

2008 Fall Finance Syllabi

Levin Institute: International Finance and Global Banking Semester
Fall 2008
Global Investment and Commercial Banking

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The purpose of this class is to provide an overview of international commercial and investment banking. 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. We will conclude with a discussion of major strategic issues and trends in the industry.

Required readings

Jane E. Hughes and Scott B. MacDonald, International Banking: Text and Cases, Addison Wesley, 2002

Harvard Case Studies

Deutsche Bank
History of Investment Banking
Cross Border Banking
Crédit Général, SA
Kidder Peabody: Elusive Profits
Mexico: Stabilization and Retrenchment
Subprime Meltdown

Financial Press Readings (an article or articles 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

Frank Partnoy, FIASCO: The Inside Story of a Wall Street Trader, Penguin Books, 1997

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

Attendance, Participation and Grading

Grades will be based on the following:

Classwork ¹	30%
Case write-ups and presentations ²	30%
Final paper ³	40%

¹ Class attendance is required, and class participation is an important component of your grade. Quality of participation counts more than quantity, but I expect to hear from every student at least once in each class period.

² In each class we will discuss at least one case study. Each student must:

1. Read the assigned study (or studies) and
2. Submit a 1-2 page commentary on **one** study at the beginning of class.
The commentary may be in paragraph or bullet form. You should provide an analysis of the case and your recommendations or lessons learned. Please avoid just summarizing the case.

For each case study, I will ask one student to begin the discussion of the case with a 10 minute commentary.

³ You are required to write a 15-20 page final paper on a topic of your choice in the field of international banking. Possible topics might be:

- The prospects for a recently merged bank;
- Guidelines to combat money laundering;
- Pros and cons of universal banking;
- The relationship between banks and hedge funds; or
- Analysis of a banking crisis.

The above topics are only examples. There are many potential topics and the process of selecting one is half the battle! To ensure that you have chosen a viable and valuable subject for your paper, **you should discuss your choice of a topic with me by Class Five (October 8th)**. Papers may be done individually or in teams of two. **The papers are due on Monday, November 17th**.

A Note on 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 my expectations or the instructions for any assignment, please ask.

Class Schedule

<u>Class #</u>	<u>Date</u>	<u>Topic/Assignments</u>
<i>Structures and Functions of International Banks</i>		
One	9/10	International Commercial Banking Reading: Chapters 2, 4 Case study: Deutsche Bank (HBS) Cross Border Banking: Santander and Abbey National (HBS)
Two	9/17	International Investment Banking Reading: Chapters 5, 13 Case study: History of Investment Banking (HBS)
Three	9/24	Retail & Private Banking Offshore Banking/Money Laundering Reading: Chapters 6, 7, 12 Case study: Citibank Mexico Team: The Salinas Accounts (textbook)
Four	10/1	Supervision and Operational Risks Reading: Chapter 10 Case study: Conflict on a Trading Floor (A) (textbook) Case study: Kidder Peabody (HBS) Case study: Société Générale (current press)
<i>Risk Management in Global Banks</i>		
Five	10/8	Risk Management Reading: Chapters 9, 11, 14 Case study: BancZero (textbook) Case Study: A Rogue Trader at Daiwa Bank, parts (A) and (B)

Six	10/22	Banking on Foreign Exchange Reading: Chapters 8, 14 Case study: Crédit Général (HBS) Case study: Mexico: Stabilization and Retrenchment (HBS)
Seven	10/29	Systemic Risks Case study: Subprime Meltdown (HBS) Bear Stearns: (Current press)
Eight	11/5	Trends & Strategy Reading: Chapters 13, 15 Case study: ING and Global Financial Integration (textbook)

**FINAL PAPERS MUST BE SUBMITTED TO PATRICIA LAPINSKI BY
MONDAY, NOVEMBER 17**

Day 6	<i>October 7, 2008</i>	Par Yield, Par Coupon Bootstrapping Floating Rate Notes (FRNs) Interest Rates Swaps
Day 7	<i>October 14, 2008</i>	Introduction to Bonds Yield to Maturity and Return Pricing and Yield Risk Measures – Duration, Modified Duration, PVBP, Convexity
Day 8	<i>October 15, 2008</i>	Bond Forwards and Futures Bond Repo Bond Portfolios, Yield Curve Plays Quizz #2

Evaluation:

There will be 2 short quizzes, homework assignments and a cumulative final on Monday October 27, 2008.

