PhD
INTERNATIONAL FINANCIAL MARKETS

Instructors

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Course Description

Corporate finance decisions such as financing, investments, valuation, payout and mergers and acquisitions all entail an international dimension. In today’s constantly evolving global economy, such decisions are rendered more complex and challenging than before. In particular country-level differences in investor protection, regulation, taxation, exchange risk, political risk, culture, and corporate governance quality, among others, all impact the manner in which corporations make financial decisions.

Hence, the primary objective of this course is to provide students with the knowledge and skills necessary to understand and analyze the relationships among corporate financial policy, corporate governance, and international financial markets to create shareholder value. In this context, the course will focus on raising capital overseas via cross-listings, investing capital through cross-border mergers and acquisitions, raising/investing international venture capital and conducting IPOs, payout/repurchase decisions around the world, and understanding how corporate governance mechanisms at the firm- and country-levels might potentially curb management misappropriation and/or dominant investors’ ability to expropriate minority investors (through excessive perquisites and compensation, overinvestment, cronyism, self-dealing, diversion of corporate resources for personal consumption, and outright theft). In short, the course will examine investment, financing, and payout decisions in the international context.

The course will present and discuss empirical findings and theoretical frameworks on international corporate finance and governance, and share knowledge gleaned from practical experience in international financial markets. Students will gain a strong understanding on how foreign firms raise and invest capital; how and why foreign firms cross-list in the U.S.; how foreign firms grow through international venture financing and cross-border mergers; how firm- and country-level corporate governance can impact corporate performance; and why many countries around the world are moving to mandate best corporate governance practices.
Course Organization
The course will entail a mix of lectures, classroom open dialogue and discussions as well as in-class presentations by the instructor and students. Sessions are organized into 12 content modules, a midterm exam, a final takehome exam, and a comprehensive term paper – please see a description of the term paper at the end of this syllabus.

Learning Outcomes
By the end of the course, students should be equipped to:

1. Knowledge and Understanding
   - Understand the motivations and process of raising capital overseas and cross-listing stocks;
   - Describe the key pros and cons of listing and delisting ADRs;
   - Understand international corporate governance terminology, the structure of the multinational firm, and the shareholder view of the firm;
   - Appreciate the significance of the conflicts of interests that arise from a separation of ownership and control in firms around the world;
   - Identify the key drivers of the conflicts of interests and provide remedies that might seek to alleviate the asymmetries and reduce agency costs at the country- and firm-level;
   - Describe the various tools and mechanisms at the firm- and country-level employed to mitigate agency costs in different countries;
   - Describe the role of investor protection and culture in mitigating expropriation;
   - Explain why firms undertake cross-border takeovers and their economic significance to acquirers;
   - Identify the primary means by which insiders and controlling shareholders can divert resources for personal consumption and explain how these can be mitigates in firms domiciled in weak investor protection environments;
   - Appreciate the significance of the international venture capital market and its role in stimulating economic development;
   - Appreciate the significance of payout policy across countries;
   - Recognize the role of regulatory bodies and corporate governance reform around the world in instilling the trust of investors and thus, creating corporate value.
   - Appreciate the importance of natural/quasi experiments to alleviate endogeneity and causality concerns that are rife in studies conducted in international financial markets, international corporate finance and governance.
2. Skills

- **Practical skills**: apply financial and management concepts of valuation to assess the effectiveness of cross-listing, cross-border M&A, and alternative international corporate governance mechanisms; identify relevant data sources that might be employed to evaluate cross-listing, cross-border M&A and internal and external governance mechanisms; pinpoint examples of flawed cross-listings, cross-border M&A and international governance systems, and present better practice recommendations; produce comprehensive evaluations on the various internal and external mechanisms of corporate governance in firms domiciled in a country that gives investors a high (and low) level of legal investor protection; be able to identify resource diversion and corruption in international firms; produce research reports and be able to critically evaluate academic research papers; and undertake economic and financial analysis on corporate finance decisions in the international setting.

- **Intellectual skills**: discuss the limitations of cross-listing, delisting, cross-border M&A and governance around the world; identify instances when internal mechanisms of governance may prove more effective than external mechanisms at the country level; critically review the effectiveness of alternate mechanisms of governance; challenge existing governance mechanisms and their effectiveness; discuss the options available to firms encountering difficulties in raising capital and securing investor confidence in overseas markets.

- **Transferable skills**: perform case analysis and report writing; undertake data analysis and evaluation; and interact with members in a group to conduct presentations and produce reports for academic review under time and data constraints.

### Required Readings

Readings are assigned for each module and should be read in advance of attending the respective class sessions. Please refer to the reading list at the end of this syllabus for complete references, and to the daily schedule for information regarding which readings are assigned to each session. All readings will be sent either via Blackboard or email to the students prior to the start of the module.

### Preparation and Discussion

At the beginning and end of each class session, we will be available in person to discuss the readings assigned for the upcoming session. This will help clarify potential questions in advance, in order to allow you to fully focus on lectures and in-class discussions. These informal discussions are offered as an aid to students who need additional help with the readings; they are not a required or graded component of class participation.

