



C A T A L O G U E



LIST OF CASE STUDIES ON

FINANCE, ACCOUNTING & CONTROL

IBS Case Development Centre

Finance

NASDAQ and the Consolidation of Stock Exchanges: The Payoffs

The National Association of Securities Dealers Automated Quotations (NASDAQ), one of the world's leading stock exchanges, gained its reputation by adopting technological innovations in trading systems. Since 1998 the global stock exchanges were moving towards consolidation, which offered them economies of scale, and reduced cost for traders. But companies were faced with a dilemma as to where they should enlist. The directives issued by the Securities and Exchange Commission that stock orders should be processed electronically launched a race for technological superiority among existing stock exchanges. To become a leader in the global electronic stock market, NASDAQ sought to acquire the all-electronic London Stock Exchange (LSE) in 2006. The case discusses the dynamics of the global stock market business through NASDAQ's aspirations to acquire LSE and the opportunities and challenges in store for NASDAQ.

Pedagogical Objectives

- To understand the dynamics of the global stock exchange business
- To study the growth strategy of NASDAQ and its success factors
- To analyse the opportunities and challenges in the stock exchange business
- To understand the consolidation move and its impact on stock exchange business.

Industry	Stock Exchanges
Reference No.	FAC0038A
Year of Pub.	2008
Teaching Note	Available
Struc.Assig.	Available

keywords

NASDAQ; Consolidation of Stock Exchanges; New York Stock Exchange (NYSE); London Stock Exchange (LSE); Finance Case Study; Initial Public Offering (IPOs); Clearing and settlement (C&S); T+3 Trading System; Screen-based trading; 'Open outcry' System; Markets in Financial Instruments; Directive (MiFID); Mergers and Acquisitions; Competitive Drivers of Stock; Exchanges Business; NASD

US Subprime Mortgage Market (C): Global Credit Crunch and Crisis at Northern Rock

This case study on subprime crisis concentrates on liquidity - an asset's property of being traded quickly and at low cost. Particular attention is devoted to determinants of liquidity, liquidity risk and central bank intervention - all that have arisen due to liquidity problems at Northern Rock, due to the subprime crisis. With the help of this case, students will not only understand the theoretical underpinnings of liquidity, but also analyse the credit market conditions that have led to spread of subprime contagion to UK, resulting in collapse of Northern Rock.

Pedagogical Objectives

This case study helps students to understand and analyse:

- Liquidity and its determinants
- Liquidity risk
- Global inter-bank lending
- Central bank intervention
- Issues in managing liquidity risk.

Industry	Financial Services
Reference No.	FAC0037
Year of Pub.	2007
Teaching Note	Available
Struc.Assig.	Available

keywords

Liquidity; Liquidity Risk; Global Inter-bank Lending; Central Bank Intervention; US Subprime Mortgage Market; Financial Crisis; Finance Case Study; Northern Rock

US Subprime Mortgage Market (B): Crisis and its Aftermath

In 2007, increased foreclosure rates in the US triggered a huge crisis - affecting the whole set of participants in subprime mortgage market. This case study - second in its series - looks into the havoc the crisis created. The focus is on how levels of intermediation, between the borrower and the investor, created huge conflicts of interest and rapid collapse of the subprime mortgage market. Sophisticated investors, including many large investment banks that have invested billions of dollars, fuel subprime mortgage market. By the end of August 2007, substantial amounts of the investors' equity capital was lost - resulting in a huge credit crisis across the world.

Pedagogical Objectives

The case acts as a trigger for analysing the crisis from various perspectives:

- Microeconomics
- Behavioural Finance
- Derivatives and Risk Management
- Accounting and Control
- Working Capital Management
- Leadership.

Industry	Financial Services
Reference No.	FAC0036
Year of Pub.	2007
Teaching Note	Available
Struc.Assig.	Available

keywords

Microeconomics; Behavioural Finance; Finance Case Study; Derivatives and Risk Management; Accounting and Control; Working Capital Management; Leadership; US Subprime Mortgage Market; Financial Crisis

US Subprime Mortgage Market (A): Financial Innovation and Welfare Effects

In 2007, the sharp rise in foreclosures in US' subprime mortgage market segment snowballed into a global financial crisis. Such a remarkable event is tracked in a set of three case studies. This set sensitises students to the elements of the subprime crisis. The first in the set, this case study is meant to introduce students to various facets of real estate securitisation from a debt perspective. It primarily emphasises the unique aspects of US subprime mortgage market, a key segment in the fixed income universe. Debt instruments explored include Adjustable Rate Mortgages (ARMs), residential Mortgage Backed Securities (MBS) and Collateralised Debt Obligations (CDOs). Spotlight is actually on how financial engineering works for corporate, as well as, social benefit.

Pedagogical Objectives

- Why subprime mortgage market evolved?
- Default risk and risk-based pricing
- Various debt instruments - both in the primary and the secondary subprime mortgage market
- Players and structure of the US subprime mortgage industry

- Benefits and issues surrounding the subprime mortgage market.

Industry	Financial Services
Reference No.	FAC0035
Year of Pub.	2007
Teaching Note	Available
Struc.Assig.	Available

keywords

US Subprime Mortgage Market; Financial Innovation; Default Risk; Debt Instrument; Finance Case Study; Mortgage Backed Securities (MBS); Collateralised Debt Obligations (CDOs); Financial Crisis; Adjustable Rate Mortgages (ARMs); Mortgage Industry

Exchange Rate Volatility and Reserve Bank Intervention: The Case of New Zealand

In 1985, New Zealand's currency was allowed to float, after the pegging regime. It was during June 2007 that, for the first time, the Reserve Bank of New Zealand (RBNZ) had to intervene in the currency market – to curb the rise in the kiwi dollar. During the past 22 years, New Zealand's interest rates stayed quite high than other developed nations. This was attractive enough for currency traders, especially from Japan, to indulge in carry trade. This party went along only for some time. The kiwi dollar started breaking the barriers. RBNZ took an unusual step of intervening in the exchange rate appreciation. Because of which questions arise like should RBNZ intervene at all? If it should, is its timing correct? What are the permissible levels of kiwi dollar appreciation? What is the better form of intervention? How long should this intervention be continued?

This case study helps in discussing the causes and effects of exchange rate volatility, and also the relation between exchange rate and interest rate. It also helps debate how the central bank controls the volatility in exchange rate.

Pedagogical Objectives

- To understand the desirability and volatility of the two exchange rate regimes
- To analyse the relationship between exchange rate and interest rate
- To study the reasons for the attractiveness of the kiwi dollar as the desired carry trade currency
- To know how good was RBNZ's market intervention.

Industry	Not Applicable
Reference No.	FAC0034
Year of Pub.	2007
Teaching Note	Available
Struc.Assig.	Available

keywords

Exchange Rates; Interest Rates; Fixed and floating exchange rates; Nominal and real exchange rates; Real Interest Rates; Finance Case Study; Exchange Rate Volatility; Carry Trade, New Zealand Economy; Inflation Targeting; Monetary Policy

World's Largest-ever Public Issue by ICBC: Banking on the Banking Reform

China's largest lender, Industrial and Commercial Bank of China, raised \$19.1 billion in a simultaneous listing in Hong Kong and Shanghai stock exchange. The dual listing became the largest-ever initial public offering, surpassing Japan's NTT Docomo (\$18.4 billion) in 1998. A very likely exercise of greenshoe option would enable the bank to raise \$21 billion by selling 16.7% of its total share capital from the public and would rank ICBC as the fifth most valuable financial institute in the world with an expected market value of more than \$135 billions. Industrial and Commercial Bank of China was one of China's four state-owned commercial banks, and held 16% of China's \$4.9 trillion banking assets. With a customer base of 153 million retail customers and 2.5 million corporate clients, the bank had no dearth of business. The bank had come a long way from being 'technically insolvent' in 2000 to become one of the biggest banks in Asia. During the past five years, the bank increased its pretax profit tenfold and cut its bad-loan ratio by almost 30% from a high of 34% in 2000. Still, some old lending practices, such as focusing on market share rather than profitability and providing loans based on direct orders from the government rather than ability to repay, persisted. As the majority of stake was held by the ministry of finance and Central SAFE Investments, there was a lack of accountability. Privatization was believed to make the bank competitive. While the investors were rushing to subscribe to the IPO, many analysts were skeptical about the future of the bank, due to its asset quality, low profitability and ongoing corruption charges.

Pedagogical Objectives

- To understand the role of reform in the growth strategy and revival of banking companies
- To have a brief understanding of the Chinese banking Industry
- To understand how a bank can take advantage of the banking reform
- To understand how IPO's could take advantage of a booming economy and sectorial reform

- To analyse the possible steps to be taken in order to sustain in the post reform period.

