The course is an Advanced Finance Elective where THINKING not MEMORIZING is what it is all about. This course is a survey course. It provides a broad overview of the financial services industry and of the forces that are continuing to change it worldwide. That change/evolution has resulted in a confederation of sometimes integrated products and services within a multi-product firm. It has also resulted in individual stand-alone businesses within those same integrated financial firms, or in boutique, stand-alone, limited product firms. The course focuses on four big questions: (1) Why and what kind of services are provided by participants in the industry? (2) Who develops, provides and regulates those services? (3) How are they likely to be executed or modified in the future? (4) What skills (both technical and “soft”) are required for an individual to succeed in the industry? Our approach will be to examine each of the principal businesses in which various financial service firms have been involved, including raising capital; financial advisory; broker/dealer positions; sales and trading; proprietary investing; managing the assets of others (both institutions and individuals) and risk management.

Throughout, there are a number of overarching themes. Among these are: the interplay of politics, regulation, globalization, and technology; the emergence of shadow banking including private equity and hedge funds as both critical clients and potential competitors for the major investment banks; the search for new, high-margin products and whether that process has reached its limits; and the changing relationships among the different groups within a financial service firm.

By the end of the semester each student should be well versed in the functioning of the industry, be able to understand the financial press and associated economic commentary, be aware of the types of skills necessary to thrive in this industry and have a new perspective on the global financial system.

**Required Readings**

Required readings – e.g., current articles will be distributed in class or linked on NYU Classes. For those students who would like to refer to a textbook, David P Stowell’s "An Introduction to Investment Banks, Hedge Funds and Private Equity" and K. Thomas Liaw’s “The Business of Investment Banking: A Comprehensive Overview” (2012 Edition) are good reference texts. I will be referring to "The Business of Investment Banking: A Comprehensive Overview” frequently during the semester, so it is highly recommended to purchase either a printed or audible version of this book. Students are expected to keep up with the financial news throughout the course. The Wall Street Journal, The Financial Times, The Economist and Bloomberg.com are recommended.

Many of my exam questions are taken from current situations, so keep up with what is happening in the world!
**Brightspace**

“Brightspace” is an integral part of this course, and you are responsible for any information posted there. In particular, be sure to look under the “Announcements”, “Assignments” and “Content” tabs in preparing for each class. The content of the course is listed in the "Modules" space under the "Content" tab in Brightspace. All classes will be video recorded and can be accessed for future reference in the "MediaSite" tab in Brightspace.

**Grading**

The final grade will be allocated according to the following formula:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>First Exam</td>
<td>40%</td>
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<tr>
<td>Final Exam</td>
<td>40%</td>
</tr>
<tr>
<td>Module Completion Quizzes</td>
<td>20%</td>
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</tbody>
</table>

Exams will be closed book, will be given during class periods and total Exam time will be limited accordingly. There will be a quiz on each Module given outside of class hours. You will be given 12 hours to complete each quiz which will be open book. The answers to the exams/quizzes will be posted for one week following the exam and students are invited to compare their answers to the answer key. If they feel that their exam was scored incorrectly, they may first submit the issue to the TF for review. If a satisfactory result is not obtained, they may then submit the issue to me for a full review. I reserve the right in such situations to review the entire exam/quiz for regrading. You have one week from receipt of a grade to do this. No exceptions.

I also reserve the right to add up to 10 points to the student's total grade for noteworthy contribution to the class discussion. That said, my ability to change the course grade of a student as a result of these additional points will be limited by Stern's grade curving guidelines which caps the absolute number of "A"s and "A-"s in a class.

Attendance, preparation and class participation are an integral part of this course. In particular, students who have a large number of unexcused absences, who consistently arrive late or who disrupt the class will have their course grade reduced as a result.

At NYU Stern we seek to teach challenging courses that allow students to demonstrate differential mastery of the subject matter. Assigning grades that reward excellence and reflect differences in performance is important to ensuring the integrity of our curriculum.

The grade distribution will follow approximately the Stern guidelines.

**All students are expected to abide by the NYU Stern Honor Code.**

**Students with Disabilities**

Students whose class performance may be affected due to a disability should notify the professor early in the semester so arrangements can be made, in consultation with the Henry and Lucy Moses Center for Students with Disabilities, to accommodate their needs.