### Attendance

You are expected to attend all class sessions. Regular attendance is key because active participation will ensure that you benefit fully from this class, and class participation will be an important part of the final grade. In addition, at the beginning of each session, you will be required to submit a single-page report on each academic paper that will be discussed during the lecture. You are responsible for completing all assignments on time even if you did not
attend class. Attendance will be taken at every class session. It is our policy to assign zero points for participation if a student misses more than 20% of total class time without appropriate documentation.

**Learning Environment**

Please be considerate of your fellow classmates. It is particularly important that you show up to class on time, turn your cell phone into vibrate/silent mode before you enter the classroom, and that you minimize interruptions by trying not to leave the classroom during class sessions or before the end of regularly scheduled class time. It is also imperative that you come to class prepared to actively participate in discussions.

**Evaluation and Grading**

Your grade will comprise four components: in-class participation, completion of academic paper reports, midterm exam, takehome final exam, and comprehensive term paper (see below). For each class component, grades will be assigned on the following basis:

- **A** 100% – 93.0%
- **A-** 92.9% – 90.0%
- **B+** 89.9% – 87.1%
- **B** 87.0% – 83.0%
- **B-** 82.9% – 80.0%
- **C+** 79.9% – 77.1%
- **C** 77.0% – 73.0%
- **C-** 72.9% – 70.0%
- **F** 69.9% and below

The overall class grade will be computed by weighting the numerical values for each component as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weightage</th>
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<tbody>
<tr>
<td>In-class participation (oral)</td>
<td>10%</td>
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<tr>
<td>Academic paper reports</td>
<td>10%</td>
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<tr>
<td>In-term exam (in class)</td>
<td>20%</td>
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<tr>
<td>Final exam (in class)</td>
<td>20%</td>
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<tr>
<td>Term paper</td>
<td>40%</td>
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<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
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**Participation and Classroom Response System**

Please participate actively in this class! Active participation includes answering questions posed by other students or the instructor, asking questions yourself (going beyond simple clarifications), participating in class discussions, and sharing your own experiences on a topic. Attendance is a necessary but not sufficient condition for participation. Each student will be required to discuss any of the papers that have been assigned for that session. When asked to present a paper in class, then it is important that you be ready with 4-5 powerpoint slides on the paper so that you can present and discuss your understanding of the work. I will provide
advance warning on when you will present a paper in front of the class. If you are unable to present a paper then this will be result in negative points for class contribution.

**Term Paper**

The take-home term paper includes both a quantitative and narrative component. For this purpose, you will be required to undertake a comprehensive review of prior research on one of the module topics. You will then be required to identify potential areas of extension on the topic and undertake empirical and theoretical analyses to add to prior work. The term paper will require you to work in gathering and reviewing relevant academic articles, identifying potential shortfalls in your review and proposals on how they can be plugged. The final act of the term paper will involve either empirical analyses or the presentation of a theoretical model that will require sourcing and collating data (if relevant), describing a suitable research method, analyzing the data (if relevant) using statistical and econometric software, and presenting a comprehensive write-up.

The in-class discussions held over the course will prepare you to conduct the necessary analyses for the term paper, so you can commence your selection of a suitable term paper topic after the first few class sessions. It is important that you DO NOT use existing research or materials that you have submitted for other classes as your term paper. The term paper needs to be your own-original effort. A completed term paper is due within one month of the last class session.

**Academic Honesty**

We fully support Baruch College's policy on Academic Honesty, which states:

"Academic dishonesty is unacceptable and will not be tolerated. Cheating, forgery, plagiarism and collusion in dishonest acts undermine the college's educational mission and the students' personal and intellectual growth. Baruch students are expected to bear individual responsibility for their work, to learn the rules and definitions that underlie the practice of academic integrity, and to uphold its ideals. Ignorance of the rules is not an acceptable excuse for disobeying them. Any student who attempts to compromise or devalue the academic process will be sanctioned."

In the context of this policy, cheating and plagiarism are defined as follows:

**Cheating** is the attempted or unauthorized use of materials, information, notes, study aids, devices or communication during an academic exercise. Examples include but are not limited to:
- Unauthorized collaborating on a take home assignment or examination
- Falsifying attendance lists (signing for someone else or asking someone else to sign for you)
- Submitting substantial portions of the same paper to two classes without consulting both instructors
- Allowing others to research and write assigned papers including the use of commercial term paper services

**Plagiarism** is the act of presenting another person's ideas, research or writing as your own:
• Copying another person's actual words without the use of quotation marks and footnotes (a functional limit is four or more words taken from the work of another).
• Presenting another person's ideas or theories in your own words without acknowledging them.
• Using information that is not considered common knowledge without acknowledging the source.
• Failure to acknowledge collaborators on homework and laboratory assignment.

