

The LEVIN Institute

**International Finance Semester
Overview and Syllabi**

2009 Fall

**The Neil D. Levin Graduate Institute
of International Relations and Commerce**
116 East 55th Street
New York, NY 10022

OVERVIEW

Dear IFS Student,

On behalf of The Levin Institute and the faculty of the International Finance and Global Banking Semester (IFS), we welcome you to the 2009 program. IFS is intense and challenging and you will work hard and long hours. And based on what past students have said, it may be one of your best academic semesters.

As you know, IFS combines strong academic curriculum with “real time” research projects – the Global Action Projects (GAP) – with the experience and opportunity of being in New York City. Your fellow IFS colleagues are from around the world as are your professors and the Levin team.

In addition to the core academic content and the GAP team work, IFS offers several other components that makes the program even more unique. Our “Distinguished Speakers Series” (DSS) provides an opportunity to hear and visit leaders in the international and finance areas. The “Talks on the Terrace” (TOT) are informal conversations with people in finance sharing their career paths and “lessons learned”. And each year we have a “Country Focus”. This year we have selected Canada. With each “Country Focus” series, we arrange a briefing at the Consulate, highlight a successful person and/or company from the country and participate in cultural activities related to the country. “Discover New York” (DNY) are activities we do as a group – exploring interesting places around the city.

In the pages that follow you will find the syllabi for each of the credit courses in the program. The sections are listed by the course and have the course objective and goals, the subjects covered, the required readings, dates of the classes, grading policy, and contact information for the professor. At the end of the syllabi, there is Levin’s policy on “Academic Honesty” and class attendance and participation. Please be sure to read them.

Again, we welcome you to the 2009 IFS program and very much look forward to meeting you in September!

Dr. Maryalice Mazzara
Director of Academic Affairs
IFS Program Director

Mr. Guy Erb
IFS Faculty Director

Mergers and Acquisitions

Dr. Sris Chatterjee

Course Objective

Mergers and Acquisitions (M&A) constitute one of the most important issues in Corporate Finance, both for the firms involved as well as the economy. These transactions, along with other related forms of Corporate Restructurings such as LBOs and Divestitures, provide a unique opportunity to understand Corporate Strategy, Corporate Governance, Securities Law, Valuation and Deal-Making.

The primary goal of this course is to develop an understanding of: (1) the role of M&A in corporate strategy and in creating shareholder value, and (2) the analytical tools used in the valuation and analysis of a deal. Other secondary goals include the following:

1. Develop a knowledge of essential M&A vocabulary
2. Learn essential M&A regulations
3. Understand the economic reasons behind M&A
4. Discuss relevant corporate governance and ethical issues

Required Readings:

1. Reading Package:

The Reading Package (RP) contains journal-articles and case-studies which will be used in class discussions and class tests, along with the textbook.

2. The PARAMOUNT Casepack: Paramount 1993 and Paramount 1994.
3. P&G's acquisition of Gillette: HBS case #KEL183

Recommended Readings:

1. Robert F. Bruner, Deals From Hell, John Wiley 2005.
2. Joshua Rosenbaum and Joshua Pearl, Investment Banking (Valuation, Leveraged Buyouts, and Mergers & Acquisitions), Wiley Finance, 2009.
3. Financial Times and Wall Street Journal

Recommended Internet Sources:

1. Please see www.stern.nyu.edu/~adamodar for an excellent array of valuation

models, including M&A valuation.

2. See EDGAR at www.sec.gov for annual reports and proxy statements.
3. Also see www.investext.com for a complete list of data sources. This is available from the Fordham Library website.
4. www.ssrn.com is a useful source of research papers in M&A. Search under Merger or Acquisition.
5. See Prof. Robert Bruner's website at Darden School of Business, or search for Bruner under www.ssrn.com.

