



Vesalius College
Brussels

In affiliation with



Course Syllabus

ECN 241G – THE INTERNATIONAL BANKING SYSTEM

FALL 2017

Number of ECTS credits: 6

Time and Place: Thursdays – 1.30 p.m. to 4.30 p.m. – Classroom: Veco 2

Contact Details for Professor

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Office hours: Thursdays, 10.30 a.m. to 11.30 a.m.
Fridays, 1.30 p.m. to 2.30 p.m.

Course Prerequisites

ECN 101E
BUS 142G
BUS 143G

Course Description

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

Major learning Objectives

See the attached table.

Course Material

(A) Required textbook

“Bank Management and Financial Services” (Peter Rose, Sylvia Hudgins)
(McGraw-Hill, ninth edition, 2012, ISBN 978-007-132642-1).

(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” (in addition to the 2016 annual reports of the eight banks covered in the “final assessment”)

The slides of the textbook.

European Central Bank (ECB): “Financial Integration in Europe: annual report – May 2017”.

“Dodd-Frank Act”.

“The Treasurer’s Guide to Trade Finance”.

“Documentary Payments & Short-Term Trade Finance”.

Credendo: “Annual report 2016”.

Export Credit Guarantee Department (ECGD) / UK Export finance (“Introduction to UK Finance: Making exports happen”).

Export-Import Bank of the United States (“Eximbank”):

- “Annual report 2016”.

- “Eximbank in every state-2012-2016”.

(D) Documents handed out separately

Leaflet “Who are we ?” of the National Bank of Belgium (NBB).

The 2016 annual report of JP Morgan Chase.

(E) Recommend newsletters

A number of newsletters containing very interesting information on the banking and financial services industry are available. My preferred sources are as follows.

(a) The New York Times (NYT)

NYT publishes numerous newsletters. The links may be found at:
<http://www.nytimes.com/newsletters>

In my opinion, the most interesting one is “DealBook”. You may find the link under “business & tech”.

(b) The Financial Times (FT)

FT also publishes numerous newsletters. The links may be found at:
<https://www.ft.com/newsletters>

In my opinion, the most interesting one is “myFT Daily Digest”.

(c) Institutional Investor (II)

II publishes three newsletters. The link is:
<http://www.institutionalinvestor.com/Newsletters.html#.WV6KO1FLfIV>

In my opinion, the most interesting one is “The Essential II”.

Important remark

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.

Grading Scale of Vesalius College

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

| Grade | Scale of 20 | Scale of 100 |
|-------|-------------|--------------|
| A | 17.0-20.0 | 85-100 |
| A- | 16.1-16.9 | 81-84 |
| B+ | 15.3-16.0 | 77-80 |
| B | 14.5-15.2 | 73-76 |
| B- | 13.7-14.4 | 69-72 |
| C+ | 13.1-13.6 | 66-68 |
| C | 12.3-13.0 | 62-65 |
| C- | 11.5-12.2 | 58-61 |
| D+ | 10.7-11.4 | 54-57 |
| D | 10.0-10.6 | 50-53 |
| F | Below 10 | 0-49 |