You are responsible for familiarizing yourself with the information on academic honesty presented on the College's website. Please visit:

http://www.baruch.cuny.edu/academic/academic_honesty.html

and read this information carefully. Also, each student is required to complete the online plagiarism tutorial at


Our policy is to give a failing grade to any assignment that has been plagiarized (even in part) including in the exam or term paper in which you have cheated. Similarly, students who falsify attendance records for themselves or others will receive a grade of 0%. In addition, professors are required by College policy to submit a report of suspected academic dishonesty to the Office of the Dean of Students. This report would become part of your permanent academic file.

**Students with Disabilities and Other Special Needs**

Baruch College provides reasonable accommodations and modifications for students with disabilities to ensure that no student with a disability is denied the benefits of, is excluded from participation in, or otherwise is subjected to discrimination under the education program or activity operated by the College because of the absence of educational auxiliary aids for students with disabilities. Some people think that a disability has to be visible to be accommodated. This is not the case. There are many disabilities – diabetes, psychological illness, learning disabilities, AIDS, seizure disorders, arthritis, etc., which require accommodations. Examples of possible accommodations include additional testing time; adaptive equipment; and taping of classes.

Baruch College has a process for determining whether a student who identifies as disabled is eligible for a reasonable accommodation in order to complete the student’s academic program. This process, as well as the arrangements for adapting class procedures without compromising course content and standards may take time. Therefore, students who require accommodations or modifications should make the necessary arrangements as soon as possible.

If you feel that you may need a reasonable accommodation based on a disability, please contact the staff at the Office of Disability Services, Newman Vertical Campus, Room 2-271, or by phone at (646) 312-4590. We are also available to talk with you before or after this class or during our office hours or by appointment.
Schedule

Session #1 (1/31): Syllabus and Course Overview + International Financial Markets I

Session #2 (2/7 - ZOOM): International Financial Markets II

Session #3 (2/14 - ZOOM): Global Financing and Issues in International Financial Markets III

Session #4 (2/28): Background on ADRs


**Session #5 (3/7 - ZOOM): Listing and Delisting ADRs**


**Session #6 (3/14): International Corporate Governance - Review**

**U.S. Corporate Governance**


(26) Marco Becht, Patrick Bolton and Ailsa Roell, 2003, Corporate Governance and Control, Chapter 1, Handbooks of the Economics of Finance, Edited by GM Constantinides, MH Harris and R Stulz, Elsevier Publishing


**Cross-Country Corporate Governance**


**Session #7 (3/21): International Corporate Governance Mechanisms**

**Media**


*(40) Tung Lam Dang, Fariborz, Moshirian, and Bohui Zhang, 2015, Commonality in news around the world, *Journal of Financial Economics*, 116, 82-110

**Ownership**

(41) Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer, 1999, Corporate ownership around the world, Journal of Finance 54, 471-517.


(44) Stijn Claessens, Simeon Djankov, Joseph Fan and Larry Lang, 2002, Disentangling the Incentive and Entrenchment Effects of Large Shareholdings, Journal of Finance, 57/6, 2741-2771


Corporate Boards


Hedge Funds


M&A


Session #8 (3/28): Midterm Exam + Investor Protection


(64) Holger Spamann, 2010, Anti-Directors Rights Index Revisited, Review of Financial Studies, 23, 467486.


Session #9 (4/4 - ZOOM): Diversion, Corruption and Political Connections


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Session #10 (4/11 - ZOOM): International Corporate Governance Regulation and Firm Policies


(100) Özde Öztekin, 2015, Capital structure decisions around the world: which factors are reliably important? *Journal of Financial and Quantitative Analysis*, 50/3, 301-323.


**Session #11 (4/25): Background on Natural Experiments in Finance/Economics**

U.S.


(113) Brian Baugh, Itzhak Ben-David, and Hoonsuk Park, 2018, Can Taxes Shape an Industry? Evidence from the Implementation of the “Amazon Tax”, *Journal of Finance*, 73/4,
1819-1855.


**International**


**Session #12 (5/2): Natural Experiments in International Financial Markets**


**Session #13 (5/9 - ZOOM): Culture, Trust and Bribery in International Financial Markets**


**Session #14 (5/16): International M&A, VC and Innovation**


(147) Venture Capital Investments and Merger and Acquisition Activity around the World—by Gordon M. Phillips and Alexei Zhdanovz. SSRN 2017


Session #15 (5/23): Final Exam
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<td>Syllabus, report, Slides #1</td>
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<td>Mon 7 Feb</td>
<td>#2: IFM 2</td>
<td>Slides #2</td>
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<td>Mon 14 Feb</td>
<td>#3: Global Financing and IFM 3</td>
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<tr>
<td>Mon 28 Feb</td>
<td>#4: Background on ADRs</td>
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<td>Mon 7 Mar</td>
<td>#5: Listing and Delisting ADRs</td>
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<td>Mon 14 Mar</td>
<td>#6: International Corporate Governance – Review</td>
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<td>Mon 21 Mar</td>
<td>#7: International Corporate Governance Mechanisms and Firm Policies</td>
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<td>Mon 16 May</td>
<td>#14: International M&amp;A, VC and Innovation</td>
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<td>Mon 23 May</td>
<td>Final Exam</td>
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