Instructor: Hao-Chen Liu  
Class Time: 8 a.m. to 10:40 a.m., Tuesdays and Thursdays  
Classroom: Tate 207  
Office/Phone/E-mail: J.C. Long 307, 953-1988, liuh@cofc.edu  
Office Hours: 10:00 a.m. to 12:00 p.m. on Mondays and Wednesdays on Zoom (Zoom link will be posted on Oaks.)

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 5 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 forwards, foreign exchange swaps, futures, options, interest rate swaps, currency swaps, and forward rate agreement.
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.

The first half of the course will focus on building basic concepts through lecturing and the second half of the course will focus 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:

- 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

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.
- Other Reading: Wall Street Journal

Prerequisite:
MBAD-503 Financial management

Grade Determination
Final grade will be determined as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Exams</td>
<td>30%</td>
</tr>
<tr>
<td>Individual report</td>
<td>20%</td>
</tr>
<tr>
<td>Group case report</td>
<td>20%</td>
</tr>
<tr>
<td>Group presentation</td>
<td>10%</td>
</tr>
<tr>
<td>Homework assignment</td>
<td>10%</td>
</tr>
<tr>
<td>Trading game</td>
<td>5%</td>
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<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>
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There will be 2 exams plus an optional comprehensive final exam. The score of the final exam can be used to replace one of the lowest scored Exams.
If any one of the exams is missed, the optional final will be used to replace the missed exam(s) only.

The Overall Performance Score computes with this letter grade distribution:

A: 90.0 ≤ average
B+: 87.0 ≤ average < 90.0
B: 80.0 ≤ average < 87.0
C+: 77.0 ≤ average < 80.0
Individual and Group Assignments
Each student should be in a group of 3-4 students. Through the term, group studies and discussions are encouraged. Send me the names of your group members in 1 week.

(1) Individual case report (Due date to be announced):
Each student will prepare an individual report. The maximum length of the report is three-pages (single-spaced, 12 pt. font size, Times New Roman, no cover page) including tables and figures. The report needs to be submitted to Dropbox on Oaks. No group discussion is allowed for individual report.

(2) Group case report (Due date to be announced):
Each group needs to analyze an assigned case and prepare a professional analysis report. Only one group report is required to be turned in. 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 on the quality of your report. An electronic copy of the report needs to be submitted to Dropbox on Oaks.

Homework
There are two types of homework assignments.

(1) Individual Assignments: Chapter assignments are from selected chapters. Each chapter assignment is due after a topic is covered. Each assignment needs to be typed and submitted to Assignment Dropbox on Oaks individually. Late submission is not accepted.

(2) Group Assignments: Case assignments are from selected cases. These case assignments are group assignments which will be due prior to our class meeting. Each case assignment needs to be typed and submitted to Assignment Dropbox on Oaks in group. Late submission is not accepted.

Trading Game
This game replicates a foreign exchange market. The purpose of this game is to make you familiar with the foreign exchange trading. Your grade on the game will be based on your participation. However, bonus points will be given to students with the highest ending profits in each of the official rounds. More detailed information will be provided.

Tentative trading game dates:
(1) Individual trading (active trading)
- Practice Round: October 26 to November 1 (1 week)
- Round 1: November 2 to November 8 (1 week)
- Round 2: November 9 to November 15 (1 week)
(2) Group trading
- Round 1 (Active): November 2 to November 8 (1 week)
- Round 2 (Buy and Hold): November 9 to November 15 (1 week)

Exam Policy
- Exams are administered during our class time 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 by the end of exam day. The weight of the missed exam will be added to that of the final exam.
- Exams will be closed book and closed note. A formula sheet will be provided at each exam.

Other Issues
(1) Grade appeal: To appeal your grade, write the justification for your appeal and submit your written argument and assignment/exam within 3 class days of the general return of the assignment/exam. Appeals filed tardy, such as after the end of the semester, will not be considered. Your grade on assignments/exams 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: Class attendance (in-person or online) is mandatory. Only students officially registered (graded or auditing) for this course may attend class. During the week following the drop/add deadline, the professor will verify student enrollments in this course. Any student appearing on the class roll but determined not to have attended the class even once will be removed, except for cases where a student is absent because of quarantine or isolation due to COVID-19.
(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 good 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) I strongly recommend you bring a calculator to class. A financial calculator is preferred.
(6) Writing lab: I encourage you to take advantage of the Writing Lab in the Center for Student Learning (Addlestone Library, first floor). Trained writing consultants can help with writing for all courses; they offer one-to-one consultations that address everything from brainstorming and developing ideas to crafting strong sentences and documenting sources. For more information, please call 843.953.5635 or visit http://csl.cofc.edu/labs/writing-lab/.
(7) Oaks: OAKS, including Gradebook, will be used for this course throughout the semester to provide the syllabus and class materials and grades for each assignment, which will be regularly posted.
(8) Disability/Access: This College abides by section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act. If you have a documented
disability that may have some impact on your work in this class and for which you may require accommodations, please see an administrator at the Center of Disability Services/SNAP, 843.953.1431 or me so that such accommodation may be arranged.

