COURSE DESCRIPTION

The course is designed to help a student interested in understanding the strategic issues facing the financial services and banking industries, which is undergoing rapid change (e.g., a student interested in management consulting or professional services who wants a framework to analyze a changing industry); a student working in or interested in working in financial services (e.g. a student who wants a broader understanding of the various divisions and departments of a bank and why and how they interrelate); or a student interested in learning more about the financial system (e.g. a student who sees the importance of understanding a bank because he/she is interested in the strategic and financial aspects of a corporation that may have to interact with or rely on a bank for services).

Each class session focuses on one critical strategic issue facing a global bank. In general, the teacher or a guest speaker will lead case discussions. The class topics/strategic issues often vary depending on the students’ interests and current events.

Each year the students have different and a wide-range of experiences. The class is taught at a common denominator to accommodate the most students possible, especially at the beginning.

The professor has worked in various departments and geographies for banks, was a senior advisor to a management consulting firm and invests in fin-tech and financial services companies.

COURSE OBJECTIVES

Students will learn how to design and implement a coherent strategy to address a critical strategic issue facing a bank through lectures, discussions, current events and case analyses. You will learn to state 1. the strategic issue, 2. the reasons and facts to support why the strategic issue exists and is important, 3. your recommendation, 4. the facts to support your recommendation and 5. the potential resources required and consequences.

Students will learn how to more effectively contribute to their firms and understand complex challenges facing senior management. There is an emphasis on asking and answering questions, as well as synthesizing information and recommendations in a format that busy senior executives would prefer.
REQUIRED COURSE MATERIALS

1. Reading Packet of Cases
2. Recent and relevant articles (to be sent by Professor)

REQUIRED PREREQUISITES AND CONNECTION TO THE CORE

The learning in this course will utilize, build on, and extend concepts covered in the following core courses:

<table>
<thead>
<tr>
<th>Core Course</th>
<th>Connection with Core</th>
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<tbody>
<tr>
<td>CORPORATE FINANCE</td>
<td>1. Risk</td>
</tr>
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<td></td>
<td>2. Firm Valuation Model</td>
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<tr>
<td>DECISION MODELS</td>
<td>1. Fundamental Concepts of Decision Making</td>
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<tr>
<td>FINANCIAL ACCOUNTING</td>
<td>1. Financial Statements of Banks</td>
</tr>
<tr>
<td>GLOBAL ECONOMIC ENVIRONMENT</td>
<td>1. Role of Financial Markets in the Economy</td>
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<tr>
<td>LEADERSHIP DEVELOPMENT</td>
<td>1. Ethics, Decision-Making, Persuasion, and Teams</td>
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<tr>
<td>STRATEGY FORMULATION</td>
<td>1. Trade-Offs, Value-Added, Competing Firms, Strategic Analysis, Diversification, and Cross-Selling</td>
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**Sample Topics**

**An Overview of Investment Banks.** The first few classes typically go through the organization and structure of a universal and investment bank. Typically, we use the real life example of JP Morgan. Typically, we cover why banks are organized the way they are.

**Different Banks’ Strategies, Leadership/Crisis and Cross-Selling.**

**Corporate Culture.** What is it? Why is it important? What is organizational drift? What pressures an organization’s decisions and culture?

**The Financial Crisis.** Typically, we read cases about the financial crisis. Why did it happen? The importance of confidence.

**Income Statements and Balance Sheets.** We will review Income Statements / press releases of various banks. What is the biggest cost? What about legal costs? Costs to comply with regulations? Technology costs? DVA.

**Valuation.** How do you value banks. What does this mean for strategy? Shareholder Activism.

**Compensation and Promotion.** We will read a case study about a banker up for promotion. We will review the Proxy Statements of various banks to examine what executives make and why, as well as what does it tell us about the culture of the firms.

**Risk Management.** VAR, Stress Tests

**Legal/Regulatory.** Glass Steagall, Sarbanes Oxley, Gramm Leach Biley, Dodd Frank, and Volker Rule.

**Strategy.** Would you rather run a technology driven, process driven, talent driven, industry/product driven, or global bank? How would you differentiate?
ASSIGNMENTS

Students are expected to read the cases and materials and be prepared to discuss key themes. Typically, one or two cases and one or two short recent articles are discussed each class.