Industry	Banking
Reference No.	FAC0033K
Year of Pub.	2006
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Banking; China; Finance Case Study; IPO (initial public offering); Reform; Capital adequacy; NPL (non-performing loan); ICBC (Industrial and Commercial Bank of China); Deposit; Net interest income; Basel; Huijin; GDP (gross domestic product); Greenshoe; Loan; Province

Bank of China's IPO: Banking on the Banking Reform

Bank of China launched its domestic initial public offer (IPO) and raised \$13.6 billion by selling 14.7% of its stake. Established in 1912, Bank of China was one of China's four state-owned commercial banks. The bank had come a long way from being 'technically insolvent' in 1998 to become one of the biggest banks in Asia. The banking reform of China had helped the bank to reduce its non performing loan (NPL) ratio by 23% within a period of four years, from 27.5% of in 2001 to 4.6% in 2005. Still, some old lending practices, such as focusing on market share rather than profitability and providing loans based on direct orders from the government rather than ability to repay, persisted. As the majority of stake was held by the government, shareholders lacked their accountability. Privatization was required for improvements in bank governance structures, overhaul of their staffs. Besides, China's WTO commitment to open up banking sector to foreign strategic partners by the end of 2006, led the bank offtake its holdings. But the bank was yet to recover from some basic problems. Besides, the huge level of NPL and antiquated computer systems, Bank of China was also struggling to overcome a legacy of fraud and mismanagement. The bank accounted for 75% of the \$94 million fraud linked to bank bills and promissory notes. The bank was also financing its long term assets through short term liabilities, thus the liquidity position was at big risk. Still, financial institutions and individual investors rushed for the IPO and oversubscribed by around 80 times.

Pedagogical Objectives

- To understand the role of reform in the growth strategy and revival of banking companies
- To have a brief understanding of the Chinese banking Industry

- To understand how a bank can take advantage of the banking reform
- To understand how IPO's could take advantage of a booming economy and sectorial reform
- To analyse the possible steps to be taken in order to sustain in the post reform period.

Industry	Banking
Reference No.	FAC0032K
Year of Pub.	2006
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Bank; China; Reform; IPO (initial public offering); NPL (non-performing loan); Loan; Deposit; Interest; Basel; Huijin; Capital adequacy; GDP (gross domestic product); Greenshoe; Province; Finance Case Study; Book value

Agricultural Bank of China: Unbanking on the Banking Reform

As three of China's big four banks (BOC, ICBC and CCB) came under the spotlight after raising around \$40 billion through IPOs, the fourth bank, Agricultural Bank of China, remained saddled with non-performing loans and was still uncertain when restructuring would begin. ICBC and ABC both had a NPL of around 35% at the beginning of the last phase of reforms. But, the situation seems to be unchanged for ABC, as the NPL stood high at 26% at the end of 2005, where as the other three banks reduced it to the level of around 4%. Primarily there were two reasons for ABC's failure to take the advantage of reforms. ABC had long shouldered the responsibility to provide financial support to the nation's rural areas, which had led to a huge amount of bad loan. Unlike the state owned enterprises being the borrower in case of the three successful banks, most of the customers for ABC was individual farmers, small enterprises and common people. Moreover, saddled with \$93 billion in non-performing loans, the lender needed a government bailout between \$60 billion and \$70 billion to restructure. The figure contrasted with a combined \$60 billion that was given to three other banks since 2003. Usually, bank bailouts were dished out solely by the central bank's Asset management arm, Central Huijin Investment Corp. But it had been reluctant, so far, to say how much it would contribute in the Agricultural Bank's case. Secondly, these loans were more difficult to recover than those made to corporate clients.

Like other three state banks, the debt-laden ABC was also planning to become a joint-stock company and seek market listing to

help streamline its operations. But, the bank's long-running problems with irregularities, reckless lending and corruption charges were allegedly severe. Agricultural Bank was also needed to develop its non-rural business to help broaden its base and attract investors. Authorities was yet to unveil a plan to revamp the bank, though there' was some speculation that the troubled lender might be broken up into smaller institutions.

Pedagogical Objectives

- To understand the role of reform in the growth strategy and revival of banking companies
- To have a brief understanding of the Chinese banking Industry
- To understand the reasons of failure in taking advantage of the banking reform
- To analyse the possible steps to be taken in order to become solvent and successful.

Industry	Banking
Reference No.	FAC0031K
Year of Pub.	2007
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Bank; China; Reform; Non-performing Loan (NPL); Loan; Deposit; Capital adequacy; Finance Case Study; Gross Domestic Product (GDP); Book value; Huijin; Interest; Initial Public Offering (IPO); Province; Rural; Countryside

Payment Systems in India - Reserve Bank of India's Strategic Approach

The Reserve Bank of India (RBI) has brought about considerable degree of reforms in the payment and settlements systems in India. RBI has made a reality check of its "Payment Systems – Vision 2001-03". Buoyed by the considerable progress made so far "Payment Systems – Vision 2005-08" set up an ambitious roadmap to carry forward the reforms and to establish a safe, secure, sound and efficient payment system in India in consonance with international standards and best practices.

RBI intended to achieve this through certain specific strategic measures like setting up a new institutional structure for retail payment systems, establishment of a national settlement system, setting up the legal framework for payment and settlements, risk mitigation in payment systems, efficiency enhancements, rural sector facilitation and customer facilitation and protection. The revamping of payment systems was expected to result in

transparency of electronic payments, facilitate government payment and collection systems, support small business growth, reach out to the non banking segment of the population, facilitate international remittances and encourage tourism. Analysts kept a close watch on how RBI would meet these expectations on the implementation front.

Pedagogical Objectives

- To understand RBI's strategies for revamping of payment systems
- To discuss how RBI would meet the expectations.

Industry	Banking and Finance
Reference No.	FAC0030B
Year of Pub.	2007
Teaching Note	Available
Struc.Assig.	Available

keywords

Reserve Bank of India; Payment Systems; Internet Banking; Banking Technology; RBI – Vision Document; Efficiency enhancements; Customer Facilitation and Protection; Finance Case Study; Retail Payment Systems; National Settlement Systems; Risk Mitigation and Payment Systems; Rural Sector Facilitation

The Takeover of Qantas: A Survival strategy?

Qantas Airways was the national icon of Australia. It was a legend in the aviation industry and exhibited good performance in spite of the volatility of the aviation industry. In 2006, it earned \$13,646.7 million. It was able to obtain considerable cost savings of \$501 million in 2006 by its Sustainable Futures Program.

The company had adopted a policy of maximizing share holder value and kept an optimal capital structure which supported an investment grade credit rating. At Qantas, it was a custom to analyse the prize, availability, constraints, debt flexibility and credit rating before taking any capital management decision.

Qantas had ambitious plans of acquiring 115 B-787s airplanes. It accepted a takeover by a consortium involving Allico group, Macquarie bank, Texas pacific group and Onex. The Texas Pacific group was well known for acquiring unprofitable companies and turning them around. It had long been scouting the Asia Pacific market for a long term investment and the takeover of Qantas would provide it an exciting opportunity. The consortium promised Qantas to provide the capital needed for the fleet expansion program. But after this deal Qantas would be a heavily leveraged firm. Given the volatility of the

airline industry and a heavily leveraged capital structure would Qantas be able to exhibit robust performance was a debatable question.

Pedagogical Objectives

- To understand the dynamics of the global aviation industry
- To understand the optimal capital structure and the effect of leveraging
- Understanding the capital expenditure decisions of Qantas and the impact on the capital structure of the firm
- To discuss the future financing strategies of Qantas.

Industry	Aviation
Reference No.	FAC0029A
Year of Pub.	2007
Teaching Note	Available
Struc.Assig.	Available

keywords

Qantas Airways; Australian aviation industry; financial risk; performance of Qantas; Debt-equity; maximising share holder's value; capital structure; take over; Leveraged buyout; Private equity; Allco group; Texas Pacific group; Macquarie bank; Strategic Alliances; Sustainable Futures Program; fuel prices; Finance Case Study; airlines deregulation

AIG: The Accounting Scandal Unfurls

In February 2005, AIG, one of world's leading insurance and financial services organization was accused of improper accounting and manipulation of financial statements. The case discusses the accounting frauds committed by AIG, and provides an insight into the ways by which AIG manipulated its financial statements. The role of the company's top management in the scandal has also been discussed. Finally, the case explores the initiatives being taken by the company to change its management structure, restate its financial statements and restore investor confidence.

Pedagogical Objectives

- To discuss the accounting scandal at AIG in 2005 and focus on issues of 'transparency in disclosure of accounts', 'ethical conduct', 'ethical audit' and 'ethics in corporate governance'
- To discuss the 10/10 rule of risk transfer, side letters and their usage, the involvement of top management in the scandal and the effects of the scandal on the company's market capitalisation and image.

Industry	Insurance and Financial services
Reference No.	FAC0028P
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

AIG; Accounting scandal; Financial services; Manipulation of financial statements; Involvement of top management; Accounting fraud; Insurance sector; Finite insurance; Reinsurance/reinsurers; Maurice Greenberg.

