Contact Details for Professor
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Office hours
Mondays, 1.30 p.m. to 2.30 p.m.
Thursdays, 10.30 a.m. to 11.30 a.m.

Course Description
This course provides an overview of the international banking system, including such topics as: (1) the role of the banks in the financial system; (2) regulatory and policy aspects; (3) services offered by banks; (4) analysis of bank performance; (5) macroeconomic perspectives in banking; and (6) comparison of the banking structures and environments in Europe, the U.S.A., Latin America, Japan, and developing nations.

Course prerequisite
ECN 101G

Learning Objectives
See the attached table.
**Course Material**

(A) **Required textbook**


**Important remarks**

This excellent textbook includes numerous theoretical models, frameworks, tools and concepts about banking and financial services, such as:

Chapter 1: Key trends affecting all financial services firms: crisis, reform and changes.
Chapter 2: Banking regulations.
Chapter 3: The organization and structure of the commercial banking industry.
Chapter 4: Financial-service facilities of the future.
Chapter 5: Overview of key features of financial statements and their consequences.
Chapter 6: The impact of size on performance.
Chapter 7: The concept of duration as a risk.
Chapter 8: Caps, floors and collars.
Chapter 9: Securitizing loans and other assets.
Chapter 10: Factors affecting choice of investment securities.
Chapter 11: The demand for and supply of liquidity.
Chapter 12: Pricing deposit-related services.
Chapter 13: Liability management and the customer relationship doctrine.
Chapter 14: The alleged benefits of the financial-services diversification.
Chapter 15: The Basel agreement on international capital standards: a continuing historic contract between lending nations.
Chapter 16: Regulation of lending.
Chapter 17: Brief history of business lending.
Chapter 18: Laws and regulations applying to consumer loans.
Chapter 19: The motives behind the rapid growth of financial-services mergers.
Chapter 20: Regulation of international banking.

(B) **Required “reader”**

The “reader”, which is composed of two volumes, includes all the documents that we will discuss (other than the textbook, the documents posted on “PointCarré” and those handed out in class). They are in the order in which they will be discussed.

The reader is available at “Crazy Copy Center”, on the VUB campus.
(C) Documents posted on “PointCarré”
The investment studies on banks.

“Dodd-Frank Act”.

“The Art of Islamic Banking and Finance”.

“The Treasurer's Guide to Trade Finance”.

“Documentary Payments & Short-Term Trade Finance”.

(D) Documents handed out separately
Leaflet “Who are we” of the National Bank of Belgium (NBB).

The 2015 annual report of JP Morgan Chase.

(E) Suggested material
“Deal Book”: this is a very interesting daily newsletter published by “The New York Times”. You may subscribe (free of charge) by going to.

http://dealbook.nytimes.com/dealbook-e-mail/

Important remarks
(1) It is essential that, before each session, you study thoroughly all the documents specified in this syllabus for that session, and that you bring these documents with you.

(2) Attendance and active class participation are equally essential.

Grading Scale of Vesalius College
Vesalius College grading policy, in line with the Flemish Educational norms, is now as stated below:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Scale of 20</th>
<th>Scale of 100</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>17.0-20.0</td>
<td>85-100</td>
</tr>
<tr>
<td>A-</td>
<td>16.1-16.9</td>
<td>81-84</td>
</tr>
<tr>
<td>B+</td>
<td>15.3-16.0</td>
<td>77-80</td>
</tr>
<tr>
<td>B</td>
<td>14.5-15.2</td>
<td>73-76</td>
</tr>
<tr>
<td>B-</td>
<td>13.7-14.4</td>
<td>69-72</td>
</tr>
<tr>
<td>C+</td>
<td>13.1-13.6</td>
<td>66-68</td>
</tr>
<tr>
<td>C</td>
<td>12.3-13.0</td>
<td>62-65</td>
</tr>
<tr>
<td>C-</td>
<td>11.5-12.2</td>
<td>58-61</td>
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<tr>
<td>D+</td>
<td>10.7-11.4</td>
<td>54-57</td>
</tr>
<tr>
<td>D</td>
<td>10.0-10.6</td>
<td>50-53</td>
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<tr>
<td>F</td>
<td>Below 10</td>
<td>0-49</td>
</tr>
<tr>
<td>Letter grade</td>
<td>Scale of 20</td>
<td>Scale of 100</td>
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<tr>
<td>-------------</td>
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<tr>
<td>A</td>
<td>17.0-20.0</td>
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</tr>
<tr>
<td>C+</td>
<td>13.1-13.6</td>
<td>66-68</td>
</tr>
</tbody>
</table>
| C           | 12.3-13.0   | 62-65       | The work engages with the assignment and meets the requirements in a somehow satisfactory, but it is marked by several pitfalls. The work lacks focus, it is poorly structured; it is not sufficiently embedded in the literature; it uncritically tackles the topic at hand. The argument is hard to
follow and the referencing and bibliographic systems are overall incorrect.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Score Range</th>
<th>Minimum Average</th>
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<tbody>
<tr>
<td>C-</td>
<td>11.5-12.2</td>
<td>58-61</td>
</tr>
<tr>
<td>D+</td>
<td>10.7-11.4</td>
<td>54-57</td>
</tr>
<tr>
<td>D</td>
<td>10.0-10.6</td>
<td>50-53</td>
</tr>
<tr>
<td>F</td>
<td>0-9.9</td>
<td>0-49</td>
</tr>
</tbody>
</table>

