

IBUS 274.10

Seminar: Global Investment Banking (3)

Spring '05

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Class: Monday, 7:10 – 9:40 PM
Office Hours: by appointment

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I. Summary

A course dealing with investment banking as practiced in a global competitive environment. Our perspective on the business will be to understand how investment banking firms organize themselves to compete successfully in the global marketplace. Through case studies and readings, the class will examine representative markets, products and competitor firms. Topics will include securities underwriting and derivative instruments, risk management and business development strategies, cross border mergers and acquisitions as well as the organizational characteristics of investment banking firms. Student teams will be expected to participate and make presentations.

Reading Materials

1. Emerging Markets by Jeffrey C. Hooke
2. 5 Case Studies—handed out one week in advance
3. Liar's Poker
4. Other handout materials

Group Presentation Topics—assigned at beginning of session #2

1. Investment Bank Competitors by Geography and Product Offerings—exception for session #2
2. Global exchanges by type
3. REITs
4. Project Financing
5. Federal Open Market Committee
6. Rule 144a
7. Commercial Paper
8. Poison Pills
9. Brady, Euro and Samurai Bonds
10. Multilaterals
11. LBOs
12. Hedge Funds
13. Capital Formation in China

Syllabus

<u>Session</u>	<u>Segment Description</u>
1	<p>Investment Banking in a Global Context</p> <p>This segment will frame the subject matter of the course and define its key themes: capital markets, intermediation, information technology, and competing financial institutions.</p> <p>Readings: Chapter 1</p>
2 & 3	<p>Service Offerings of Investment Banks</p> <p>In this segment we will address – in conceptual terms- the principal types of investment banking business. In other words, this will be a study of how banks make money and will include a discussion of debt and equity underwriting, including IPOs, merger and acquisition transactions, and corporate finance advisory services.</p> <p>Group Presentation</p> <p>Readings: Chapter 2, 3 for session 2 Chapter 4, 5 for session 3 Handout—Lehman Annual Reports Case Study #1 (about foreign exchange and interest rate risk) for session 3</p>
4	<p>The Competitors</p> <p>In this segment, we will identify top tier competitors and analyze the organizational structure of various investment banks including a comparison and contrast of US, European, Asian and Latin American based banks. We will also review the strengths and weaknesses of various institutions and perceptions in the marketplace.</p> <p>Group Presentation</p> <p>Readings: Chapter 6 Book Review: Liars Poker</p>
5	<p>Asset Securitization</p> <p>In this segment, we will study the development, origination and basic elements of asset backed securities.</p> <p>Readings: Chapter 7, 8 Case Study #2 (about finance and emerging markets)</p>

6 & 7 Exchanges and Trading

In this segment, we will examine the various financial exchanges for equities, commodities, and financial indices. In this segment, we will also make a comparative analysis of how banks fill orders for their customers in the respective trading environments. We will further examine various after hour exchanges and the importance of liquidity.

Group Presentation

Readings: Chapter 9, 10 for session 6

Readings: Chapter 11 for session 7

Case Study #3 (mini-case about arbitrage trading) for session 7

8 & 9 Equity Research, Mutual Funds and Investor Relations

In this segment, we will address the genesis, purpose and importance of equity research, the respective target markets for such research, whisper numbers, the Private Securities Litigation Reform Act and SEC Regulation FD.

Group Presentation

Readings: Chapter 12 and other distribution materials

10 & 11 Mergers and Acquisitions

In this segment, we will examine global expansion strategies for companies and the advisory role of investment banks. We will also review the forms of mergers and acquisitions and examine the legal, tax and accounting aspects of such transactions.

Group Presentation

Readings: Chapter 13

Case Study #4 (about international M&A) for session 11

3/4-TERM EXAMINATION: At the end of this session, the mid-term examinations will be handed out. Exams must be returned to the International Business Department by no later than the following class period.

12 Global Capital Markets Funding Strategies

This segment moves from the macro to the micro level as we consider strategies for funding a major corporate acquisition and managing corporate liabilities. The funding strategy will be considered from two perspectives: 1) the Company perspective which seeks to optimize the cost of capital, diversify funding sources and neutralize currency risks; 2) the Banker's perspective which seeks to offer the best and most competitive advice, consistent with the firm's risk management policies and core competencies.

Group Presentations

Readings: Case Study #5 (about emerging markets and country risk in financial decisions)

13 Derivatives and Swaps

In this segment, we will look at derivative instruments from a risk management perspective. Using the Barings situation, we will consider the management issues confronting dealers in these instruments and what controls—both internal and regulatory—ought to govern their activity. We will also give thought to the risk management issues facing the corporate users of derivatives: what is the proper role of derivatives in corporate finance? How should derivative portfolios be managed? We will also examine the structure of interest rate and currency swaps as well as their uses in liability management and financial engineering.

Group Presentations

Readings: To be provided

14 Hedge Funds and Strategies, and other Trading Techniques and Other

This segment examines the evolution of hedge funds and the purposes, returns and sources of capital. Also, in this segment we will cover repurchase transactions, clearing and settlement and other open issues.

Group Presentations

Readings: To be provided