Tug of War-NSE vs BSE

Bombay Stock Exchange (BSE) established in 1875 by an association of brokers was the prominent stock exchange in India and the oldest in Asia. The BSE index SENSEX (consisting of 30 representative stocks) emerged as a prominent brand in the country. Over the period of time BSE brought about various technological upgradations and made training online, from an initial outcry system of trading. However, severe scam in 1991-1992 raised the questions of transparency in trading.

In order to provide more transparency and fair trading platform for investors, NSE was established in 1995, by a group of leading financial institutions in India. Being a professionally managed, for-profit exchange NSE, brought various product differentiations and facilitated investors. Within a short span of 10 years, it became the leading stock exchange in the India and third largest in the world.

In 2005, BSE in order to sustain competition from NSE, transformed into a corporate entity (ownership and management were separated).

The case discusses the growth of BSE and how a comparatively more professionally managed NSE gave a tough competition to it. Whether the restructuring exercise carried out by BSE would benefit it in regaining its glory was to be seen.

Pedagogical Objectives

- To study the growth of BSE from a simple association of brokers to a professionally managed stock exchange
- To study the success of NSE and the ways in which it provided tough competition to BSE
- To analyse the prospects of restructuring exercise carried by BSE.

Industry	Stock exchanges
Reference No.	FAC0027A
Year of Pub.	2006
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

NSE; BSE; SENSEX; NIFTY; NSDL; CDSL; Stock exchanges; Cash segment; Derivative segment; Future & Options; SEBI; Demutualization; Restructuring; Management dilemma; Badla system.

Visa International: Boosting electronic payments in India

In 2005, Visa's outlook was distinctly positive due to a growth in electronic payments services in India. Visa, had been witnessing an increase in its sales volume at the rate of 50%. It had introduced new products like Visa Money Transfer for easy remittances, Visa Bill Pay for online payment of utility bills and Visa Mobile top-up for prepaid cards. India was the first country in the Asia Pacific region where Visa Money Transfer was launched.

The National Council for Applied Economic Research report mentioned that the unrealised potential of mid size cities of India, which had low card penetration and affluent population, offered good potential for payments products. The government was planning to introduce an electronic payment system in its expenditure, procurement and purchasing areas. It also wanted to extend the facility of tax collection and other administrative purposes that could facilitate effective use of public funds. Other areas where the electronic payment systems held potential were pensions, e-governance, online ticketing services, prepaid smart cards, kisan cards, inbound tourism, remittances, telecommunications etc. Visa's challenge was to overcome various challenges like infrastructure, institutional and regulatory provisions in India to boost the electronic payment system.

Pedagogical Objectives

- To understand the growth and development of credit card industry in India
- To discuss challenges faced by the electronic payment system in India
- To debate on financial strategies followed by Visa.

Industry	Credit Card Industry
Reference No.	FAC0026A
Year of Pub.	2006
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Business Strategy; Electronic Payments; Retail Finance; Core Competence; Peripheral vision; Visa; Mastercard; Brand Building; E-commerce; Technology.

Arvind-Managing Working Capital

Arvind Mills Limited (AML), a composite textile mill played a leading role in India's contribution to global textile trade (51% of its revenues), as it was the largest producer of textiles, particularly Denim. It had a strong relationship with leading global brands in denim, shirting and knits. In Denim, it had 72% market share of the estimated 80 million meters of the Indian Denim market. Leveraging global capacities and strong product development, AML decided to concentrate on high end segments, which offered higher margins and realisations.

With the removal of WTO quota restrictions in textiles 49% of the global trade was freed. Asia was the biggest gainer being the biggest exporter to the developed region. China and India being the prominent winners. As a competitor, China has the cost advantage over India. AML being a Global player is looking for ways and means to reduce the cost. One of the issues is effective management of working capital.

The case gives a brief account of the steps AML has taken at various point of time to overcome constraints and focuses on the issue of working capital management.

Pedagogical Objectives

- To understand the working capital management
- To compare and contrast the financial operation of the competitors
- To understand the operations of any company and its impact on its working capital requirement.

Industry	Textile Industry
Reference No.	FAC0025A
Year of Pub.	2006
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Business Strategy; Working Capital Management; Strategic Management; Core Competence; WTO; Cost advantage; Inventory Management.

Silver Lake, The US Private Equity Firm: Expansion Strategies in Europe

After tasting success in technology buyouts in the US, private equity firm Silver Lake Partners turned its focus towards Europe. Europe, with its undervalued firms and higher returns supported by growing capital markets, was regarded as one of the richest

private equity hunting grounds. However, critics were of the opinion that Silver Lake faces serious challenges in Europe because of speculative overshooting in bids, high rates of borrowing and the firm's focus only on technology-related firms for investing.

Pedagogical Objective

- To discuss the investment strategies adopted by Silver Lake and its increased focus on Europe.

Industry	Private Equity
Reference No.	FAC0024
Year of Pub.	2006
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Silver Lake partners; Private equity firms; Leveraged buyout; Investment strategies; Capital structure; Acquisitions; Investment auctions; Partner of choice; Expansion strategies; Private equity in Europe; Ownership pattern; Family-owned businesses; Diversification.

Euro on the Verge of (Dis) Integration?

The euro, the common currency of the European Union (EU), was adopted to bring about higher degree of equality among the differing economies of the EU and enable them to develop together. However, in recent years the euro has been facing problems both on the economic and political front. While the member states are struggling because of the low economic growth rate, European Central Bank is finding it difficult to set an interest rate that would benefit all the variegated economies and simultaneously check inflation. Besides, the rejection of the EU Constitution by France and the Netherlands in a referendum, further fuelled the whole crisis. Some politicians and economists feel that the euro has failed to meet its objective and should therefore be withdrawn.

Pedagogical Objectives

- To discuss the options before the European Central Bank, in framing the monetary policy given the prevailing economic and political conditions within EU
- To discuss the future of euro.

Industry	Not Applicable
Reference No.	FAC0023
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

The formation of the euro; Currency trading; Falling value of the dollar; Competition to the dollar; Common constitution for the European Union; French and the Netherlands' rejection; Export competitiveness of European Union Member States; Reverting to National Currencies; The future of the euro.

MBIA, the Largest Municipal Bond Insurer in the US: Credibility at Stake?

Municipal Bond Insurance Association (MBIA) is the largest municipal bond insurer in the US and a subterranean powerhouse in the US financial market. The key to MBIA's success is the rare and coveted rating of 'Triple-A' given to its insurance arm by the credit rating agencies. In 2002, Bill Ackman, a short seller, raised questions about MBIA's business model and in particular the credibility of its 'Triple-A' rating, but those allegations were dismissed as baseless. Later in March 2005, MBIA announced that it had received subpoenas from the Securities Exchange Commission and the New York Attorney General Eliot Spitzer, seeking documents relating to the company's accounting policies. The company even restated its profits for the previous six years.

Pedagogical Objective

- To discuss MBIA's business model and the credibility of its 'Triple-A' rating.

Industry	Financial Services
Reference No.	FAC0022
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Municipal Bond Insurance Association; Municipal bonds; Municipal bond insurer; Credit ratings; Financial instruments; Special-purpose vehicles (SPV); Accounting scandal; Reinsurance; Restatement of profits; Corporate governance; Business model; 'Triple-A' rating; Bill Ackman; Rating agencies; Accounting policies.

American International Group's (AIG) Growth and Future: The Greenberg Factor

American International Group (AIG) is the world's leading global insurance and financial services organisation. Maurice 'Hank' Greenberg's charismatic leadership and product innovation transformed a small international insurance company into a global financial powerhouse. But due to new corporate governance regulations,

his prominence started declining. In addition, since 2004, AIG is facing regulatory probes over its non-traditional reinsurance plans and its accounting methods. This led to an end of Greenberg's era of more than three decades.

Pedagogical Objectives

- To discuss the non-traditional reinsurance plans and accounting methods
- To discuss AIG's future without the leadership of Greenberg and whether he was to be blamed for the crisis faced by the company.

Industry	Insurance and Financial Services
Reference No.	FAC0021
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

American International Group (AIG); Maurice Hank Greenberg; Marsh and McLennan Companies; American Insurance Regulatory System; Insurance bid rigging and price fixing; Cornelius Vander Starr; Mergers acquisitions and expansions; Insurance scandal and probe; Autocratic management style; Conflict of interests and investor confidence; Fraud and anti-competitive activities; Secretive culture leadership style; Corporate governance regulations; American insurance industry.

Merger Synergies: How Good to be True?

A study by McKinsey & Co showed that 70% of mergers fall short in achieving their revenue synergy targets and almost 40% face cost synergy disappointments. Occasionally deals end up in dis-synergy. The rationale that two companies together add more value than two separate companies is often negated because of synergy miscalculations.

Pedagogical Objectives

- To discuss the risk of synergy miscalculations
- To discuss whether revenue synergy or cost synergy should be benchmarked to rate the success of the merger.