Class Schedule/Topics and Readings:

Session 1	September 22	Introduction: M&A Terminology Important Legal, Accounting, Tax and Valuation issues. Readings: Lehman Brothers/Rochester Roundtable Discussion (RP) How are firms sold? (RP)
Session 2	September 24	Historical Overview Readings: Beatrice: A study in the creation and destruction of value (RP) Creating Value with Mergers and Acquisitions (RP)
Session 3	October 6	Review of Some Fundamental Accounting Issues: Pooling vs. Purchase Readings: AT&T/NCR article (RP)

Session 4	October 8	Valuation and Modes of Payment
		Readings: RJR-Nabisco case (RP) Paramount 1993 and Paramount 1994 [case packet] Hybritech Inc. case (RP)
Session 5	October 13	Leveraged Buyouts & Other Forms of Restructurings
		Readings: O.M. Scott case Additional Reading: Kester and Luehrman, HBR, May-June 1995
Session 6	October 15	Takeover Defense
Session 7	November 3	Wrap-up and Conclusion
Session 8	November 5	Final Exam

Grading Policy:

<i>Final Exam</i>	50%
<i>Class Quiz</i>	40 %
<i>Class Participation</i>	10%

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Derivative Securities

Dr. Zora Thomova

Course Objective

The goal of the course is to give an overview of the fundamentals of derivatives. We will describe the standard equity based derivatives as well as explore fixed income and foreign exchange markets. We will cover the most common derivative products: forwards, futures, options and swaps. Upon completion of the course you should be comfortable with the terminology of derivatives, have the basic understanding of how option markets work and have grasp of the practical uses of derivatives. You will also develop an understanding of pricing of the derivatives. The course will be challenging conceptually and in terminology. Mathematically – a working knowledge of algebra is all you need.

Required textbook: Fundamentals of Futures and Options Markets, J.C. Hull, 6th edition, Prentice Hall

Part I – Introduction to Derivatives

Optional	September 17, 2009	Pre-class overview Terminology introduction Intro to Interest Rates Intro to Foreign Exchange
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Reading: Chapter 1, Chapter 2

Session 1	September 18, 2009	Introduction to Derivatives Mechanics of Future Markets Put and Call Options Graphs – Value and P&L
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Reading: Chapter 1 and 2, Chapter 3 – sections 1-3

Session 2	October 1, 2009	Determination of Forward and Future Prices Mechanics of Options Markets
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Reading: Chapter 5, Chapter 8

Session 3	October 2, 2009	Properties of Stock Options Cost of carry Put – Call Parity
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Trading Strategies

Reading: Chapter 9, Chapter 10

Homework 1: Due date October 9th at 9 am. Please deliver to the office of Ms. Tricia Lapinski.

Midterm Date: October 20, 2009, 2:00 – 4:00 pm

Session 4 October 22, 2009 Binomial Model

Reading Chapter 11

Session 5 October 23, 2009 Black Scholes Model
Greeks

Reading Chapter 12 and 15

Session 6 November 12, 2009 Interest Rates
Forward Rate Agreements
Interest Rate Futures

Reading Chapter 4- Sections 4.5-4.7, Chapter 6

Session 7 November 13, 2009 Swaps

Reading Chapter 7

Homework 2: Due Date November 19th at 9 am. 8 Please deliver to the office of Ms. Lapinski

Review for Final: Conference call, November 19th, 2:00 – 4:00 pm

FINAL November 23, 2009, 1:00 – 4:00 pm

Evaluation:

There will be a midterm exam , two homework assignments and a cumulative final..

Homework 1	Due date: October 9 th at 9 am	15 %
MIDTERM	October 20 th , 2:00 – 4:00 pm	30 %
Homework 2	Due Date: November 19 th at 9 am	15 %
Cumulative Final	November 23,	40 %

Each student is also **long one free option** to have final exam count for 70% of their grade (dropping the grade for midterm exam). **The option expires on November 22, 2009 at midnight.** Exercising of the option must be done in writing.

Midterm may include open book/notes part. However the final exam is strictly closed books/notes.