| Letter grade | Scale of 20 | Scale of 100 | Rationale of grading |
|--------------|-------------|--------------|--|
| A | 17.0-20.0 | 85-100 | An excellent work, which demonstrates advanced knowledge of empirical background and theoretical/conceptual frameworks. The work is underpinned by an outstanding capacity for learning, mastering of relevant literature and ability to gather and independently assess relevant sources beyond required levels of reading. The proposed analysis draws on solid, critical and original analytical skills and ability to relate theoretical knowledge to empirical cases. The work is well communicated and demonstrates a pertinent and original ability to communicate complex dynamics. The bibliographic and referencing systems are correct. |
| A- | 16.1-16.9 | 81-84 | A refined piece of work, which demonstrates advanced knowledge of both empirical background and theoretical and conceptual frameworks. The work is underpinned by a good learning attitude; ability to master relevant theoretical literature and coherent attempt to apply this literature to empirical phenomena. Strong critical ability and successful attempt to pursue an original analysis. Adequate reading levels and ability to communicate key findings in an effective way. However, weaknesses can be identified in terms of language, referencing, depth of sources, profundity of analysis and/or organisational structure. |
| B+ | 15.3-16.0 | 77-80 | A good piece of work, sustained by adequate analytical skills. It demonstrates good level of understanding of the relevant theoretical literature and critical ability to apply these frameworks to the topic at hand. Written and oral expression is overall correct, the referencing and bibliographic systems are overall correct. The work could be further improved (minor flaws in the structure of the argument; minor theoretical lacuna), but it remains nonetheless a good piece of work. |
| B | 14.5-15.2 | 73-76 | An adequate work, which overall meets the requirement of the assignment. It demonstrates a fairly good level of knowledge of both empirical background information and provides some analytical framework. The work meets the requirements of the assignment in terms of mastery of the literature and learning outcomes. Language, reference and bibliographic systems are generally correct although perhaps with some weaknesses. The work could be significantly improved (e.g. flaws in the organisational structure; limited number of sources; clarity and accuracy of language; theoretical/conceptual lacuna; sub-optimal focus/coherence of argument). |
| B- | 13.7-14.4 | 69-72 | The work meets the basic requirements specifically demanded for the assignment. It shows the attempt to relate with relevant theoretical literature and to apply theoretical frameworks to the analysis of real-life cases. The work, however, does not adequately engage with the critical assessment of either relevant theoretical frameworks or the topic at hand. The work is marked by some combination of flaws in the organisational structure of the paper; theoretical/conceptual lacuna; sub-optimal focus or coherence of the argument; clarity and accuracy of language and/or inappropriate selection of sources. |
| C+ | 13.1-13.6 | 66-68 | The work meets the requirements of the assignment in a sufficient way, but does so in an imprecise and incomplete manner. It shows basic knowledge of both theoretical frameworks and the topic at hand. The proposed analysis is marked by some flaws (e.g. poor structure, theoretical or conceptual coherence; limited analysis; basic engagement with the literature). |
| 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. |
| C- | 11.5-12.2 | 58-61 | 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. |
| D+ | 10.7-11.4 | 54-57 | 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. |
| D | 10.0-10.6 | 50-53 | 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. |
| F | 0-9.9 | 0-49 | 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 five written assignments (8 % each) | 40 % |
| (2) The mid-term assessment | 30 % |
| (3) The final assessment | 30 % |

The final grade will be the weighted average of the grades for these three components.

Vesalius College Attendance Policy

As the College is committed to providing students with high-quality classes and ample opportunity for teacher-student interaction, it is imperative that students regularly attend class. As such, Vesalius College has a strict attendance policy. Participation in class meetings is mandatory, except in case of a medical emergency (e.g. sickness). Students will need to provide evidence for missing class (doctor's note). If evidence is provided, the missed class is considered as an excused class. If no evidence is provided immediately before or after the class, the missed class is counted as an absence.

Participation implies that students are on time: as a general rule, the College advises that students should be punctual in this regard, but it is up to the professor to decide whether to count late arrivals as absences, or not.

If students are absent for too many classes for a single course, they receive a penalty on their overall grade for that course.

- If students are absent for five 1.5 hour class sessions of a course, they receive a penalty of 5 points on their overall grade (out of 100) for that course.
- For each additional absence (over five) for a 1.5 hour class session, an additional penalty of 1 point is applied to the reduced course grade.

Example 1: at the end of the semester, a student has a course grade of 75/100. Over the course of the semester, s/he missed 4 unexcused sessions of 1.5 hours for the course. No penalty is applied.

Example 2: at the end of the semester, a student has an overall grade of 75/100. Over the course of the semester, s/he missed 5 unexcused sessions of 1.5 hours for the course. S/he receives a penalty of 5 points (out of a hundred), and his/her final course grade is 70/100.

Example 3: at the end of the semester, a student has an overall grade of 75/100. Over the course of the semester, s/he missed 7 sessions of 1.5 hours for the course. S/He receives a penalty of 7 points, and his/her final course grade is 68/100.

