Faculty Committee on Graduate and Continuing Education

Proposal for a New Graduate Course

Department: School of Business; Dept. of Economics and Finance
Graduate Program: Master of Business Administration

Course Number & Title: MBAD 515 – International Financial Markets and Risk Management
Total hours/week: 42 hours / 7 hours per week for 6 weeks
Number of Credits: Lectures: 3 Lab: 

Will this course be cross-listed with an undergraduate or other graduate course? □ YES □ NO
If yes, please complete an attach to this proposal a Permission to Cross-List a Graduate Course form.

Course will first be offered: Fall 2010

Catalog description (Please limit to 50 words):

This class is designed to provide a framework for understanding how international financial markets operate and the use of the financial tools to develop strategies to reduce the risks involved in international finance.

Prerequisites (or other restrictions)
MBAD 503 Financial Management

Rationale/justification for course (consider the following issues):

a. What are the goals and objectives of the course?
   Please see attached

b. How does the course support the mission statement of the department and the organizing principles of the graduate program?
   Please see attached

Are other departments affected by this course? □ YES □ NO
(Please attach letters of support from the chairs of each department indicating the Department has discussed and supports the proposal.)

Is this course part of a joint program? □ YES □ NO
If yes, at what institution?

Method of teaching: Lecture, case study, oral presentation, written analysis, trading simulation

If more space is needed for any section, please attach additional sheets to this form.

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Expected changes

a. Address potential enrollment pattern shifts in the Department or University-wide as it relates to the offering of this course.  
   New program with new students anticipated

b. Address potential shifts in staffing of the departments as it relates to the offering of this course.  
   New Finance Assistant Professor will be requested in year two to teach MBA classes

Requirements for additional resources made necessary by this course. (Note: course requiring additional resources will need special justification.)

a. Staff   None

b. Budget  None

c. Library  None

Attach course syllabus, reading list, or any additional documentation that can help the committee evaluate this proposal. A syllabus is mandatory.

Signature of Program Director:  [Signature]  Date: 12/1/09
Signature of Department Chair:  [Signature]  Date: 12/1/09
Additional Chair’s Signature*:  [Signature]  Date: 
Signature of Schools’ Dean:  [Signature]  Date: 12/1/09
Additional Schools’ Dean Signature*:  [Signature]  Date: 
Signature of the Provost:  [Signature]  Date: 12/1/2009
Signature of Budget Director**:  [Signature]  Date: 

*For interdisciplinary courses. **Business Affairs Office

Return form to the Graduate School Office for further processing:

Signature of Chair of the Faculty Committee on Graduate and Continuing Education  [Signature]  Date: 12/9/09
Signature of Chair of Grad Council:  [Signature]  Date: 12/18/09
Signature of the Faculty Secretary:  [Signature]  Date: 

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Rationale/justification for course (consider the following issues):

c. What are the goals and objectives of the course?

This course introduces the operation of international financial markets and risk management in the global environment. Designed for graduate-level MBA students, this course combines lectures, discussion, case studies, written reports, and trading simulation to equip students with the skills to make financial decisions in the global market.

This course explores concepts and tools so that students may analyze financial issues and make financial decisions in the global environment. Students will possess the problem solving skills, be aware of important issues in international market, and know the following when students finish this course:

- The development of international monetary systems
- The balance of payments
- The function and structure of foreign exchange markets
- Foreign exchange market trading dynamics, rules, and pricing
- International parity relationships and foreign exchange rate determination
- Equilibrium condition in the foreign exchange market
- Constructing arbitrage portfolio in the foreign exchange market
- Tools to forecast foreign exchange rates
- Instruments to hedge international financial risks
- Developing strategies to reduce foreign exchange risk
- International banking, money, bond, and equity markets
- Letter of credit and various trade finance programs

d. How does the course support the mission statement of the department and the organizing principles of the graduate program?

Global Awareness: This course will increase global awareness by exploring the issues in the international market.

Effective Communication: This course will improve student’s communication skill through case studies, group discussion, professional presentation, and report writing.

Problem Solving: This course requires critical thinking and use of computer software in solving real world problems through case study assignments.

Ethical Awareness: This course requires students understand the ethical responsibilities in all areas of finance, particularly in international financial markets.