It is recommended that you bring a **financial calculator** you know how to use (such as HP 12C or HP 12B).

Grading Policy:

There is no curve applied to the grade.

100% - 91%	A
90% - 81%	B
80% - 71%	C

Additional/Suggested References

- ◆ McDonald, Derivatives Markets, 2nd edition, Addison/Wesley
- ◆ Lowenstein, When Genius Failed, Random House 2005
- ◆ Jarrow and Turnbull, Derivative Securities, South-Western College Pub., 2nd edition 1999

Contact Information

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Securitization and Other Financial Topics

Mr. Michael DiGiacomo

Course Objective

This module will cover the history and methodology of asset securitization, an important and recently controversial source of funding for the capital markets. It will begin with an examination of the creation of the securitization markets a few decades ago, and will include mortgage finance, the federal mortgage agencies, securitization of other asset classes, international securitization and recent developments in the market. It will discuss relevant tax, bankruptcy, and legal aspects, and examine the role of the rating agencies and other key players. In addition, there will be presentations by practitioners on bank risk management, international capital markets, and equity portfolio management.

Readings

F. Fabozzi and F. Modigliani, Capital Markets: Institutions and Instruments (4th ed. 2008), chapters 25-27 (to be distributed in class)

Readings from the Financial Times and other periodicals (to be distributed in class)

Grading Policy

Paper 100%

Class Schedule

Session 1	October 27	All day session
Session 2	November 17	9 am – 12 noon
Session 3	November 18	9 am – 12 noon

Contact Information

Michael DiGiacomo, 212/317-3520, michael.digiacom@levininstitute.org

Other presenters' information to be distributed in class.

Regulation & Compliance

Mr. Allan Hackney

Course Objective

The segments herein are designed to complement and enhance the academic studies with learning and discussion about their practical application in the business community. The segments are designed to expose you to practical “real world” considerations and develop your critical thinking and analysis of situations that you will come across in due course.

At the end of these course segments, you will:

- 1) Be aware of significant regulatory activities impacting international financial services firms
- 2) Have an understanding of how regulatory bodies can dictate the business environment and the role of compliance
- 3) Have tested your ability to assess and respond to compliance risks and respond to compliance risks.

Grading Policy

The grade for your participation in this class will be determined as follows:

30% - Paper: Regulatory Crisis Prevention and Management

40% - Group work: Compliance Leadership Case Study

30% - Classroom participation

Classroom participation is a critical element of these segments. All students will come to this class with real world experiences and knowledge that should be shared with the others. Likewise, all students will come with differing views and opinions based on differences in culture, geography, industry, education and so forth. In most cases, there is no single right answer to many of the problems faced in business. Therefore, the interaction in the classroom and debate of pros and cons of the topics and approaches will constitute a significant portion of the grade. These segments constitute a portion of the practicum aspect of the International Banking and Finance coursework. As such, the class is structured to consume the entire days scheduled, just as would happen in a traditional corporate seminar environment. Students are expected to arrange study periods, meals, travel and so forth with this in mind.

Course Outline	
Regulation & Compliance Part I – Oct 26	
<p>Read: “Jaime Caruana: Overview of Basel II and its reflections on financial stability”</p> <p>Read: “FATF – The Forty Recommendations” Introduction (pg. 3)</p> <p>Read: “BIS – Consolidated KYC Risk Management”</p> <p>Read: “EU Data Privacy Citizens Guide” Introduction (pg. 3) and The European Directive on Data Protection (pgs. 4-5)</p> <p>Read “Sarbanes Oxley Act of 2002” Sections 302 and 404</p> <p>Read: “COSO – ERM Executive Summary”</p>	<p>Pre-read Write paper</p>
<p>“Regulatory Crisis Prevention and Management”</p>	<p>9:00 - 4:15</p>
<p>Turn in paper</p> <ul style="list-style-type: none"> What is regulation? What are examples of external regulation? What is Basel II? What is the Anti-Money Laundering (AML)? What is Know Your Customer (KYC)? How does the Patriot Act extend KYC and AML? What is Sarbanes-Oxley (SOX) What is data privacy? What are examples of regulation by standards (i.e., non-governmental supervision)? How does a firm identify and manage risk? What is the role of company policy (i.e., internal regulation)? How do company values affect compliance and behavior? 	<p>4:15 - 5:00</p>
<p>Eyewitness account: A discussion about what it was like to live through the GE Re-entry Systems regulatory crisis of 1985 and its long-term impact</p>	

The second class will be on November 6 from 9:00 – 5:00.