Students are grouped together in teams to represent “their bank” which could be, for example, Goldman Sachs (last name starts with A-C), Morgan Stanley (D-F), Citigroup (G-I), JP Morgan (J-L), Wells Fargo (M-O), Bank of America (P-R), Lazard (S-U), Evercore (V-X), and PIT (Y-Z).

STRATEGIC ISSUE MEMO (25%): One or two weeks before the midterm, students will be asked to turn in a two-to-three page memo to a fictional CEO about a strategic topic. A successful memo typically answers the following questions in these categories: 1. What is the strategic issue/challenge and background (what are the regulatory, organizational, competitive, or technological issues causing the problem/issue?); the reasons and facts to support why it is an important issue; why should the CEO care/why is the topic important?; 2. what is your recommended course of action?; what facts or data support your recommendation?; costs to implement your recommendation?; resources required?; timing? (and potential consequences?); 3. how will you judge success?/what metrics to track progress?

The paper should provide ideas from readings and discussions as well as data/evidence to support one’s answer/opinion. If you can’t find data, figure out how you could ball park the data, and then use it. Since most busy executives prefer memos to be short and to the point, the short memo forces the student to focus on the question, the answer and the reasons why the student has the answer/opinion. This is Type B Assignment. You can discuss the memos and receive outside help, but you must submit your own work and conclusions and the grade is individual.

MIDTERM QUESTIONS / MID TERM EXAM (25%): Students will be required to generate a total of 10 questions and answers about the course content covered up to the mid-point in the course, based on their readings and notes. A good balance would be at least two questions per each class’ materials. At least 5 questions must be from readings. These questions are questions the student feels could/would be appropriate for a midterm exam. The question itself should highlight the understanding of a key concept of the class and should be essentially leading to a very obvious answer. The answers should be very obvious and short, one or two words. For example, the questions should not be “Define XYZ?” A very thoughtful definition that includes the context of why the concept/word is important and was raised or discussed in class should be in the question, and then the answer should be the word/two-three word concept. There should not be any true or false or multiple-choice questions. Questions (and their answers) will be submitted to the professor in a MS Word document with a header of the student’s name and the use of page numbers. The questions should list where the question came from (what reading and page number, which class discussion, which speaker). These questions will be used as part of the Midterm Group Exam described below.

The questions require the student to think of the 10 things he/she found interesting/most important in the class from readings and discussions that are highly relevant. In order to succeed, the student must draw out what is important and balance them from the various learning methods including readings and discussion. This allows the professor to see what is resonating with students and is it matching the learning objectives. Once again, True/False or multiple-choice questions are NOT acceptable.

This is Type B Assignment. You can discuss the memos and receive outside help, but you must submit your own work and conclusions and the grade is individual.

Some sample questions and how I evaluate them:

1. Q. What is the foundation of the entire financial system? (Class 1 discussion, Video on History of Banking)
   A. Confidence.
My evaluation: This is very good. H-/HP+. We discussed this in class. It is an important concept. One word answer that is obvious.

Another way to write the question:

Q. What is the foundation of the entire financial system that GS also tried to address when it took money from Buffet and also when Paulson tried to address the crisis with his Bazooka? (Class 1 discussion, GS Oracle case study)
A. Confidence

This is excellent. H. Brought in some other concepts/ideas raised in class and readings to demonstrate understanding.

2. Q. What kind of trading was the prime target of the Volker Rule? (Class #X discussion on Regulatory)
A. Proprietary trading.

My evaluation: This is very good. H-/HP+. We discussed this in class. It is an important concept. One word answer that is obvious.

Another way to write the question:

Q. It was believed that a functioning commercial banking system is essential to the stability of the financial system and it was unsafe for banks to engage in high-risk speculation which created unacceptable levels of systemic risk. Therefore This Rule, which is a part of Dodd Frank, specifically prohibits a bank or institution that owns a bank from engaging in proprietary trading (except treasuries and municipal bonds), and from owning or investing in a hedge fund or private equity fund above 3% of Tier One Capital. This rule which has been compared and contrasted to Glass Steagall is also a difficult Rule to interpret because what is proprietary or not is subject to some level of subjectivity and some have argued is a reason why some top proprietary traders from large banks left? (Class #X discussion on Regulatory and Cases X and Y)
A. Volker Rule

My evaluation: This is excellent. H. It shows an excellent understanding of the Volker Rule, why it was created and consequences.

