



## **Managing Financial Businesses -FINC-GB.2310**

Fall 2015 - Sep 16, 2015- Dec 16, 2015

Professors Phil Ryan and Brad Hintz  
[pkh@ryan5.org](mailto:pkh@ryan5.org), [cbh209@nyu.edu](mailto:cbh209@nyu.edu)  
Office hours: by appointment  
TA: XXXX

Wednesdays, 6-9pm  
KMEC Room:1-70

### **Course Description:**

This course examines business model, economic drivers and management challenges of four segments of the financial services industry: (1) commercial banking, (2) investment banking/capital markets, (3) asset management and (4) insurance.

It is co-taught by two former senior executives of financial services firms:

**Philip Ryan**, Adjunct Professor of Finance and has had a long career in financial services. Professor Ryan is currently Chairman of Swiss Re America Holding Corp. and a director of Swiss Re Ltd. Prior to that he had a number of roles in investment banking and financial management with Credit Suisse, including Group CFO, and CFO of Power Corporation of Canada.

**Brad Hintz**, Adjunct Professor of Finance. For twelve years, Professor Hintz was a nationally ranked equity research analyst covering the Securities and Asset Management Industries. Prior to becoming a research analyst, Hintz served as CFO of Leman Brothers Holdings and Managing Director and the Treasurer of Morgan Stanley Group.

### **What Will Students Gain from of the Course?**

1. An understanding of the success factors for each of the industry segments covered, including
  - a. Economic drivers of the industry segment that generate profits, achieve strategic objectives, and create shareholder value.
  - b. Managing risk and capital, , financing the firm, managing the control functions.
  - c. Managing people, influencing corporate culture and controlling technology and operations activities in a highly regulated business environment.

2. Familiarity with the long-term challenges, business trends and potential opportunities in the broad financial services industry with a view to aiding students' career choices.
3. Understanding of the current events affecting financial firms. And learning how to analyze such material, real time events.

### **Student Deliverables:**

1. Four written company analyses prepared by student groups. (50% of final grade)
2. In class Midterm exam (25% of final grade)
3. Final exam (25% of final grade).
4. Class discussion will be considered in determining the final grade.

### **Pedagogy:**

1. The MFB course is divided into four parts, each for one of the segments.
2. Each part begins with a lecture and discussion of the business model, economic drivers and requirements for success of the segment.
3. At the subsequent session of the course, student write-ups on companies from the segment (see below) will be presented, and discussed.
4. Four sessions will include guest speakers from the financial services industry.
5. Sessions will be structured to provide ample time for class discussion
6. Adherence to an announced syllabus, but with 10-15 min allocated to the discussion of any material events occurring in financial services.

### **Company Analyses.**

MFB students will be expected to form study groups for the purpose of writing an analysis of a specific company for each of the first four industry segments covered. The papers should be 5-6 pages of "executive summaries" of the group's findings to which graphs, charts or other exhibits relevant to conclusions may be attached.

MFB study groups will select a particular company in each of the industry segments for which a write-up is required to research. Groups will do their own research to prepare their papers, and include a review of recent SEC filings and a careful reading of the Management Analysis and Discussion presented in the annual 10K filings.

Group write-ups will be graded and returned. The four write ups will comprise in aggregate 40% of the course grade. Instructors will prepare and post on NYU Classes an example of a good write up for each segment after the write ups are due.

### **Readings:**

There is no text for the course. Assigned readings and internet links to other readings will be posted on NYU Classes. Several readings are accessible by purchasing a key code from the bookstore;

- "Note on the Banking Industry", by Clayton S. Rose and Scott Waggoner, Published by Harvard Business Publishing (2010) Reference no. 9-311-011
- "Investment Banking in 2008 (B): A Brave New World", by Stowell, D.; Meagher, E.; Frazzano, R. published by the Kellogg School of Management. Case Reference no. K5-308-507(B)

- Note on “The US Life Insurance Industry” by Robert C Pozen and McCall Merchant, Published by Harvard Business Publishing (2011) Reference no. 9-310-091
- “Note on the Insurance Industry” by Rose, C.; Waggoner, S. Published by Harvard Business Publishing (2010) Reference no. 9-311-012
- “Note on the Asset Management Industry”. Authors: Rose, C.; Waggoner, S. Published by: Harvard Business Publishing (2010).

Changes may be made to the syllabus during the course, and these will be announced by email.

### **Grading, Attendance and Honor Code**

There will be a mid-term and final exam, each of which will count 25% towards the final grade. Four written company analyses prepared by student groups will count in total for 50% of final grade. Class participation will be considered when determining the final grade. Class participation grades will be determined by the professors.

Normal Stern “default” standards on class attendance and adherence to the university’s honor system apply in full.

The class sessions will NOT be recorded.

Open laptops and use of other electronic devices during class are permitted for taking notes and following along in class presentations. Surfing the internet, reviewing, drafting or sending e-mails during class is not permitted.