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Microfinance

Dr. Philip R. Perry

Course Objective

The purpose of this one-credit module is to study the emerging field of microfinance, generally defined as the provision of financial services to those who are too poor to be served by traditional financial institutions such as commercial banks. Topics to be covered include a brief history of microfinance, a discussion of how microfinance differs from traditional commercial banking, regulatory constraints, microfinance operational considerations, evaluation of microfinance organizations, and microfinance institutional sustainability.

Grades

Course grades will be based on class participation (20%) and an individual paper (80%). Please note that you must be present in order to participate.

Individual Paper

Each student must choose a topic for his/her individual paper. The topic of each paper must be approved in advance by the instructor; please submit your proposed project's title and a brief one paragraph description as soon as possible. It is anticipated the each project will be approximately 10-15 pages in length.

Students are encouraged to be creative in their choice of paper topic and are also encouraged to choose a topic of particular personal interest. Possibilities include, but are certainly not limited to:

- Analysis of a particular microfinance institution (other than Banco Solidario); possibilities include ASA (Association for Social Advancement; Bangladesh), BRAC (Bangladesh), FATEN (Palestine), CRENDA (Tunisia), Grameen Bank (Bangladesh), SafeSave (Bangladesh), AMEEN (Jordan), Association Al Amana (Morocco), and Bank Rakyat Indonesia - Microfinance Unit. This analysis should include:

1. A brief history of the organization, e.g., type of organization, how it began, primary product(s), lending methodology, etc.;
2. A financial profile over time, e.g., growth in the number of clients served, loan portfolio size, deposits taken, drop out and delinquency rates, number of employees and branches, geographic area served, etc.;
3. An evaluation of its overall performance;
4. A discussion of the challenges it currently faces; and,
5. What is likely to occur in the next two or three years: will it survive and prosper, merely survive, or perhaps not survive in its current form?

- Analysis of an international organization that promotes microfinance activities (other than ACCION International); possibilities include the United Nations, Opportunity International, Freedom from Hunger, FINCA International, Grameen Foundation, Internationale Projekt Consult, and the Council of Microfinance Equity Funds. The analysis should include:

1. A brief history of the organization, e.g., type of organization, how it began, region(s) of the world where it is active;
2. A discussion of how it operates, i.e., what is its mission and how does it seek to carry out this mission, including an analysis of its source(s) of funds;
3. An evaluation of its overall performance, i.e., has it been successful and how is this success measured;
4. A discussion of the challenges it currently faces; and,
5. What is likely to occur in the next two or three years: Will it survive and prosper, merely survive, or perhaps not survive in its current form?

- Analysis of the status of microfinance in a particular country or region of the world. This analysis should include:

1. A discussion of the characteristics of the market to be served by microfinance institutions;
2. A brief history of microfinance in the country or region, including current market penetration and depth of outreach achieved;
3. The financial products offered and lending methodologies used;
4. The number and types of microfinance institutions active, including some key characteristics of the leading microfinance institution(s) (e.g., number of clients, loan portfolio size, number of employees and branches, etc.); and,
5. An assessment of the overall health and likely near-term future of the microfinance sector, including a discussion of the constraints to sustainable growth and the challenges faced by microfinance organizations in this country or region.