Additional Course Policies

Any non-respect of the deadlines for the submission of the assignments and the assessments 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 (Thursdays, 1.30 p.m. to 4.30 p.m.)

| <u>Session</u> | <u>Day</u> |
|--|---|
| 1 | August 31 |
| 2 | September 7 |
| 3 | September 14 |
| 4 | September 21 |
| 5 | September 28 |
| 6 | October 5 |
| 7 | October 12 (deadline for the submission of the mid-term assessment) |
| 8 | October 19 |
| 9 | October 26 |
| No session on November 2 (fall recess) | |
| 10 | November 9 |
| 11 | November 16 |
| 12 | November 23 |
| 13 | November 30 |
| 14 | December 7 |
| 15 | December 14 (deadline for the submission of the final assessment) |

"QUESTIONS TO PREPARE" FOR THE CASES

These are the main topics that we will discuss during the sessions. 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:

| <u>Session</u> | <u>Case</u> | <u>Questions to answer in writing</u> | |
|----------------|------------------------------------|---------------------------------------|--------------------------|
| | | <u>"Students A to K"</u> | <u>"Students L to Z"</u> |
| 3 | Bank of America + Merrill Lynch | (5) | |
| 4 | Triodos Bank | | (1) |
| 5 | JP Morgan | (3) | |
| 8 | Crédit Agricole | | (1) |
| 9 | "Bitcoin" / "Blockchain" / etc.(3) | | |
| 10 | Citibank | | (3) |
| 11 | Santander + Abbey | (4) | |
| 12 | (*) | | (**) |
| 13 | (***) | (1) | |
| 14 | ABN-AMRO | | (1) |

(*) The export credit agencies (ECAs).

(**) The question specified on page 22 of this syllabus.

(***) Shadow banking / Peer-to-peer lending

(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 send EACH written assignment ("Word" or equivalent) 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 and to the readings.**

(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. Please note that all the written assignment (as well as all the other written work) will be submitted to "Turnitin", which is a tool detecting plagiarism.**

The rubrics for each of the written assignments are as follows:

| Rubrics | Poor (0 to 1.2 point) | Good (1.3 to 1.9 point) | Very good to excellent (2.0 to 2.67 points) |
|---|---|--|--|
| How complete and specific the answer is | Many aspects of the question are not addressed, and/or many answers are not sufficiently specific | The majority of the aspects of the question are addressed, and most of the answers are sufficiently specific | All the aspects of the question are addressed, and there is a specific answer for each of these aspects. |
| How clear and well written the answer is | Many parts are not sufficiently clear, and/or the language is often not used correctly | Some of the contents are not clear, and/or the language is sometimes not used correctly | The contents are clear, and the language (spelling, grammar, expression) is used correctly. |
| How convincing the answer is | The answer is often not sufficiently convincing | The answer is sometimes not sufficiently convincing | The answer is sufficiently supported by the analysis and the discussion of the contents of the case |
| Total: / 8.0 | | | |

THE MID-TERM ASSESSMENT (DUE ON OCTOBER 12)

Case

“Banco Espirito Santo” (INSEAD IN1110) (**the last document in the second volume of the “reader”**).

Requirements

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.
- Your paper (in “Word” or equivalent” – not PDF) should be sent to me latest on October 12 at midnight.

Questions

(1) Please assume that you were a public shareholder of Banco Espírito Santo before its failure. In your opinion, what were (i) the main competitive advantages, and (ii) the main competitive disadvantages/weaknesses, of the strategy of this bank in terms of:

- (a) Its range of financial services.
- (b) Its client coverage.
- (c) Its geographic presence.

(2) According to you, what were the main advantages and disadvantages of Banco Espírito Santo's ownership and governance structure, including the associated risks and its role in the ultimate outcome ?

(3) Was Banco Espírito Santo a "systematically important" institution in the Portuguese and European context ? If so, what explains the failure of the regulators to protect the public interest ?

(4) Please evaluate the effectiveness of the hybrid resolution plan imposed on Banco Espírito Santo.

