

# Investment Banking – Course Syllabus

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## **Course GB-2334.70 (Draft Syllabus)**

**Summer—2014**

**Prof. Frederick C. Militello, Jr.**

**Department of Finance**

### **Course Description**

This course delves into the structure, management and practices of investment banking (IB)—from larger more universal players to boutique operations. It covers the business activities of mergers and acquisitions, financing and investment; and, the creation of value through advisory services and the choices of client business models. It looks into the business practices of private equity, hedge funds and trading operations; and, the role of each in facilitating investment, the deployment of capital and the changing face of risk-taking activities. The course emphasizes the role of the IB advisor and his/her importance in securing and facilitating IB business opportunities. This course is about the businesses of investment banking.

Some of the “bigger” questions this course addresses are:

- What does it mean to be—or take to become—a “player” in this business?
- How do IB businesses actually add value for their customers—and, make money for their employees, partners and shareholders?
- What synergies and conflicts exist across the various IB business lines and practices; and, how are they addressed?
- How can IB’s and related businesses regain their respect and brand recognition in the market—bringing to the forefront the status of “trusted financial advisor”?
- What’s the future for the IB industry and what role can you play in that future either as a practitioner or client?

Importantly, through our class discussions and case-study work—each student will bring the answers to these questions into personal focus. Students are exposed to the IB financial advisory process; and, understand what it means to be either an IB practitioner or valued client.

# Investment Banking – Course Syllabus

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## Course Outline

### Class One—June 30, 2014

#### The World of Investment Banking

This class explores the business of investment banking from both a historic and current perspective. It highlights the forces that have transformed the business to what it is today—and what it is becoming. It utilizes examples from the industry discussing different strategies and approaches to the business as well as delineating those performance indicators that are crucial to the success or failure of the industry. Topics to be discussed include:

- The evolution of investment banking—a regulatory journey of both form and substance
- The culture and organizational structure of investment banks—the changing face of leadership, risk management, professional behaviors and organizational values
- The structure of investment banks—public versus private, universal versus boutique, the road to the top—vice presidents, managing directors and partners—and the accolades of success
- Securities regulation and ethics
- Employment opportunities in investment banks—what investment bankers actually do

#### Reading Assignments

TBA

#### Casework

TBA

### Class Two—July 2, 2014

#### The Customer and Investment Banking

Being an IB financial advisor in the investment banking business requires a combination of the right skills and behaviors. Together, these are the competencies of the financial advisor. This class takes a client perspective and provides a framework for both the diagnosis of client financial needs and their relevant IB solutions. This class covers:

- The role of the financial advisor/advisory business—a journey to the top of Maslow's pyramid
- How to present value to the client—and get paid for it
- Understanding client needs—an IB advisory approach
- Investment banking product and solutions as a spectrum of risk/return and/ or flexibility/cost alternatives—examples from various businesses

# Investment Banking – Course Syllabus

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- Developing a “pitch” book—the IB and client perspectives
- Becoming the best IB financial advisor one can possibly be—a journey of trust

## **Reading Assignments**

TBA

## **Discussion Case**

TBA

## **Class Three—July 7, 2014**

### **The Business of Equity**

- The investment banker’s perspective of the equity business
- Fee income, secondary trading and business synergies—a look at the equity-business value chain and the value the investment bank brings to the table
- The role of private equity firms—their evolution, structure, participants and investment objectives
- Private equity exit strategies
- IPO’s and follow-on issues

## **Reading Assignments**

TBA

## **Discussion Case**

TBA

## **Class Four—July 9, 2014**

### **The Business of Equity (Continued)**

## **Reading Assignments**

TBA

## **Discussion Case**

TBA

## **Class Five—July 14, 2014**

### **The Business of Debt/Fixed Income**

- The investment banker’s perspective on the fixed-income business
- Fee income, secondary trading and business synergies—a look at each and the value the investment bank brings to the table
- Types of debt placement and distribution—including regulatory considerations
- The business of asset securitizations

# Investment Banking – Course Syllabus

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- The role of the credit rating agencies
- The role of high-yield debt and financial leverage
- Creating shareholder value or not—leveraged recaps

## **Reading Assignments**

TBA

## **Discussion Case**

TBA

## **Class Six—July 16, 2014**

### **The Business of Debt/Fixed Income (Continued)**

## **Reading Assignments**

TBA

## **Discussion Case**

TBA

## **Class Seven—July 21, 2014**

### **The Business of Trading**

- The evolution of trading—lessons learned and not to be forgotten
- The structure of the business—brokers, traders and the sales (advisory) desks
- Market-makers, hedge funds and speculators
- Liquidity and the secondary markets
- How traders make money—spreads, positions, speculation, arbitrage and market manipulation

## **Reading Assignments**

TBA

## **Discussion Case**

TBA

## **Class Eight—July 23, 2014**

### **The Business of Trading (Continued)**

- Trading for the client—where the client is not the bank
- Proprietary trading—where the client is the bank
- Market-making activities—where the sunlight and shadows come together
- The new “boys” on the street—dark pools, algorithmic high-frequency trading

# Investment Banking – Course Syllabus

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- Risk-monitoring and control—the Whale of London, insider-information, “unauthorized-trades” and those “rogue traders”

## **Reading Assignments**

TBA

## **Discussion Case**

TBA

## **Class Nine—July 28, 2014**

### **The Business of Mergers and Acquisitions**

- Investment bankers—The CEO as the client
- The growing influence of activist investors
- The theory and practice of M&A—from synergies to core competencies
- Private-equity driven deals—structures and expectations
- Strategic investment driven deals—structures and expectations
- The role of the investment banker—the buy and sell side; conflicts of interest; the M&A advisory role