### **Course Outline**

#### **Session 1      Sept 16 Overview of the Course and Financial Services Industry**

First Session: The Course: Phil Ryan, The Financial Services Industry: Brad Hintz  
Second Time Period: Analytical Methods and Approaches: Brad Hintz

Reading:

- “Financial Market Globalization - Retreat or Reset?”, McKinsey Global Research Institute by Susan Lund, Toos Daruvala, Richard Dobbs, Philipp Härle, Ju-Hon Kwek, and Ricardo Falcón. (2013)
- “Note on the Banking Industry”, Clayton S. Rose and Scott Waggoner, Published by Harvard Business Publishing (2010)
- “Statistical Data on US Financial Services Industry.”, available on the course website.

NO CLASSES SEPT 23, 2015

#### **Session 2      Sept 30 PART I Commercial and Retail Banking (Ryan)**

First Time Period: Business drivers of commercial banking, analyzing bank balance sheets and margins.

Second Time Period: Discussion of regional banks with focus on specific bank.

Readings:

- Three short articles from Valueline and Investopedia on analyzing bank financial statements.
  - <http://www.investopedia.com/articles/stocks/07/bankfinancials.asp>
  - [http://www.valueline.com/Tools/Educational Articles/Stocks Detail.aspx?id=10967](http://www.valueline.com/Tools/Educational%20Articles/Stocks%20Detail.aspx?id=10967)
  - [http://www.valueline.com/Stocks/Commentaries/What%E2%80%99s Ahead for the Bank Industry in 2013 .aspx](http://www.valueline.com/Stocks/Commentaries/What%E2%80%99s Ahead for the Bank Industry in 2013.aspx)
- Texas Capital Bankshares 2014 10-K (from Edgar, the SEC website) – Read Management Discussion and Analysis section.

**Session 3**      Oct 7                      Commercial and Retail Banking (Ryan)

**First Write-up due**

First Time Period: Guest speaker regarding Retail Banking.

Second Time Period: Discussion of the company analyses performed as part of the First Write-up.

**Session 4:**      Oct 14                      Investment Banking and Brokerage (Hintz)

First Time Period: Understanding the investment banking business model and its specific earnings drivers –Investment banking (debt underwriting, equity underwriting and M&A advisory), Fixed income (market making, yield curve, trade volumes, securitization, and risk economics); and Institutional equities (trade volume, commission trends, derivatives, and brokerage).

Second Time Period: The Investment banking industry pre and post crisis.; overview of principal changes. Class discussion of the impact of the 2008-09 crisis on business economics and firm strategies.

Readings:

- Case - “Investment Banking in 2008 – Brave New World,” by David Stowell. Published by the Kellogg School.
- “Normalized Margins in the US Securities Industry”, Sanford C. Bernstein Research by Brad Hintz.

**Session 5:**      Oct 21                      Investment Banking and Brokerage (Hintz)

First Time Period: Guest Speaker regarding Investment Banking.

Second Time Period: Review of the impact of regulation and capital rules on business economics. Valuing capital market banks. P/E, Price/Book and dividend discount model.

Readings:

- Note - “Basel III and Bank Capital” by Brad Hintz (2015)

- “The Bi-Polar World of Capital Market Banks” by Brad Hintz and Roy C. Smith (2015)

**Session 6:** Oct 28 Investment Banking and Brokerage (Hintz)

**Second Write-up due**

First Time Period: Class discussion of performance and strategic issues facing the large investment banks. Wall Street cultural change, brand equity and litigation exposure.

Second Time Period: Discussion of the investment banking boutiques; Lazard, Evercore and Moelis. Discussion of the shadow banking market.

Reading:

- “Trading places - After decades of consolidation, Wall Street is fragmenting”, The Economist (2014)
- “Badly managed and unrewarding, global banks need a rethink”, The Economist (2015)

**Session 7:** Nov 5 PART III Asset Management (Hintz)

First Time Period: **Midterm Exam**

Second Time Period: Overview of the Asset Management Industry; institutional asset management, retail asset management and mutual funds, 401K and alternatives. Discussion of business drivers of asset management. Valuing Asset management firms.

Reading:

- Note on the Asset Management Industry. Authors: Rose, C.; Waggoner, S. Published by: Harvard Business Publishing (2010).
- The Economist, “Practice Makes Imperfect” (2014).

**Session 8:** Nov 12 Asset Management (Hintz)

First Time Period: Guest speaker regarding investment management.

Second Time Period: Alternative assets (Hedge funds and private equity)

Reading:

- The Economist “Rich managers, poor clients; a devastating analysis of hedge-fund returns.” (2012).
- The Economist “Barbarians at middle age.” (2014).

**Session 9:** Nov 19 Asset Management (Hintz/Ryan)

**Third Write-up due**

First Time Period: Managing Private Equity Firms.