The work does not meet the requirements of the assignment. It engages with the question, but does so in a basic and inadequate way. The work is undermined by several pitfalls. It shows a basic understanding of the module requirements and is jeopardised by major flaws including (but not confined to) a lack of coherence, loose expression, poor coverage of the literature; poor referencing; scant ability to critically assess the topic at hand.

The work does not meet the requirements of the assignment. It attempts to address the question, but it remains unfocused and loosely structured. There is an evident lack of reading and scant ability to relate to relevant literature and to engage critically with the topic at hand. Language is poor; the referencing and bibliographic system is incorrect or incomplete.

The work is marked by serious flaws and below an acceptable level. The rationale of the assignment is not understood nor addressed. The work demonstrates insufficient understanding of the topic at hand and learning outcomes below the required level. The answer is unfocused; expression is unclear; there are severe flaws in the coherence of the argument; engagement with the literature is minimal, referencing is often poor.

The work does not meet any of the requirements and learning objectives of the course and the Major. The argument is loose, language is poor, no knowledge of relevant theoretical and empirical dynamics. Incorrect or incomplete reference systems and/or likely instances of plagiarism.

### Course Assessment and Grading Criteria

The students will be evaluated on the basis of their performance as follows:

1. **The four written assignments (7.5 % each)**
   
   The final grade will be the weighted average of the grades for these three components:

   30 %

2. **The mid-term assessment**

   34 %

3. **The final assessment**

   36 %

### Additional Course Policies

Any non-respect of the deadlines for the submission of the assignments will be penalized.
**Academic Honesty Statement**

Academic dishonesty is **NOT** tolerated in this course.

Academic honesty is not only an ethical issue but also the foundation of scholarship. Cheating and plagiarism are therefore serious breaches of academic integrity.

Following the College policy, cheating and plagiarism cases will be communicated in writing to the Associate Dean for Students and submitted to the Student Conduct Committee for disciplinary action.

If you refer to someone else’s work, appropriate references and citations must be provided. Grammar, spelling and punctuation count, so use the tools necessary to correct before handing in assignments.

**Course Schedule (Mondays, 8.30 a.m. to 11.30 a.m.)**

<table>
<thead>
<tr>
<th>Session</th>
<th>Day</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>January 16</td>
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<tr>
<td>2</td>
<td>January 23</td>
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<td>3</td>
<td>January 30</td>
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<td>4</td>
<td>February 6</td>
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<td>5</td>
<td>February 13</td>
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<td>6</td>
<td>February 20</td>
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<td>7</td>
<td>February 27 (deadline for the submission of the mid-term assessment)</td>
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<tr>
<td>8</td>
<td>March 6</td>
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<tr>
<td>9</td>
<td>March 13</td>
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<td>10</td>
<td>March 20</td>
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<tr>
<td>11</td>
<td>March 27</td>
</tr>
<tr>
<td>(No session on April 3 and April 10: spring recess)</td>
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<tr>
<td>12</td>
<td>April 17</td>
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<tr>
<td>13</td>
<td>April 24</td>
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<tr>
<td>14</td>
<td>“make-up” date for May 1 (which is an official holiday)</td>
</tr>
<tr>
<td>15</td>
<td>May 8 (deadline for the submission of the final assessment)</td>
</tr>
</tbody>
</table>
"QUESTIONS TO PREPARE" FOR THE CASES
These are the main topics that we will discuss during the classes. Consequently, you should concentrate your preparation of the sessions on these questions.