Quiz 1	Day 4 - September 23 (material from D1-D3)	20%	
Quiz 2	Day 8 – October 15 (material from D5-D7)	20%	
Homework			20%
Cumulative Final			40%

Each student is also **long one free option** to have final exam count for 80% of their grade (dropping the grades for quizzes). The option expires on Friday October 24, 2008 at midnight. Exercising of the option must be done in writing.

Quizzes 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).

There is no curve applied to the grade.

Grading scale:

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

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**The Neil D. Levin Graduate Institute of International Relations and Commerce
International Finance and Global Investment Banking
Semester in New York Program**

**Bank Regulation: An International Perspective
Professor Jean Roy, Ph. D.**

Objective

The objective of this course is to provide an overview with an international perspective of the motives, the implementation and the effects of bank regulation.

Content

Part One will introduce the Bank for International Settlements (BIS) and provide a short description of the evolution of capital regulation ie pre Basel One, the first Basel Accord and the recent Basel II: Revised international capital framework. The three pillars of minimum capital requirements, supervisory review process and market discipline will be presented. Finally, the framework will be analyzed in terms of the progress accomplished and also its limitations and drawbacks.

The Basel II Accord is a strong force towards regulatory harmonization at the global level, however there still remains ample room for regulatory differentiation and consequently, regulatory competition between countries. This aspect will be the topic of the second part of the course.

Part Two will use as main reference the book of Barth, Caprio and Levine to survey the various aspects of bank regulation across countries, as they relate to entry, ownership, activities and exit. The impact of regulation on bank development, financial stability, bank efficiency and bank lending will be discussed.

Evaluation

Final exam (30 min)	30%
Research paper (10-15pages)	70%
Total	100%

References

Basel Committee on Banking Supervision, International Convergence of Capital Measurement and Capital Standards: A Revised Framework, Bank for International Settlements, November 2005, <http://www.bis.org/publ/bcbsca.htm>

Barth J. R., Caprio G. and Levine R., Rethinking Bank Regulation – Till Angels Govern, Cambridge University Press, 2005, 444p. (Available in paperback ~\$24)
<http://www.cambridge.org/us/catalogue/catalogue.asp?isbn=0521855764>

For a summary see:

http://wwwtest.aup.edu/lacea2005/system/step2_php/papers/caprio.pdf

Supplementary references

Allen F. and Herring R.J., Banking Regulation versus Securities Market Regulation, Wharton Financial Institutions Center, Working paper, 01-29, 55p.

Billett M.T., Garfinkel J.A. and O'Neal E.S., The cost of market versus regulatory discipline in banking, Journal of Financial Economics 48, (1998), p333-358

Davies H. and Green D., Global Financial Regulation: The Essential Guide, Polity Press, 2008, 289p.

Elliehausen G., The Cost of Bank Regulation: A Review of the Evidence, Board of Governors of the Federal Reserve System, April 1998, 35p.

Freixas X., An Overall Perspective on Banking Regulation, Federal Reserve Bank of Philadelphia, February 2002, 25p.

Herring R.J. and Litan R.E., Financial Regulation in the Global Economy, Brookings Institution Press, 2005, 226p.

Herring R.J. and Santomero A.M., What is Optimal Regulation?, Wharton Financial Institutions Center, Working paper, 00-34, 55p

Jackson P., Perraudin W. and Saporta V., Regulatory and "economic" solvency standards for internationally active banks, Journal of Banking and Finance, 26 (2002) 953-976

Kroszner R.S., «Rethinking Bank Regulation: A review of the historical evidence», Bank of America Journal of Applied Corporate Finance, 11:2, Summer1998, p.48-58

The Levin Graduate Institute

Fall 2008

International Finance

Professor: Anthony Karydakis

Email: akarydakis@inbox.com

Office hours: By appointment

Course objective

This course is designed to provide an overview of the global financial markets and economic environment and also examine a number of specific topics that are at the forefront of the debate among policymakers in today's globally integrated economies. Such topics will include the challenges facing the European Central Bank, the resurgence of inflation pressures across regions and the role of food and energy prices in that trend, the slide of the dollar etc.