Industry	Not Applicable
Reference No.	FAC0020
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Pre-merger estimates; Post-merger estimates; Mergers and acquisitions; Consumer goods industry; Revenue

synergies; Dis-synergy deals; Cost synergies; Synergy miscalculations; Overestimated synergy; Strategic fit; Synergy disappointment; Executive failures; Cross-cultural competence; Integration costs; Cost savings and efficiencies.

China Aviation Oil's Collapse: Singapore Inc's Challenges

China Aviation Oil (CAO), voted as the most transparent company listed on Singapore Exchange, had collapsed because of a \$550 million loss in speculative oil trading in 2004. This was the second major derivative scandal at the Singapore Exchange. The first one was the collapse of UK's Barings Bank in 1995. The derivatives scandal raised considerable concern on the creditability of Singapore as a secure financial destination, which until then had the reputation of being Asia's best-regulated financial centre. Also, questions were raised about corporate transparency among Chinese companies and the role of independent directors.

Pedagogical Objective

- To discuss to impact of CAO scandal on the credibility of Singapore as to a secure financial destination.

Industry	Jet Aviation Fuel
Reference No.	FAC0019
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

China Aviation Oil Corp Ltd; China Aviation Oil Holding Company; Nick Leeson 'Rogue Trader'; Barings Bank; Derivative scandal; Speculative oil trading; Oil swaps; Speculation and straddle; Hedging; Corporate transparency; Singapore Stock Exchange (SGX); Chinese state-owned enterprise; Lee Kuan Yew; Corporate governance; Jet Aviation Fuel Company.

Fannie Mae: The US Mortgage Giant's Accounting Controversies?

Fannie Mae was created in 1938, by a congressional charter to provide liquidity and support to mortgage lending institutions in the US primary mortgage market. With an asset worth \$1 trillion (about 20% of the gross domestic product of the US), it was the second largest financial institution in the US after Citigroup and was well known as a Government-Sponsored Enterprise (GSE). In 2004, an investigation into the accounts

of Fannie Mae by the Office of Federal Housing Enterprise Oversight (OFHEO), found that its accounting practices failed to comply with generally accepted accounting principles and that the company had understated its expenses and indulged in 'cookie jar' accounting to show healthy financial statements. In its investigations, the Securities and Exchange Commission found the charges to be true and asked Fannie Mae to correct its accounting practices and restate its profits from 2001 to mid-2004.

Pedagogical Objectives

- To discuss mortgage accounting practices and its alleged violations by Fannie Mae
- To discuss the future of Fannie Mae and the effect on the US mortgage industry as a result of the fallout of such a big company.

Industry	Mortgage
Reference No.	FAC0018
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Fannie Mae; Freddie Mac; Mortgage; Mortgage-backed securities (MBS); Accounting scandal; Cookie jar accounting; Derivative accounting; Hedge accounting; Generally Accepted Accounting Principles (GAAP); Deferred expenses; Government-sponsored Enterprise (GSE); Security and Exchange Commission (SEC); Franklin Raines; Tim Howard.

The Chicago Exchanges vs Eurex US

The Chicago Board of Trade (CBOT) and the Chicago Mercantile Exchange were two of the biggest stock exchanges in the US. The establishment of the Eurex, a technologically superior exchange in Chicago in early 2004, threw a challenge before the two traditional Chicago exchanges.

Pedagogical Objective

- To discuss the challenges ahead for the two Chicago exchanges and the competitive strategies adopted by the CBOT to remain as a dominant stock exchange in the US.

Industry	Stock Exchanges
Reference No.	FAC0017
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Chicago Board of Trade; Commodities Futures Trading Commission; Eurex;

Battles for the US market; Treasury contacts; Transmarket Group; Futures Industry Association.

Profitability Uncertainty Principle: The Case of eBay

The widespread use of stock options as a means of employee compensation during the dot-com boom, prompted the Financial Accounting Standards Board (FASB) to review stock option expensing and the setting of a standard for reporting in the financial documents. While the debate has been raging in industry circles, many questions have taken root. Current accounting rules give companies the choice of reporting stock option expenses annually in the income statement or as a footnote in the annual report. Many companies including eBay report the cost as a footnote. But does this practice amount to a transfer of wealth to the employees at the expense of the shareholders?

Pedagogical Objectives

- To understand the usage of stock options as a compensation tool
- To discuss the pros and cons of the expensing of stock options
- To discuss the accounting implications of expensing stock options.

Industry	Not Available
Reference No.	FAC0016
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Expensing of stock options; Internet auctions; eBay; International Brotherhood of Electrical Workers Pension Fund; Margaret C (Meg) Whitman; Pierre M Omidyar; Financial Accounting Standards Board; Employee incentives; Accounting treatment of stock options; Executive compensation programme; arrangement; Sarbanes-Oxley Act; Initial public offering; Financial statements; Common stock; Stock analysis.

Google's IPO: Any Followers?

Traditionally, companies have been following the Initial Public Offering (IPO) procedure to raise funds from the public. They had been heavily relying on investment bankers to organise the sale and listing of their shares. In the past, on many occasions the role of the investment bankers was under scrutiny. This made the two young owners of Google, Eric Schmidt and Sergey Brin, experiment with the 'Dutch auction system' of public issue. Google had managed to crack the code for searching online, so maybe they could crack

the code for getting the individual investor more involved in the IPO market – felt some industry experts.

Pedagogical Objective

- To discuss the acceptability and uniqueness of Google's model of IPO and the ramifications thereof.

Industry	Internet Searching Services
Reference No.	FAC0015
Year of Pub.	2004
Teaching Note	Available
Struc.Assig.	Available

keywords

Google's initial public offering; Securities and Exchange Commission (SEC); Dutch auction system; Larry Page; Sergey Brin; Google's algorithms; National Association of Securities Dealers; High-net-worth; Credit Suisse First Boston; Berkshire Hathaway; America Online; Yahoo; Dual ownership structure; Risk management; Investment bankers; Bidder identification.

American Pension Funds' Fiasco: The Bailout

American pension funds performed extremely well during the stock market boom in the 1990s prompting both the institutional and the individual investors to bet their savings on the stock market. Corporates were even more aggressive, they ignored the basic accounting principle 'conservatism' and assumed 'discount rate' that suited them the best when calculating their pension liabilities. When the stock markets produced less than the normal returns, these pension funds went belly-up. American Congress passed the 'Pension Funding Equity Act 2004'. Nevertheless the problem remains to be tackled.

Pedagogical Objectives

- To discuss the importance of 'diversification of portfolio' and the centrality of 'discount rate' when calculating the present value of future obligation
- To discuss the effectiveness of bailing out public or private financial institutions.

Industry	Not Applicable
Reference No.	FAC0014
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

American pension funds bailout; Pension Funding Equity Act (HR 3108); Pension Benefit Guaranty Corporation (PBGC); Internal Revenue Code; Pre tax contribution; 401(k) pension plan;

Congressional Budget Office (CBO); Premium receipts; Cash-balance plans; Enron pension funds; Defined benefit (DB) and defined contribution (DC); Employee pension plan; Labour department; Restructuring of benefits; Funded corporate pension plans.

Currency Risk Management: Automobile Industry

Volkswagen (VW) is a frontrunner in managing currency risk, as its risk management activities date back to the 1950s. But since 2002, VW had neglected currency risk hedging and as a result its profits began to fall. Chrysler and BMW are also known for currency risk management. But these companies follow different strategies in managing their currency risk, as the strategy choices depend on many factors.

Pedagogical Objective

- To discuss the evolution and the importance of currency risk management within the automobile industry.

Industry	Automobile
Reference No.	FAC0013
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Currency risk management; Automobile industry; Exchange rate; Foreign exchange; Futures contract; Dollar; euro; yen; Operational hedging; Financial on-off balance hedging; Bretton Woods system; Plaza agreements; Louvre Accord; International money market; Hedging strategies; Financial Accounting Standards Board; Derivatives; Smithsonian.

Italian Corporate Bonds: Bella Figura to Buconero

In the late 1990s, when Italy was preparing to abandon its volatile lira for the more solid euro, many Italian companies reduced bank financing and increased debenture financing, while at the same time investors seeking higher yields switched from short-term government notes to unrated corporate bonds. A number of well-known names, including the fashion house Versace, had bonds becoming due in 2004.

Pedagogical Objectives

- To discuss the evolution and transformation of the Italian capital markets and also how the corporate bonds, which were bella figura, turned into buconero

- To discuss how the lack of corporate governance led to the befooling of Italian retail investors.

Industry	Financial Services
Reference No.	FAC0012
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Italian corporate bonds; The Cirio Group; Investment grade bonds; Non-rated bond issues; Restructuring; Parmalat; Raimondi - Lettieri motion; Bankruptcy; Special purpose vehicles (SPVs); Finmatica SPA; Convertible bonds; Liquidity; Collateral debt obligation; Italian industrial and financial system; The Bretton Woods system.