The rubrics for each question are as follows:

| Rubrics | Poor (0 to 3.0 point) | Good (3.1 to 6.5 point) | Very good to excellent (6.6 to 8.3 points) |
|---|---|--|--|
| How complete and specific the answer is | Many aspects of the question are not addressed, and/or many answers are not sufficiently specific | The majority of the aspects of the question are addressed, and most of the answers are sufficiently specific | All the aspects of the question are addressed, and there is a specific answer for each of these aspects. |
| How clear and well written the answer is | Many parts are not sufficiently clear, and/or the language is often not used correctly | A few of the contents are not clear, and/or the language is sometimes not used correctly | The contents are clear, and the language (spelling, grammar, expression) is used correctly. |
| How convincing the answer is | The answer is often not sufficiently convincing | The answer is sometimes not sufficiently convincing | The answer is sufficiently supported by the analysis and the discussion of the contents of the case |
| Total = /25.0 | | | |

THE FINAL ASSESSMENT (DUE ON DECEMBER 14)

The subject of the final assessment is the calculation, the analysis and the comparison of “key metrics” and of ratios for two banks of the same country / of the Benelux. The banks are as follows:

(i) Benelux (Belgium and The Netherlands)

KBC Group and ING Group.

(ii) France

BNP Paribas and Société Générale.

(iii) Germany

Commerzbank and Deutsche Bank.

(iv) U.S.A.

Bank of America and Citibank.

Steps

(a) You should choose two of the above countries/group of countries, and analyze the four corresponding banks.

(b) For each of these four banks, you should answer the following questions:

(1) What are the six "key metrics" described on page 7 of the "note on the banking industry", as of December 31, 2015 and December 31, 2016 / for the years 2015 and 2016 ?

(2) What do you conclude from the evolution of these ratios from 2015 to 2016 ?

(3) What is the "price-to-book value ratio" (see page 8 of this note) on the basis of the balance sheet as of December 31, 2016, and the stock price as of September 10, 2017 ? What is the "price/earnings ratio" (see pages 8 and 9 of this note) on the basis of the stock price as of September 10, 2017, and the net income for 2016 ?

(4) For each country/group of countries, what conclusions do you draw from the comparison of the above metrics and ratios of the two banks ?

(5) What conclusions do you draw from the comparison of the above metrics/ratios for the two banks of one of the countries/group of countries you have chosen, and the two banks of the other one ?

Important remarks

(A) Your paper, which should include at least 2,500 words, should be sent to me latest on December 14 at midnight.

(B) The classifications and the names in financial statements of banks vary from country to country, and even sometimes from bank to bank within the same country.

Consequently, you may sometimes have to do some research to determine "what is what". To help you, you should use:

- The textbook.
- The "notes to the financial statements" and the glossary (if any) in the annual reports.

(C) It is essential that, in your comparisons and in your conclusions, you take into account and discuss the "extraordinary items" (profits or losses), if any, that are specified in the income statements of each bank.

(D) Please include in your answers all the formulas you have used, and all your calculations. I need that information to determine, if a result is incorrect, if this is due to a major error of reasoning or, for example, to a minor error of calculation. This will help me decide how many points to grant to you. If you do not do so, and if your answer is not correct, you will not get any point for the question.

The annual reports of the above banks are posted on "Pointcarré". They may also be found at the following addresses:

ING Group

<https://www.ing.com/investor-relations/annual-reports.htm>

KBC Group

<https://www.kbc.com/en/annual-reports#tab>

BNP Paribas

<https://invest.bnpparibas.com/en/annual-reports>

Société Générale

<https://www.societegenerale.com/en/measuring-our-performance/information-and-publications/financial-results>

Commerzbank

https://www.commerzbank.com/en/hauptnavigation/aktionaere/publikationen_und_veranstaltungen/unternehmensberichterstattung_1/index.html

Deutsche Bank

<https://www.db.com/ir/en/annual-reports.htm>

Bank of America

<http://investor.bankofamerica.com/phoenix.zhtml?c=71595&p=irol-reportsannual#fbid=TC1Z0kqoP40>

JP Morgan Chase

<https://www.jpmorganchase.com/corporate/investor-relations/annual-report-proxy.htm>

