



B40.3387 – Global Banking and Capital Markets

Spring 2009
Tuesdays 6:00 – 9:00 pm
Classroom – KMEC 1-70
TA: Eren Tufkci (et414@nyu.com)

Profs. Roy C. Smith and Ingo Walter
Office - KMC 9-93 and KMC 11-55
Hours: Tu. 4-6 pm

Course Description:

The focus of this course is primarily on determinants of competitive performance in the global financial services industry. It covers a broad range of commercial and investment banking products and activities that are carried out internationally, and addresses the dynamics of competition in international banking, focusing especially on financial structure (ranging from universal banks to specialist financial services firms).

The substantive discussion of competing in various international commercial and investment activities is linked to a geographic dimension, which includes conditions in the financial services sector in the US, Europe, Japan, and emerging markets. In that context, we also focus on various types of risks – including country risk, one of the unique aspects of international finance. We consider both the nature of these risks and how they can be addressed by participants and by governments in a volatile global environment.

Throughout the course, relevant current events are examined and used to illustrate teaching points.

Concluding the course is an assessment of the determinants of competitive strength, market share, profitability, growth and similar dimensions of performance that determine success by individual financial institutions in the global marketplace.

Instructors:

ROY C. SMITH is the Kenneth Langone Professor of Entrepreneurship and Finance.
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INGO WALTER is the Vice Dean of Faculty and Seymour Milstein Professor of Finance, Corporate Governance and Ethics. Office: KMC 11-55. Tel. 998-0707, Fax. 995-4212, e-mail iwalter@stern.nyu.edu.

Prerequisites:

Students registering for this course should have had previous courses in basic economics, accounting and financial analysis at the undergraduate or graduate level. Prerequisites can be waived by consent of the instructor.

Pedagogy:

The course is case-oriented, and includes extensive classroom participation requiring students to apply principles developed in class to actual international commercial and investment banking situations. The case discussions are interspersed with lectures to explain the technical aspects of the activities covered by the cases. The course does not involve routine lectures on material presented in the readings, and therefore the class sessions and the readings complement each other. All readings and case preparation should have been completed prior to the class for which they are assigned.

Text and cases:

The text for the course covers both international commercial and investment banking:

Roy C. Smith and Ingo Walter, *Global Banking*, Second Edition (New York: Oxford University Press, 2003). Denoted "GB."

Cases: The following Harvard Business School case is available from the bookstore.
UBS: Toward the Integrated Firm (HBS N2-506-026)

Blackboard:

Course materials not included in the course pack are posted on Blackboard at <http://sternclasses.nyu.edu/>, where you can download a copy of this outline, assignments, handouts, etc.

Case Assignments:

Students should carefully read and be prepared to discuss all assigned cases, and will be called-on in class to present their case findings – the cases will also be covered on the mid-term and final exams.

Examinations:

There will be a 90-minute mid-term examination on 10 March 2009, which will cover the first half of the course, and a 90-minute final examination on 5 May 2009, which will cover the second half of the course. Both exams will deal with all of the assigned readings, cases, and classroom discussions.

Classroom Participation:

Each student will be expected to participate actively in class discussion. Students who do not participate will be graded less favorably than those who do.

Grading:

Mid-term exam -- 50%

Final Exam – 50%

Classroom participation – up to + 1 letter grade.

COURSE OUTLINE**Session 1 (10 February - Smith)**

The Financial Crisis of 2007 - 2008: Causes and Effects

ASSIGNMENT: GB, Preface and Chapter 1-3.

ASSIGNMENT: “A Bird’s Eye View” (on Blackboard)

ASSIGNMENT: RCS “The Banks” (Blackboard)

Recommended: Special Supplement: “Inside the Banks” *The Economist* 1/ 24/2009

Session 2 (17 February - Smith)

Global Bonds and Swaps, Bank Loans, Project Finance

ASSIGNMENT: GB, Chapters 4-6.

CASE: *Autostrade’s Debt Financed Takeover* (Blackboard)

Session 3 (24 February - Smith)

Global Equity Markets: Market Structure, Institutions and Practices

ASSIGNMENT: *GB*, Chapter 7

CASE: *Deutsche Telekom 1 and 2* (Blackboard)

Session 4 (3 March - Smith)

Emerging Markets in Global Banking and Finance

ASSIGNMENT: *GB*, Chapter 12

S&P Sovereign Credit Ratings: A Primer (posted on Blackboard)

CASE: Republic of Argentina \$85 billion Par Value Debt Exchange Offer, 2005 (posted on Blackboard).

Session 5 (10 March - Smith)

Privatizations

ASSIGNMENT: *GB* Chapter 9

CASE: *The Sale of Jenapharm* (Blackboard)

Mid-term Examination (second half of class)

Session 6 (24 March – Walter)

Global M&A Transactions

Discussion of the flow of corporate advisory services and merger and acquisition activities carried out on a cross-border basis. Discussion of alternative systems of corporate governance and its implication for global capital markets and financial performance. Role of advisers in complex cross-border M&A transactions.

ASSIGNMENT: *GB*, Chapter 8.

CASE: *The Acquisition of Martell and The Steel War: Mittal vs. Arcelor* (posted on Blackboard).

Session 7 (31 March - Walter)

Global Asset Management and Private Banking

The global institutional asset management business, including mutual funds and pension funds. Discussion of the global private banking business and the dynamics of competing for high net worth clients.

ASSIGNMENT: *GB*, Chapters 10 and 11.

CASE: UBS: Toward the Integrated Firm (HBS Case No. N2-506-026)

Session 8 (7 April - Walter)

Risk Dimensions in Global Banking

Consideration of the key sources of risk encountered in global banking and financial market activities – market risk, credit risk, liquidity risk, operational risk, reputational risk and sovereign risk. Discussion of risk linkages and risk integration in the context of value at risk (VaR) and risk-adjusted return on capital (RAROC) models.

ASSIGNMENT: Confessions of a Risk Manager (posted on Blackboard)

CASE: UBS AG 2008 (posted on Blackboard)

Session 9 (14 April - Walter)

Global Financial Sector Restructuring

Major systemic drivers and factual developments shaping global banking and finance. Discussion of trends in commercial and investment banking, asset management and insurance at the wholesale and retail level from the 1970s through the present. Emphasis on the implications for competitive conditions in the industry around the world.

CASE: Citigroup 1998-2009 (posted on Blackboard).

Session 10 (21 April - Walter)

Regulation in Global Banking and Financial Markets

Regulatory issues and tradeoffs affecting global banking and financial markets, including the role of the Basel accords as well as regional (e.g., EU) and national regulatory initiatives and their effects on safety and soundness as well as efficiency and competitive performance. Major changes in regulation expected as a result of the global financial crisis of 2007-09.

ASSIGNMENT: GB, Chapter 13. NYU Stern Crisis Report (posted on Blackboard).

Session 11 (28 April - Walter)

Understanding Competitive Challenges

Getting the right strategy, and then getting the strategy right. Analysis of techniques for strategic positioning and how they can be applied. Strategic execution and management of change in one of the most competitive segments of the global financial services industry. Discussion of some of the principal issues encountered in strategic implementation, including determinants of competitive success and failure among globally active financial firms.

ASSIGNMENT: GB, Chapters 14 and 15.

CASE: ABN Amro (posted on Blackboard).

Session 12 (5 May - Smith)

Summing up. The Future of Global Banking

Final Examination (second half of the class)– Covering only the second half of the course.