Tax Competition Vs Tax Harmonisation

Since the tax policy of a country has become an important determinant in locating foreign capital and labour, countries around the world have started to compete with each other on the basis of the taxes they levy. This development has been a worry for tax collectors. Both the Organisation for Economic Co-operation and Development (OECD) and the European Union have been quick to take steps to contain 'harmful' tax practices of member and non-member countries, which according to them could lead to the erosion of tax revenues for governments around the world in a destructive 'race to the bottom'. A strong case is being made for 'tax harmonisation' – standardisation of tax rates among nations. The case helps to discuss the developments and implications of this tug-of-war.

Pedagogical Objectives

- To discuss the developments and implications of tax competition and tax harmonisation
- To discuss the merits and demerits of tax harmonisation and tax competition.

Industry	Not Applicable
Reference No.	FAC0011
Year of Pub.	2004
Teaching Note	Available
Struc.Assig.	Available

keywords

Tax competition vs tax harmonisation; Tax policies; European Union; Tax incentives; Tax evasion; avoidance; Globalisation; Organisation for Economic Co-operation and Development; Domestic legislation; Tax minimisation vehicles; Tax havens; Corporate; business tax; Economic and financial affairs (ECOFIN);

Cross border investment; Foreign direct investment; Harmful tax practices.

Long Term Capital Management Fund: What Went Wrong

Long Term Capital Management fund (LTCM), one of the world's largest hedge funds was known for many wrong reasons. LTCM, which was started by a group of renowned and experienced traders of Wall Street, took full advantage of the poor disclosure requirements of a hedge fund. LTCM was able to parlay its prestige built over the period of time into a virtually unlimited access to borrowed money. The fund managers took speculative positions on a bet that the asset prices would converge. In due course, the fund assets were leveraged higher than most other hedge funds.

Pedagogical Objectives

- To discuss how the risk in convergence trading activity can affect the volatility of the asset prices
- To discuss the risks arising from high leverage of the funds' assets.

Industry	Financial Services
Reference No.	FAC0010
Year of Pub.	2004
Teaching Note	Available
Struc.Assig.	Available

keywords

Long Term Capital Management (LTCM); Hedge fund; John Meriwether; Convergence trades; Relative-value trades; Directional trades; High leverage of funds; Commercial mortgage backed bonds; Junk bonds; Warren Buffet; Societe Generale; Credit Agricole; BNP Paribas; US Federal Reserve bailout; US economy.

US Junk Bond Bubble: Is History a Better Guide for the Present?

'Junk bond' is one of the finest innovations in financial products that benefit both the issuers and the investors. However, as greed and over-exuberance get a better hold, junk bonds do become junk.

Pedagogical Objectives

- To discuss the relative merits and demerits of junk bonds
- To discuss the traditional portfolio theory and modern portfolio theory
- To discuss the fact that when decision-making is shrouded by greed and unsound advice, history could be a better guide.

Industry	Banking and Financial Services
Reference No.	FAC0009

Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Investment grade junk bonds; Alexander Hamilton; Michael Milken and Harry Markowitz; Credit quality; Interest rate; Debt restructuring; Leveraged buyout; Great depression; Liquid instruments; Cash flow of mutual funds; Speculative grade issuance of bonds; Booms and busts; Greater fool theory; Risk return trade off; Long term capital management.

Eurex Challenges

Since the 1990s information technology revolution, the winds of change have been blowing fast and furious over the landscape of financial exchanges. Nimble European counterparts like Eurex and Euronext have challenged the mighty Chicago Board of Trading (CBOT), Chicago Mercantile Exchange (CME) and London Stock Exchange (LSE). To a certain extent the challengers have come out as winners. This forced the incumbents to take a hard look at the new entrants and change their strategies.

Pedagogical Objective

- To discuss the structural changes in the financial exchanges and the response of CBOT and CME to the challenge thrown at them by Eurex.

Industry	Not Available
Reference No.	FAC0008
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Eurex challenges; Chicago Board of Trade (CBOT); Chicago Mercantile Exchange (CME); Euronext; London Stock Exchange (LSE); Deutsche Terminborse; Werner Seifert; Rudolph Ferscha; Commodity Futures Trading Commission (CFTC); International Securities Exchange; London International Financial Futures and Options Exchange (LIFFE); Screen based trading; Derivatives; Pit; floor trading; open outcry; Demutualisation.

Taxing BPO: A Quandary

India has emerged as a major destination for outsourcing, since the evolution (mid-1990s) of the concept of Business Process Outsourcing (BPO). BPOs have grown in number, size and services and have contributed to the Indian economy in terms of GDP and employment. On January 2nd 2004, when the Central Board of Direct Taxes (CBDT), India, issued a

circular levying tax on the BPO services, many wondered if the country is alienating the foreign companies that over the years have made India their destination for outsourcing services.

Pedagogical Objectives

- To discuss the efficacy of the policy measures taken by the Indian government to make the BPO industry competitive
- To debate on how the CBDT's circular would affect the competitiveness of Indian BPO sector.

Industry	Information Technology Enabled Services (ITES)
Reference No.	FAC0007
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Business process outsourcing (BPO); Central Board of Direct Taxes' Circular; Growth of BPO in India; Contribution of BPO to Indian economy; Role of government in growth of BPO; Indian government's perspective on taxing BPO; Industry's reaction on taxing BPO in india

UK's Egg in France

Egg Plc was one of the leading on-line banks in the UK. Within four years of its establishment, it went on to become one of Europe's rare, profitable 'on-line' banks. In 2002, Egg entered France by launching a credit card, 'La Carte Egg'. Egg credit card was a huge success in UK. However, the company's performance in France was extremely poor though it adopted similar strategies that had given it considerable success in the UK market.

Pedagogical Objectives

- To discuss Egg's strategic initiatives in the French credit card market
- To discuss the problems Egg encountered in the French market and the challenges that the company faced in the future.

Industry	Banking and Financial Services
Reference No.	FAC0006
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Egg credit card in France; LA Carte Egg; Bank of England; Interest rates; Zebank; Annual percentage rate; French financial cards market; Paul Gratton; Internet financial services; Credit card research

group; French Gross Domestic Product (GDP); Credit purchase; Financial leverage; Egg Internet savings account; Cash back.

The Specialists at NYSE

Each company listed on the New York Stock Exchange (NYSE) has its specialist who is responsible for the trading of the company stock. The specialist is typically a market professional who manages the two-way auction market trading in the specific securities assigned to him. In recent times however, the role of specialists has been called into question in the wake of allegations of irregular trading.

Pedagogical Objective

- To discuss the issues crowding the specialists of NYSE.

Industry	Stock Exchanges
Reference No.	FAC0005
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

New York Stock Exchange (NYSE); Specialists at NYSE (New York Stock Exchange); John Reed; Richard Grasso; Nasdaq; SEC; Labranche & Co; Open outcry; Van der Mooled; Specialist; Market maker; ECN; Class action; Worldcom; Specialist system.

Tiger Fund

The phenomenon of a hedge fund's sudden demise after years of consistent success was notable in Tiger Fund. The fund, managed by Julian Robertson, one of the best stock pickers on the Wall Street, had witnessed incredible success for over a decade. In its heydays, Robertson's multi-billion-dollar hedge fund was one of the most powerful money manipulators. Robertson gave up after two decades of successful stock picking.

Pedagogical Objective

- To discuss the underlying causes that led to the demise of once successful Tiger Fund.

Industry	Banking and Financial Services
Reference No.	FAC0004
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Hedge fund; Tiger Fund; Tiger Management Corp; Asian financial crisis; Julian

Robertson; Fundamental stock picking; Leverage; Stock market crash; Currency market; Japanese yen; US dollar; Yen carry trade; Long short equity fund; Currency appreciation; Derivative financial instrument.

Lipper Fund

The US-based Lipper Fund began as a conservative and low-risk investment fund. The fund, managed by Kenneth Lipper as a convertible arbitrage fund, was the prey of mispricing. The majority of the fund's portfolio consisted of illiquid and risky securities. It was difficult to price these securities due to the non-availability of updated information to find their correct value. Hence the majority of the portfolio used 'manager marks', which emerged with the combination of mispricing and illiquid nature of securities.

Pedagogical Objectives

- To discuss portfolio mismanagement and the concept of 'manager marks', a pricing strategy that ultimately led to the demise of the fund.

Industry	Financial Services
Reference No.	FAC0003
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Lipper fund; Convertible arbitrage; Lipper convertibles; Hedge fund; Investment grade convertible bonds; Portfolio management; Leverage; Illiquid instruments; Market neutral strategy; Junk ratings; Manager marks; Distressed securities; High and low risk securities; Kenneth Lipper; Securities and Exchange Commission.

ICICI'S CDO

India's maiden Collateralised Debt Obligation (CDO) structured by Industrial Credit and Investment Corporation of India Ltd. (ICICI) under the ICICI Securities Fund was on similar lines to a close-ended mutual fund. The primary motive behind the introduction of this CDO was to fulfil the adequate reserve requirements as prescribed by the Reserve Bank of India before the reverse merger of ICICI Bank and ICICI. But the initiative taken by ICICI met with disastrous results. Investors felt that the risk involved was much more than the returns they would earn. The complexity involved in the investment procedure was also another factor adding fuel to the failure.