The rubrics for this assessment are as follows:

| Rubrics | Poor (0 to 22.9 points) | Good (23.0 to 26.9 points) | Very good to excellent (27.0 to 33.3 points) |
|--|---|--|--|
| The calculation of the six metrics and of the two ratios for each of the four banks (questions 1 and 3) | Many answers are not correct | Most answers are correct | All or practically all the answers are correct |
| The conclusions concerning the evolution of the six metrics (question 2) and the comparisons (question 4) | Several conclusions are superficial and/or incorrect and/or not clear and/or not convincing | Most conclusions are correct, clear and convincing | All or practically all the conclusions are correct, clear and convincing |
| The conclusions from the comparison of the metrics and ratios of the four banks (question 5) | Several conclusions are superficial and/or incorrect and/or not clear and/or not convincing | Most conclusions are correct, clear and convincing | All or practically all the conclusions are correct, clear and convincing |
| Total = /100 | | | |

THE PROGRAM OF THE SESSIONS

SESSIONS 1 AND 2 (AUGUST 31 AND SEPTEMBER 7)

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) The mid-term assessment.
- (e) The final assessment.
- (f) Central banks.
- (g) “Learning with cases”.

Readings

Chapters 1 and 2 of the textbook.

“Note on “learning with cases””.

“History of the Basel Committee for Banking Supervision” (Bank for International Settlements).

European Central Bank (ECB): “Financial Integration in Europe: annual report – May 2017) (posted on Pointcarré). **We will watch several videos on the history and the role of the ECB, and on the euro.**

National Bank of Belgium (NBB): leaflet “Who are we ?” (handed out in class).

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 on both cases

(1) The banking/financial services sector is unique from a number of points. For example, it is more regulated than most other sectors. Why are there so many and so complex regulations for this sector all over the world ?

(2) To what extent are these regulations really 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 (SEPTEMBER 14)

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) The banking/financial crisis that began in 2007.

(d) The acquisition of Merrill Lynch by Bank of America.

Readings

Chapter 3 of the textbook.

Skim chapter 4 of the textbook.

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 bargaining 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) In your opinion, did Ken Lewis mislead Bank of America's shareholders as regards the financial condition of Merrill Lynch at the time of the acquisition? What exactly should he have disclosed on this subject, and when? What would or could have happened if he had made these disclosures?

(5) **(Written assignment for A to K)** In your opinion, to what extent did Merrill Lynch's bankers deserve bonuses at the end of 2008? What are the main arguments John Thain (Merrill Lynch's Chief Executive Officer) and Ken Lewis used or could have used to justify these bonuses? What is your opinion on each of these arguments?

(6) If you had been a shareholder of Bank of America, what would you have told Ken Lewis when these bonuses were disclosed?

SESSION 4 (SEPTEMBER 21)

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).

(c) "Ethical banking".

(d) "Microfinance"/"microcredit".

Readings

Chapters 5 and 6 of the textbook.

Cases

(A) “Triodos Bank: Conscious Money in Action” (Harvard Business School 9-313-109).

Questions to prepare:

(1) **(Written assignment for L to Z)** The second paragraph of the first page of the case describes four “challenges” that Triodos Bank is facing, and the corresponding “tough decisions” that it should make. What recommendation would you make to Triodos Bank’s CEO for **each** of these four challenges ?

(2) In your opinion, to what extent does Triodos Bank respect:

- Its “mission”, as described on the third page of the case.

- The “three things (that) are important for society”, also described on the third page of the case.

(3) To what extent do you approve or disapprove the strategy of Triodos Bank as regards loans, including how decisions are made, the types of loans made, and the types of entities to which the bank lends, as described on pages 5 to 7 of the case.

(4) What are your answers to the challenges and questions included in pages 9 to 12 of the case **(except of course the challenges and the questions that you have covered in your answer to question (1) above)** ?

(5) Taking into account the strategy of Triodos Bank, and what is included in the case as regards its human resources policies, would you be interested in working for this bank, or for another “ethical bank”, when you graduate ? Why or why not?

(B) “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 5 (SEPTEMBER 28)

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.

