

**The Levin Graduate Institute**  
**International Finance and Global Banking Semester**  
**Fall 2007**

**Required Texts and Materials**

- Hughes and MacDonald, *International Banking: Text and Cases* (Addison-Wesley, 2004)
- Kim and Kim, *Global Corporate Finance*, 6<sup>th</sup> edition (Blackwell, 2006)
- Solnik and McLeavey, *International Investments*, 5<sup>th</sup> edition (Addison-Wesley, 2004)
- A financial derivative textbook (to be determined later)
- Harvard Business School cases coursepack

**Prerequisites**

- 2<sup>nd</sup> year MBA students with good academic standing.
- MGF631 (Financial Management) or equivalent.
- MGE 601 (Economics for Managers) or equivalent.
- MGF 631 (Investments) or equivalent.

**Learning Objectives**

Are hedge funds policemen or thugs? How does a hostile takeover in Russia work? Who regulates the Eurocurrency markets? How are exchange rates determined? How do you calculate the value of foreign currency options and derivatives? What are the best international investing strategies? How do banks manage their risk in volatile emerging markets?

This semester-long 15-credit graduate studies program is aimed at answering these questions, and many more. It is targeted at the second-year MBA student who has completed his/her fundamental courses and is seeking a deeper knowledge of international finance and banking. Drawing on the resources of the Levin Institute as well as the New York international finance community, the program will offer students an opportunity to experience global capital markets both in an academic and a practical sense. The program format will include:

- *Site visits* to key institutions at the heart of the international financial world, such as the New York Stock Exchange and a foreign exchange trading floor;
- *Case studies* based on real-life, real-time decisions made by multinational institutions under conditions of extreme uncertainty;
- *Classroom instruction*, modular-style, in the most up-to-date techniques in global finance, trading, and banking, ranging from value-at-risk methodology to technical trading models;
- A final field *team-based project* in which students will work with a major multinational corporation or bank to solve problems or expand opportunities in global finance.

Classes will be taught and projects supervised by top-notch faculty drawn from both the academic and business worlds, so students will be exposed to the best in innovative academic research as well as experienced practitioners in the field of international finance. The coursework will be rigorous and evaluation criteria strict (see below).

## **Learning Outcomes**

By the end of the semester, students should have a solid working knowledge of international financial markets, and how multinational firms and banks operate within these markets to manage their risks and capitalize on the new opportunities that are emerging every day.

More specifically, by the end of the semester, students will be able to demonstrate their mastery of:

- The theory and practice of foreign exchange and Eurocurrency markets,
- Multinational risk management techniques,
- International capital budgeting,
- Derivatives pricing, valuation, and utility both as a risk management tool and as a profit driver,
- International investment analysis, including portfolio and hedge fund management in global markets,
- Cutting-edge issues in international finance, ranging from accounting harmonization to structured finance,
- The importance of ethical decisionmaking in relation to international financial markets.

## **Evaluation**

Students will be evaluated by faculty in key areas of performance, to assess their progress relative to learning objectives and to mark their mastery of the subject matter. Evaluations will be based on five criteria, to be weighted equally:

1. **Classwork:** Faculty will evaluate students on both the quality and quantity of their contributions to effective and challenging classroom dialogue. Students will be expected to prepare thoroughly for classes, and to demonstrate their advance preparation and intellectual curiosity through both active listening and intelligent participation. All faculty members must submit a written evaluation of each student's classwork at the end of every week.
2. **Homework exercises:** Faculty will assign appropriate homework exercises each week, which will be completed and graded on an individual basis. Exercises will include problem sets and brief written assignments (such as case study preparations), as appropriate to the subject matter.
3. **Exams:** Students will be required to demonstrate mastery of the material on several exams, to be administered at regular intervals throughout the semester. Exams may be other take-home or in-class exams, to be completed and graded on an individual basis, on

topics drawn from the modules covering international financial management, international investments, international banking, and global financial engineering.

4. **Final papers:** See below.
5. **Field projects:** See below.

