



CIEE Global Institute – Berlin

Course name:	International Finance
Course number:	(GI) BUSI 3001 BRGE
Programs offering course:	Berlin Open Campus (Business Track)
Language of instruction:	English
U.S. semester credits:	3
Contact hours:	45
Term:	Spring 2018

Course Description

This course provides students with an overview of the dynamics of the global financial and international monetary systems. Students develop knowledge of the fundamental concepts needed to understand foreign direct investment, financial flows, international trade and investment deals. As political risk and economic exposure to global events have become more immediate, special attention will be given to the 2007-2012 world banking crisis, the role of central banks in the stabilization of national economies, the European debt crisis, and the specific economic challenges to which individual EU countries have been exposed in varying ways. Alternative views and policy measures to help struggling economies overcome the economic and financial crisis – like contracting (or expanding) government spending – as developed by the EU, and the U.S., will be assessed and critically analyzed.

Learning Objectives

The learning objectives of this course include:

- To gain an understanding of basic financial concepts and their application to the very intricate web of international economic and financial transactions.
- To deepen the understanding of the determinants of international financial transactions and their consequences in the present-world economic and financial order.



- To comprehend the decisions taken by various agents (governments, multinational corporations, public and private banks) and how these interact in the international financial markets.
- To learn how to read and analyze economic and market indicators for a better understanding of the world panorama of economics and finance.
- To understand and apply these criteria to financial decisions taken within multinational corporations for effective governance and risk management.
- To gain greater knowledge of financial instruments such as stocks, bonds, and derivatives along with financing methods such as asset-backed securitization, venture capital and private equity.

Course Prerequisites

Previous coursework in microeconomics, macroeconomics and international economics (which should include the basics of international trade) are course prerequisites. This course is not suitable for students with no previous economics classes.

Methods of Instruction

The course will be highly interactive between the instructor and the students. Students are expected to do the required readings before class so they can discuss the class material among themselves and with the instructor. A summary highlighting important aspects of the required readings (“a nugget”) is due each session and appraised as an element of class participation. PowerPoint presentations, including short video clips, will be used by the instructor to introduce the material. Required readings will be assigned in advance to allow students to read in advance, digest and prepare questions for more and interactive classroom discussion.

Debates on current events in the area of International Finance will be held. Theoretical instruction will be mixed with topical case studies presented by the students. The list of online references at the end of the syllabus includes web sites on financial information that should be consulted during the course, as finance is a dynamic and changing



discipline that needs constant updating; therefore the students will be responsible for checking selected web sites regularly for in-class discussion.

Assessment and Final Grade

Midterm examination	20%
Final examination	20%
Two summary papers	20%
Group presentation	20%
Attendance, class participation, nuggets	20%

Course Requirements

Examinations

The open-book midterm examination will consist of the material covered during the first three weeks of class, including the PowerPoint presentations by the instructor, the readings given for those weeks and the in-class discussions. You will be asked to answer multiple-choice questions on the above. Likewise, the final examination will cover all the course material for a similar examination.

Summary Papers

The two summary papers are due one week following class excursions to a company or government agency. These should be 500 words in length and should include a brief summary of the visit and your thoughts on issues in International Finance raised at the meeting. Alternatively, you may submit a report on a self-organized interview with a local company or bank that is international in its operations. Banks you may wish to consider meeting include Commerzbank, Berliner Sparkasse, Berliner Volksbank, Deutsche Bank, Weberbank, IBB. The interview should include the topic of German corporate governance and the extent such differs from the US approach. Excursions are planned for the entire class to the Bundesbank (Berlin office), the Ministry of Finance, and the



headquarters of the Deutsche Bahn AG, Finance & Treasury Department, all excursions to be accompanied by the instructor.

For a self-organized interview with the Deutsche Bank, contact Die Deutsche Bank der Zukunft in Berlin, Q110 Friedrichstrasse 181, 10117 Berlin, Frau Larissa Sonnemann, (030) 460611-60.

Nuggets and Market Reports

The nuggets on the course readings should highlight two items of note in the chapter and include a brief overview of recent developments in the financial markets such as IPOs, new bond issues or shifts in currency markets. These papers of no more than 1 page in length will be discussed in class.

Group Presentation

The in-class presentation will be delivered by the students in groups of 2 students. The topics for the group presentation will be assigned to the students on the second day of class, as case studies (see end of document). The presentation should be in PowerPoint format and each group participant will present a part of the presentation, although both members should be familiar with the whole topic. The presentation should not last more than 20 minutes and will be followed by a Q&A session. Of utmost importance is to apply international financial theory to the real-life cases involved.

