DEPARTMENT OF INTERNATIONAL BUSINESS

COURSE NUMBER: IBUS 4302 (old 173) -10
SEMESTER: Fall 2013
MEETING TIME: Monday and Wednesday 11:10 a.m. – 12:25 p.m.
Classroom: DUQUES 258

COURSE TITLE: International Banking (CRN 57157)

COURSE DESCRIPTION: This course focuses on institutional and regulatory issues in international banking. It examines the current international banking and financial environment and its evolution during the past decades, banks’ global operational issues, and the regulatory problems confronting international banks as well as the recent banking and financial crises.

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OFFICE HOURS: Monday and Wednesday 2:30-4:30 p.m. and by appointment


ASSIGNMENTS: Prior to each class session, students are expected to complete the required readings for the assigned session. Late submission of the term paper is subject to a penalty of ten percent of the paper's grade.
METHOD FOR GRADING:

Final exam (Monday, Dec. 9) 40%
Mid-term exam (to be set later) 20%
Term paper (due on Monday, Nov. 11) 40%

Term paper topics: 1) analysis of issues in a selected emerging market banking system (e.g., Brazil, Russia, India, China, South Africa, Mexico, Turkey); 2) analysis of issues in the Japanese banking system; and 3) project finance case studies. Term paper length: maximum 10 pages with 1.5 spacing & font 12

Class Session Brief Description of Topic

1) Introduction

A. International Financial Transactions
B. The Major Financial Markets Compared
C. How Globalized are Financial Markets?
D. Cost and Benefits of the Internationalization of Finance
E. The Problem of Systemic Risk
F. The Global Financial Crisis
G. Financial System Stability and Long Term Savings

Text, Chapter 1

BIS Annual Reports, Quarterly Reviews and Banking Statistics


2) International Aspects of U.S. Banking Markets

A. Domestic and International Banking Markets
B. Basic Features of U.S. Bank Regulation
C. Foreign Banks in the United States: Host Regulation
D. Home Regulation Transnational Banking, and International Coordination
E. Bank Failure and Resolution
F. The Structure of Regulation and Supervision
G. Trade in Financial Services: The GATS
H. Competitiveness of Domestic Banks vs. Foreign Banks Subsidiaries: Interplay of Regulation and Tax Treatment

Text, Chapter 3


3) The European Union: The Single Market in Financial Services

A. Introduction
B. Banking Markets

Text, Chapter 4, Sections A and C
4) **Europe’s Economic and Monetary Union**
   A. The Design of the European Monetary Union
   B. The European Crisis
   C. Responding to the Crisis:
      a. Use of Bailout Funds
      b. Use of Monetary Policy
   D. Use of Restructuring
   E. Control of Spending
   F. Attempts to Recapitalize the Banking Sector
   G. Will the Euro Survive?

   Text, Chapter 5

5) **Capital Adequacy**
   A. Background of the Basel Accord and Definition of Capital
   B. Credit Risk under Basel I
   C. Basel II
   D. From Basel II to Basel III, and Beyond
   E. Market Discipline Alternative
   F. Market Risk
   G. Operational Risk
   H. Home Hosting Problems

   Text, Chapter 7

6) **The Payment System**
   A. The Use of the U.S. Payment System for International Transactions
   B. Fedwire and CHIPS: Risk Reduction Measures
   C. Herstatt Risk
   D. Some Aspects of the International Payment System

   Text, Chapter 9

7) **Mid-term exam**

8) **Clearance and Settlement**
   A. The Basic Elements
   B. International Dimensions
   C. Future Arrangements
   D. Capital Requirements and Prudential Supervision

   Text, Chapter 10

9) **Euromarkets**
   A. Introduction to the Eurocurrency Market
   B. Syndicated Eurodollar Loans: An Overview
   C. The Allocation of Risk Among the Parties to an Eurocredit Based on Sample Agreement
   D. Eurobonds

   Text, Chapter 11

10) **Asset Securitization and the Financial Crisis**
    A. Introduction
    B. Key Issues in Structuring an Offering
C. The Development of National ABS Markets in Germany and Europe
D. Capital Adequacy Rules for ABS
E. Reform of the Securitization Process
F. Housing Markets: Relief for Borrowers and Consumer Protection
G. Unfair and Deceptive Practices
H. Liability for the Past

Text, Chapter 12

11) Swaps
   A. Swap Transactions and Markets
   B. Credit and Market Risks
   C. Credit Derivatives
   D. Operational Risk and OTC Regulation
   E. Capital Requirements
   F. Enforceability Issues
   G. Industry Initiatives

Text, Chapter 15

12) Sovereign Debt Market
   A. Emerging Market Debt
      a. Introduction
      b. The Debt Problem
      c. Reform of the Debt Resolution Process
   B. Developed Economies Debt Problem

Text, Chapter 19

13) Financial System Reforms in Developing and Emerging Markets
   A. An International Banking Standard
   B. International Financial Architecture Approach
   C. Regional Integration
   D. Capital Controls

Text, Chapter 20

14) Controlling the Financing of Terrorism, Terrorism Insurance, and Financial Terrorism
   A. Money Laundering and Anti-Terrorism
   B. Freezing Terrorist Assets
   C. Reinsurance Crisis
   D. Attacking the Financial System
   E. Costs and Benefits

Text, Chapter 22