

University of Mannheim
Finance Department

FIN 622: Raising Capital from Financial Institutions

Syllabus
FSS 2011
Tuesdays: 10.15am – 11.45am
Room: O169

Instructor:

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Office hours: Tuesday, 2-3pm or by appointment

Course Description

This course explores the role of financial institutions in helping non-financial businesses raise capital. The first part of the course provides an overview of the financial system architecture and emphasizes causes and consequences of the financial crisis. We also analyze the role of financial contracts in raising capital such as lending to large customers (syndicated lending). We will discuss, among other things, the credit risk inherent in loan contracts, how to measure and price credit risk and the economics of structured finance. We also discuss lending to small businesses and compare bank loans to venture capital financing. The third part of the course explores the leveraged loan market. We will discuss the distinct features of the leveraged to the investment grade loan market (e.g. the role of private equity and other institutional investors) and the role of the structured credit market in fueling the LBO loan supply of the pre-crisis period. The fourth part of the course explores the restructuring of debt (in the post-crisis period). The last section gives an overview of the international loan market.

The course language is English and will be structured as a combination of lecture, discussion and case studies. We will have 2 guest speakers.

Raising Capital from Financial Institutions

Literature

- Textbooks:
 - Saunders, A., M. Cornett, Financial Institutions Management: A Risk Management Approach, McGraw-Hill/Erwin (6th Edition) (S&C)
- Course Pack (including case studies); you will be charged the royalties for the case studies (CP)
- Slides
- Other articles

Except for the case studies and textbook, all material will be uploaded on the course website. You need not purchase the textbook. We will use selected chapters. Some copies are available at the library.

Grades

Case Studies: 50%

Final Exam: 50%

There are two mutually exclusive options:

1. Hand in 2 (out of 4) case studies and the final exam counts 50%. (The case studies can be done in teams of max. 5 students) **or**
2. Only take the final exam which then counts 100% of the grade.

If you hand in your case studies, you have to submit them as hard copy (and email) before we discuss them in class. I will grade them *only* if you hand in at least 2 case studies. If you hand in more than 2, the best 2 will count. Note that the case studies are integral part of the class and will be part of the final exam.

I will make changes to this schedule if I think is appropriate.

Raising Capital from Financial Institutions

Overview

Class	Date	Topic
1	15.02.2011	Module 1: The Financial System and the Role of Financial Institutions
2	22.02.2011	Module 2: Financial Crisis
3	01.03.2011	Module 3: Bank Lending & Syndicated Loans
4	08.03.2011	Module 3: Bank Lending & Syndicated Loans
5	15.03.2011	Module 4: Credit Risk
6	22.03.2011	Module 5: Securitization
7	29.03.2011	Guest Speaker
8	05.04.2011	Module 6: Relationship Lending & Small Business Finance
9	12.04.2011	Module 6: Relationship Lending & Small Business Finance
10	03.05.2011	Module 7: Incentives and Private Equity Fund Structure
11	10.05.2011	Module 8: Leveraged Loan Market
12	17.05.2011	Module 9: Leveraged Buyouts
13	24.05.2011	Guest Speaker
14	31.05.2011	Module 10: Debt Restructuring
15	07.06.2011	Module 11: International Loan Markets

Course Outline

1. Module 1: The Financial System and the Role of Financial Institutions (Class 1)
Slides
S&C, Chapters 1-7
2. Module 2: Financial Crisis (Class 2)
Slides
S&C, Chapter 1
3. Module 3: Bank lending & syndicated loans (Class 3 & 4)
Slides
CP: A Note on Bank Loans
S&P Guide to the Syndicated Loan Market
S&C, Chapters 13 & 26
Case Study: Hong Kong Disneyland (4th class)

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4. Module 4: Credit risk (Class 5)
Slides
S&C, Chapters 11-12

5. Module 5: Securitization (Class 6)
Slides
Coval and Stafford on CDOs
Case Study: Bistro Trust Case

6. Guest Speaker (Class 7)

TBA

7. Module 6: Relationship Lending & Small business finance (Class 8 & 9)
Article on relationship lending
Contracting and control in venture capital

8. Module 7: Incentives and Private Equity Fund Structure (Class 10)
Slides
“Note on Private Equity Partnership Agreements” by Josh Lerner

9. Module 8: Leveraged Loan Market (Class 11)
Slides
S&P Guide to the Syndicated Loan Market

10. Module 9: Leveraged Buyouts (Class 12)
Slides
Case Study: The Sale of Citigroup's Leveraged Loan Portfolio.

11. Guest Speaker (Class 13)

TBA

12. Module 10: Debt restructuring (Class 14)
Slides
Case Study: Momentive Performance Materials, Inc.

13. Module 11: International Loan Markets (Class 15)