The course will have an unmistakable real world feel to it- it will be very hard to miss it! This will be reflected not only in the "pragmatic" manner we will be approaching the various topics but also in the course materials used, as well as in my standard practice of devoting the first 20-30 minutes or so of the class to the discussion of current events. Inasmuch as you may find this more "pragmatic" approach a departure from the more formal, theoretical fashion in which such topics are typically examined in an academic setting, you can rest assured that this will bring you much closer to the reality of what is happening in the global economy and financial markets around us today!

The key benefit that I anticipate you will derive from this course is that your ability to interpret developments in the global financial markets and key economies around the world will be greatly enhanced. In addition, you should be able to grasp more fully the nuances and interconnection of the various factors- that you read about in stories in the financial press and elsewhere- driving key trends on inflation, interest rates, and exchange rates across the major economies.

Text and required reading:

Given the decidedly real-world orientation of this course, there is no specific text to be used. You will need to rely heavily on the various articles, reports, web links etc that will be made available to you, either on Blackboard or in the class, as well as on your own note-taking during our sessions (Still, I would urge you not to overdo it with the latter, as it will clearly distract you from actually participating in the class. If you are using a laptop for note-taking in the class, please make sure you sit toward the back of the class). To make your life easier still, the class sessions will be taped and become available for your review at any point afterwards.

Prerequisites

Some background in macroeconomics and money and banking will be extremely useful, but math skills will be much less important for purposes of this course. You are also strongly encouraged to read regularly at least two of the following publications: the Wall Street Journal, Financial Times, The New York Times (business section but also occasional front page stories on the economy and financial market developments), the Economist. For those of you who are interested in a

basic macroeconomic text, you may want to consider *Macroeconomics*, by David Miles and Andrew Scott (Wiley, 2005).

Grading

Your final grade will consist of the following components:

Class participation 10% (this will come into play only to help you in borderline grade situations, but it will not be used to drag your otherwise grade down). By “class participation”, I mean active involvement in the class- no attendances will be taken, as it is assumed that you are all adults.

Group presentation 20%

Midterm exam 30%

Final exam 40%. The final exam will be comprehensive in that it will include all of the material covered in the class.

Both the mid-term and final will consist of questions that will need to be answered in the form of short essays- usually no more than one page each. There will be no multiple-choice questions. All of the questions will be placing a premium on your ability to think critically about issues and synthesize articulately knowledge and background information you already have on those issues. You will probably find that you will need more time to compose the answers in your mind first rather than actually writing them down.

If you miss the midterm for a legitimate reason, you will have the option of either taking a make-up in the form of an oral exam or skip it altogether. In the latter case, your final will account for 70% of your total grade- it will be your call as to whether you want to assume that risk!

The combined percentage of A and A- grades in this class will generally be limited to around 35%, but, under special circumstances, we may tinker a little with that number. In accordance with the program’s policy, the letter grades to be used are A, A-, B, B-, C, C- etc

Communication

Given that we will not be meeting on a specific date every week, I will not hold regular office hours. However, anyone wishing to talk to me about any issues related to the class will always be able to communicate with me easily and arrange for a meeting. You can email me at akarydakis@inbox.com and I will be in touch with you within 24 hours, either to discuss your question or set up a meeting. Also, with few exceptions, I would be available to chat with you either shortly before, or after, each class.

(Session 1- September 8)

An overview of the U.S economy

Business cycle dynamics. Recession or a close call? The greater inherent stability of the U.S economy today compared to 30 years ago.

Key economic indicators and measures of economic performance (labor markets, housing, consumer spending, prices).

(Session 2- September 9)

More on the U.S. economy: The Fed

The structure and objectives of the Fed. Inherent limitations confronting the Fed in the conduct of monetary policy. Monetary policy as an exercise in risk management.

(Session 3- September 10)

Central bank policymaking around the world

The ECB, and Bank of Japan and why their perspectives may differ from the Fed's in conducting monetary policy. An overview of the Euro zone and Japanese economies. What about the Bank of England or the Reserve Bank of Australia?