Please see [www.nyu.edu/csd](http://www.nyu.edu/csd) for more information.
**Student Accessibility**

If you will require academic accommodation of any kind during this course, you must notify me at the beginning of the course (or as soon as your need arises) and provide a letter from the Moses Center for Student Accessibility (212-998-4980, mosescsa@nyu.edu) verifying your registration and outlining the accommodations they recommend. For more information, visit the CSA website:

[https://www.nyu.edu/students/communities-and-groups/student-accessibility.html](https://www.nyu.edu/students/communities-and-groups/student-accessibility.html)

**Student Wellness**

Classes can get stressful. I encourage you to reach out if you need help. The NYU Wellness Exchange offers mental health support. You can reach them 24/7 at 212 443 9999, or via the “NYU Wellness Exchange” app. There are also drop-in hours and appointments. Find out more at:

[http://www.nyu.edu/students/health-and-wellness/counseling-services.html](http://www.nyu.edu/students/health-and-wellness/counseling-services.html)

**Name Pronunciation and Pronouns**

NYU Stern students now have the ability to include their pronouns and name pronunciation in Albert. I encourage you to share your name pronunciation and pronouns this way. Please utilize this link for additional information: Pronouns & Name Pronunciation

**Religious Observances and Other Absences**

NYU’s Calendar Policy on Religious Holidays states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. You must notify me in advance of religious holidays or observances that might coincide with exams, assignments, or class times to schedule mutually acceptable alternatives. Students may also contact religiousaccommodations@nyu.edu for assistance.

NYU Stern is committed to ensuring an equitable educational experience for all students regardless of identity or circumstances and strives to recognize the obligations its students have outside of Stern. Please review all class dates at the start of the semester and review all course requirements to identify any foreseeable conflicts with exams, course assignments, projects, or other items required for participation and attendance. If you are aware of a potential conflict, please contact me as soon as possible to discuss any potential conflicts to determine whether/how they can be accommodated.

*If full attendance is required:*

**Religious Observances and Other Absences**

NYU’s Calendar Policy on Religious Holidays states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. You must notify me in advance of religious holidays or observances that might coincide with exams, assignments, or class times to schedule mutually acceptable alternatives. Students may also contact religiousaccommodations@nyu.edu for assistance.

Except for religious observances or other absences that may be required in compliance with nondiscrimination law, this class otherwise requires attendance and participation and cannot accommodate conflicts. Please review all class dates at the start of the semester and review all course requirements to identify any foreseeable conflicts with exams, course assignments, projects, or other items required for participation and attendance. If you are aware of a potential conflict, it is strongly recommended that you do not take this class.

**Inclusion Statement**

This course strives to support and cultivate diversity of thought, perspectives, and experiences. The intent is to present materials and activities that will challenge your current perspectives with a goal of understanding how others might see situations differently. By participating in this course, it is the expectation that everyone commits to making this an inclusive learning environment for all.

**Schedule of Classes**

**Sept. 1 - Overview of the Financial Services Industry and the function of the Investment Banking Business.**

The landscape is changing

- A complex DNA
- Financial intermediation
- Trusted advisor: relationship vs. product
- Transformation of the investment banking business; changes cause changes
- The legal/regulatory framework of the financial services industry
- Conflicts vs. business vs. ethics
The Asset Managers

Sept. 6, 8 & 13 - Private Equity and Hedge Funds

Evolution of Private Equity business
- Business objective and organization of the private equity firm
- GP/LP structure
- The PE fund: structure, operation, participants, investment objectives
- Conflict and opportunities for the investment bank
- Evolution of the hedge fund industry
- Business objective and organization of the hedge fund firm
- The hedge fund: structure, operation, participants, investment objectives
- The prime broker and prime brokerage business
- Conflict and opportunities for the investment bank

Sept. 15, 20 & 22 - Asset Management and Private Wealth Management

The Asset Management business
- Relevance to the Investment Banking firm
- Insurance
- Fund Managers
  - Fidelity
  - Vanguard
  - BlackRock
- Structure of Asset Management division
- Globalization of Asset Management
- Factors encouraging its growth
- Conflicts and Synergies
- Rational for private wealth management
- The Swiss model
- Margins and synergies invite competition
- From commissions to assets under management
- A multi-product service is perfected
- Scale forces efficiency, risk categorization, liability management
- Changing client needs demand advanced skills
- Relevance to the bank

