This course will be taught by Adjunct Associate Professor of Finance, Arjun K. Mathrani. Mr. Mathrani has had a thirty year career in banking, twenty eight of which were with the Chase Manhattan Bank. Mr. Mathrani was Chief Financial Officer of Chase at the time of its merger with Chemical Bank. He has had extensive experience in running Chase’s businesses in Asia and Latin America. He has also managed Chase’s global Asset Management and Private Banking businesses. He has held senior positions in Chase’s credit risk management function, and was Chase’s Corporate Treasurer. Mr. Mathrani was also Chief Executive Officer of ING Barings. Mr. Mathrani teaches at New York University, St. John’s University, and the University of Cambridge, England. Mr. Mathrani is a member of the Board of Directors of the Principal Financial Group, Des Moines, Iowa.

Course Description.
The course will look at the key financial risks managed by global banks: credit risk, liquidity and market risks, and country risk. It will examine the frameworks used by banks to manage these risks, from a conceptual and applications perspective. It will examine the management of these risks by reviewing actual case studies involving major financial institutions.

Readings: There will be a course packet with extracts from:
Bank Management (BM), 5th Ed., George H. Hempel, Donald G. Simonson.
Chapters 11, 13, 14, 15.
Global Banking (GB), Roy C. Smith and Ingo Walter.
Chapters 3, 5.
Managing Credit Risk John B. Caouette, Edward I. Altman, Paul Narayanan (MCR)
Chapters 6, 18, 20.
Philippe Jorion, Value at Risk (VAR)
Chapters 4, 5.
Harvard Business School (HBS) case studies:
Banc One: Derivatives and the Management of the Interest Rate Gap.
Kentucky Steel Corporation.
Petrolera Zuata, Petrozuata C.A.
Collapse in Asia 1997-98.

Grading: Final Course paper 80%
Case study paper 20% (Project Finance Case—Group basis)

Teaching Units:
Nov. 5: Credit Risk Management.
Credit risk products. Credit risk evaluation.

Reading: BM, Chapter 11, Credit Selection, Underwriting, and Portfolio Diversification.
HBS case: Kentucky Steel Corporation.

Reading: GB, Chapter 3, Asset Related and Project Financing. MCR Chapter 6, Rating Agencies, HBS case: Petrolera Zuata, Petrozuata C.A.

Nov. 19: Credit Derivatives. Portfolio Diversification. Capital and Reserves for credit risk.

Reading: MCR, Chapters 18 and 20, Credit pricing and credit derivatives.

Nov. 26: Country Risk.

Reading: GB Chapter 5, Assessment and Management of Cross-Border Risks. HBS case: Collapse in Asia, 1997-98.

Dec 3: Market Risk.

Reading: BM Chapters 13, 14, and 15.
   Financial Futures and Forwards.
   Interest Rate Options.
   Interest Rate Swaps.


Dec…….Submit final course paper.