



## **B40.3387 – Global Banking and Capital Markets**

Spring 2012

Tuesdays 6:00 – 9:00 pm

Classroom – KMEC 5-80

TA: Marina Vainshtein ([marina.vainshtein@stern.nyu.edu](mailto:marina.vainshtein@stern.nyu.edu))

Profs. Roy C. Smith and Ingo Walter

Office - KMC 9-93 and KMC 11-55

Hours: Tu. 4-6 pm

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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 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.

Office: KMC 9-93., e-mail [rsmith@stern.nyu.edu](mailto:rsmith@stern.nyu.edu), and INGO WALTER, Vice Dean of

Faculty and Seymour Milstein Professor of Finance, Corporate Governance and Ethics.

Office: KMC 11-55. e-mail [iwalter@stern.nyu.edu](mailto: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 instructors.

**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.

**Texts (available at the bookstore).**

Roy C. Smith and Ingo Walter, *Global Banking*, Third Edition (New York: Oxford University Press, 2012). Denoted "GB."

Viral Acharya, et.al.(Eds), *Regulating Wall Street* (New York: John Wiley, 2011). Denoted "RWS"

**Blackboard:**

Unless otherwise indicated, ALL course materials are posted on Blackboard where you can download a copy of this outline, reading assignments, cases, and power-points used in class, 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.

**Grading:**

Mid-term exam -- 50%, Final Exam – 50%, Classroom participation, up to +/- 1 letter grade.

## COURSE OUTLINE

### **Session 1 (7 February - Smith)**

The Financial Crisis of 2007 – 2008 and its Aftermath

What caused the crisis? What were the effects of it, and the regulatory remedies that have since been put in place?

ASSIGNMENT: *RWS*, Prologue, Chapter 7  
*Paper Fortunes*, Chapters 1 and 6  
“The Agony of the Euro”

### **Session 2 (14 February - Smith)**

Global Bonds and Swaps, Bank Loans, Project Finance

ASSIGNMENT: *GB*, Chapters 1-4 and 6.  
CASE: *Autostrade’s Debt Financed Takeover*

### **Session 3 (21 February - Smith)**

Global Equity Markets: Market Structure, Institutions and Practices

ASSIGNMENT: *GB*, Chapter 5  
CASE: *Deutsche Telekom 1 and 2*

### **Session 4 (28 February - Smith)**

Emerging Markets in Global Banking and Finance

ASSIGNMENT: *Red Capitalism*: Chapters 1 & 2

CASE: *Republic of Argentina* \$85 billion Par Value Debt Exchange Offer, 2005

### **Session 5 (6 March - Smith)**

Privatizations

ASSIGNMENT: *GB* Chapter 8

CASE: *The Sale of Jenapharm* (Blackboard)

**Mid-term Examination (second half of class)**

## **13 March – No Class – Spring Break**

### **Session 6 (20 March – Walter)**

#### Global M&A Transactions

ASSIGNMENT: *GB*, Chapter 7.

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

### **Session 7 (27 March - Walter)**

#### The Buy Side - Global Asset Management

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

ASSIGNMENT: *GB*, Chapters 9 - 11.

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

### **Session 8 (3 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: *GB*, Chapters 13 and 14; *RWS*, Chapters 4 and 5.

CASE: *UBS AG 2008* (Blackboard)

### **Session 9 (10 April - Walter)**

#### Regulation in Global Banking and Financial Markets

Regulatory issues and tradeoffs affecting global banking and financial markets, and their effects on safety and soundness as well as efficiency and competitive performance.

ASSIGNMENT: *GB*, Chapter 15

**Session 10 (17 April - Smith)****Global Financial Sector Restructuring**

Discussion of trends in global banking and other financial services. Emphasis is on the implications for competitive conditions in the industry around the world.

ASSIGNMENT: GB, Chapters 12 and 16; RWS, Chapter 17

CASE: Citigroup 2005

**Session 11 (24 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, Chapter 17

CASE: *ABN Amro* (Blackboard).

**Session 12 (1 May - Walter)**

Summing up. The Future of Global Banking

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