THE WRITTEN ASSIGNMENTS
Important remarks
(1) Each student must prepare his/her assignment individually. I will not take into account any "joint assignment" or "group assignment".

(2) The students whose family names begin with a letter from A to K ("group one") are required to prepare the written assignments indicated by "written assignment for A to K", and the students whose family names begin with a letter from L to Z ("group two") are required to prepare the written assignments indicated by "written assignment for L to Z".

(3) The written assignments to prepare are as follows

<table>
<thead>
<tr>
<th>Session</th>
<th>Case</th>
<th>Questions to answer in writing</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Bank of America + Merrill Lynch</td>
<td>“Students A to K” (4)</td>
</tr>
<tr>
<td>6</td>
<td>JP Morgan</td>
<td>“Students L to Z” (2)</td>
</tr>
<tr>
<td>8</td>
<td>Crédit Agricole</td>
<td>“Students L to Z” (2)</td>
</tr>
<tr>
<td>9</td>
<td>Bitcoin</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Citibank</td>
<td>“Students A to K” (1)</td>
</tr>
<tr>
<td>11</td>
<td>Santander + Abbey</td>
<td>“Students L to Z” (3)</td>
</tr>
<tr>
<td>13</td>
<td>(*) Shadow banking / Peer-to-peer lending / Lending Club</td>
<td>“Students L to Z” (2)</td>
</tr>
<tr>
<td>14</td>
<td>ABN-AMRO</td>
<td></td>
</tr>
</tbody>
</table>

(4) Each student should answer only the question indicated above (one question per case). Please do not answer the other questions in writing. I will not take into account any paper of a student answering another question than the one specified for this student (except of course if this is necessary to catch up - see point (7) below).

(5) Each written assignment must be given to me before or at the beginning of the session during which the corresponding case is discussed. If you are unable to participate in a session for which a written assignment is due, you should send it to me by e-mail before that session. I will not accept any written assignment after the corresponding case has been discussed in class.

(6) In addition, before the corresponding session, or latest shortly after this session, you should also send EACH written assignment to my e-mail address <belleman@bu.edu>.
(7) If you are unable to give me or send me a written assignment before the corresponding case is discussed in class, you should catch up by answering the question specified for the following case for the other "group" than the one you are a part of.

(8) You should write each assignment as if your boss (or, if you are a consultant, your client) had asked you to answer the corresponding question. This means obviously that:

(a) You should answer the question as specifically, completely, clearly and convincingly as possible; please note that, to meet this requirement, your paper must include AT LEAST 500 words.

(b) You should write clearly your opinion, your analysis, your conclusions and your recommendations whenever this is called for in the question.

(c) You should not repeat, rephrase or summarize the case or parts thereof. This is not the goal of any written assignment. Please note that I will not take into account for the above minimum number of words any repetition, rephrasing or summary of a case or parts of a case.

(d) You should not write long paragraphs. Such paragraphs are typically not clear.

(9) I encourage you to make references to the textbook.

(10) If a question is composed of several sub-questions, you do not have to answer separately each of them. You may answer the question globally, provided of course that you address all the points raised in the sub-questions.

(11) Please do not make any research on the entities or the transactions covered by the cases. For example, please do not do research to determine what happened after the time the case was written, or to find analysis or conclusions or recommendations on these subjects.

This type of research is not the purpose of any written assignment, for many reasons, including (a) the fact that each case includes enough information to write the paper required, and (b) this is not a competition for the best/the most extensive/etc. research. Please note that I will not take into account any information or analysis or opinion or conclusion or recommendation based on such a research, if you incorporate it in a written assignment.