- Analysis of the role of a particular microfinance equity fund. This analysis should include:

1. A brief history of the this microfinance equity fund, e.g., when did it begin operations, what are its sources of funds, where and how has it invested money;
2. A discussion of its mission and how it seeks to carry out this mission;
3. An evaluation of its overall performance, i.e., has it been successful and how is this success measured;
4. A discussion of the challenges it currently faces; and,
5. What is likely to occur in the next two or three years: will it survive and prosper, merely survive, or perhaps not survive in its current form?

The due date for the completed project is Monday November 9, 2009. Please note that the information for your report must come from a variety of sources, and these sources should be clearly identified in a bibliography. To put this somewhat differently, it is not sufficient to only use information from a single web site.

Class Schedule

Sessions 1 & 2 Thursday, September 24 and Friday, September 25

A brief history of microfinance, focusing on the development of Grameen Bank (Bangladesh) and ACCION, two of the most famous microfinance organizations. Also, an overview of traditional commercial banking and bank regulation; Islamic banking principles; and, comparison with micro-credit operations.

Sessions 3 & 4 Thursday, October 8 and & Friday, October 9

A discussion of microfinance institutional considerations and performance evaluation, including loan pricing and sustainability. Also, a discussion of the challenges inherent in expanding microfinance.

Contact Information:

Professor Philip R. Perry
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Global Banking

Mr. Guy F. Erb

Course Objective

The purpose of this class is to provide an overview of international commercial banking and financial regulation. There are no prerequisites for this class, although students should have a general understanding of banking, investment banking and international financial markets. We will cover the major functions of global banks, including both credit and non-credit services, and we will discuss the rapidly blurring distinctions between commercial and investment banks. The format of the class will include classroom lecture/discussions and case study analysis.

Required readings

Anthony Saunders and Marcia Millon Cornet, Financial Institutions Management: A Risk Management Approach, Sixth Edition, McGraw-Hill Irwin, 2008. Selected Chapters, see below.

Harvard Case Studies

Deutsche Bank
Money and Banking in America
Japanese Banking: Crisis and Reform
Foreign Exchange Markets and Transactions
Ban Caja: Developing Customer Intelligence (A) and (B)
Mexico: The Tequila Crisis
U.S. Banking Panic of 1933 and Federal Deposit Insurance

Financial Press (an article or articles each week relevant to the course from one or more of the following):

Wall Street Journal
Financial Times
American Banker
The Economist
The New York Times

Be prepared to comment on the article or articles.

Recommended Readings

Richard Bookstaber, A Demon of Our Own Design, Wiley, 2007

Nassim Nicholas Taleb, Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets, Random House, 2004

Class Schedule

Structures and Functions of Financial Institutions

Session 1 September 6 Financial Intermediaries

Reading:
Saunders & Cornett, Chapter 1
Appendix 1A: www.mhhe.com/saunders6e
(See p. 26.)

Case:
Deutsche Bank (HBS)

Session 2 September 23 Depository Institutions

Reading:
Saunders & Cornett, Chapter 2
Appendix 2B

Case:
Ban Caja (A) and (B)

Risk Management in Global Banks

Session 3 September 30 Risks of Financial Intermediation

Reading:
Saunders & Cornett, Chapter 7
Appendix 7A

Case:
Japanese Banking: Crisis and Reform

Session 4 October 7 Off-Balance-Sheet Risks

Reading:
Saunders & Cornett, Chapter 13
Appendix 13A

Case:
AIG – Blame for the Bailout

Risk Management in Global Banks

Session 5 October 14 Foreign Exchange Risk

Saunders & Cornett, Chapter 14

Case:
Foreign Exchange Markets and Transactions

Session 6 October 21 Sovereign Risk

Reading:
Saunders & Cornett, Chapter 15

Case:
Mexico: The Tequila Crisis—1994-95

Financial Regulation

Session 7 October 28 Financial Regulation (1)

Reading:
Saunders & Cornett, Chapter 19
Appendix 19B

Case:
U.S. Banking Panic of 1933 and Federal
Deposit Insurance

Session 8 November 4 Financial Regulation (2)

Reading:
Saunders & Cornett, Chapter 20
Appendix 20A

Session 9 November 11 Final Examination

Grading Policy

Grades will be based on the following:

Class Participation ¹	30%
Class Quizzes	30%
Final Examination	40%

¹ In each class we will discuss selected Questions and Problems from Saunders and Cornett and at least one case study. Quality of class participation counts more than quantity, but I expect a question or comment from each student at least once in each class period.