Participation

As part of your work in this course, students should demonstrate learning beyond the submission of written assignments or presentations. As such, all students receive grades based upon participation.

Participation is valued as meaningful contribution in the digital and tangible classroom, utilizing the resources and materials presented to students as part of the course. Students receive grades based upon their contributions both in the classroom and in the Canvas course.

Meaningful contribution requires students to be prepared, as directed by the Instructor, in advance of each class session. Students must clearly demonstrate they have engaged with the materials where directed.



This includes valued or informed engagement in, for example, small group discussions, online discussion boards, peer-to-peer feedback (after presentations), interaction with guest speakers, and attentiveness on co-curricular and outside-of-classroom activities.

Attendance Policy

Regular class attendance is required throughout the program, and all unexcused absences will result in a lower participation grade for any affected CIEE course. Due to the intensive schedules for Open Campus and Short Term programs, unexcused absences that constitute more than 10% of the total course sessions will also result in a lower final grade.

Students who transfer from one CIEE class to another during the add/drop period will not be considered absent from the first session(s) of their new class, provided they were marked present for the first session(s) of their original class. Otherwise, the absence(s) from the original class carry over to the new class and count against the grade in that class.

For CIEE classes, excessively tardy (over 15 minutes late) students must be marked absent. Attendance policies also apply to any required co-curricular class excursion or event, as well as to Internship, Service Learning, or required field placement. Students who miss class for personal travel will be marked as absent and unexcused. No make-up or re-sit opportunity will be provided.

An absence in a CIEE course will only be considered excused if:

- a doctor's note is provided
- a CIEE staff member verifies that the student was too ill to attend class
- satisfactory evidence is provided of a family emergency

Attendance policies also apply to any required class excursion, with the exception that some class excursions cannot accommodate any tardiness, and students risk being marked as absent if they fail to be present at the appointed time.

Unexcused absences will lead to the following penalties:



<i>Percentage of Total Course Hours Missed</i>	<i>Equivalent Number of Open Campus Semester classes</i>	<i>Minimum Penalty</i>
Up to 10%	1	No academic penalty
10 – 20%	2	Reduction of final grade
More than 20%	3 content classes, or 4 language classes	Automatic course failure, and possible expulsion

Weekly Schedule

NOTE: this schedule is subject to change at the discretion of the instructor to take advantage of current experiential learning opportunities.

Week 1

Introduction to International Finance

The main purpose of the course will be covered this week. General terms of international finance will be discussed and introduced. Special attention will be placed on Germany and its form of corporate governance.

Readings: Madura International Financial Management, 2014, Chapter 1; Online articles # 1, # 2

Week 2

International Financial Markets

This week will focus on the balance of payments as a record of international money flows and the international



financial markets, the crux of this course. We will cover the international foreign exchange markets, money and credit markets, as well as bond and stock markets, in the context of international business financing and portfolio investment.

Readings: Madura International Financial Management, Chapters 2, 3, online article # 3
Submission of forecasts for the Dow Jones Industrial, DAX 30, USD/EUR and 10 year yields for US & German government bonds

Week 3

Foreign Exchange Markets

The valuation of foreign shares, and the factors affecting the equilibrium exchange rates will be covered this week with an introduction to currency derivatives. Hedging strategies against risk exposure, will be introduced and explained. Spot and forward exchange rates as well as governmental forex intervention will be presented. In addition, the role of central banks, comparing especially the European Central Bank and the US Fed, will be presented as prime examples of the most important players in forex intervention.

Possible Class Excursion

Deutsche Bundesbank, Leibnizstrasse 10, 10625 Berlin

Readings: Madura, 2014, Chapter 3, Appendix p. 111-115, Chapter 4, Chapter 5 pages 137 – 144, Chapter 6

Week 4

Financial Risk Management



Forecasting exchange rates and forex in the context of international trade will expand the further understanding of why managing exposure to financial risk is so important in managing these monetary and financial exchanges.

Possible Class Excursion

Deutsche Bahn AG, Europaplatz 1, 10557 Berlin
www.deutschebahn.com

Readings: Madura, 2014, Chapter 9, online article # 4.

Summary due on visit to the Deutsche Bundesbank.

