

FINA 538 – RAISING DEBT IN THE FINANCIAL MARKETS

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MBA Programme

September - October 2007

Course Objective:

This course is designed to develop an in-depth understanding of the choices open to companies in terms of debt financing, and to provide students with an introduction to the domestic and international debt financial markets.

Special attention will be given to the Hong Kong markets specifically as well as the Asian markets generally.

The goal is to provide the students with a sound base of practical information relating to debt capital markets, loan markets and the instruments required to tailor the financing to the actual needs of the company.

The approach will be very practical, drawn from real life experience as well as exposure to market practice.

Course Outline:

- Overview of financial markets and institutions
- Capital structure options; Debt v. Equity
- The Borrower's decision model; examples and illustrations
- Short term financing options :
 - looking at the various instruments available (eg, CP, Bas, lines of credit)
 - how to apply them to specific situations.
 - Mini-case studies of recent deals.
- Medium and long term financing options:
 - looking at the various instruments available (loans and bonds in particular, asset-based lending; securitization)
 - how to apply them to specific situations.
 - Mini-case studies of recent deals.
- Cookie-cutter v. tailor-made: pros and cons
- To hedge or not to hedge?
- Impact of accounting and regulatory changes
- Documentation issues and challenges (mini case studies)
- New trends in the markets

This outline is given as a reference only. We will aim to actively discuss domestic Hong Kong markets as well as selected Asian markets during the course.

If time allows, we will endeavor to cover other subjects which might be of particular interest to students or the result of recent events.

What we will NOT cover:

- a) Equity Market
- b) Derivatives
- c) Interest Rate & Capital Market Theory

d) Portfolio Theory & Valuations

Reference Materials:

- There is no course textbook for this course
- Reading Materials:
- Selected reading materials will be posted on WebCT and/or distributed in class
- *Students are encouraged to consult the following books, available from the University library:*
 - o **Asia's Credit Markets** by Florian Schmidt
 - o **The Money Markets Handbook** by Moorad Choudhry
 - o **Debt Management** by John Finnerty and Douglas Emery
 - o **International Trade Finance** by Kwai Wing Luk
 - o **Fixed Income Markets and their Derivatives** by Suresh Sundaresan
 - o **How to Understand the Financial Pages – a Guide to Money & Jargon** by Alexander Davidson

I strongly recommend that students familiarize themselves further with the financial markets by reading such market oriented newspapers as the Financial Times and the Asian Wall Street Journal; magazines such as Business Week, The Economist, Forbes and Fortune; watching CNBC and/or CNN; and exploring the Internet for subjects discussed in class.

Assessment:

The final grading will be determined as follows:

1) Group Presentations	20%
2) In-Class Quizzes	60%
3) Attendance, Punctuality & Participation in Class	20%

Rules of the Game

These are based on common-sense, real business life practice that you should be familiar with. **Cheating, dishonesty and plagiarism will not be tolerated at any time and may result in strict sanctions.**

1. Attendance: Just as you would for business meetings, I expect each student to attend all classes unless a valid excuse is produced (such as medical emergency for a close member of the family). Unexcused, repeated absences will result in a *zero* grading for the Attendance portion of the grade. Similarly, as for business appointments, each student is also expected to be on time. Late arrival is disruptive and disrespectful. Repeated late arrival will result in lower rating. Attendance (and punctual arrival) to guest speakers sessions is *mandatory*.
2. Participation: Active participation is highly encouraged, and will be duly noted. I also expect each student to behave as you would in a business environment, showing respect for each other and generally not disrupting the class with inappropriate behavior.
3. Quizzes: **There is no final exam; instead, there will be 3 in-class quizzes; each will count for 20% of the grade.** There will be no make-up quiz. Unexcused absence will result in *zero* grading for that test. Excused absence

will result in the points being spread out over the remaining tests. I will give an advance warning of the quiz the session before it takes place, but on average you should be prepared to have a quiz every other week. Each quiz will last approximately 20 to 30 minutes and will cover basic concepts and themes studied during the course. Each quiz will be closed-book. The idea here is to check that you have really understood the subjects covered.

4. Group Presentations: Students will be required to form themselves into groups. How you run the groups is your concern; it is up to you to decide the group composition and to make sure each group member does his/her fair share of the work. I will not be involved in intra-group disputes. For each group, a subject will be given. Each group will be expected to prepare a presentation to last no more than 20 minutes, followed by a 10 minutes Q&A. The presentations will all take place on the last day of the course. Just as in a business environment, the time constraint will be strictly enforced. All members of the group will be required to be involved in the presentation, and each should have the opportunity to speak for a few minutes. Preliminary copies of the presentation (slides) should be sent to me by email for comment one week before the presentations. Just as in business life, my grading will take into account not only the content but also the presentation itself, including style, spelling, grammar, as well as oral skills, and the way you handle the Q&A session.
5. Course Materials, Questions and contact with instructor: The course materials will be posted on the University's WebCT (FINA538), please check the website on a regular basis for new postings. For administrative queries, please contact the Teaching Assistant or the staff at the Department of Finance Office, who will be able to assist you. For any lecture related queries, feel free to contact me directly, preferably by email.

Contact Details for Instructor:

E-Mail: vlafon@ust.hk

Room 2445 ext 7679 (please do NOT leave voice mail)

Teaching Assistant: To be announced

Personal Telephone (for emergency ONLY): 9042-6753

Mail: address to Department of Finance at HKUST, clearly indicating course reference and instructor's name.