(12) Obviously, plagiarism is strictly prohibited.
The rubrics for each of the written assignments are as follows:

<table>
<thead>
<tr>
<th>Rubrics</th>
<th>Poor (0 to 1.2 point)</th>
<th>Good (1.3 to 1.9 point)</th>
<th>Excellent (2.0 to 2.5 points)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How complete and specific the answer is</strong></td>
<td>Many aspects of the question are not addressed, and/or many answers are not sufficiently specific</td>
<td>The majority of the aspects of the question are addressed, and most of the answers are sufficiently specific</td>
<td>All the aspects of the question are addressed, and there is a specific answer for each of these aspects.</td>
</tr>
<tr>
<td><strong>How clear and well written the answer is</strong></td>
<td>Many parts are not sufficiently clear, and/or the language is often not used correctly</td>
<td>A few of the contents are not clear, and/or the language is sometimes not used correctly</td>
<td>The contents are clear, and the language (spelling, grammar, expression) is used correctly.</td>
</tr>
<tr>
<td><strong>How convincing the answer is</strong></td>
<td>The answer is often not sufficiently convincing</td>
<td>The answer is sometimes not sufficiently convincing</td>
<td>The answer is sufficiently supported by the analysis and the discussion of the contents of the case.</td>
</tr>
</tbody>
</table>

**THE MID-TERM ASSESSMENT**

This assessment will be based on a case. The requirements are the same as for the written assignments, plus the following:

- All the questions should be answered.

- Each question should be answered separately.

- The questions should be answered in the order in which they are asked.

- The separation between the answer to each question should be clearly indicated.

- Your paper should include at least 2,500 words.

The weight and the rubrics for each question will be specified when the case and the questions will be communicated.

********************************************************************
THE FINAL ASSESSMENT
Your papers, which must include at least 2,000 words, are due on Monday May 8.

You should assume that you are the assistant of an investment manager, and that your boss has just received four “investment studies” made on each of the following banks (these studies are posted on PointCarré).

(a) Bank of America Corporation.
(b) Citigroup Inc.
(c) JP Morgan Chase & Co.
(d) Wells Fargo & Company.

You should choose one of these banks. Then, you should assume that your boss has asked you to answer the following questions.

(1) Please analyze (a) the financial ratios / metrics included in the studies on this bank, and (b) the comparisons between the financial ratios / metrics of this bank and those of the “peer groups”. Taking into account the “note on the banking industry” (in the reader), as well as chapters 5 and 6 of the textbook, what conclusions do you draw from these financial ratios / metrics as regards the financial strength of this bank and its performance?

(2) Please compare the conclusions and the investment recommendations included in these studies. What are the differences between these conclusions and recommendations? In your opinion, what are the reasons for these differences?

(3) On the basis of your answers to the above questions, what investment recommendation, for example “strong buy”, or “buy”, or “hold”, or “sell”, or “strong sell”, would you propose to your boss? What are the reasons for this recommendation?
The rubrics for this assessment are as follows:

<table>
<thead>
<tr>
<th>Rubrics</th>
<th>Poor (0 to 4 points)</th>
<th>Good (5 to 8 points)</th>
<th>Excellent (9 to 12 points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussion of the financial ratios/metrics included in the investment studies</td>
<td>The discussion is very incomplete and/or not clear</td>
<td>The discussion is to some extent incomplete and/or sometimes unclear</td>
<td>The discussion is comprehensive and clear.</td>
</tr>
<tr>
<td>Conclusions based on the financial ratios/metrics</td>
<td>The conclusions are to some extent superficial, and/or often not clear, and/or not convincing</td>
<td>The conclusions are to some extent incomplete, and/or sometimes not clear and/or not sufficiently convincing</td>
<td>The conclusions are thorough, clear and convincing</td>
</tr>
<tr>
<td>Comparison of the conclusions and of the recommendations included in the studies</td>
<td>The comparison is incomplete and/or not clear</td>
<td>The comparison is not sufficiently thorough, and/or sometimes not clear</td>
<td>The comparison is thorough and clear</td>
</tr>
<tr>
<td>Investment recommendation and corresponding reasons</td>
<td>The recommendation is not clear and/or not convincing</td>
<td>The recommendation is not sufficiently clear and/or convincing</td>
<td>The recommendation is explained clearly and convincingly</td>
</tr>
<tr>
<td>Total = xx/36</td>
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</tr>
</tbody>
</table>
THE PROGRAM OF THE SESSIONS

SESSIONS 1 AND 2 (JANUARY 16 AND 23)

Topics
(a) Introduction to the course.