Innovation: This course encourages students to be innovative in dealing with corporate financial issues in international markets through creating new and alternative strategies.

Leadership: This course helps students be more successful in teamwork in today’s marketplace. This course provides students opportunities in taking leadership role in group assignments and therefore prepares them to be leaders in their careers.

Additional information regarding specifics of the course can be found in the attached syllabus.

If more space is needed for any section, please attach additional sheets to this form.
College of Charleston

MBAD-515, International Financial Markets and Risk Management

Course Syllabus

Instructor:

Class Time:

Office/Phone/E-mail:

Office Hours:

Course Description

This course introduces the operation of international financial markets and risk management in the global environment. Designed for graduate-level MBA students, this course combines lectures, discussion, case studies, written reports and trading simulation to equip students with the skills to make financial decisions in the global market. This course will be built on the following 6 modules:

(1) Introduction: Overview, history of international monetary systems, and International payment system
(2) The fundamentals: This module will introduce the basic foreign exchange markets including the spot and forward markets. We will also discuss the foreign exchange determination by learning international parity relationships and tools for forecasting foreign exchange rates
(3) The risk management tools: This module introduces the financial derivatives used in risk management including basic swaps, futures, options, interest rate swaps, currency swaps, exotic options, forward rate agreement, and others.
(4) Foreign exchange exposure and management: This module introduces the types of risk exposure and hedging strategies.
(5) International financial markets and institutions: This module introduces the international banking business, interesting rate market, equity market, and others.
(6) Trade finance: This module discusses the instruments and finance program for international business.

The first half of the course will focus more on building basic concepts through lecturing and the second-half of the course will focus more on application through case studies and discussion.

Learning Goals

The goal of this course is for you to learn concepts and tools so that you may analyze financial issues and make financial decisions in a global environment. You will possess the problem solving skills, be aware of important issues in international market, and know the following when you finish this course:

If more space is needed for any section, please attach additional sheets to this form.

November 2007
- The development of international monetary systems
- The balance of payments
- The function and structure of foreign exchange markets
- Foreign exchange market trading dynamics, rules, and pricing
- International parity relationships and foreign exchange rate determination
- Equilibrium condition in the foreign exchange market
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- Tools to forecast foreign exchange rates
- Instruments to hedge international financial risks
- Developing strategies to reduce foreign exchange risk
- International banking, money, bond, and equity markets
- Letter of credit and various trade finance programs

**Textbook, Reading Assignments, Cases, Suggested Reading:**

- Reading Assignments and Cases: The cases and reading assignments published by Harvard Business School (HBS) are listed under the Tentative Class Schedule section. Case #1, “Lufthansa” is published by Thunderbird, School of Global Management.
- Suggested Reading: Wall Street Journal, Financial Times

**Prerequisite:**

Financial management

**Grade Determination**

Final grade will be determined as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm</td>
<td>20%</td>
</tr>
<tr>
<td>Final (Comprehensive)</td>
<td>30%</td>
</tr>
<tr>
<td>Group case study</td>
<td>20%</td>
</tr>
<tr>
<td>Individual case study</td>
<td>10%</td>
</tr>
<tr>
<td>Participation</td>
<td>10%</td>
</tr>
<tr>
<td>Trading game</td>
<td>5%</td>
</tr>
<tr>
<td>Wildcard for best all-around performance</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

The wildcards increase the importance of your best scores.

*If more space is needed for any section, please attach additional sheets to this form.*

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The Overall Performance Score computes with this letter grade distribution:

A: $90.0 \leq \text{average}$
B+: $87.0 \leq \text{average} < 90.0$
B: $80.0 \leq \text{average} < 87.0$
C+: $77.0 \leq \text{average} < 80.0$
C: $70.0 \leq \text{average} < 77.0$
F: average $< 70.0$
I: Incomplete
W: Withdrawal
XF: Failure due to academic dishonesty

**Practice Problems, Individual and Group Assignments**

Each student should find 3~4 other students to form a group of no more than 5 people. Through the semester, group study and discussion are encouraged. Send me the names of your group members in 2 weeks.

(1) Practice problems:

Practice problems will be assigned. This assignment will NOT be collected. Answers to the problems will be posted on WebCT. This is for your best benefit to work the problems without checking the answers.