Classic Investment Banking

Advisory Businesses

Sept. 27 & 29, Oct. 4 - Mergers, Acquisitions and Strategic Advisory

The CEO attraction: client and investment bank
- Development of the product; a decade at a time
- Role of the investment banking team
- Divestiture assignment
- Buy side/Sell side assignment
- Hostile Transaction
- Defense Strategy
- Activism
- The Big Deal
- Cast of characters
- Act I, Act II, Act III
- Audience reaction
- Critic’s reviews
Other investment banking advisory businesses
- Bankruptcy/Reorganization
- Project Financing
- Privatizations

## Raising Capital

### Oct. 6 & 13 - Raising Public Equity

Why go public?
- Role of the investment banker
- Origination, underwriting, distribution and after-market support
- Stock demand vs. allocation
- Structure and justification of the spread
- There must be a better way?
- The Dutch Auction: A taste of Googling
- Primary, secondary and seasoned offerings
- Privatizations
- Rights offering - “cash call”
- SPAC’s and PIPE’s

### Oct. 18 - MIDTERM EXAM

### Oct. 20 & 25 - Investment Grade Public and Private Debt

Credit- counterparties, covenants and ratings
- The role of the rating agencies
- Critical review of rating agencies
- Outlook for future of rating agencies
- The fixed income research analyst
- Importance of credit analysis
- Competitive vs. negotiated fixed income deals
- Rule 415: Shelf Registration
- The private placement market
- Rule 144A: Private/Public solution

### Oct. 27, Nov. 1 & 3 - Syndicated Lending, Leveraged Lending and Leveraged Finance

Evolution of bank loan to syndicated loan
- Creative syndicated lending
- High yield- developing a product
- Milken’s competitive advantages
- High yield to distressed to vulture financing
- Leveraged lending: “we can do that”
- When it all works and when it does not: effect on the investment banking business

## Capital Allocation, Trading, Technology

### Nov. 10 & 15 - Secondary Market Sales and Trading

Functional roles and client interface
Physical geography and back-office coordination
Capital allocation and risk management
Financing dealer positions
Proprietary trading vs. market liquidity
Exchanges, technology and order execution priorities

Algorithmic Trading
Flash Trading
Dark Pools/Icebreaker
Colocation/latency

Specialty Products

Nov. 17, 22 & 29 - Convertible Securities and Structured Products
The Hybrid

- Debt plus equity option in a single security
- Client rational
- The logic of convertible security
- Optionality
- Cross-over product
- Changing nature of convertibles
- Options, futures, derivatives- “The Olive Press”
- Swaps: foreign exchange, interest rate and credit
- Indexes: real estate, market, weather, heart attack
- Risk: Who doesn’t want it, who does and why?
- Future of structured product and the financial service industry

Dec. 1 & 6 - Financial Engineering and Securitization
Creation of the mortgage-backed industry

- A financial service business needs and investment banking solution
- Creative products for complex problems
- GNMA’s
- CMO’s/REMICS
- Subprime – what went wrong?
- Current state of the mortgage product

Creation of the asset backed industry

- Another financial service business needs an investment banking solution
- Creative products for complex problems

- Dissecting a receivable
- SPV’s
- AAA Ratings – Credit Enhancement
- Revolving periods
- The annual percentage rate
- Ethical product or not?
- Payments/ FINTECH – It’s all about to change
- Cashless world?