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

The 2016 annual report of JP Morgan Chase (handed out in class)

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

Case

"JP Morgan and the London Whale" (INSEAD INS370).

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) **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 ?

(3) **(written assignment for A to K)** If you had been a shareholder of JP Morgan Chase on May 22, 2013, would you have voted for or against the proposal to split the functions of Chairman of the Board and Chief Executive Officer ? What would have been the reasons for your vote ?

(4) In general (and not only for JP Morgan Chase), what are the main advantages and the main disadvantages/risks of an organization in which the same person has these two functions ?

SESSION 6 (OCTOBER 5)

Guest speaker: Dr. Laszlo Muranyi, BNP Paribas Luxembourg.

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).

(c) Development banks.

Readings

Chapters 10 and 11 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 7 (OCTOBER 12)

This is the deadline for the submission of the papers for the mid-term assessment (see pages 10 and 11 of this syllabus).

SESSION 8 (OCTOBER 19)**Topics**

(a) Discussion of the mid-term assessment.

(b) Cross-border mergers in banking.

Reading

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

Case

“Persephone’s Pomegranate ? Crédit Agricole and Emporiki” (Harvard Business School 9-713-055).

Questions to prepare:

(1) **(Written assignment for L to Z)** 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) At the time this case was revised, i.e. on November 18, 2013, which of the options described on pages 11 and 12 of the case (i.e. “sell”, “liquidate”, “keep a minority stake”, or “invest more in Emporiki to turn it around”) would you have recommended to the top management of Crédit Agricole as regards Emporiki Bank ? What were the main advantages and the main disadvantages/risks of each of these options ? Were any of the options “impossible” ?

SESSION 9 (OCTOBER 26)**Topics**

(a) “Virtual currencies” / “digital currencies” / “cryptocurrencies”.

(b) “Blockchain”.

(c) “Fintech”.

Readings

Documents on the topics (handed out in class).

Case

“Bitcoin: The Future of Digital Payments” (Harvard Business School 9-714-519).

Questions to prepare:

(1) One of the arguments given by the persons who are in favor of the Bitcoin and the other “virtual currencies” 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) Would you invest in Bitcoins ? Why or why not ?

(3) **(Written assignment for A to K)** 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 compared with the “traditional” currencies, and against the risks of fraud ?

NO SESSION ON NOVEMBER 2 (FALL RECESS)**SESSION 10 (NOVEMBER 9)****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 shares and of bonds by banks. Question on these documents: what are the main advantages and the main disadvantages/risks of the three main sources of financing for banks, i.e. shares, bonds and deposits ?

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) What is your opinion on “whistle-blowers” in the banking ? How useful are they for this industry, the banks themselves, their clients, and the regulators ?
- (2) What should regulators do to encourage “whistle-blowing” in the banking industry, but at the same time minimize the damage that this could create ?
- (3) **(Written assignment for L to Z)** In your opinion, what should banks do to encourage “whistle-blowing” in their industry, but at the same time minimize the damage that this could create ?

SESSION 11 (NOVEMBER 16)**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) “Acquisitions and mergers in financial services management” (chapter 19 of the textbook).
- (d) The financing of corporations.
- (e) Cross-border mergers and acquisitions.

Readings

Chapters 16, 17, 18 and 19 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

“Santander’s Acquisition of Abbey: Banking across Borders” (Harvard Business School 9-707-485).

Questions to prepare:

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

(2) 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 ?

(3) 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.

(4) **(Written assignment for A to K)** Looking back, to what extent do you agree with Santander’s decision to expand internationally in retail banking at the time of the case ? At the present time, how attractive or unattractive is this activity ?

SESSION 12 (NOVEMBER 23)**Topics**

(a) International trade financing.

(b) “Export credit agencies” (ECAs).

Readings

Documents from/about export credit agencies:

(i) Credendo (Belgium):

- “Leaflet” (included in the reader).
- “Annual report 2016” (posted on Pointcarré).

(ii) Export Credit Guarantee Department (ECGD) / UK Export finance
 (“Introduction to UK Finance: making exports happen”) (posted on Pointcarré).