Midterm examination

Week 5

Measuring Exposure to Exchange Rate Fluctuations and Decision-making Strategies in International Finance

Three main types of currency exposure will be introduced. Under the topic of long-term asset and liability management, the debt maturity decision and the fixed versus floating rate decision will be covered with an explanation of hedging instruments such as interest rate swaps.

Possible Class Excursion

German Ministry of Finance, Wilhelmstrasse 97, 10117 Berlin

Readings: Madura Chapter 10 and Chapter 15; online article # 5.

Summary due on field trip to Deutsche Bahn.

Week 6

Conclusions and Review: An Ethical Viewpoint



An integral review of all information given during the course will be summarized and put into context. Examples of big investment banks and insurance companies (Goldman Sachs, JP Morgan, HSBC among others) will be given as illustrative examples of how the drive to profit from the lucrative securitization business led to an erosion of lending standards and the worst recession since 1928. These practices will be contextualized in comparison to the green movement and Islamic finance.

Readings: Madura, 2014, Chapter 16; online article # 6.
Final examination

Summary due on visit with German Ministry of Finance

It should be understood that the foregoing outline is subject to change depending on the background of students, the timing of field trips and the complexity of the subject matter. Assignments and the timing / location of excursions will be published in Canvas. Students are encouraged to contact the instructor regarding the course assignments if anything is unclear.

Readings

Grath, Anders. *The Handbook of International Trade and Finance: The Complete Guide for International sales, Finance, Shipping and Administration*. Kogan Page. 2013. Print.

Grath, Anders. *The Handbook of International Trade and Finance: The Complete Guide to Risk Management, International Payments and Currency Management, Bonds and Guarantees, Credit Insurance and Trade Finance*. Kogan Page. 2008. Print.



Krugman, Paul, Obstfeld, Maurice and Melitz, Marc. *International Economics: Theory and Policy*. Prentice Hall, 9/e, 2011. Print.

Madura, Jeffrey. *International Finance Management*. Cengage Learning. 2014. Print.

Online References

Online articles:

1. The Global Financial Crisis, Bank for International Settlements, 79th Annual Report, June 2009, Timeline of Events, Pages 18, 19
<http://www.bis.org/publ/arpdf/ar2009e2.pdf>
2. Did The Fed Save The World? Paul Krugman, New York Times, Op-Ed, October 7, 2015 <http://krugman.blogs.nytimes.com/2015/10/07/did-the-fed-save-the-world/>
3. Thomson Reuters: MarketPsych: Sentiment Data in the Foreign Exchange Markets.
<http://thomsonreuters.com/articles/2013/marketpsych-sentiment-data-in-fx-markets>
4. International New York Times: Clouds Seen in Regulators's Crystal Ball for Banks
http://www.nytimes.com/2013/01/11/business/economy/models-for-financial-risk-are-still-seen-as-flawed.html?pagewanted=all&module=Search&mabReward=relbias%3Aw%2C%7B%22%22%3A%22RI%3A13%22%7D&_r=0
5. Economist: Watching the wages.
<http://www.economist.com/news/europe/21614178-germanys-economy-stutters-even-if-fundamentals-are-strong-watching-wages?zid=295&ah=0bca374e65f2354d553956ea65f756e0>
6. Economist: The Libor scandal, the rotten heart of finance.



<http://www.economist.com/node/21558281>

For international finance, a myriad of websites to consult and get data are available. The main and most influential include:

Bloomberg. <http://www.bloomberg.com/>
Financial Times. <http://www.ft.com/>
International Monetary Fund. <http://www.imf.org/external/index.htm>
Organization for Economic Cooperation and Development. <http://www.oecd.org/>
Reuters. <http://www.reuters.com/>
The Economist. <http://www.economist.com/economics>
World Bank Group. <http://www.worldbank.org/>

Links to German financial institutions / banks:

German Ministry of Finance.
<http://www.bundesfinanzministerium.de/Web/EN/Home/home.html>
Berliner Sparkasse. www.berliner-sparkasse.de
Commerzbank. www.commerzbank.de
Deutsche Bank. www.deutsche-bank.de
IBB. www.ibb.de
Postbank. www.postbank.de
Weberbank. www.banking.weberbank.de/portal/portal/Starten

Harvard Business Case Studies:

Basel II: Assessing the Default and Loss Characteristics of Project Finance Loans (A)

BlueOrchard Finance: Connecting Microfinance to Capital Markets

Ethics in Finance

Government Policy and Clean-Energy Finance

Santander Consumer Finance