Midterm Group Exam: Students will be broken into small groups (1. Goldman and Morgan Stanley, 2. JP Morgan and Citi, 3. Wells and Bank of America, and 4. Lazard, Evercore and PJT). Each group will elect a captain to take their collective 10 questions each and synthesize the group questions into a group list of the top 10 questions in a word document. The list should include the best questions the group has posed in the aggregate and remove any duplicates concepts covered. At least 5 should be from readings. The group list should have a header with every team members’ name and the group name/number on the top of every page. The group questions should list the name of the person contributing the question after or before the question, as well as the the answer and where the question came from (class discussion, case study and page number, etc.)

The Captain should email the professors the questions and answers for approval at least 48 hours before the midterm exam. Once approved, the captain must bring at least 10 copies of the questions only (not with the answers) and room to write an answer to give to the other teams to answer like a mid-term test and at least 10 copies with the Q and answers. Competing teams will have 15 minutes to answer and write-in the questions in class. Groups should sit near each other.

After the 15 minutes are up, the Captains will grade the tests of the other groups. Then we will discuss the questions and answers overall.

This is a Type A assignment. Besides the number of correct answers, the team is graded based on the quality of their group questions selected and if the questions covered the essential concepts. Make sure each question for the group really highlights a key important concept and shows an understanding of the concept / idea beyond something basic and has an easily identifiable one word answer.

Some sample bad questions and how I evaluate them:

1. Q. What is the stock price of Morgan Stanley?
My evaluation: How is that an important concept learned in the class?

2. What does an average Managing Director make at a bank?

My evaluation: I’m glad you found that interesting. But it’s not really an important concept for the class.

The purpose of the class is to learn. Learning collectively and in a fun, engaging, competitive, and collaborative way ensures that all students are exposed to key concepts through questions and answers within the content area that match the course’s learning objectives. The purpose of this assignment is to ensure everyone is learning the most important material before moving on to the second half of the class.

**FINAL QUESTIONS AND EXAM (25%)**: Similar to the Midterm Questions assignment, students will be required to generate questions and answers about the entire course content, based on their readings and notes. However, the total questions will be 15 for the Final versus 10 for the Mid-term. Five (5) questions will be from the first half of the class. You can use five questions from your previous mid-term ten questions or use new ones you learned/read during the midterm. At least 5 of the new 10 questions must be from readings. The questions are questions the student feels could/would be appropriate for a final exam. The questions will be submitted to the professor in a MS Word document with a header of the student’s name and the use of page numbers. This is a Type B assignment.

Students have the option of participating in the Final Exam on the last day of class (which is a Type A assignment), or submitting another Strategic Issue Memo (or improving what they turned in before) or review of a chapter of *What Happened to Goldman Sachs*. The format of the Final Exam is similar to the Midterm Group Exam in that groups will provide a list of questions to other groups, and teams will earn points for the correct answers. The captain will have to submit the questions to the professor 48 hours before the exam for approval. The group component is a Type A assignment.

**PARTICIPATION (25%)**: Students will be required to attend class, contribute to class discussion, participate in the group activities and answer short preparation questions for class. Contributing to class discussions means enhancing the quality of the class experience for yourself and others. It involves making relevant, useful comments, or posing pertinent questions, in clear and succinct language.

To make sure we have interesting class discussion, often students will be required to answer questions and send them to the professor in advance of class. Some sample questions are at the end of the document with the classes. The responses can be bullet points.

If I don’t ask for answers to be sent to me, you can voluntarily turn in the answers to the questions showing you have prepared for class. I encourage you to send it to me BY EMAIL to show your extra work. I count it toward your class participation grade. The way I come up with your class participation grade is -- after every class, I go home and review the face book roster and put checks next to people’s names that contributed. If you voluntarily have sent me something, then I also put a check next to your name.