Second Time Period: Company discussions and analyses

NO CLASSES NOV 26

**Session 10:** Dec 3 PART IV Insurance (Ryan)

First Time Period: Industry drivers: Life and P/C

Second Time Period: Challenges and Entrepreneurial opportunities in insurance.

Readings:

- <http://www.investopedia.com/university/insurance/> Review of the insurance business concept, risks and products.
- <http://www.thestreet.com/story/10409493/1/understanding-the-financial-sector-insurance-companies.html> Overview of Insurance
- [http://www.valueline.com/Stocks/Industries/Industry Analysis Insurance %28Property and Casualty%29.aspx#.VGtoecm2CZQ](http://www.valueline.com/Stocks/Industries/Industry%20Analysis%20Insurance%20Property%20and%20Casualty.aspx#.VGtoecm2CZQ) Overview of Property Casualty Industry.
- “Note on the Insurance Industry” by Rose, C.; Waggoner, S. Published by Harvard Business Publishing (2010)
- “The US Life Insurance Industry” by Robert C Pozen and McCall Merchant, Published by Harvard Business Publishing (2011)
- 2014 Allstate Financial 10-K. Additionally, the two project companies are Chubb Corp (CB) and Ameriprise Financial (AMP).

**Session 11:** Dec 9 Insurance (Ryan)

**Fourth Write-up due**

First Time Period: Challenges and Opportunities (Insurance industry guest speaker)

Second Time Period: Company analyses and discussion

**Session 12:** Dec 16 Final Exam (Hintz/Ryan)

**First Time Period: Final Exam**

Second Time Period: Pulling it all together. Class discussion of the universal banking business model and its future.

## Course Readings

1. "Financial Market Globalization - Retreat or Reset?", McKinsey Global Research Institute by Susan Lund, Toos Daruvala, Richard Dobbs, Philipp Härle, Ju-Hon Kwek, and Ricardo Falcón. (2013)
2. "Note on the Banking Industry", Clayton S. Rose and Scott Waggoner, Published by Harvard Business Publishing (2010)
3. Bank Financials. <http://www.investopedia.com/articles/stocks/07/bankfinancials.asp>
4. Bank Valuation. [http://www.valueline.com/Tools/Educational\\_Articles/Stocks\\_Detail.aspx?id=10967](http://www.valueline.com/Tools/Educational_Articles/Stocks_Detail.aspx?id=10967)
5. Overview of Banking. [http://www.valueline.com/Stocks/Commentaries/What%E2%80%99s\\_Ahead\\_for\\_the\\_Bank\\_Industry\\_in\\_2013\\_.aspx](http://www.valueline.com/Stocks/Commentaries/What%E2%80%99s_Ahead_for_the_Bank_Industry_in_2013_.aspx)
6. Texas Capital Bankshares 2014 10-K (from Edgar, the SEC website) – See Management Discussion and Analysis section.
7. "Statistical Data on US Financial Services Industry.", available on the course website.
8. Case - "Investment Banking in 2008 – Brave New World," by David Stowell. Published by the Kellogg School.
9. "Normalized Margins in the US Securities Industry", Sanford C. Bernstein Research by Brad Hintz.
10. Note - "Basel III and Bank Capital" by Brad Hintz (2015)
11. "The Bi-Polar World of Capital Market Banks" by Brad Hintz and Roy C. Smith (2015)
12. "Trading places - After decades of consolidation, Wall Street is fragmenting", The Economist (2014)
13. "Badly managed and unrewarding, global banks need a rethink", The Economist (2015)
14. Note on the Asset Management Industry. Authors: Rose, C.; Waggoner, S. Published by: Harvard Business Publishing (2010).
15. The Economist, "Practice Makes Imperfect" (2014).
16. The Economist "Rich managers, poor clients; a devastating analysis of hedge-fund returns." (2012).
17. The Economist "Barbarians at middle age." (2014)
18. Review of the insurance business concept, risks and products. <http://www.investopedia.com/university/insurance/>
19. Overview of Insurance. <http://www.thestreet.com/story/10409493/1/understanding-the-financial-sector-insurance-companies.html>
20. Overview of Property Casualty Industry. [http://www.valueline.com/Stocks/Industries/Industry\\_Analysis\\_Insurance\\_%28Property\\_and\\_Casualty%29.aspx#.VGtoecm2CZQ](http://www.valueline.com/Stocks/Industries/Industry_Analysis_Insurance_%28Property_and_Casualty%29.aspx#.VGtoecm2CZQ)
21. "Note on the Insurance Industry" by Rose, C.; Waggoner, S. Published by Harvard Business Publishing (2010) Reference no. 9-311-012
22. "The US Life Insurance Industry" by Robert C Pozen and McCall Merchant, Published by Harvard Business Publishing (2011)
23. 2014 Allstate Financial 10-K read Management's Discussion and Analysis