

**New York University Tandon School of Engineering**  
Department of Financial Engineering  
Course Outline FRE-GY 6111 INVESTMENT BANKING AND BROKERAGE  
**Fall 2018**  
**Professor Raphaelle Chappe**  
Mondays 6:00pm – 8:41 pm; Rogers Hall, RGSB\_602

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Office hours: Mondays 4:00 – 6:00pm or by appointment

Course Pre-requisites

None

Course Description

This course introduces an overview of Wall Street, the back office and general brokerage operations, investment banking and capital markets. The course covers subjects essential to understanding how products, once created, are distributed and sold. The course relies heavily on The Wall Street Journal, Financial Times and other trade publications. Topics include a brief history of Wall Street, an understanding of the major securities laws and how they have changed over time, basics of equity and debt securities, creation of debt and equity securities, and pricing and sale of debt and equity securities. The course seeks to understand how and where opportunities for creating new securities arise.

Course Objectives

- Become familiar with the different businesses and key products associated with investment banking, and key concepts in the industry: hedge funds, proprietary trading, underwriting, mergers, acquisitions, market-maker, broker-dealer etc.
- Apply valuation methodologies to prepare valuation models for publicly traded company
- Understand planning issues associated with leveraged buy-outs
- Understand legal and regulatory issues relevant to the industry

Course Structure

Detailed powerpoints are available for every lecture, in addition to the course readings.

Readings

Specific reading assignments from the text below are intended to complement the material in lectures and discussions. Additional reading material, generally articles, are all provided on the course website.

The required texts for the course are:

- Rosenbaum & Pearl (2013), *Valuation, Leveraged Buyouts, and Mergers & Acquisitions*. Wiley (2<sup>nd</sup> edition), ISBN-10: 1118656210
- David P. Stowell (2010), *An Introduction to Investment Banks, Hedge Funds, and Private Equity: The New Paradigm*. Elsevier. ISBN-10: 0123745039

Books and readings can be found at the NYU bookstore and online in the course website.

### Course requirements

- Students are expected to attend class on time
- Complete all readings and assignments by their due date

Valuation homeworks and Valuation project | | 50% of final grade

Final exam | | 50% of final grade

The final will consist in a combination of true / false, multiple choice and short essay questions. A detailed study guide will be distributed beforehand.

### **Nov 5. Introduction, key products, commercial banking and investment banking**

Stowell (2010). [Ch. 1-3, 5-6]

#### Additional readings:

Werner (2016). “A lost century in economics: Three theories of banking and the conclusive evidence.” *International Review of Financial Analysis* 46: 361–379.

Werner (2014) “Can banks individually create money out of nothing? — The theories and the empirical evidence.” *International Review of Financial Analysis* 36: 1–19

Werner (2014) “How do banks create money, and why can other firms not do the same? An explanation for the coexistence of lending and deposit-taking.” *International Review of Financial Analysis* 36: 71–77

New York Times (2008) “As Goldman and Morgan Shift, a Wall St. Era Ends”

New York Times (2012). “Banks Tread a Fine Line in Trading”

Lewis (2010). “Proprietary Trading Goes Under Cover”. Bloomberg.

Lewis (2010). “The Mystery of Disappearing Proprietary Traders” Bloomberg.

HuffPost (2011) “Volcker Rule To Restrict Banks' Proprietary Trading Contains Loopholes”

### **Nov 12. Valuation: Discounted Cash Flow Analysis**

Rosenbaum & Pearl (2013) [Ch. 3]

Valuation models (spreadsheets):

- Dividend Discount – example
- Goldman Sachs Dividend Discount Model
- Twitter enterprise valuation
- Cost of capital by sector

Homework #1

### **Nov 19. Valuation: Comparable Companies Analysis**

Rosenbaum & Pearl (2013) [Ch. 1].

Valuation models (spreadsheets):

- Goldman Sachs PE valuation
- PE ratios by sector

Homework #2

### **Nov 26. M&A transactions and Leveraged Buy-Outs**

Rosenbaum & Pearl (2013) [Ch. 4-6]

Stowell (2010). [Ch. 4, Ch. 16-20]

### **Dec 3. Hedge Fund & Proprietary Trading**

Stowell (2010). [Ch. 11-15]

Additional readings:

Semmler & Chappe (2013). "Seeking Alpha": The Performance of Funds of Hedge Funds"

Freed (2015). "The Dubious History of Hedge Fund Performance 1998 – 2014"

Jackson & Mitts (2014). "How the SEC Helps Speedy Traders" Columbia Law School

Kaal (2013). "The Impact of Dodd-Frank Act Compliance Cost on the Hedge Fund Industry"

Officer (2009). "The Ponzi Scheme in Every Hedge Fund" Time Magazine.

**Dec 10. Underwriting Business (Equity & Fixed Income)**

Stowell (2010). [Ch. 7-10]

**Dec 17. Final Exam**

**Moses Center Statement of Disability**

If you are student with a disability who is requesting accommodations, please contact New York University's Moses Center for Students with Disabilities at 212-998-4980 or mosescsd@nyu.edu. You must be registered with CSD to receive accommodations. Information about the Moses Center can be found at www.nyu.edu/csd. The Moses Center is located at 726 Broadway on the 2nd floor.

**Academic integrity**

Academic integrity is highly valued and academic dishonesty of any kind, cheating, forgery, plagiarism and collusion, is unacceptable and will not be tolerated. During exams, a student should neither give assistance to nor receive assistance from anyone and should not use any unauthorized notes or other aids. Any suspected cheating will be reported to the school, possibly resulting in course failure or school dismissal.