(9) Inclement Weather, Pandemic or Substantial Interruption of Instruction: If in-person classes are suspended, faculty will announce to their students a detailed plan for a change in modality to ensure the continuity of learning. All students must have access to a computer equipped with a web camera, microphone, and Internet access. Resources are available to provide students with these essential tools.

(10) If one or more students are absent for an extended period of time due to COVID-19 (quarantine or isolation), instructors may, at their discretion, conduct the class exclusively online via OAKS for the duration of student quarantine/isolation, record class lessons to share with students, or choose an alternate accommodation that provides the impacted student(s) with the opportunity to continue in the course. The specific accommodation will vary depending on the number of students affected, the expected duration of their absence, and the needs of the class.

(11) In the situations when class sessions will be recorded via both voice and video recording, by attending and remaining in this class, the student consents to being recorded. Recorded class sessions are for instructional use only and may not be shared with anyone who is not enrolled in the class.

Tentative Class Schedule

<table>
<thead>
<tr>
<th>Topics</th>
<th>Reading</th>
<th>Date</th>
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<tbody>
<tr>
<td>I. INTRODUCTION</td>
<td></td>
<td>Week 1</td>
</tr>
<tr>
<td>• Overview</td>
<td>ER: Ch. 1</td>
<td></td>
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<tr>
<td>• History of international monetary system</td>
<td>ER: Ch. 2</td>
<td></td>
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<tr>
<td>• International payment system</td>
<td>ER: Ch. 3</td>
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<tr>
<td>II. THE FUNDAMENTALS</td>
<td></td>
<td>Week 1-4</td>
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<tr>
<td>• Foreign exchange market (spot and forward)</td>
<td>ER: Ch. 5</td>
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<tr>
<td>o Supplement reading #1: “Exchange Rate Terminology and Analytics”, HBS 701121-PDF-ENG</td>
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<tr>
<td>o WSJ: “Currency Trading Soars”, 08/31/2010</td>
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<tr>
<td>• Foreign exchange rate determination</td>
<td>ER: Ch. 6</td>
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<tr>
<td>o Supplement reading #2: “Note on Fundamental Parity Conditions”, HBS 288016-PDF-ENG</td>
<td></td>
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<tr>
<td>o Case #1: “MSDI-Alcala de Henares, Spain”, HBS 289029-PDF-ENG</td>
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• Trading Game

(Exam 1, November 4, 2021)

III. THE INSTRUMENTS

• Derivatives: futures and options ER: Ch. 5, 7
• Trading Game

IV. RISK MANAGEMENT

• Managing foreign exchange risk ER: Ch. 8, 9
  o Case study #2: “Lufthansa”, Thunderbird Case Series, TB0183-PDF-ENG
  o Case study #3: “Pixonix Inc.-Addressing Currency Exposure”, Richard Ivey School of Business, 908N13-PDF-ENG
  o Case study #4: “F. Mayer Imports: Hedging Foreign Currency Risk”, W17113-PDF-ENG
  o Case study #5: “Hedging Currency Risks at AIFS”, HBS 205026-PDF-ENG

V. INTERNATIONAL MARKETS

• International banking and money market ER: Ch. 11
• International bond market ER: Ch. 12
• International equity market ER: Ch. 13
• Interest Rate and Currency Swaps ER: Ch. 14
  o Supplement reading #3: “Note on Foreign Currency Swaps”, HBS 292043-PDF-ENG
  o Supplement reading #4: “A Note on Depositary Receipts” HBS 803026-PDF-ENG
  o Case study #6: “Walt Disney Co.'s Yen Financing”, HBS 287058-PDF-ENG

EXAM 2 (November 30, 2021)
OPTIONAL FINAL EXAM (10:30 a.m. to 12:30 p.m., December 9, 2021)

Important Dates

- Last day to Drop/Add: Friday, October 15
- Fall Break (No class): Monday and Tuesday, November 18 to 19
- Last day to withdraw with a “W”: Thursday, November 18
- Thanksgiving (No class): Wednesday to Friday, November 24 to 26
- Last day of our class (MBAD-515): Tuesday, November 30

College of Charleston Honor Code and Academic Integrity

Lying, cheating, attempted cheating, and plagiarism are violations of our Honor Code that, when suspected, 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 misunderstanding and confusion will be handled by the instructor. The instructor designs an intervention or assigns a grade reduction to help prevent the student from repeating the error. The response is recorded on a form and signed both by the instructor and the student. It is forwarded to the Office of the Dean of 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 Students. A student found responsible by the Honor Board for academic dishonesty will receive a XXF in the course, indicating failure of the course due to academic dishonesty. This status indicator will appear on the student’s transcript for two years after which the student may petition for the XX to be expunged. The F is permanent.

Students can find the complete Honor Code and all related processes in the Student Handbook at: http://deanofstudents.cofc.edu/honor-system/studenthandbook/.