Pedagogical Objectives

- To understand the need for ICICI to introduce CDO
- To discuss the reasons for the failure of the CDO.

Industry	Financial Services
Reference No.	FAC0002
Year of Pub.	2003
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Development financial institution; Special purpose vehicle; Debentures and loans; Collateralised Debt Obligation; CDO; Asset management company; Asian CDO market; First CDO; Multiple tranching; Indian corporate CDO fund; Industrial Credit and Investment Corporation of India Ltd; ICICI; Mutual fund; Statutory liquid and cash reserve ratios; Reverse merger.

CSFB: Road to Recovery

Credit Suisse First Boston (CSFB) is a leading global investment bank range of services to its customers across the globe. Under Allen Wheat as its CEO, CSFB underwent criminal investigations for certain Initial Public Offering allocations it made between April 1999 and June 2000. The bank was also under scrutiny by stock market regulators in several countries like Sweden, Japan and India. In 1999, when Russia defaulted on its debt, CSFB's business was severely affected due to its Russian market exposure. The company was overburdened with huge pay packages and guaranteed fixed cash compensations that it had promised to its executives. Amidst such troubles, in July 2001, John Mack joined as the CEO. He was given the arduous task of putting the company back on track. With Mack's continuous efforts, CSFB started showing signs of revival. The group strengthened its performance over the first half of 2003 and expected to achieve continued profitability. Under Mack's leadership, the company continues to build its position as a top-tier investment bank placing high priority on cost control and quality of service.

Pedagogical Objectives

- To discuss the circumstances that led CSFB into troubles
- To discuss the strategies adopted by John Mack to put the company back on track.

Industry	Telecommunications Equipment
Reference No.	FAC0001
Year of Pub.	2003
Teaching Note	Not Available
Struc. Assign.	Not Available

Keywords

Credit Suisse First Boston; Credit Suisse Group; John Mack; Allen Wheat; Frank Quattrone; IPO allocation; Investment banking; Russian default; National Association of Securities Dealers; Securities Exchange Commission; Donaldson Lufkin and Jenrette; Turnaround; Cost cutting; Technology bankers; Hot IPO shares.

Investment and Banking

Rural Banking – Shifting Paradigms

This case discusses the changing face of rural banking in India. With increased participation of private players and proactive government policies, the country's vital but economically lagging sector, has found new opportunities of development. The case puts forward some of the successful microfinance policies successfully carried out in rural India.

Pedagogical Objectives

- To discuss the reasons behind the huge popularity of village money lenders
- The reasons behind the poor performance of the government sponsored micro-credit schemes
- To discuss how the private players are reshaping the rural micro-credit scenario.

Industry	Banking
Reference No.	INB0021K
Year of Pub.	2007
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Spandana; Rural banking; Investment & Banking Case Study; Regional Rural Bank (RRB); Narasimhan; ICICI Bank (Industrial Credit and Investment Corporation of India Bank); Reserve Bank of India (RBI); Microfinance institutions (MFI); e-Choupal

Morgan Stanley: Growth Strategies in the Chinese banking Sector

Morgan Stanley, a global financial services firm's major business segment included Institutional Securities, Retail Brokerage, Asset Management and Discover Financial Services. Morgan Stanley entered China by forming joint venture with China International Capital Corporation Ltd. in 1995. In October 2006 Morgan Stanley acquired 100% stake in China's Nan Tung

Bank to expand its footprint in the Chinese Commercial Banking Sector. The Nan Tung Bank which was founded in 1985, offered comprehensive set of commercial banking products like deposits, home mortgage loans, and foreign currency exchange and remittance services. But it mainly focused on foreign funded companies and residents of Hong Kong, Macau and Taiwan. Morgan Stanley did not have significant retail banking capabilities and the penetration of Nan Tung Bank in terms of domestic corporate and retail accounts was nearly zero. Still, the acquisition made Morgan Stanley a promising participant in rising Chinese banking sector.

In China, Morgan Stanley faced stiff competition from Citigroup which had acquired 85.6% stake in Guangdong Development Bank for 24.267 billion Yuan (US\$3.06 billion) in November 2006. Moreover China's accession to WTO in 2001, promised opening of banking sector to overseas participation over a five year period and full liberalisation by December 11th 2006. This was expected to lead significant competition for Morgan Stanley from international banks. In such an increasing competitive scenario, would Morgan Stanley with acquisition of Nan Tung Bank be able to significantly mark its presence in commercial banking sector of China?

Pedagogical Objectives

- To discuss the expansion strategies and the inorganic growth strategy
- To understand the influence of government policies in the Chinese banking sector
- To discuss the competitive strategies
- To analyse the growth prospects for Morgan Stanley in China.

Industry	Financial Services Sector
Reference No.	INB0020A
Year of Pub.	2006
Teaching Note	Available
Struc.Assig.	Available

keywords

Morgan Stanley; Morgan Stanley in China; Merger and Acquisition; Joint Venture; Entry Level Strategy; Investment & Banking Case Study; Growth Strategy; China Banking Sector Reform; Nan Tung Bank; Foreign Banks in China; China international Capital Corporation Ltd.; Commercial Banking sector of China

Microfinance: Opportunities in China

Microfinance sector in China was regarded as high quantity of low quality programmes and low quantity of high quality

programmes. The lack of clear legal framework regarding involvement of commercial financial institutions led to sluggish growth of Microfinance sector in China. But the situation is likely to change with the financial reforms undertaken by the Chinese government.

The case deals with PlaNet Finance, an international Non-Governmental Organization which supported financial intermediaries like banks, cooperatives and microfinance institutions. PlaNet Finance provided technical support services, rating and financing services to various clients of Microfinance globally.

The case discusses strategic tie up opportunities between City Commercial Banks (CCBs), which had an extensive reach in rural China, and PlaNet Finance. But PlaNet Finance is faced with stiff competition from Rural Credit Cooperatives (RCCs) and Postal Saving System in China. RCCs were only formal rural financial institutions which offered financial services to rural people.

Should PlaNet Finance pursue strategic alliance route to provide Microfinance products and services to underprivileged people of China? What would be the most viable approach to address the other constraints to build partnerships?

Pedagogical Objectives

- To understand government policy change and its impact/PESTEL analysis
- To understand Rural Development and the role of Microfinance
- To understand the nature of NGO's work environment.

Industry	Financial Services Sector
Reference No.	INB0019A
Year of Pub.	2006
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Microfinance in China; International Non-governmental Organisations (NGOs); PlaNet Finance in China; Strategic Alliances; Investment & Banking Case Study; The People's Bank of China; City Commercial Banks (CCBs); Rural Credit Cooperatives (RCCs); Postal Saving System in China; Poverty Alleviation in China; Government Sponsored Microfinance Programmes; China foundation for Poverty Alleviation; Agriculture Bank of China; State Reforms in China; China Banking Regulation Commission; China Development Bank; Non Performing loans in CCBs; PlaNet Rating Services; PlaNet Financing Services; Microfinance Indicators China; PlaNet Finance International Network; Opportunities for NGOs

Union Bank Of Switzerland: The Banking Way

In 2005, Union Bank of Switzerland (UBS), the world's fifth largest and the largest bank of Switzerland, took over Saubern Trust for US\$160 million (mn). Saubern Trust managed a portfolio of \$8 billion (bn) for 100 wealthy German families. Along with its regular banking operations, UBS offered customized alternative investment services including hedge fund style plans, private equity and portfolio planning. These products and services had the potential to earn much higher than the regular banking businesses. In 2005, these alternative investment products and services accounted for 12 % of UBS's revenue, an increase from 3% of that of 2000. Although private banking remained its primary focus, UBS had diversified into investment banking and corporate trading where other European banks like HSBC and CITI Bank, failed to deliver the expected results. During the first half of 2005, UBS was the leader in global equity dealings. Switzerland remained the key market for UBS, accounting for 40% of its revenue. By reinventing the art of Swiss Banking, UBS had quietly become one of the world's most profitable financial institutions. The case deals with the strategies adopted by UBS, to become a leader in the global banking system.

Pedagogical Objectives

- The segmentation-targeting-positioning strategy adopted by Union Bank of Switzerland.
- The key differentiator in service parameters in banking industry.
- The unique selling proposition of bank and financial institutions.
- The product portfolio and different service offerings of a bank and financial institutions.
- The concept of niche marketing.
- The different product in banking industry.

