course will be taught by Adjunct Associate Professor of Finance, Arjun K. Mathrani. Mr. Mathrani has had a thirty year career in banking, twenty eight of which were with the Chase Manhattan Bank. Mr. Mathrani was Chief Financial Officer of Chase at the time of its merger with Chemical Bank. He has had extensive experience in running Chase's businesses in Asia and Latin America. He has also managed Chase's global Asset Management and Private Banking businesses. He has held senior positions in Chase's credit risk management function, and was Chase's Corporate Treasurer. Mr. Mathrani was also Chief Executive Officer of ING Barings. Mr. Mathrani teaches at New York University, St. John's University, and the University of Cambridge, England. Mr. Mathrani is a member of the Board of Directors of the Principal Financial Group, Des Moines, Iowa.

Course Description.
The course will look at the key financial risks managed by global banks: credit risk, liquidity and market risks, and country risk. It will examine the frameworks used by banks to manage these risks, from a conceptual and applications perspective. It will examine the management of these risks by reviewing actual case studies involving major financial institutions.

Readings: Bank Management (BM), 5th. Ed., George H. Hempel, Donald G.Simonson.
Chapters 11, 13, 14, 15.
Global Banking(GB), Roy C. Smith and Ingo Walter.
Chapters 3, 5.
Managing Credit Risk John B. Caouette, Edward I. Altman, Paul Narayanan.(MCR)
Chapters 6, 10, 11, 18, 20.
Philippe Jorion, Value at Risk. (VAR)
Chapters 4, 5.

Copies of the above books are being held on reserve for students of this course at the Bobst Library.

Harvard Business School (HBS) case studies :
Banc One: Derivatives and the Management of the Interest Rate Gap.
Kentucky Steel Corporation.
Long Term Capital Management, cases A and D.
Petrolera Zuata, Petrozuata C.A.
Collapse in Asia 1997-98.

Multi Serve Russia S.A. Case (from Global Capital Markets and Banking, Ingo Walter and Roy C. Smith.

The above cases are available in the course packet, and the HBS cases can also be purchased on line from the Harvard Business School web site.

Grading: Final Course paper	80%	
Case study paper	20%	(Project Finance Case)

Teaching Units:

Nov. 7 : Course Introduction. Credit Risk Management.
Credit risk products. Credit risk evaluation.

Reading: BM, Chapter 11, Credit Selection, Underwriting, and Portfolio Diversification.
HBS case: Kentucky Steel Corporation.

Nov. 14 : Project Finance. Risk Ratings. Introduction to model-based credit analysis.

Reading: GB, Chapter 3, Asset Related and Project Financing. MCR Chapter 6, ,
HBS case: Petrolera Zuata, Petrozuata C.A.

Nov. 28 : Credit risk models. Credit Derivatives. Portfolio Diversification. Capital and Reserves for credit risk.

Reading : MCR, Chapters 10. 11, 18 and 20.

Dec. 5 : Market Risk.

Reading: BM Chapters 13, 14, and 15.
Financial Futures and Forwards.
Interest Rate Options.
Interest Rate Swaps.

HBS case: Banc One.

Dec.12: Value-at Risk.
Readings: VAR Chapters 4 and 5
HBS case: Long Term Capital Management.

Dec 19 : Country Risk.
Reading: GB Chapter 5.
HBS Case : Collapse in Asia 1997-98.

Professor Arjun K. Mathrani
Email: a.mathrani@att.net