(Session 4- September 11)

The euro: its history, its ascent, and its prospects.

Establishing its credentials as a serious alternative to the U.S. dollar.

(Session 5- September 17)

Midterm

(Session 6- October 1)

Global inflation and implications for bond yields and equity markets.

Evaluating the seriousness of the inflation problem and the resulting dislocations in global financial markets.

The run-up in commodity prices and their complications for the commodity-exporting countries themselves.

(Session 7: October 8)

International trade and exchange rate determination

The role of a trade deficit in influencing the value of the currency of that country: some very mixed results. Trade deficits and their unexpected potential benefit for long-term yields in the U.S. The role of sovereign wealth funds.

Interest rate differentials. Central bank intervention in the foreign exchange markets.

Also: 1 presentation

(Session 8: October 20)

The emergence of China and India as major economic powers.

An inadvertent stabilizing force in the global financial markets?

The case of the still undervalued Yuan.

Also: 2 presentations

(Session 9: October 31st)

Global financial market crises.

Review of three cases: the Asian financial crisis in 1997, Long Term Credit Management and Russian debt default in 1998, credit markets turmoil in 2007-08.

(Session 10: November 5)

Open discussion on topics of your interest.

Also: 2 presentations

(Session 11: November 19)

Final exam

**THE LEVIN INSTITUTE
INTERNATIONAL FINANCE AND GLOBAL INVESTMENT BANKING**

MICROFINANCE

Philip R. Perry
School of Management
State University of New York at Buffalo
phperry@buffalo.edu; 716-645-3264
Prepared June 16, 2008

Purpose

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 project (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), CREENDA (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 November 1, 2008. 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 use only information from a single web site.

MICROFINANCE - Fall 2008 - Prof. Perry

Thursday September 18 & Friday September 19

Brief history of microfinance, focusing on the development of Grameen Bank (Bangladesh) and ACCION, two of the most famous microfinance organizations. Overview of traditional commercial banking and bank regulation; comparison with with micro-credit operations.

Thursday October 2 & Friday October 3

Discussion of microfinance institutional considerations and performance evaluation, including sustainability. Discussion of the challenges inherent in expanding microfinance; summary discussion.

**Levin Institute
Valuation Principles and Applications**

Sris Chatterjee

Fall

2008

COURSE OBJECTIVE :

This course is an introduction to some of the fundamental principles and concepts of valuation of financial securities and corporations. The course will start with the concept of Time-Value-of-Money and will work through the mathematical formulas for Present Value (PV) and Future Value (FV) calculations. It will then focus on valuation of stocks and bonds, with applications to the calculation of Cost-of-Capital and Capital Budgeting. The second half of the course will examine more challenging applications of these concepts to Corporate Valuation in the context of Mergers & Acquisitions.

READINGS :

(a) Required Textbook:

Corporate Finance, by Jonathan Berk and Peter DeMarzo, Pearson Addison Wesley, 2007 (b) Other Readings:

I would strongly recommend the WSJ and FT.

(c) Interesting and Useful Websites:

<http://viking.som.yale.edu/>

<http://pages.stern.nyu.edu/~adamodar/>

<http://www.duke.edu/~charvey/>

http://www.ny.frb.org/education/econ_eduforall.html

<http://www.cboe.org/>

FINANCIAL CALCULATOR:

A financial calculator is required for this course. I'll use HP-12C myself, but you may buy a relatively inexpensive calculator such as Texas Instruments' BA-35. We'll also be using Excel.

COURSE REQUIREMENT and GRADING :

(a) Assignments, class quiz and class participation	30 %
(b) Group Project	30 %
(c) Final	40 %

Important Note:

Please keep a copy of your assignment when you submit the original.