Industry	Banking
Reference No.	INB0018K
Year of Pub.	2006
Teaching Note	Not Available
Struc.Assig.	Not Available

Keywords

UBS; Retail Banking; Asset Base; Commercial banking

Deutsche Bank's Corporate and Investment Banking: The Anshu Jain Way

Deutsche Bank, the leading German bank, established in 1870, had earned a pre-tax

profit of €6.4 billion for the year 2005, €4.8 billion being contributed by the Corporate & Investment Banking (CIB) division. The CIB division of the Bank was co-headed by Anshu Jain (Jain), who was appointed in September 2004 to jointly head the division along with Michael Cohrs. All through his career at Deutsche Bank, Jain had specialized in innovating cross-product solutions and monitoring the derivative products such as Credit Default Swaps and Collateralised Debt Obligations. The success of these financial instruments had played a key role in helping the Bank to reach the goal of achieving 25% of pre-tax return on equity and grab the 'Bank of the Year Award' for the year 2005. However, in the process, the Bank's investment division was confronted with a tarnished image.

Pedagogical Objectives

- To discuss the contributions of Deutsche Bank's Corporate & Investment Banking Division to improve the overall profitability of the Bank
- To discuss the strategies initiated by Anshu Jain to make the Corporate & Investment Banking Division a success
- To discuss the reputation blows suffered by Deutsche Bank as a result of certain activities of its Corporate & Investment Banking Division
- To debate whether Deutsche Bank was employing the right strategy regarding the functioning of its Corporate & Investment Banking Division.

Industry	Banking
Reference No.	INB0017
Year of Pub.	2006
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Corporate and Investment Bank (CIB); Private Clients and Asset Management (PCAM); Corporate Investments (CI); Retail banking; Josef Ackermann; Anshu Jain; Integration of global operations; 'Bank of the year' award; Product innovation; Risk management

Cambodia's ACLEDA: From Microfinance to Banking

Cambodia encountered disastrous consequences of decades of internal conflict and civil strife under the genocidal regime of the Khmer Rouge, which ruined the economy. Relief and rehabilitation operations were initiated by various international development agencies, one such social and economic rehabilitation project was ACLEDA (Association of Cambodian Local Economic Development Agencies). Formed in 1993, as a part of

'The Small Enterprise and Informal Sector Promotion project', initiated by UNDP (United Nations Development Programme) and ILO (International Labour Organisation), ACLEDA was successful in the implementation of the project (providing training, counselling and extending credit facilities). Meanwhile, realising the need for microfinance in the country, it made microfinance the focus of the project.

Pedagogical Objectives

- To discuss the development of the banking system in Cambodia in the post-conflict reconstruction period
- To discuss ACLEDA's microfinance initiatives, its transformation into a commercial bank and the challenges faced by it to sustain the growth in an underdeveloped financial system.

Industry	Banking Industry
Reference No.	INB0016
Year of Pub.	2006
Teaching Note	Available
Struc.Assig.	Not Available

keywords

Association of Cambodian Local Economic Development Agencies (ACLEDA); ACLEDA specialised bank; ACLEDA commercial bank; NGOs (non-governmental organisations); Microfinance institutions; IFC (International Finance Corporation); UN (United Nations); Savings; Deposits; Borrowers; Management; Competition; Default rate; Cambodia.

Retail Banking in Japan: The New Strategic Focus

With declining credit off-take and profits from their traditional corporate banking operations, Japanese domestic banks shifted their strategic focus towards a more retail approach. Japanese banking officials and experts claimed that this change would be beneficial for the Japanese banks. However, critics were apprehensive about the advantages of the new approach.

Pedagogical Objective

- To discuss the opportunities and challenges faced by Japanese banks.

Industry	Banking and Financial Services
Reference No.	INB0015
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Japanese banking industry; Retail banking services; Japanese domestic banks;

Corporate banking operations; Strategic focus; Shinsei Bank; Japanese financial environment; International Monetary Fund (IMF); Japanese banking regulations; The Bank of Japan; Citibank Japan; Zaibatsus; Mizuho Bank; Financial Services Agency.

Private Equity Firms in Germany: Can they Change the Corporate Landscape?

Although the Private Equity Firms (PEFs), which originated in the late 1960s had achieved success and gained popularity in the US corporate world by the 1980s, the German corporate world maintained a hostile attitude towards such firms until the late 1990s. However, changes in the global competitive scenario had made the German corporates more receptive towards the PEFs. While there were increasing reports that PEFs had been transforming German industries through their superior business and corporate governance practices, critics argued that the activities of these firms were purely profit driven.

Pedagogical Objectives

- To discuss the development of the global private equity industry and the attitude of the German corporate world towards PEFs
- To discuss whether investments by PEFs in German companies would help in bringing about positive changes for the German corporate world.

Industry	Financial Services and Markets
Reference No.	INB0014
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Private Equity Firms (PEFs); Financial services; German corporate landscape; Mittelstand; Catalyst for industry restructuring; Buyout and asset stripping; Corporate governance; Management expertise; Kohlberg Kravis Roberts (KKR); JP Morgan Partners Global 2001 fund; Sources of funds for industries and small and medium enterprises; Private equity transactions; German banking sector reforms; Restructuring of German industries; Equity investments.

Hedge Funds: A Risky Trade Off?

With returns from investments in Hedge Funds (HFs) being much higher than returns from other investment products, investors were increasingly putting their money into

HFs. Supporters of HFs were confident that the industry would continue to generate high returns and the investments in HFs were less risky. But critics of HFs argued that investments in HFs run a considerable risk because of the unregulated nature of the industry and the lack of transparency in the functioning of these funds.

Pedagogical Objectives

- To understand the evolution of the HF industry, and the investment strategies adopted by HFs
- To discuss whether the risk taken by investors in investing in HFs is worth its salt or not.

Industry	Financial Services and Markets
Reference No.	INB0013
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Hedge Funds (HFs); Financial services; Van US Hedge Fund Index; Standard and Poor's 500 stock index; Alfred Winslow Jones; Investment strategies of HF's; Lack of transparency; Securities and Exchange Commission; SAC Capital Advisors; Long Term Capital Management Fund; Investments with high returns; HF industry; Specialised investment strategies; HF investment portfolio; Lack of regulatory framework.

Investment Banking: Lazard's Competitive Strategies

Lazard is a financial and strategic advisory firm known for its employees (also called advisors), all of whom are partners in the firm. Most of them are aristocratic individuals with wide networks among political and business elite – "who could get through to Lou Gerstner or Prince Philip with a single phone call". The firm is known for its objective and specific advisory services unlike other traditional banks that provide advisory services along with their lending services. With Bruce Wasserstein as its chairman of the executive committee, Lazard filed for initial public offering, an indication that the firm was moving away from its roots.

Pedagogical Objective

- To discuss the business model of Lazard vis-a-vis its competitors and the company's future prospects.

Industry	Investment Banking
Reference No.	INB0012
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Lazard LLC; Lazard Freres & Cie; Michel David-Weill; Mergers and acquisition advisory; Investment banking; Financial services; Financial and strategic advisory; Bruce Wasserstein.

Investment Banking: The Changing Competitive Landscape

From a mere depositing and lending mechanism in the Renaissance era, the banking system evolved as a controller of international financing in the 20th century. During this evolution, many new forms of businesses developed. Investment banking was one of the most important developments, which started as a financial facilitator and transformed itself into a trusted financial advisor to the corporate world and investors. However, by the turn of the 21st century, investment banking witnessed a serious threat from commercial banks, which leveraged on their huge capital bases and networks to foray into the domain of traditional investment banking.

Pedagogical Objectives

- To discuss the strategic inflection points of the investment banking industry
- To discuss whether size matters for investment banks.

Industry	Investment Banking
Reference No.	INB0011
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Investment banking; Commercial banks; International financing; Origins of the investment banking industry; Loan contracting; Fixed price underwriting; Syndicate; Financial advisory services; Mergers and acquisition services; Dealmakers; Merchant banking.

Mobile Banking in South Korea: A Win-Win Deal for Banking and Cellular Industries

By 2004, almost all the retail banks of South Korea were providing mobile banking facilities to their customers and by June 2004, four million transactions had been conducted through mobile phones. While banks increased their profitability by reducing transaction costs and time, the cellular service providers benefited due to the revenues generated from such additional services.

Pedagogical Objective

- To discuss the growth of mobile banking in South Korea and its benefits to both banks and cellular companies.

Industry	Banking
Reference No.	INB0010
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Banking industry; Cellular industry; Mobile banking; South Korea; Broadband connectivity; Technology innovation; Wireless Internet; 3G (third generation) wireless service; Internet on the palm; N-age (Network age); M-age (Mobile age); Web content providers; Mobile transaction security; Biometrics.

Indian Banks: Looking for Alternative Technologies

The Indian banking scenario is a perfect example of a sector passing through a prolonged period of restructuring depending upon the market forces. Public Sector Banks (PSB) and a few private sector banks, which depended on huge manpower, once dominated the banking scene in India. Those days technology was kept on a back burner. During the early 1990s, when the economy opened up, private sector and foreign banks were allowed to operate in the country. These banks came in with state-of-the-art banking technology that was both cost-effective and efficient. These banks posed a threat to public sector banks and old private sector banks, which had excessive manpower baggage. But PSBs rose up to the challenge and computerized and networked their processes on a war footing.