If you take notes in class and think they are pretty good / clean, and I should have them (and you are a naturally shy and quiet person and didn’t participate) - please feel free to send the notes to me after class for class participation credit. If you think of other questions, topics etc – please do the same. Class participation to me includes engagement.

I have had students send me slides to use in the future, suggested articles or videos, etc.

**Attendance**
Sign in when you arrive. If you ever sign in for someone else, the highest grade you and he/she can receive in the class is a HP.

If you miss a class and don’t want it to impact your participation grade –email me in advance AND write and email to me one page or less on a topic in my book or write a “amazon-like” short review of my book due 10 days after the missed attendance.
CLASSROOM NORMS AND EXPECTATIONS

Please do not give me hard copies of anything!! You do not need to upload anything to Canvas. Just email to me. I take informal things - it doesn't have to be perfect. Please make sure it is in Word and your name is on it.

I am particularly sensitive to promptness and attendance when we have guest speakers.

You can eat and drink in class, as long as it is discrete and does not disrupt the class or your neighbors. So please be polite, thoughtful, and respectful. Ask the people around you if you are disturbing them or not.

Laptops and checking devices for messages are permitted as long as it is discrete and does not disrupt the class or your neighbors. So please be polite, thoughtful, and respectful. If I have to speak to you about abusing this privilege, then it will hurt your participation grade.

Please respect the contributions and time of others in the class.

Please bring your name card and place it front of you.
METHOD OF EVALUATION

The focuses are on learning and learning practical information and tools to help a student’s career.

There is no curve. However, I have been told by the administration that the most combined H’s and H-‘s I can give is 50%. Often, class participation can be a key determining factor between an H- and HP+.

<table>
<thead>
<tr>
<th>Participation</th>
<th>25%</th>
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<tbody>
<tr>
<td>Questions/Mid-Term</td>
<td>25%</td>
</tr>
<tr>
<td>Strategic Issue Memo</td>
<td>25%</td>
</tr>
<tr>
<td>Questions/Final Exam</td>
<td>25%</td>
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For the strategic issues memo and the individual mid-term and finals questions and answers, I usually respond with the following evaluations: 1. excellent = H; 2. very good = between an H- and HP+ (I can’t decide); 3. good = between an HP+ or HP (I can’t decide); or 4. you should see me and redo it. If I write excellent/very good, then it would be an H-. If I write very good/good, then it would be an HP+.

On the answers to short questions for a class that impacts participation, I usually respond with 1. excellent/very good (you seem to understand and put thought into it), 2. Good/ok (you did the required work) or 3. you didn’t turn it in (not good). Don’t worry if you don’t get a response at all, it’s fine. The answers are not graded. The most important thing is that you did the work. I just note if the work was thoughtful.

The captains for each group for the midterm and final get extra consideration.

In order to avoid ambiguity that may lead to unintentional violations of the Honor Code, the description types for assignments have been standardized. They are specified in the table below.

<table>
<thead>
<tr>
<th>Type</th>
<th>Designation</th>
<th>Discussion of concepts</th>
<th>Preparation of submission</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Group/group</td>
<td>Permitted with designated group*</td>
<td>By the group</td>
<td>Same grade for each member of the group</td>
</tr>
<tr>
<td>B</td>
<td>Group/individual</td>
<td>Permitted</td>
<td>Individual (No sharing of any portion of the submission)</td>
<td>Individual</td>
</tr>
<tr>
<td>C</td>
<td>Individual/individual</td>
<td>None of any kind</td>
<td>Individual</td>
<td>Individual</td>
</tr>
<tr>
<td>D</td>
<td>(An optional category to be defined in detail by the individual faculty member)</td>
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*The designated group can either be an assigned study group or a self-selected one.
Class 1

1st class is an overview of the class and expectations.

In order to understand banks and the strategic issues they face, you need to understand their history. Please watch these videos and do the assignment before class. If you can’t do it before the first class for whatever reason, don’t worry – you have 2 weeks from the date of the first class to complete the assignment which is answer #4 below, which counts toward your class participation grade.

1. Watch this video: https://www.youtube.com/watch?v=fOBTjdDqPDM
It is 45 minutes. It is a little dated, but provides a good history.
Don’t have to watch 2:00 to 9:45 on the building of safes for banks or 29:00 to 35:30 on bank robbers.