(2) Group report:

A case will be assigned to each group. Each group should analyze the case and prepare a professional analysis report. Only one report is needed for each group. The group report is expected to cover all aspects of the case. Do not limit yourself with the strategies discussed in the case; you may suggest other alternatives. Each report should start with a one-page executive summary. There is no limit on the size of the report. However, keep in mind that a long report is not necessarily a good report. You should include only the relevant analysis to support your recommendation. Redundant information can create adverse effects to the quality of your report. In addition, each group needs to present the report in class during assigned class period. Your participation and contribution to your group project will be part of your participation grade.

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(3) Individual report:

Each student will prepare an individual report on Case #7. Pixonix Inc. This report will be two-page (double-spaced, 12 pt. font size, no cover page) including the tables and figures. No group discussion is allowed for individual report.

**Trading Game**

This game replicates a foreign exchange market. The purpose of this game is to make you familiar with the foreign exchange trading. Each one of you will participate on daily basis on a web-based trading market. The game starts from the week after mid-term exam and ends one week before the end of the semester. Your performance will not have negative effect on your course grade. Your grade on the game will be based on your participation. However, the student with the highest ending profit will be rewarded with bonus points.

**Exam Policy**

- Exams are administered in-class and therefore time conflicts should not occur. No make-up exam will be given. If extenuating circumstances cause you to miss an exam then you, or your designee, must contact me, or the Finance administrative assistant (953-8100), the day following the exam. If no contact is made then your exam grade automatically is "F" (zero). If you make contact as specified above and I determine the reason for missing the exam is deemed valid, then the weight of the missed exam will be added to that of the final exam.

- You may bring one 3” x 5” index card to the mid-term exam. For the final exam, you may bring an A4 size paper but only limited to the front side. The rules on the index card are as follows. (All of the following rules are to be applied in the final exam except the size and the front and back rules.)
  - It must be a 3” x 5” index card! (Let me know if you need one.)
  - Hand-written (front and back), no photo copy.
  - Write your name on the top of one side of the card
  - Turn in the card with the exam. It will be returned to you with the exam.
  - Not following the above rules will result in 3 points penalty on the given exam.

**Other Issues**

(1) Grade appeal: To appeal your grade, write the justification for your appeal and submit your written argument and exam within 3 class days of the general return of the exam. Appeals filed tardy, such as after the end of the semester, will not be considered. Your grades on assessments prior to the final should be discussed before you take the final. After the final exam, the only issue on the table for discussion is the final exam itself.

(2) Attendance policy: I expect you to attend class regularly. I may take attendance on random basis. Attendance will be considered when I assign your class participation grade.

*If more space is needed for any section, please attach additional sheets to this form.*

November 2007
(3) Email policy: I will respond only to emails sent through student email accounts (i.e. cofc accounts). Email received after 3 p.m. will not be replied until next day.

(4) It is your responsibility to check with your fellow students or me on any announcement made in class if you miss the class.

(5) Please turn off all electronic devices when class/exam is in session including pc, cell phone, ipod, or any communication devices. If you have any special need which requires using electronic devices during class/quiz/exam, come see me.

(6) I strongly recommend you bring a calculator to class. No specific type of calculator is required but a financial calculator is preferred.

(7) If there is a student in this class who has a documented disability and has been approved to receive accommodations through the Center for Disability Services/SNAP (Students Needing Access Parity), please notify me as soon as possible.

