

LECTURE 1

Overview, Regulation, and Case study

"What is investment banking"?

- a specific division of banking related to the creation of capital for other companies, government, and other entities
- assist large and complicated transaction, this include advice on:
 - how much the company is worth
 - structure of a deal in merger and acquisition, or sale
 - issuing security to raise money, creating document for a company to go public (prospectus, financial details, ...)
 - middle man between company and investor in the issue of bond and stock
 - underwrite new equity securities and debt issuance (bear the risk)
 - pricing financial instruments to maximize revenue and navigating regulatory requirement
 - identify risk associated with the project before the client move forward
 - help government, corporation and other clients plan and manage large project
 - provide advice on how best to plan and execute projects based on the present state of economic affairs
 - engage in a propriety trading where teams on in-house money managers invest or trade the company's own money for its private account where they speculate on movements in asset price

1. Investment Banking Division

Task:

- working with corporation that seeks to raise capital through public or private capital market
- risk manage their existing capital
- complete M&A transaction
- provide financing through direct investments in corporate equity and debt securities, provide loans to corporate clients

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(Please purchase me to see more)

Lecture 2

Financing

1. Capital markets financing

- long term funding obtain from the issuance of securities
- security can be:
 - debt: bonds, debentures, notes
 - equity: common stock
 - hybrid: preferred share or convertible
- underwritten by investment banks:
 - meaning bank takes on the risk when buy securities from the issuers and resell to the investor
 - IB earn the gross spread: which is the difference between the selling price and buying price, compensating for undertaking risk
 - Best effort basis and firm commitment basis

- i. Underwriting and league table
 - a group or "syndicate" of investment bank underwrites the securities offerings to spread the risk
 - lead book runner is the one have responsibility in determining the marketing method, pricing for the transaction -> therefore receive highest percentage of the gross spread
 - "League table": record of all underwriting participations by all bank

Types of Equity Underwriting	Explanation
Fully market	Issuer bear all share price risk
Accelerated	Issuer bear smaller share price risk
Block Trade	IB bears all share price risk (sometimes due to competitive pressure)