Contact Information

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International Finance

Mr. Adrian Kingshott

Course Objective

The International Finance course will dovetail with the Global Banking course to give students a comprehensive understanding of the roll and workings of the full range of financial institutions and the key risks that have to be managed for individual companies and industry sectors to operate effectively and profitably.

The key sectors that will be studied in International Finance are the investment banking and hedge fund/mutual fund industries. The course will cover the development of industry players and the impact of dramatically changing market conditions on them. Beyond this, the course will examine certain fundamental risks that virtually all financial institutions take, namely interest rate risk, credit risk and liquidity risk. How these risks can be managed will be a particular point of focus.

Required Readings:

Anthony Saunders and Marcia Millon Cornet, Financial Institutions Management: A Risk Management Approach, Sixth Edition, McGraw-Hill Irwin, 2008. Selected Chapters, see below.

Harvard Case Studies

- Investment Banking in 2008 (A) and (B)
- The Common Fund Hedge Fund Portfolio
- Retail Financial Services in 1998: Fidelity Investments
- The Determination of Interest Rates
- Risk at Freddie Mac
- First American Bank: Credit default swaps
- Note on Credit Derivatives
- Collateralized Loan Obligations and the Bistro Trust
- UBS and Auction rate securities
- Risk Exposure and Risk Management at Korea First Bank

Recommended Readings:

- The Financial Times
- The Wall St Journal
- The Economist

Class Schedule

Session 1	September 18	International Investment Banking Reading: Saunders and Cornett, Chapter 4 Case: Investment Banking in 2008 (A) and (B)
Session 2	September 25	Mutual funds and Hedge funds Reading: Saunders and Cornett, Chapter 5 Case: The Common Fund Hedge Fund Portfolio Retail Financial Services in 1998
Sessions 3 & 4	October 2 & 9	Interest Rate Risk Reading: Saunders and Cornett, Chapter 8 and 9 Cases: The Determinants of Interest Rate Risk Risk at Freddie Mac.
Session 5	October 13	Single Name Credit Risk Reading: Saunders and Cornett, Chapter 11 Cases: First American Bank: Credit Default Swaps Note on Credit Derivatives
Session 6	October 20	Portfolio Credit Risk Reading: Saunders and Cornett, Chapter 12 Case: Collateral Loan Obligations and The Bistro Trust

Session 7	October 29	Liquidity Risk
		Reading: Saunders and Cornett, Chapter 17
		Case: UBS and Auction Rate Securities
Session 8	November 5	Liability and Liquidity Management
		Reading: Saunders and Cornett, Chapter 18
		Case: Risk Exposure and Risk Management at Korea National Bank

Grading Policy

Grades will be based on the following:

Class Participation ¹	30%
Class Quizzes	30%
Final Examination	40%

Contact Information

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Academic Honesty

Academic integrity is central to the mission of educational excellence at the Levin Institute. You are expected to be honest in all of your academic work. This means that every student is expected to turn in work that is completed independently, except when assignments specifically authorize collaborative effort.

It is not acceptable to use the words or ideas of another person without proper acknowledgment of that source. You must use footnotes and quotation marks to indicate the source of any phrases, sentences, paragraphs, or ideas found in published volumes, on the Internet, or created by another student.

Violation of these policies on academic integrity may result in failure in the course or on the assignment, and could end in suspension from the program.

If you are in doubt about our expectations or the instructions for any assignment, please ask your instructor or Dr. Maryalice Mazzara.

Attendance and Class Participation

Class attendance is required, and class participation is an important component of your grade.