Pedagogical Objective

- To discuss the effect of the competitive market that forced the players in the Indian banking sector, to innovate and provide better services to their customers.

Industry	Banking
Reference No.	INB0009
Year of Pub.	2005
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Indian banking sector; Rural banking; Banking technology; IT in Indian banking; Mobile banking.

Russian Banks: A Crisis of Confidence?

Russia, with its abundant natural resources, was expected to emerge as an economic power after the liberalisation of its economy in the early 1990s. But within a decade, the country experienced a debilitating financial crisis, hyperinflation, currency devaluation and the near collapse of its banking system. Russia has recovered from its past problems to post strong growth figures. Once again expectations from the Russian economy have increased, but its banking sector remains a weak link. Banking sector reforms are considered crucial if the Russian economy is to achieve its potential.

Pedagogical Objectives

- To discuss the low level of confidence private depositors have in Russian banks and among the banks themselves
- To discuss the various steps that the Central Bank of Russia could take to build confidence in the banking sector.

Industry	Banking and Financial Services
Reference No.	INB0008
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Russian banking industry; Russian financial crisis of 1998; The Russian economy; Privatisation programme; Deficit financing; Currency devaluation; Russian banks; Banking reforms; Liquidity crisis; Sberbank; Sodbiznesbank; Money laundering; Corporate scandals; Russian oligarchs; Yukos.

Rise of Millionaires in Asia: Opportunities and Challenges for Wealth Managers

Following the 1997 crisis, the economies of the Asian countries started picking up. With the revival of technology and the financial sectors, people made huge profits through IPOs (Initial Public Offerings) of technology companies or in successful careers as investment bankers. The rise of new millionaires in Asia has thrown open many opportunities for the wealth managers. More and more private bankers from Western countries are trying to capture a share of the emerging markets. Analysts warn, though Asia looks an attractive destination, there are many challenges that lie ahead.

Pedagogical Objectives

- To discuss the opportunities and challenges that lies ahead for private bankers
- To understand the scope of private banking in Asia.

Industry	Banking and Financial Services
Reference No.	INB0007
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Wealth management in Asia; Millionaire's club; High net worth individuals; Asset management companies; Private banking in Asia; Banking and financial institutions; Asian banking industry; Investment management; Asian financial crisis; Financial regulations; Opportunities for wealth managers.

Foreign Private Equity Funds in South Korean Banks

The Korean banks were left debt-ridden with substantial Non-performing Loans in the aftermath of the Korean financial crisis of 1997-1998. These banks were nationalised and subsequently sold to foreign investors. Foreign private equity funds acquired some of the ailing Korean banks and injected the required capital and new management techniques. Their gamble has paid off, and the value of their investments has increased significantly. Now, when the foreign funds are cashing in on their investments, there is a growing fear in Korea that the foreign funds are focused on speculative gains and will have an adverse impact on the Korean financial industry in the long run.

Pedagogical Objective

- To discuss the role of foreign private equity funds in Korean banks and the perceived benefits and disadvantages these funds bring to the Korean financial industry.

Industry	Banking and Financial Services
Reference No.	INB0006
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Foreign private equity funds; South Korean banking industry; Korean financial crisis; Asian financial crisis; Chaebols; Korean conglomerates; Asian tiger economies; Highly leveraged companies; high debt-equity ratio; Restructuring Korean financial and corporate structure; International

Monetary Fund; Pegged exchange rate; Fixed and floating exchange rate; Debt restructuring; South Korean won; Carlyle Group; Newbridge Capital; Lone Star; South Korea's gross domestic product.

Industrial Development Bank of India (IDBI) in 2004

Over its 40 years of existence, Industrial Development Bank of India (IDBI) as a Development Financial Institution (DFI) had fulfilled its objective, of playing a pivotal role in the development of Indian industries. With the onset of the banking sector reforms initiated in the mid-1990s, DFIs began to find their roles diminishing. They had to find strategic alternatives to survive.

Pedagogical Objectives

- To discuss the reasons that led IDBI to reorient its strategy to become a universal bank
- To discuss the challenges that lay ahead of the new entity.

Industry	Banking
Reference No.	INB0005
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Industrial Development Bank of India (IDBI); Development Financial Institution (DFI); Capital Adequacy Ratio (CAR); Universal banking; Capital debt restructuring; Long term operational funds; Statutory Liquidity Ratio (SLR); Deep discount bonds; flexibonds; Low cost deposits; cost of funds; Refinancing; Non-performing Assets (NPA); Bill rediscounting scheme; Indian banking industry; Income recognition; Securities Exchange Board of India (SEBI).

Micro Finance: A Case of Grameen Bank, Bangladesh

Grameen Bank was a task oriented credit institution created specially for the purpose of improving the economic status of rural landless people, especially women, in Bangladesh. It was initially started as an action research project in 1976. As a pioneer in the emerging field of micro finance, Grameen Bank was successful in meeting the financial needs of Bangladesh's poor. Unlike many other development projects, it was successful in reducing the misery that people suffered due to floods, cyclones and corruption. With the high loan recovery rates, it threw a challenge to conventional (commercial) banks, which feared that lending to the poor was a risky business.

Pedagogical Objectives

- To discuss the credit delivery and recovery system of Grameen Bank
- To discuss the Grameen Bank as the model for many up-and-coming micro finance banks of third world countries.

Industry	Banking and Financial Services
Reference No.	INB0004
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Micro finance; Grameen Bank of Bangladesh; Dr Mohammad Yunus; Micro credit programmes; Micro enterprise loans; Conventional versus Grameen Banks; Collateral free; Developing nations; Bangladesh's economy; Group fund savings; Low income groups; Low interest rates; Financial viability; Non standard accounting practices; Emergency fund.

Banking Crisis in Japan

The Japanese banks played a major role in the economic development of Japan during the post-war period between 1945 and 1973. They financed start-up companies and actively funded their expansion. They were the prime financiers, since there were restrictions on other options of financing such as equities and bonds. But this changed in the 1970s, with the reforms in the financial sector. The reforms eased the restrictions on bond and equity issuance. Financial markets were deregulated and this allowed the major Japanese companies to reduce their dependence on banks. They were able to substitute cheap bond financing for expensive bank credit. This reduced the role of banks as prime financiers. To overcome this situation, banks reorganised their portfolios and started lending to riskier segments like consumer lending and the real-estate industry. This resulted in an asset price bubble, which finally burst in 1989, resulting in huge Non-performing Loans for Japanese banks.

Pedagogical Objective

- To discuss the effects of reckless lending and how the continued presence of Non-performing Loans in the banking sector had a deleterious effect on the Japanese economy.

Industry	Banking
Reference No.	INB0003
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Japanese banking crisis; Foreign Exchange and Trade Control Act; Liberalisation; Asset price bubble; Government bonds; Bond Issuance Committee; Basle capital accord; Deposit Insurance Corporation; Financial Supervisory Agency; Yakuza and Usen; Keiretsu and Zaibatsu; Big bang reforms; Non-performing Loans; Capital market deregulation; Capital adequacy ratio.

Non-performing Loans in the Chinese Banking Industry

With Non-performing Loans (NPLs) constituting 22% of the total loans in state-owned Chinese banks, whose total assets in 2003 amounted to \$2,304 billion, a study of the banks' functions seems important. China proposed to open up its banking sector under the World Trade Organisation (WTO) in 2007.

Pedagogical Objectives

- To discuss the reasons underlying the NPL problem – which include the structure of the Chinese banking system and the peculiarities of the state-directed banking industry
- To discuss the challenges faced by China in tackling the NPL problem.

Industry	Banking
Reference No.	INB0002
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Non-performing Loans (NPL); Bailout; Chinese banking system; Big four; Asset management companies (AMC); Banking reforms; State-owned banks; State directed financial system; Guanxi; Four and five tier classification; Jiang Zemin and Deng Xiaoping; China Construction Bank (CCB); People's Bank of China (PBOC); Industrial and Commercial Bank of China (ICBC); China Banking Regulatory Commission (CBRC).

Micro Credit: Case of Bank Rakyat Indonesia

Bank Rakyat Indonesia (BRI) was considered one of the best micro finance institutions in the world. It became a model bank in Asia after its transformation from an ailing government-owned commercial bank into a viable self-sufficient financial intermediary. Its success revealed to the world how microcredit could help in a bank's long-term stability even in times of crises.

Pedagogical Objectives

- To discuss the reasons for BRI's success
- To discuss the possibility of adopting BRI's micro financing structure as a model for other banks across the world.

Industry	Banking & Financial Services
Reference No.	INB0001
Year of Pub.	2004
Teaching Note	Not Available
Struc.Assig.	Not Available

keywords

Bank Rakyat Indonesia; Banking and financial services; Micro finance; Microcredit; New Unit Desas; Simpedes; Kupedes; East Asian financial crisis; Bimas; Simaskot; Agricultural credit; Rural financing; Subsidised credit programmes; Tabanas; Indonesian banking system.