## **Reading Assignments**

TBA

## **Discussion Case**

TBA

## **Class Ten—July 30, 2014**

### **The Business of M&A (Continued)**

- The valuation, pricing, and fee structure of M&A deals
- The financing M&A deals—cash, stock, bank financing, debt capital markets
- Beyond M&A—creating value through corporate restructurings

## **Reading Assignments**

TBA

## **Discussion Case**

TBA

## **Class Eleven—August 4, 2014**

### **The Wealth Management Business**

- The IB advisory function—building a wealth management business platform

# Investment Banking – Course Syllabus

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- The business attributes of wealth management—business and ownership life-cycles, getting “personal” while staying professional
- Maslow’s pyramid—a framework for assessing wealth management needs
- The investment profiles of wealth management customers
- Wealth management business synergies—cross-selling opportunities
- The product set of wealth management solutions

## Reading Assignments

TBA

## Discussion Case

TBA

## Class Twelve—August 6, 2013

## Final Examination—to be discussed

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## Course Information

### Course Prerequisites

Students registering for this course should have had previous courses in basic economics, accounting and financial analysis at the undergraduate or graduate level. This course can be taken concurrently, before or after Global Banking and Capital Markets.

### Logistics and Pedagogy

The course is conducted over twelve classes. Classes begin on June 30, 2014 and end on August 6, 2013. Classes will meet in room 312. Appointments are always possible and encouraged—please contact [fmilitel@stern.nyu.edu](mailto:fmilitel@stern.nyu.edu).

The course is discussion and case-oriented, and accordingly emphasizes classroom and case-study participation; requiring students to apply principles developed in class to actual investment banking challenges and opportunities. The course does not involve routine lectures on material presented in the readings; however, all assigned readings and case preparations should be completed prior to the class for which they are assigned.

A course packet will be available through the bookstore—including the course case work.

# Investment Banking – Course Syllabus

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## **Required Text Book**

There will be a required text for this course—TBA. The text will be supplemented by additional posted readings as well as inclusions in the course packet. Both the text and case packet will be available through the NYU professional bookstore.

## **Final Examination**

This is a rigorous course covering a significant amount of material. The application of such is critical to the assessment of each student's performance. Details regarding the final examination will be given early-on in the course. Regarding preparation, there is no restriction on students working with each other; however, each student is expected to submit their own work—unless group projects are assigned—and grades will be attributed on an individual basis.

## **Grading Guidelines**

Class participation 20%

Case work 30%

Final Examination/Group Work 50%

## **Professor**

Frederick C. Militello, Jr., is CEO/Senior Thought Leader of Future Change Management, LLC. He works with top corporate and investment banking leaders and strategists in a wide-range of organizational and change initiatives. These include business and global market strategies—covering both corporate and investment banking. He has also developed financial policies and strategies for many of the world's leading corporations; including M&A integration assignments for some of the largest companies in the world.

He is an adjunct GBS professor of finance at New York University's Leonard N. Stern School of Business. He teaches both Global Banking and Capital Markets; and, Investment Banking.

For three decades, he has been a leading practitioner and thought leader to financial executives around the world. Specifically:

- He has held numerous senior executive positions such as vice president, division executive and managing director for the Chase Manhattan Bank responsible for their global corporate consulting, financial advisory services and merchant banking activities out of New York and London.
- He has worked his way through Wall-Street holding financial positions for US Steel Corporation, Mobil Oil Corporation, the Bank of Boston International and the American

## Investment Banking – Course Syllabus

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Stock Exchange. Starting at the bottom—as a “messenger,” clearing-house “runner,” and foreign exchange position clerk—he moved-up through the ranks to senior management positions for both corporate and international banking departments.

- He has been founder and co-owner of two Wall Street-based financial/educational advisory practices with an emphasis on corporate and investment banking—organizational structure, business and product line development and a wide-range of senior leadership issues and challenges.

Frederick has written books in the fields of finance and banking including:

- . *Leverage Competencies: What Financial Executives Need to Lead;*
- . *The Empowered Organization: Redefining the Roles and Practices of Finance;*
- . *Integrity-Based Financial Leadership and Ethical Behavior;*
- . *Reassessing Corporate Banking Relationships: Issues, Practices and New Directions;*
- . *Foreign Exchange Risk Management: A Survey of Corporate Practices.*

Over the years, his corporate clients have included some of the world’s largest corporations including Apple Computer, McDonald’s, Monsanto, Sandoz, Gillette, etc., and well-known financial organizations around the world—both in developed and emerging markets. He has been a speaker and Chair Person for educational organizations including the Belgian-American Chamber of Commerce, Management Centre Europe, the American Management Association and a guest professor at the Rotterdam School of Management (RSM) and the Vlerick Gent Leuven School of Management.

As a scholar he was awarded the Wall Street Journal Student Achievement Award in Economics and is a professional member of the World Future Society and Strategic Planning Society.

Educated in New York, Frederick studied at Pace and Columbia Universities earning advanced degrees in economics and international economics.

He has sat on boards for numerous not-for-profit organizations such as the Children’s Media Project and the Durham Historic Preservation Commission (Chair).

He is married, has three daughters, two grandchildren and lives on their family-run horse farm. He has a passion for cooking and is a graduate of the Culinary Institute of America—Boot Camp Program.