The faculty director(s) will provide midterm assessments on classwork to students around the midpoint of the semester. At the conclusion of the semester, the faculty director(s) will compile an aggregate grade based on the above criteria to provide a final evaluation of the student's performance.

## Course Contents

### I. International Capital Markets

- Globalization
- International flow of funds
- International monetary system
- Euromarkets
- International financial markets and institutions

### II. International Financial Management

- Currency options and futures
- Forwards
- Swaps
- Exchange rate determination & forecasting
- Assessing and managing foreign exchange rate risk
- International capital budgeting
- Case studies:
- Requirements: Exam, problem sets

### III. International Investments

- International diversification
- Foreign markets and instruments
- International asset pricing models
- Fixed income
- Emerging stock markets
- Country analysis
- International hedge fund management
- Case studies
- Requirements: Exam, problem sets

### IV. International Accounting

- International accounting standards and harmonization
- Differences between national accounting systems
- Accounting for foreign exchange operations (FASB 52)
- Case studies: Daimler-Benz
- Requirements: Exam or problem set

### V. Financial Engineering

- Derivatives: swaps, options, futures, and forwards
- International securitization and other forms of structured finance

- Global risk management
- International taxation and transfer pricing
- Case studies:
- Requirements: Exam or problem set

## **VI. International Banking**

- International commercial banking
- International investment banking
- Retail and private banking
- Offshore banking/money laundering
- Supervision and regulation of eurobanks
- Risk management of financial institutions
- Country risk and global debt crises
- Case studies: Fiat, Kidder Peabody, Chase's Strategy for Syndicating the Hong Kong Disneyland Loan, Citibank Mexico Team
- Requirements: Case study preparations, take-home exam

## **VII. Case Studies in International Financial Management**

- Foreign exchange risk management: Tiffany, Credit General
- Project finance: Petrolera Zuata, Restructuring Bulong's Project Debt
- Islamic finance: The Equate Project
- International financing decisions: The Hostile Bid for Red October, Compania de Telefonos de Chile
- Requirements: Case study preparations

## **VIII. Ethical Finance in the Global Environment**

- Social and environmental dynamics
- Business-government relations
- Bribery and corruption; the Foreign Corrupt Practices Act
- Globalization
- Case studies: Freeport in Indonesia, Dilemma on a Trading Floor

## **Projects**

### **Field-based project**

For the experiential field-based learning component, students will work on a semester-long, team-based project designed and sponsored by a prominent New York City multinational corporation or financial institution.

Each team will be guided by a faculty advisor, whose role is to oversee the students' research work and analysis; to provide a liaison with the sponsoring institution; and to evaluate the students' performance at the close of the project.

Each team will work for a specific contact person of the client firm, whose role is to provide students first-hand experience with the challenges and/or opportunities that multinational firms or financial institutions confront in international finance.

By the end of the semester, each team will produce a substantial work product which will be presented to their peers and the firm that sponsored the project.

### **Individual project**

During the course of the semester, a particular topic may interest a student such that the student will want to delve more deeply into that topic. Students are required to develop and pursue their own individual interests by working on a final paper (20-30 pages), which may be done by an individual student or by a team of two students. The nature of the individual project is flexible, but must be approved by the faculty director(s) beforehand. By October 20 students must submit a one-page outline of their proposed project to the faculty director(s), and a rough draft of the paper is due at the close of the Thanksgiving break (November 26). All final papers are due on Monday, December 3.

Examples of such topics include doing a research paper on Citibank's battle against money laundering, or Daimler Benz's adventures in listing on the New York Stock Exchange, or the drive to regulate hedge funds. The topic should be one that interests the students, and provides an opportunity for critical and creative analysis. Papers should be thoroughly researched and sourced.

## **Note on Academic Honesty**

**Academic integrity is central to the mission of educational excellence at the Levin Institute. Each student is expected to turn in work 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. This means that 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.**

**Violations 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 the instructions for any assignment in this program, please ask the individual instructor and/or faculty director(s).**