Can you answer these questions?

What is at the very core of a bank’s existence? 0:50 to 1:30  ***Trust/confidence is a very important theme
Where does the word “bank” come from? 9:45 to 11:00?
How and when did banking get to North America? 11:15 to 12:00
Who opened the first bank in the US? 12:15 to 12:45
Where did banks get their origins? 13:09 to 13:45
The history of banks in the western U.S. is tied to the history of what? 13:50 to 14:50
What did Wells and Fargo do that was innovative? 14:30 to 15:45
Was there a national currency in 1860? 16:00 to 17:20
After the 1906 Earth wake and fire in S.F., were the contents of the vault intact? 17:30-19:00
What did Bank of Italy innovate? 19:00 to 22:30
Why were women solicited of banks in the 1920s? 22:30 to 23:45
Why was the Federal Reserve created in 1913? 24:00 to 24:30
What is an important risk management strategy? 25:00 to 25:45
What was FDR’s response to bank crisis? 26:30 to 28:00
What is the innovation of ERMA? 36:45 to 37:45  **technology/innovation is a very important theme
What does a credit card do? 37:45 to 38:15?
A credit card led to what next innovation? 38:30 to 39:30
Why do banks like ATMs? 40:15 to 40:40
Who do banks need to be worried about as competitors? 42:00 to 43:00  **competition is a very important theme
What will happen to brick and mortar banks? 43:45 to 44:20

2. Watch History of Citibank to get a history of how US banks became global.
It is 8 minutes. https://www.youtube.com/watch?v=ODqyDuoyijo

Can you answer these questions?

Who started Citibank and why did they start it? 0:30 to 1:00
After the Civil War, what did Citibank join? 1:50 to 2:15
In 1866 what was the new innovation in banking? 2:10 to 2:30
By the turn of the centuries what were foreign companies looking for? 2:45 to 3:00
The Federal Reserve Act in 1913 allowed what for US bank to expand? 3:00 to 3:30  ***global is a very important theme
How many branches did Citibank have before 1920? 3:30 to 4:10
What did Citibank do in 1928 to give consumers services reserved for more affluent? 4:45 to 5:00
Citibank made 2 acquisitions 1. International Banking Corporation (~3:30) and 2. Fammers Loan and Trust Company (~5:00). Why? What did they add? So acquisitions are a part of Citibank history and culture?  ***acquisitions and impact on culture is a very important theme
Profits from China helped when other areas struggled, showing geographic diversification does what? 5:15 to 5:45
To help solve a slowdown, the bank did what in 1955? ~7:00
Which bank started Visa and which started Mastercard? ~ 7:45

3. Watch this video on the history of Wall Street. It is around 45 minutes https://www.youtube.com/watch?v=flJTNk2a7VE
4. **What are your Questions from the history of Wall Street video.** Email a list of at least 10 questions with answers to professor **within 2 weeks of the first class.** One question should be a technological change or pressure. One question should be on a regulatory change or pressure. One should be on competition pressure. The other 3 can be whatever you found interesting.  

*For example: Q. July 8, 1889 what was first published? What average/index was also created? ~18:10 [Technology change] A. WSJ. Dow Jones.*  

*Note: This would not be a good midterm question as structured. The idea of a technology change is and why it was important. But this assignment is to show you watched the video and are engaged.*
Class 2 and possibly Class 3

Mapping Out the departments and divisions of a bank.

Investment Bank: M&A/Strategic Advice, Corporate Finance, Capital Markets (Debt and Equity), Sales and Trading (FICC: Fixed Income (Gov’t, IG, HY, Structured), Commodities, Currencies; Equities (cash, derivatives, structured); Emerging Markets; Research (Equity, Fixed Income, Economic)

Asset Management: High Net worth, PE Fund, RE Fund, Hedge Fund, Portfolio Allocation/Investment Management

Treasury Services: Transaction Services

Corporate Operations: Accounting, Treasury, IT, Risk Management, Operations, Legal

Retail Branches/Consumer and Community Banking: Mortgages, Credit Cards, Auto, Retail banking

Corporate Banking: Transaction Services, Small Business Loans