(b) “An overview of the changing financial services sector” (chapter 1 of the textbook).

(c) “The impact of government policy and regulation on the financial-services industry” (chapter 2 of the textbook).

(d) “Learning with cases”.

Readings
Chapters 1 and 2 of the textbook.

“Note on “learning with cases””.

Cases
(A) “Deutsche Bank and the Road to Basel III” (Darden Business Publishing, University of Virginia UV 6662).

(B) “JP Morgan and the Dodd-Frank Act” (Darden Business Publishing, University of Virginia UV 5660). (Note: the Dodd-Frank Act is posted on “PointCarré”).

Questions to prepare for both cases
(1) Why are there so many regulations for the banking industry all over the world?

(2) To what extent are these regulations necessary? For example, the Dodd-Frank Act is 848-page long. Is this “reasonable”?

(3) If regulations such as Basel III, the Dodd-Frank Act and the Volcker Rule had been introduced before 2007, do you think that the banking/financial crisis would have been avoided?
SESSION 3 (JANUARY 30)

Topics
(a) The banking/financial crisis that began in 2007.
(b) The acquisition of Merrill Lynch by Bank of America

Case
"Bank of America Acquires Merrill Lynch: Who Pays ?" (INSEAD INS185). Note: during this session, we will see the documentary "Breaking the Bank", produced in 2009 by the Public Broadcasting Service (PBS). This program focuses on the role of the banks (and particularly Bank of America and Merrill Lynch) in the banking/credit/financial crisis.

Questions to prepare:

(1) Typically, mergers and acquisitions take months to study and to decide. However, in the case of the acquisition of Merrill Lynch by Bank of America, this process was extremely short. To what extent was this justified by the circumstances at that time ? If this transaction was not completed very rapidly, what were the risks for:

- Merrill Lynch.
- Bank of America.
- The U.S. and world financial systems.

(2) How strong or how weak were the respective positions of:

- Bank of America.
- Merrill Lynch.
- The U.S. authorities (the Treasury Department and the Federal Reserve Board).

(3) According to you, to what extent were the decision makers at Bank of America (Ken Lewis, Chairman and Chief Executive Officer, and the other Directors) as regards the acquisition of Merrill Lynch influenced by the fact that, contrary to Citibank and JP Morgan Chase, Bank of America is not headquartered in New York City

(4) (Written assignment for A to K) Why did Ken Lewis apparently mislead Bank of America’s shareholders as regards the condition of Merrill Lynch ? Was this ethical ? Why or why not?

(5) In your opinion, did Merrill Lynch’s bankers deserve bonuses at the end of 2008 ? How could John Thain (Merrill Lynch’s Chief Executive Officer) and Ken Lewis justify these payments ? How legitimate are these arguments from the standpoint of Bank of America’s shareholders and in regard to ethics and public policy?
SESSION 4 (FEBRUARY 6)

Topics
(a) “The organization and structure of banking and the financial services industry” (chapter 3 of the textbook).

(b) “Establishing new banks, branches, ATMs, telephone services, and websites” (chapter 4 of the textbook).

(c) Development banks.

Readings
Chapter 3 of the textbook.

Skim chapter 4 of the textbook.

Documents from development banks:
- International Bank for Reconstruction and Development (IBRD) (“World Bank”) and its subsidiaries:
  - International Development Association (IDA)
  - International Finance Corporation (IFC)
  - Multilateral Investment Guarantee Agency (MIGA)
  - International Center for Settlement of Investment Disputes (ICSID)
- European Investment Bank (EIB)
- European Bank for Reconstruction and Development (EBRD)
- Inter-American Development Bank (IDB)
- African Development Bank (AFDB)
- Asian Development Bank (ADB)
SESSION 5 (FEBRUARY 13)

Topics
(a) "The financial statements of banks and their principal competitors" (chapter 5 of the textbook).

(b) "Measuring and evaluating the performance of banks and their principal competitors" (chapter 6 of the textbook).