(iii) Export-Import Bank of the United States (“Eximbank”) (“Annual report 2016” and “Eximbank in every state-2012-2016”) (both posted on Pointcarré).

Other documents (posted on “Pointcarré”)

“The Treasurer’s Guide to Trade Finance”.

“Documentary Payments & Short-Term Trade Finance”.

Question to prepare (written assignment for L to Z)

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.

SESSION 13 (NOVEMBER 30)

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).
- (C) “Lending Club: Time to Join ?” (Harvard Business School 9-214-046).

Questions to prepare on the basis of these three documents

- (1) **(Written assignment for A to K)** In your opinion, to what extent does “shadow banking” / “peer-to-peer lending” threaten the lending activities of banks?
- (2) According to you, what **should** banks do to limit “shadow banking” / “peer-to-peer lending” ? _In fact, what **can** they do ?

SESSION 14 (DECEMBER 7)**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

“Deal Making in Troubled Waters: The ABN AMRO Takeover” (IMD 255).

Questions to prepare:

(1) **(Written assignment for L to Z)** The strategy of the “consortium” composed of Royal Bank of Scotland, Banco Santander and Fortis was essentially to purchase ABN AMRO, to break this bank into a number of parts, and then to integrate each of these parts into one of the three members of this consortium.

What is your opinion on this type of strategy ? How realistic and feasible was it in the case of ABN AMRO, considering its size, and the fact that it was very diversified geographically and from the point of view of its services ?

(2) Looking back, what are in your opinion the **main** errors that the “consortium” made ? For example, should it have dropped its bid, considering that Barclays dropped its own bid, and that the banking/financial crisis was beginning ? Should it have renegotiated the purchase price ?

SESSION 15 (DECEMBER 14)

This is the deadline for the submission of the final assessment (see pages 12 to 14 of this syllabus).

Jean Bellemans

August 28, 2017

Attachment: major 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

| Level  Learning objectives  | Course Learning objectives addressing the Major Objectives (choose the most important ones that your course actually addresses) | Methods used to Teach Course Objectives | Methods (and numbers/types of assignments) used to test these learning objectives | Type, Timing and Numbers of Feedback given to Student |
|--|---|---|--|--|
| 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. | The course provides a broad knowledge and understanding of the various types of banks, of the services they offer, and of how these services are used by their clients. In addition, it covers “shadow banking”, such as “peer-to-peer lending” and “virtual currencies”. | Lectures Readings Cases Annual reports of banks Class discussions Guest speakers Videos | Four written assignments on cases Mid-term assessment on a case Final assessment on “key metrics” of banks | Written and oral comments on each assignment and assessment, given one week after its submission At least six feedbacks |

| | | | | |
|---|--|--|---|---|
| <p>The bachelor has an understanding of the interrelatedness of the different functional fields of business and understands the impact of this on decision-making.</p> | <p>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</p> | <p>Readings Cases Class discussions Guest speakers</p> | <p>Four written assignments on cases Mid-term assessment on a case Final assessment on “key metrics” of banks</p> | <p>Written and oral comments on each assignment and assessment, given one week after its submission At least six feedbacks</p> |
| <p>The bachelor is able to identify the international dimension in business-related problems and knows how to handle these problems in an effective way.</p> | <p>Most of the course material covers the international aspects of banking, and of the transactions between banks and their clients</p> | <p>Readings and cases on the international banking/financial crisis, on international banking regulations, and on international transactions</p> | <p>Specific questions on the international aspects of the crisis, of the regulations and of the transactions covered by the course material</p> | <p>Written and oral comments on each assignment and assessment, given one week after its submission At least six feedbacks</p> |
| <p>The bachelor is able to communicate clearly, fluently and accurately; as well in a written report as in an oral presentation.</p> | <p>All the assignments require that the students communicate clearly, fluently and accurately in writing</p> | <p>Readings Cases</p> | <p>Four written assignments on cases Mid-term assessment on a case Final assessment on “key metrics” of banks</p> | <p>Written and oral comments on each assignment, given one week after its submission At least six feedbacks</p> |