



Global Banking and Capital Markets B40.3387.01 – Fall 2016

**Prof. Roy C. Smith
Prof. Ingo Walter**

Tuesdays 6:00 – 9:00 pm
rsmith@stern.nyu.edu – KMC 9-93
iwalter@stern.nyu.edu – KMC 9-73

Room: KMEC
TA: Patrick Ackerman
Email: pca251@stern.nyu.edu

A Unique Perspective on Global Finance

At \$240 trillion in capitalization (three times world GDP) global capital markets today are vast, interconnected and driven by ever advancing technologies. They absorb bank loans, new issues of securities, mergers and acquisitions, privatizations. They supply investible assets for private capital, pension and insurance reserves and sovereign wealth funds. Only about one-third of global capital market activity focuses on the US. Two thirds involves issuers and investors from Europe, Japan, China and emerging market countries around the world.

This course provides a broad understanding of how capital markets operate worldwide and how they are linked to US markets, enabling a broad range of alternative financing and investing strategies for governments, corporations and investors. Importantly as well, the course provides a perspective on how turbulence in the capital markets impact political and economic events around the world – such episodes of financial turbulence range from the global banking crisis of the 1980s and the Asia financial crisis of the 1990s to the debt crisis of 2007-08 and the Euro-zone crisis of 2010 through to contemporary crises in Russia and China.

Throughout the course as well, the issue of competitive advantage among financial firms operating on the global stage is emphasized. The course aims to convey a distinctly global view, and involves only limited overlap with other Stern courses on investment banking and financial services.

Teaching Style and Approach

The course is case-oriented and strives to develop a high level of class discussion and interactivity. All students are expected to participate in class. This is an industry that is subject to constant change and upheaval, so a fair amount of time is spent discussing ongoing events, trends and developments as they are happening, and why.

Prerequisites

There are no prerequisites for the course, but students with no previous academic courses in economics or finance may find some of the material difficult going. Students from the Law School, the College of Arts & Science and other units of NYU are welcome to attend this course.

Textbook

Global Banking, by Roy C. Smith, Ingo Walter and Gayle DeLong, Third Edition (New York: Oxford University Press, 2012). Denoted SWD. Available at the bookstore. All other class materials are made available on NYU Classes at no charge.

Grading

There are two exams - a midterm and a final. They are weighted equally at 40% each in calculating the final grade. The answers to the exam questions will be posted for a few days following the exam and students are invited to compare their answers to the answer key. If a student feels his/her exam was incorrectly scored, he/she may submit it to Prof. Smith or Prof. Walter for a once-only rereading and grade adjustment (up or down) as appropriate. Several cases require the submission of case briefs, which may be done in groups and will be incorporated in the class performance grade, weighted at 20% in calculating the final grade for the course.

A Few Rules

NYU Classes will be the main method of communications with students. All cases and readings not included in the textbook will be posted on NYU Classes in advance. The "official" course syllabus is the one posted (and occasionally changed) on NYU Classes.

Students are expected to conform to all of the Stern Default Rules on attendance and punctuality, and to the Stern and New York University Honor Codes.

Laptops will not be allowed to be open during class. Nor will text messaging or other use of electronic devices be permitted. Neither is necessary for this course.

Students are required to bring their name-signs to class and display them where they sit. Absence of name-signs means no credit for classwork.

Office Hours

Profs. Smith and Walter will generally be at Stern Monday-Thursday during the fall term and will be happy to meet with students during that time. Please email for an appointment.

The Instructors

Roy C. Smith

Roy C. Smith is the Kenneth Langone Professor of Finance and Entrepreneurship, and a Professor of Management Practice at NYU Stern. He is the author of numerous articles and several books on financial subjects, the most recent of which is *Paper Fortunes*, a history of the modern Wall Street (published in 2009). He is also a columnist for *eFinancial News*, a London-based, electronic newspaper operated by Dow Jones. Prior to joining Stern, he was a General Partner of Goldman, Sachs & Co., where he developed the firm's business in Asia, and for several years was President of Goldman Sachs International Corp. in London. He is a graduate of the US Naval Academy and Harvard Business School.

Ingo Walter

Ingo Walter holds the Seymour Milstein Chair in Finance, Corporate Governance and Ethics Emeritus at the Stern School of Business, New York University and has been on the faculty since 1970.

From 1971 to 1979 he was Vice Dean for Academic Affairs and subsequently served a number of terms as Chair of International Business and Chair of Finance. He was Director of the New York University Salomon Center for the Study of Financial Institutions from 1990 to 2003 and Director of the Stern Global Business Institute from 2003 to 2006. He served as Dean of the Faculty at the Stern School from 2008 to 2012.

Ingo Walter has had visiting professorial appointments at the Free University of Berlin, University of Mannheim, University of Zurich, University of Basel, the Institute for Southeast Asian Studies in Singapore, IESE in Spain, NYU Abu Dhabi, the University of Western Australia and various other academic and research institutions. He also held a joint appointment as Professor of International Management at INSEAD from 1986 to 2005, and remains a Visiting Professor there. His principal areas of academic and consulting activity include international finance and banking. He has published papers in most of the professional journals in these fields, and is the author, co-author or editor of 26 books.

Ingo Walter received his A.B. *summa cum laude* and M.S. degrees from Lehigh University and his Ph.D. degree from New York University.

SYLLABUS (SUBJECT TO REVISION)

1. TUESDAY 20 SEPTEMBER

- (a) Global banking today – what it is and how it has changed
- (b) Capital markets today – size, linkages, access

2. TUESDAY 27 SEPTEMBER

- (a) Products –Eurobonds, Syndicated bank loans, LBOs
- (b) Case: *Autostrade*

3. TUESDAY 4 OCTOBER

- (a) Products: Global Equities and Privatizations
- (b) Cases: *Deutsche Telekom; Alibaba*

TUESDAY 11 OCTOBER – NO CLASS

4. TUESDAY 18 OCTOBER

- (a) Products – Cross border M&A
- (b) Case: *Arcelor-Mittal*

5. TUESDAY 25 OCTOBER

- (a) Products – Project and infrastructure finance
- (b) Case: *Rutas de Lima*

6. TUESDAY 1 NOVEMBER – MID-TERM FIRST HALF OF CLASS

- (a) Mid-term exam
- (b) Products – Offshore and onshore investment management

7. TUESDAY 8 NOVEMBER

- (a) Events – The global financial crisis of 2008 – Market failures, costs and consequences
- (b) Repairing the system & unfinished business

8. TUESDAY 15 NOVEMBER

- (a) Events: The European sovereign debt crisis of 2010
- (b) Consequences – Evolution and the future of the EU, the euro and the Euro-zone

9. TUESDAY 22 NOVEMBER

- (a) Events: Financial crises in emerging markets
- (b) Forensics of the Asian “meltdown” of 1997, and its repercussions

10. TUESDAY 29 NOVEMBER

- (a) Events: The Great Tokyo market crash of 1989
- (b) Chinese echoes today

11. TUESDAY 6 DECEMBER

- (a) Risk dynamics in global banking and capital markets
 - (b) Winners and losers in the global strategic and regulatory environment
- Case: *Banco Espirito Santo*

TUESDAY 13 DECEMBER – NO CLASS

12. TUESDAY 20 DECEMBER

- (a) The new world financial order; how the global banking industry is being reshaped.
- (b) Written final exam in class