Readings
Chapters 5 and 6 of the textbook.

"Note on the Banking Industry" (Harvard Business School 9-311-011) (see the "important remark" below).

Investment studies on banks (posted on "Pointcarré").

The 2015 annual report of JP Morgan Chase (handed out separately)

Important remark
The final assessment, which is due on May 8, is based on the investment studies on banks, and requires that you study chapters 5 and 6 of the textbook and the "Note on the Banking Industry".

SESSION 6 (FEBRUARY 24)

Topics
(a) "Risk management for changing interest rates: asset-liability management and duration techniques" (chapter 7 of the textbook).

(b) "Risk management: financial futures, options, swaps, and other hedging techniques" (chapter 8 of the textbook).

(c) "Risk management: asset-backed securities, loan sales, credit standbys, and credit derivatives" (chapter 9 of the textbook).

Readings
Chapters 7, 8 and 9 of the textbook.

The three articles on JP Morgan Chase included in the “reader” after the JP Morgan case (see question (2) below).
Case

Important remark
Parts of this case are unavoidably very technical, so I recommend that you do the following:

- Read page 1.
- Read page 2, except the last paragraph.
- "Skim" the last paragraph of page 2, as well as pages 3 to 9.
- Read page 10, and the first paragraph of page 11.
- "Skim" the other paragraphs of page 11.
- "Skim" page 12, and the first paragraph of page 13.
- Read the last paragraph of page 13.

Questions to prepare
(1) In your opinion, how well or how poorly did the bank react to the events described in the case?

(2) (Written assignment for L to Z) On the basis of this case and of the three articles included in the reader after the case, how well or how poorly did JP Morgan’s shareholders react to the events described in the case?

SESSION 7 (FEBRUARY 27)
This is the deadline for the submission of the papers for the mid-term assessment (see page 9 of this syllabus).

Topics
(a) “The investment function in financial-services management” (chapter 10 of the textbook).

(b) “Liquidity and reserves management: strategies and policies” (chapter 11 of the textbook).

Readings
Chapters 10 and 11 of the textbook.
SESSION 8 (MARCH 6)

Topics
(a) Discussion of the mid-term assessment.

(b) Cross-border mergers in banking.

Case

Questions to prepare:

(1) Looking back, the acquisition of Emporiki Bank by Crédit Agricole in 2006 is/seems to be a disaster. In your opinion, to what extent was it possible for Crédit Agricole to predict what happened in Europe / in Greece / at Emporiki Bank during the following years ? Were there already in 2006 problems that Crédit Agricole ignored or seems to have ignored?

(2) According to you, was the price paid by Crédit Agricole for Emporiki Bank (EUR 2.8 billion) justified at the time of the acquisition ? Why or why not ?

(3) (Written assignment for A to K) At the time this case was revised, i.e. on November 18, 2013, what actions would you have recommended to the top management of Crédit Agricole as regards Emporiki Bank ?

SESSION 9 (MARCH 13)

Topic
“Virtual currencies”

Case

Questions to prepare:

(1) One of the arguments given by the persons who are in favor of the Bitcoin is that it is not supervised/regulated by any government or central bank. Other persons point out that it is this lack of supervision and of regulation that makes the Bitcoin dangerous. What is your opinion on this subject ?

(2) (Written assignment for L to Z) Would you invest in Bitcoins ? Why or why not ?

(3) If you were running a business, would you accept Bitcoins for payments for your products/services ? Why or why not ? What would you do to protect your business against the risks due to the fluctuations of the value of the Bitcoin against the “traditional” currencies, and against the risks of fraud ?
SESSION 10 (MARCH 20)

Guest speaker: Laszlo Muranyi, BNP Paribas Luxembourg

Topics
(a) “Managing and pricing deposit services” (chapter 12 of the textbook).
(b) “Managing nondeposit liabilities” (chapter 13 of the textbook).
(c) “Investment banking, insurance, and other sources of fee income” (chapter 14 of the textbook).
(d) “The management of capital” (chapter 15 of the textbook).
(e) Fraud in the banking industry.

Readings
Chapters 12, 13, 14 and 15 of the textbook.

Documents on issues of stocks and of bonds by banks. Question on these documents: what are the main advantages and the main disadvantages of the two main sources of financing for banks?

