**Goals of the Course**

The principal goal of this course is to provide a broad overview of investment banking and of the forces that are changing it worldwide. The focus is on the major activities of investment banks: (1) raising capital for clients; (2) making markets and providing brokerage services; (3) advising on and executing mergers and acquisitions; (4) trading and investing for the bank’s own account; and (5) managing third-party assets. The final section of the course will examine some of the challenges of managing a global investment bank.

Throughout the course, attention will be given to the perspective of the client as well as to that of the investment bank, and to the inherent tensions between the two. The international aspects of investment banking and the evolving impact of technology will be explored throughout the course rather than treated in separate sections, since both of these themes are central to every aspect of investment banking today.

By the end of the semester, each student should be well prepared for either an entry-level position in an investment bank or for a comparable position in a client firm in which he or she needs to interact with investment banks. Upon completion of the course, all students, whether they choose to work in one of these capacities or not, should be able to read the financial press through new eyes. **Students are expected to keep up with the financial news, particularly as it relates to investment banking.**

**Required Readings**

Students should purchase the course packet, available at the bookstore. Other required readings--mainly articles from the financial press--will be distributed in class.

**Blackboard**

We will be using the web-based software package, “Blackboard”, in this course. You should check regularly under the “Assignments” tab for guidance on the readings and for the topics that I expect you to be prepared to discuss during the next class session. **Blackboard is an integral part of the course, and you are responsible for any information posted there.**
Grading

There will both be a midterm and a (non-cumulative) final exam, counting for 30% and 50% of the course grade, respectively. There will also be a case presentation of the Telecom Italia takeover, which will be prepared in groups and due on November 11, and which will count for the remaining 20% of the overall course grade. It goes without saying that students are expected strictly to abide by the NYU Stern Honor Code.

Schedule of Classes

September 2 & 4—Overview of the Financial Services Industry and the Role of Investment Banks

The role of financial intermediation and where investment banks (IBs) fit in that context; the principal IB activities and the concept of “trusted advisor”; the forces transforming investment banking over the past few decades.

Readings: Course Packet (CP), Articles #1-#6

September 9, 11, 16—Raising Capital: Initial Public Offerings

The decision to go public; getting the mandate; the league tables and their significance; the Securities Acts of 1933 and 1934; origination; underwriting; distribution and aftermarket support; allocation of the fees; and the changing role of sell-side equity research.

Readings: CP #7-#12

September 18 & 23—Other Aspects of Publicly Traded Equity

Privatizations; seasoned and secondary offerings; tracking stocks; rights issues; and the impact of the internet on equity underwriting.

Readings: CP #13

September 25—The Private Equity Market

Size and significance of the private equity market; the principal investors; the range of issuers; the specialized intermediaries; relationship to investment banking.

Readings: CP #14 & #15
September 30 & October 2—Publicly Traded Investment Grade Debt; Private Placements

Role of the rating agencies; fixed-income research; from shelf-registration to offerings over the internet; competitive vs. negotiated deals; the impact of the euro; the “other” bond market; Rule 144A.

   Readings: CP #16-#21

October 7 & 9—High-Yield Issues, Preferreds, and Convertibles

The evolution of the high-yield market; hybrids of debt and equity; the trick of convincing rating agencies that something is equity and the tax authorities, that it is debt.

   Readings: CP #22-#26

October 14—Leftovers and Review for Midterm Exam

October 16—Midterm Exam

October 21 & 23—Financial Engineering: Securitizations and Derivatives

Mortgage-backed and asset-backed issues; tailoring risk and return to individual tastes; the concept of “bankruptcy remote”; credit enhancements; forwards, futures, swaps, and options, and their importance for raising capital.

   Readings: CP #27-#31

October 28, 30 & November 4—The “Sales and Trading” Function

Market-making vs. brokerage; institutional vs. retail clients; issuer vs. investor clients; the skills of traders and of salespeople; the dual loyalties of the sales force; the evolution of the exchanges and the new world of electronic trading; financing dealer positions.

   Readings: CP #32-#34

November 6, 11 & 13—Mergers and Acquisitions

Recent trends in M&A activity; motivations for acquisitions and divestitures; winners and losers, and the elements of a successful deal; the mechanics of M&A; the Telecom Italia case.

   Readings: CP #35-#38
November 18 & 20—Proprietary Activities

Merchant banking; proprietary trading and risk arbitrage; hedge funds and their links to investment banking.

Readings: CP #39-#42

November 25 & December 2—Third-Party Asset Management

Institutional money management; private banking and its evolution; the relative synergies of both with other “investment banking” activities.

Readings: CP #43-#46

December 4 & 9—Risk Management; Professional Standards and Ethics

The varieties of risks faced by an IB; measuring and managing market risk; people risk and the rogue trader; firm values, firm culture and their importance for success.

Readings: CP #47 & #48

December 18—Final Exam, 3:45PM-5:45PM