

New York University
Stern School of Business

B40.3387.20 – Global Banking and Capital Markets

Spring, 2003
Tues/Thurs 3:00 - 4:20 pm
Room – KMEC 4-90

Prof. Roy C. Smith
Prof. Ingo Walter

COURSE OUTLINE

01/02 Tu/Th. Jan. 28/30 Introduction and overview: Major developments shaping global banking and finance Walter

Overview of the course. Discussion of global trends in commercial and investment banking at the wholesale and retail level from the 1970s through the 2001, with emphasis on the implications for competitive conditions in the industry. Illustration of financial-sector evolution using the Citigroup case, which students should have read in advance.

ASSIGNMENT: *GB*, Chapter 1

CASE: Citigroup (**in readings packet**)

PART 1 GLOBAL WHOLESALE FINANCIAL MARKETS

03/04 Tu/Th Feb. 4/6 Reconfiguration of Global Financial Services Walter

Evolution of the financial intermediation process in the context of the global competitive environment, technological change and regulatory evolution. Comparisons among players: Large independent investment banks, nationwide retail financial services firms, multi product financial firms, and new firms created by large mergers. Regulatory developments in financial services in the United States and abroad.

ASSIGNMENT: *GB*, Chapters 6 and 7.

05/06 Tu/Th. Feb. 13/14 Project Financing and Syndicated Lending Walter

Wholesale lending and project financing, including analysis of a case based on the early stages of financing the new Hong Kong Disneyland Project by JP Morgan Chase.

ASSIGNMENT: *GB*, Chapters 2 and 3.

CASE: Chase's Strategy for Syndicating the Hong Kong Disneyland Loan (A and B) – Harvard Business School N9-201-072 (2001) **(in readings packet)**

07/08 Tu/Th Feb. 18/20 Global Debt Markets Smith

Eurobonds, foreign bonds and euro-denominated fixed-income issues, including swaps and structured transactions.

ASSIGNMENT: *GB*, Chapters 9 & 10. *Eurozone*, Chapter 3.

CASE: Federal National Mortgage Association: A \$1 Billion Global Note Issue **(in readings packet)**

09/10 Tu/Th Feb. 25/27 Global Equity Markets Smith

Discussion of global flows of funds into equities and international primary equity markets. Discussion of the exchanges and secondary equity markets, including block trading and proprietary trading.

ASSIGNMENT: *GB*, Chapter 11 and *Eurozone*, Chapter 4.

CASE: Deutsche Telekom 1 and 2 **(in readings packet)**

11/12 Tu/Th Mar. 4/6 Global M&A Transactions Smith

Discussion of the flow of corporate advisory services and merger and acquisition activities carried out on a cross-border basis. Discussion of alternative systems of corporate governance and its implication for global capital markets and financial performance. Role of advisers in complex cross-border M&A transactions.

ASSIGNMENT: *GB*, Chapter 12 and *Eurozone*, Chapters 5 and 7.

CASE: Olivetti - Telecom Italia **(in readings packet)**

13 Tue. Mar. 11 Privatizations Walter

Discussion of various aspects of privatization, including valuation, alternative distribution of shares, formation of control groups, and financing of bids.

ASSIGNMENT: *Eurozone*, Chapter 6.

14 Th. Mar. 13 Mid-Term Examination

15/16 Tu/Th. Mar. 25/27 Institutional Asset Management Smith

The global institutional asset management business, including mutual funds and pension funds.

ASSIGNMENT: *GB*, Chapter 13 and *Eurozone*, Chapter 8.

CASE: Alliance Capital Management L.P. – 1998 **(in readings packet)**

17/18 Tu/Th. Apr. 1/3 Global Private Banking Walter

Discussion of the global private banking business and the dynamics of competing for high net worth clients.

ASSIGNMENT: *GB*, Chapter 4.

CASE: UBS Private Banking **(in readings packet)**

PART 2 REGIONAL DIMENSIONS OF GLOBAL BANKING

19/20 Tu/Th. Apr. 8/10 The United States Competitive Environment Smith

Evolution of the US national market for wholesale financial services, including the success (or lack thereof) of foreign-based firms. Development of the US regulatory environment. Why US firms have grown to dominate the global wholesale markets.

ASSIGNMENT: Roy C. Smith, *Comeback*, Chapter 2, Banking at the Brink **(in readings packet)**

21/22 Tu/Th. Apr. 15/17 Europe's New Capital Market

Walter

Macroeconomics of EMU, convergence, industrial restructuring and their implications for the banking and financial services sector. Impact of the euro on the composite financial system of the EU and its links to global capital markets. Assessment of shifts in the banking and securities environment in Europe and the role of universal banking structures on the global competitive playing-field.

ASSIGNMENT: *Eurozone*, Preface and Chapters 1 and 2.

CASE: Allianz AG (**in readings packet**)

23 Tu. Apr. 22

Competitive Evolution in Japan's Financial Markets Smith

Assessment of contemporary banking and securities activities in Japan. Discussion of regulatory reform and economic factors affecting Japanese banking and emerging trends in finance in Japan. The evolving role of the state in the Japanese financial system. Rescuing and restructuring Japanese banks and securities firms. Mergers and acquisitions in Japan's financial system.

ASSIGNMENT: RC Smith, *Comeback*, Chapter 7, The Rising of the Sun & Chapter 8, The Supernova Fades (**in reading packet**)

24 Th. Apr. 24

Global Banking and the Emerging Markets

Walter

Asian, African, Eastern European and Latin American emerging markets in the context of global capital flows, emerging financial markets, and competitive opportunities. Purpose and techniques of country risk assessment, including tracking of country exposures, components of country risk. Applications of country risk in a portfolio context. Pricing country risk and financing emerging market transactions.

ASSIGNMENT: *GB*, Chapter 5.

CASE: ICICI (**in readings packet**)

PART 3 STRATEGIC AND MANAGEMENT CHALLENGES

25/26 Tu/Th. Apr. 29/May 1 Understanding Strategic Challenges

Smith &
Walter

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. Integrative case discussion of a major Swiss bank undertaking a strategic redirection in the 1980s and 1990s.

ASSIGNMENT: GB, Chapter 14 and Eurozone, Chapters 9 and 10

CASES: JP Morgan Chase & Co. **(in readings packet)**

Final Examination