Case
“Through the Eyes of a Whistle-Blower: How Sherry Hunt Spoke Up About Citibank’s Mortgage Fraud” (Kellogg School of Management KEL852). Note: during this session, we will watch an interview of Sherry Hunt by the case writers, as well as a video about her settlement with Citibank.

Questions to prepare:

1. (Written assignment for A to K) What are Sherry Hunt’s values and motivations in this case? Do you share these values and motivations? How important (from the perspective of both personal well-being and organizational effectiveness) do you think it is for organizations to allow and encourage employees to voice their values and live their values in the workplace?

2. If you were Sherry Hunt at the end of the case, what course of action would you pursue? What person or what entity would you tell, how (for example by email, in person, etc.) and why? Be mindful of what motivates different stakeholders and therefore the resistance with which they may respond.
SESSION 11 (MARCH 27)

Topics
(a) “Lending policies and procedures: managing credit risk” (chapter 16 of the textbook).

(b) “Lending to business firms and pricing business loans” (chapter 17 of the textbook).

(c) “Consumer loans, credit cards, and real estate lending” (chapter 18 of the textbook).

(d) The financing of corporations.

(e) Cross-border mergers and acquisitions.

Readings
Chapters 16, 17 and 18 of the textbook.

“The financing of corporations”. Question on this reading: what are the main advantages and the main disadvantages of the various types of financing available to corporations/.

Case

Questions to prepare:

(1) What is your opinion on Santander’s international strategy before its bid for Abbey?

(2) To what extent do you agree with Santander’s decision to expand internationally in retail banking?

(3) (Written assignment for L to Z) To what extent do you believe the claims made by Santander as regards the advantages/the benefits of this acquisition, as described in the case?

(4) According to you, what are the main disadvantages/risks of this acquisition for:

   (a) Santander’s shareholders.
   (b) Abbey’s staff members.
   (c) Abbey’s clients.

NO SESSION ON APRIL 3 AND APRIL 10 (SPRING RECESS)
SESSION 12 (APRIL 17)

Topics
(a) International trade financing.

(b) Real estate financing.

(c) Export-import financing / Export credit agencies.

(d) “Microcredit” / “microfinance”.

Readings
“Note on International Trade Finance” (Harvard Business School 9-211-007).
Question on this reading: what are the main differences between “international trade finance”, and the loans to industrial and service corporations ?

“The Real Estate Business and Banking (IESE – University of Navarra IES 414).
Question on this reading: what are the main reasons for the differences between European countries as regards real estate financing ?

Documents from/about export/import banks and credit agencies:
- Ducroire / Delcredere / Credendo (Belgium)
- Export-Import Bank of the United States (“Ex-Im Bank”), including the case “The Export-Import Bank of the United States”.

Question on these documents: what is your opinion on the controversy regarding export credit agencies (ECAs) ? They are criticized by numerous entities, such as NGOs. These entities claim for example the following:

- ECAs distort competition.
- They allow poor countries to buy equipment/goods/etc. that they do not really need and/or that they cannot afford.
- They take credit risks that in the end cost money to the taxpayers of the exporting countries.

On the other hand, the ECAs point out that they help create large number of jobs not only in the exporting countries, but also in the importing countries: the financings provided by ECAs enable countries to buy equipment, goods and services that are necessary for infrastructure projects, for touristic projects, for agricultural and mining projects, etc.

Other documents (posted on “PointCarré”)
“The Treasurer’s Guide to Trade Finance”.

“Documentary Payments & Short-Term Trade Finance”.

Syllabus: ECN 241G – The International Banking System Spring 2017
Case
“Mibanco: Meeting the Mainstream of Microfinance” (Harvard Business School 9-309-095). Note: as indicated at the beginning of this case, there is a multimedia case with the same title. During this session, we will see this multimedia case, which is composed of interviews of executives of this “microfinance bank” active in Peru.

SESSION 13 (APRIL 24)
Topics
(a) “International banking and the future of banking and financial services” (chapter 20 of the textbook).

(b) “Shadow banking” / “Peer-to-peer lending”.

Readings
Chapter 20 of the textbook.