Dec 8- Course Review and some final thoughts for you

Dec 13- FINAL EXAM

Suggested Reading List
All of the suggested readings can be found on Amazon.com for purchase or in the NYU or Public Libraries.
Readings for the Serious Student of Investment Banking
<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
<th>Subject</th>
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<tbody>
<tr>
<td>Wall Street</td>
<td>Charles Geisst</td>
<td>Wall Street history</td>
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<tr>
<td>The Great Game</td>
<td>John Steele Gordon</td>
<td>Wall Street history</td>
</tr>
<tr>
<td>Where Are the Customer’s Yachts?</td>
<td>Fred Schwed</td>
<td>Wall Street history</td>
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<tr>
<td>Barbarians at the Gate</td>
<td>Bryan Burrough, John Helyar</td>
<td>LBO of RJR/Nabisco</td>
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<td>The Predators Ball</td>
<td>Connie Bruck</td>
<td>Mike Milken and junk bonds</td>
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<tr>
<td>Liar’s Poker</td>
<td>Michael Lewis</td>
<td>Salomon in the ‘80s</td>
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<tr>
<td>When Genius Failed</td>
<td>Roger Lowenstein</td>
<td>Long Term Capital</td>
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<tr>
<td>Paper Fortunes</td>
<td>Roy C. Smith</td>
<td>Modern Wall Street history</td>
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<td>Blue Blood and Mutiny</td>
<td>Patricia Beard</td>
<td>Morgan Stanley history</td>
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<tr>
<td>The House of Morgan</td>
<td>Ron Chernow</td>
<td>J P Morgan: The Firm</td>
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<tr>
<td>House of Cards</td>
<td>William D. Cohan</td>
<td>Bear Stearns collapse</td>
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<td>The Last Tycoons</td>
<td>William D. Cohan</td>
<td>Lazard Freres history</td>
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<td>The Partnership</td>
<td>Charles D. Ellis</td>
<td>Goldman Sachs history</td>
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<tr>
<td>The House of Rothschild</td>
<td>Niall Ferguson</td>
<td>Rothschild over 200 years</td>
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<tr>
<td>Accidental Investment Banker</td>
<td>Jonathan A. Knee</td>
<td>Life inside an investment bank</td>
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<tr>
<td>Tearing Down the Walls</td>
<td>Monica Langley</td>
<td>Sandy Weill and Citigroup</td>
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<td>Take on the Street</td>
<td>Arthur Levitt</td>
<td>Regulator’s views</td>
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<td>F.I.A.S.C.O</td>
<td>Frank Partnoy</td>
<td>Derivatives Business</td>
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<tr>
<td>Infectious Greed suggests.</td>
<td>Frank Partnoy</td>
<td>Just what the title</td>
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<tr>
<td>Confessions of a Wall Street Analyst</td>
<td>Dan Reingold</td>
<td>Equity research scandal – 1999</td>
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<tr>
<td>Den of Thieves</td>
<td>James Stewart</td>
<td>Insider trading scandal of 1980’s</td>
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<tr>
<td>Morgan</td>
<td>Jean Strouse</td>
<td>J P Morgan: The Man</td>
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<tr>
<td>Fool’s Gold</td>
<td>Gillian Tett</td>
<td>Credit derivatives</td>
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<tr>
<td>In Fed WE Trust</td>
<td>David Wessel</td>
<td>The Federal Reserve</td>
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<tr>
<td>Too Big to Fail</td>
<td>Andrew Sorkin</td>
<td>The Financial Crisis - 2008</td>
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<tr>
<td>The Greatest Trade Ever</td>
<td>Gregory Zuckerman</td>
<td>John Paulson’s Hedge Fund</td>
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<tr>
<td>The Big Short</td>
<td>Michael Lewis</td>
<td>Mortgage Collapse/ Hedge Fund Managers</td>
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<td>Crash of the Titans</td>
<td>Greg Farrell</td>
<td>Collapse of Merrill &amp; Fall of B of A</td>
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<tr>
<td>Money and Power</td>
<td>William Cohan</td>
<td>Goldman Sachs ruling the world</td>
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<td>More Money Than God</td>
<td>Sebastian Mallaby</td>
<td>History of Hedge Funds</td>
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<tr>
<td>King of Capital</td>
<td>David Carey, John Morris</td>
<td>Steve Schwarzman &amp; Blackstone</td>
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<td>Reckless Endangerment</td>
<td>Morgenson &amp; Rosner</td>
<td>Downfall of Fannie Mae/Freddie Mac</td>
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<tr>
<td>The New Tycoons</td>
<td>Jason Kelly</td>
<td>The Private Equity Industry</td>
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<tr>
<td>Dark Pools</td>
<td>Scott Patterson</td>
<td>Dark pools trading and strategy</td>
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<tr>
<td>The Quants</td>
<td>Scott Patterson</td>
<td>The rise of Quantitative methods</td>
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<tr>
<td>Young Money</td>
<td>Kevin Roose</td>
<td>Eight Analyst two years</td>
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<tr>
<td>Flash Boys</td>
<td>Michael Lewis</td>
<td>Flash Trading</td>
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<tr>
<td>What Happened to Goldman Sachs Steven Mandes</td>
<td></td>
<td>The decline of the partnership culture</td>
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Open Secret
The Caesars Palace Coup
Big Men

Erin Arvedlund
Sujeet Indap
A Film by Rachel Boyton

The LIBOR Scandal
Private Equity Takeover
Big Oil Financing