OFFICE HOURS : Before class, or by appointment

Telephone & e-mail: (212) 636-6120 & sris.chatterjee@gmail.com

TENTATIVE COURSE OUTLINE :

I. September 11

- (a) Introduction to Cash-flow Examples
- (b) Formulas for PV and FV
- (c) Perpetuities and Annuities with and without growth

Readings: Chapter 4 and 5.1 and class notes

II. September 12

- (a) Practice Problems
- (b) Rates of Return: Arithmetic, Geometric and Money Weighted Returns.
- (c) Term Structure of Interest Rates

Readings: Chapter 5.2 and class notes

III. September 25

Valuing Bonds (Chapter 8)

IV. September 26

Valuing Stocks (Chapter 9)

V. November 13

- (a) Risk and Return
- (b) Basics of Portfolio Theory

VI. Readings: Chapters 10, 11 and 12, and class notes

VII. November 14

Mergers and Acquisitions

Reading: Beatrice, A study in the creation and destruction of value

VIII. November 19

M&A (contd.)

Reading: RJR Nabisco LBO

IX. November 20

Wrap-up and Final Exam

SUNY Levin Institute
International Finance and Global Investment Banking
Fall 2008
Regulation & Compliance
Instructor: Allan Hackney
Course Objectives

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 24

Pre-work

Read: “Jaime Caruana: Overview of Basel II and its reflections on financial stability”

Read: “FATF – The Forty Recommendations” Introduction (pg. 3)

Read: “BIS – Consolidated KYC Risk Management”

Read: “EU Data Privacy Citizens Guide” Introduction (pg. 3) and The European Directive on Data Protection (pgs. 4-5)

Read “Sarbanes Oxley Act of 2002” Sections 302 and 404

Read: “COSO – ERM Executive Summary”

Write paper: “Regulatory Crisis Prevention and Management”

9:00 – 5:00

- a) What is regulation?
- b) What are examples of external regulation?
- c) What is Basel II?
- d) What is the Anti-Money Laundering (AML)?
- e) What is Know Your Customer (KYC)?

- f) How does the Patriot Act extend KYC and AML?
- g) What is Sarbanes-Oxley (SOX)
- h) What is data privacy?
- i) What are examples of regulation by standards (i.e., non-governmental supervision)?
- j) How does a firm identify and manage risk?
- k) What is the role of company policy (i.e., internal regulation)?
- l) How do company values affect compliance and behavior?

3:30 – 4:15

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

Regulation & Compliance Part II – Nov 3

Pre-work

Read: Compliance Leadership Case Study (to be provided Oct 24)

9:00 – 10:00

- a) Overview of leadership case study and rules of engagement
- b) Team breakout assignments

10:00 – 2:00

- a) Team breakouts – work on case

2:00 – 5:00

- a) Individual team preparation of group presentation of team's performance and conclusions
- b) Presentation to class and group critique

Paper Assignment:

Regulatory Crisis Prevention and Management

Due Thursday, October 11, 2007 at 9AM

Read the following:

- 1) Chapter 9 – The Mirror Test, excerpted from Tichy, Noel & Sherman, Stratford; *Control Your Destiny or Someone Else Will* (New York, Doubleday, 1993)
- 2) Fortune; "All I Want in Life is an Unfair Advantage"; August 8, 2005

These readings provide a background to two regulatory crises. In the first case, GE had to cope with a ban on participating in any government contract bid (\$5B revenue annually) as a result of failing to properly vouch time on "cost plus" contracts in accordance with the Federal Acquisition Regulation (FAR). In the second case, AIG had to cope with escalating scrutiny of regulators surrounding several transactions and structures that blurred the transparency associated with AIG's compliance with regulations.

In both cases, the impact on the companies was far-reaching; however, the approach towards managing regulatory relationships, responding to the allegations and defining a path forward was quite different.

Your assignment is to prepare a critical analysis comparing and contrasting these separate situations. Specifically, you are to discuss the corporate governance structures and organizational dynamics that enabled Mr. Welch and Mr. Greenberg to act as they did leading up to and during their respective regulatory issues. Pay particular attention to the unique nature of Starr International Co. (SICO), C.V. Starr & Co. (CV Starr) and the Starr Foundation and describe how decision-making and corporate culture would be influenced by those in control of these firms. Conclude by naming "lessons learned" and "red flags" that you would use to prevent or identify regulatory risks inherent in a company that was your employer or investment target.

This paper is to be no longer than ten pages, double-spaced 12pt. font.