

New York University  
Stern School of Business

**B40.3387.01 – Global Banking and Capital Markets**

Fall, 2003  
Mondays/Wednesdays 1:30 to 2:50 pm

Prof. Roy C. Smith  
KMEC 3-55

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**Course Description:**

“Global Banking” encompasses the integration of investment and wholesale banking services since the repeal in 1999 of the Glass-Steagall Act (that separated commercial and investment banking activities in the US and was passed in 1933). Such banking services have today become global as a result of deregulation, market integration, and dramatic political actions (such as the ending of the Soviet Union and the formation of the European Union). Further, most wholesale financial transactions in the world today are completed in capital markets, and the exceptional growth of these markets over the past twenty years has made many new types of financial transactions possible.

The focus of this course is primarily on determinants of competitive performance in the wholesale financial services industry. The course covers a variety of diverse commercial and investment banking products and activities, and regulatory practices, and addresses the dynamics of competition and success in global banking as it is practiced today.

The discussion of various global banking products and activities is linked to a simultaneous discussion of differences in competitive practices and conditions between the principal markets in the US, Europe, Japan, and emerging markets.

Throughout the course, relevant current events are examined and used to illustrate teaching points.

The course is highly case oriented and involves extensive discussion of twelve cases that have been specially prepared for this course only.

Concluding the course is an exploration of the determinants of competitive success in global banking. We examine what market share, profitability, growth and similar dimensions of performance by individual financial institutions mean in the global marketplace.

*There are other courses at Stern that cover similar ground: Indeed, another course of the same name is offered by Adjunct Professor Frank Militello in the Summer and Fall (Saturdays) terms, and there is a general course in (American) Investment Banking taught by Professor Kenneth Froewiss in the Fall (T/Th 3pm) and Spring(Th 6pm) terms. There is some overlap between this course and Investment Banking -- students considering this course should study the outline below and compare it to the outlines for these other courses.*

**Instructor:**

ROY C. SMITH is the Kenneth Langone Professor of Entrepreneurship and Finance, and Professor of International Business. He is a former General Partner of Goldman, Sachs & Co, and President of Goldman Sachs International Corp.  
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**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 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.

**Text and cases:**

The text for the course covers both international commercial and investment banking:

Roy C. Smith and Ingo Walter, *Global Banking* (Second Edition, New York: Oxford University Press, 2003).

All assigned cases are posted on the course Web page or are available in the supplementary course reading packet.

**Case Write Ups:**

Students may prepare a one or two page write up for each case, addressing the questions raised about the case, and turn it in for extra credit. The writes ups will not be

graded and returned, but a write up prepared by the instructor will be posted on the class website for students to compare their own work to.

**Examinations:**

There will be a mid-term examination which will cover the first half of the course and a final examination which will cover the second half of the course. The dates of the exams are as follows:

Mid-term: Wed. Oct. 22

Final: to be announced

The final exam covers *only* the material after the mid-term exam. Both exams will deal with all of the assigned readings, cases, and classroom discussions. Students who have not read the cases or have not been present for the class discussions will find it difficult to pass the course.

Course Home Page:

**There is a home page for this course on the Stern network...**

## COURSE OUTLINE

- 01 Wed 9/3 Introduction and overview: Major developments shaping global banking and finance  
ASSIGNMENT: GB, Chapter 1  
CASE: Citigroup\*
- 02 Mon 9/8 International Money and Foreign Exchange Markets  
ASSIGNMENT: GB Chapter 2
- 03 Wed 9/10 Project Financing and Syndicated Lending  
ASSIGNMENT: GB, Chapters 5 and 6.
- 04 Mon 9/15 CASE: Chase's Strategy for Syndicating the Hong Kong Disneyland Loan\*
- 05 Mon 9/17 Global Debt and Swap Markets  
ASSIGNMENT: GB, Chapters 3 & 4
- 06 Wed 9/22 CASE: Federal National Mortgage Association: A \$1 Billion Global Note Issue\*
- 07 Mon 9/24 Global Equity Markets  
ASSIGNMENT: GB, Chapter 7
- 08 Wed 9/29 CASE: Deutsche Telekom 1 and 2\*
- 09 Mon 10/1 Privatization  
ASSIGNMENT: GB Chapter 9
- 10 Mod 10/6 No Class
- 11 Wed 10/8 CASE: The Sale of Jenapharm\*

**\*In readings packet**

- 12 Mon 10/13 Global M&A Transactions  
ASSIGNMENT: GB, Chapter 8
- 13 Wed 10/15- CASE: The Acquisition of Martell\*
- 14 Mon 10/20 CASE: Olivetti - Telecom Italia\*
- 15 Wed 10/22 Mid-Term Examination
- 16 Mon 10/27 Institutional Asset Management  
ASSIGNMENT: GB, Chapter 10
- 17 Wed 10/29 CASE: Alliance Capital Management\*
18. Mon 11/3 Private Banking  
ASSIGNMENT: GB Chapter 11
19. Wed 11/5 Case: UBS Private Banking\*
20. Mon 11/10 The United States Competitive Environment  
ASSIGNMENT: Roy C. Smith, *Comeback*, Chapter 2, Banking at the Brink and Chapter 3, The New Wholesalers\*
21. Wed 11/12 CASE: Continental Illinois
- 22 Mon 11/17 Europe's New Capital Market  
ASSIGNMENT: *Eurozone*, Preface and Chapters 1 and 2\*
- 23 Wed 11/19 CASE: Allianz AG\*
- 24 Mon 11/24 Evolution in Japan's Financial Markets  
ASSIGNMENT: RC Smith, *Comeback*, Chapter 7, The Rising of the Sun & Chapter 8, The Supernova Fades\*
- 25 Wed 11/29 CASE: Shinsei Bank Ltd. **(will be handed out in class)**

**\*In readings packet**

- 26 Mon 12/1 Global Banking in Emerging Markets
- 27 Wed 12/3 ASSIGNMENT: *GB*, Chapter 12  
CASE: ICICI\*
- 28 Mon 12/8 Strategic Challenges and Performance  
ASSIGNMENT: *GB*, Chapter 14 and \*Eurozone, Chapters 9 and 10
- 29 Wed 12/10 CASE: JP Morgan Chase & Co\*
- 30 Mon 12/15 **Final Examination: 1:30 – 3:30**

**\*In readings packet**