### Tentative Class Schedule

<table>
<thead>
<tr>
<th>Topics</th>
<th>Reading</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. INTRODUCTION</strong></td>
<td></td>
<td>Week 1</td>
</tr>
<tr>
<td>• Overview</td>
<td>ER: Ch. 1</td>
<td></td>
</tr>
<tr>
<td>• History of international monetary system</td>
<td>ER: Ch. 2</td>
<td></td>
</tr>
<tr>
<td>• International payment system</td>
<td>ER: Ch. 3</td>
<td></td>
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<tr>
<td><strong>II. THE FUNDAMENTALS</strong></td>
<td></td>
<td>Week 2</td>
</tr>
<tr>
<td>• Foreign exchange market (spot and forward)</td>
<td>ER: Ch. 5</td>
<td></td>
</tr>
<tr>
<td>o <em>Supplement reading #1: “Exchange Rate Terminology and Analytics”, HBS, 9-701-121</em></td>
<td></td>
<td></td>
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<tr>
<td>o <em>Exercise: “Exchange Rate Exercise”, HBS, 9-701-122</em></td>
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<tr>
<td>• Foreign exchange rate determination</td>
<td>ER: Ch. 6</td>
<td></td>
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<tr>
<td>o International parity relationship</td>
<td>ER: Ch. 6</td>
<td></td>
</tr>
<tr>
<td>• Forecasting exchange rate</td>
<td>ER: Ch. 6</td>
<td></td>
</tr>
<tr>
<td>o <em>Supplement reading #2: “Understanding Exchange Rates” by David Moss</em></td>
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</tr>
<tr>
<td>o <em>Supplement reading #3: “Inflation, Exchange Rates, and Required Returns”, by Robert Harris</em></td>
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<tr>
<td><strong>MID-TERM EXAM</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>III. THE INSTRUMENTS</strong></td>
<td></td>
<td>Week 3</td>
</tr>
<tr>
<td>• Derivatives: futures, options, and swaps</td>
<td>ER: Ch. 5, 7, 14</td>
<td></td>
</tr>
<tr>
<td>o <em>Supplement reading #4: “Note on Foreign Currency</em></td>
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</tbody>
</table>

If more space is needed for any section, please attach additional sheets to this form.

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Case study #1: “Lufthansa”, Thunderbird Case Series
    #A07-99-0028

Case study #2: “Walt Disney Co’s Yen Financing”,
    HBS Case #9-287-058

IV. RISK MANAGEMENT

    • Managing foreign exchange risk
      ER: Ch. 8, 9

    • Case study #3: “Hedging Currency Risks at AIFS”,
      HBS Case #9-205-026

    • Case study #4: “Tiffany & Co. – 1993”, HBS Case #9-295-036

    • Case study #5: “Foreign Exchange Hedging Strategies
      at General Motors: competitive Exposures “, HBS Case #9-205-096

    • Case study #6: “Pixonix Inc -Addressing Currency
      Exposure”, Richard Ivey School of Business, Case #908N13

V. INTERNATIONAL MARKETS

    • International banking and money market
      ER: Ch. 11

    • International bond market
      ER: Ch. 12

    • International equity market
      ER: Ch. 13

    • Case study #7: “Innocents Abroad: Currencies and
      International Stock Returns”, HBS Case #9-204-141

VI. TRADE FINANCE

    • Instruments and programs
      ER: Ch. 20

FINAL EXAM

College of Charleston Honor Code and Academic Integrity

Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when identified, are
investigated. Each incident will be examined to determine the degree of deception involved.

Incidents where the instructor determines the student’s actions are related more to a misunderstanding will handled by
the instructor. A written intervention designed to help prevent the student from repeating the error will be given to the

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student. The intervention, submitted by form and signed by both the instructor and the student, will be forwarded to the Dean of Graduate Students and placed in the student’s file.

Cases of suspected academic dishonesty will be reported directly by the instructor and/or others having knowledge of the incident to the Dean of Graduate Students. A student found responsible by the Honor Board for academic dishonesty will receive a XF in the course, indicating failure of the course due to academic dishonesty. This grade will appear on the student’s transcript for two years after which the student may petition for the X to be expunged. The student may also be placed on disciplinary probation, suspended (temporary removal) or expelled (permanent removal) from the College by the Honor Board.

Students should be aware that unauthorized collaboration--working together without permission-- is a form of cheating. Unless the instructor specifies that students can work together on an assignment, quiz and/or test, no collaboration during the completion of the assignment is permitted. Other forms of cheating include possessing or using an unauthorized study aid (which could include accessing information stored on a cell phone), copying from others’ exams, fabricating data, and giving unauthorized assistance.

Research conducted and/or papers written for other classes cannot be used in whole or in part for any assignment in this class without obtaining prior permission from the instructor.

Students can find the complete Honor Code and all related processes in the Student Handbook at http://www.cofc.edu/generaldocuments/handbook.pdf

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