Documents on “shadow banking” and “peer-to-peer lending” (see the “questions to prepare” below)
(A) “Shadow Banking” (IESE Business School, University of Navarra IES 417).

(B) “Peer-to-Peer Lending: Ready to Grow, Despite a Few Red Flags” (Knowledge at Wharton).


Questions to prepare on the basis of these three documents
(1) In your opinion, to what extent does “shadow banking” / “peer-to-peer lending” threaten the lending activities of banks?

(2) (Written assignment for A to K) According to you, what should banks do to limit “shadow banking” / “peer-to-peer lending”? In fact, what can they do?

(3) Would you make loans directly to individuals or to entities that do not have a banking license? Why or why not?

(4) Would you borrow directly from individuals or from entities that do not have a banking license? Why or why not?
SESSION 14 (“MAKE-UP” DATE FOR MAY 1)

Topics.
(a) “Acquisitions and mergers in financial services management” (chapter 19 of the textbook).

(b) Summary and conclusions of the course.

Readings
Chapter 19 of the textbook.

Case

Questions to prepare:

(1) Looking back, what are in your opinion the main errors that Royal Bank of Scotland, Banco Santander and Fortis Group made (a) by deciding to launch a takeover bid on ABN AMRO, and (b) in the design of their strategy for this takeover bid?

(2) (Written assignment for L to Z) According to you, to what extent can the three bidders blame the failure of this transaction to (a) “bad luck”; (b) the banking/financial crisis that began in 2007?

SESSION 15 (MAY 8)

This session is replaced by the final assessment (see pages 10 and 11 of this syllabus).

The papers for this assessment are due latest at midnight on May 8.

Jean Bellemans

January 8, 2017

Attachment: the learning objectives.
Major Learning Objectives

Course code and course name: ECN 241G – The International Banking System
Instructor: Jean Bellemans

Summary:
Number of assignments used in this course: six
Number of Feedback occasions in this course (either written or oral): at least six
Number and Types of Teaching Methods: six
Does your course require graded student oral presentations?: no

<table>
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<th>Level</th>
<th>Learning objectives</th>
<th>Course Learning objectives addressing the Major Objectives (choose the most important ones that your course actually addresses)</th>
<th>Methods used to Teach Course Objectives</th>
<th>Methods (and numbers/types of assignments) used to test these learning objectives</th>
<th>Type, Timing and Numbers of Feedback given to Student</th>
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<td>The bachelor has a broad knowledge of the different functional fields of business management. He is able to apply this knowledge in the analysis of business-oriented problems and is able to propose solution to specific business problems.</td>
<td>Lectures</td>
<td>Four written assignments on cases</td>
<td>Written and oral comments on each assignment, given one week after its submission At least six feedbacks</td>
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<td>Readings</td>
<td>Mid-term assessment on a case</td>
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<td>Cases</td>
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Number of assignments used in this course: six
Number of Feedback occasions in this course (either written or oral): at least six
Number and Types of Teaching Methods: six
Does your course require graded student oral presentations?: no
| The bachelor has an understanding of the interrelatedness of the different functional fields of business and understands the impact of this on decision-making. | The course material illustrates the interrelatedness between banks themselves, and between banks and their clients, and the effect on decision-making by all these entities | Readings  
Cases  
Class discussions  
Guest speakers | Four written assignments on cases  
Mid-term assessment on a case  
Final assessment on investment studies on banks | Written and oral comments on each assignment, given one week after its submission  
At least six feedbacks |
|---|---|---|---|---|
| The bachelor is able to identify the international dimension in business-related problems and knows how to handle these problems in an effective way. | Most of the course material covers the international aspects of banking, and of the transactions between banks and their clients | Readings and cases on the international banking/financial crisis, on international banking regulations, and on international transactions | Specific questions on the international aspects of the crisis, of the regulations and of the transactions covered by the course material | Written and oral comments on each assignment, given one week after its submission  
At least six feedbacks |
| The bachelor is able to communicate clearly, fluently and accurately; as well in a written report as in an oral presentation. | All the assignments require that the students communicate clearly, fluently and accurately in writing | Readings  
Cases | Four written assignments on cases  
Mid-term assessment on a case  
Final assessment on investment studies on banks | Written and oral comments on each assignment, given one week after its submission  
At least six feedbacks |