

This case study is an example of a large bank failure. Its after effects on the financial markets is presented and raises issues relating to "too big to fail".

Students would have been given some time to read and discuss the case in their groups prior to attending the class. In the tutorials students should firstly meet with their groups (once again). I suspect depending on your numbers it will be roughly 4 groups..

They can discuss and address the tasks associated with the case, they should then elect one person who will feedback to the class. The visualiser can be used for this task. Depending on time and numbers you can either take each task in turn and choose one group to feedback, allowing discussion from the other groups – or alternatively allow each group to give feedback on each of the tasks.

There are no 'correct' answers and so the case should be used as a basis for discussion and debate

Tasks :

- **Analyse the consequences of the lack of supervision and mortgage lending mechanism in the US during this time.**

Students should :-

- Demonstrate they understand that weak supervision can lead to a bank taking undue risk and failing to maintain sufficient capital against the constellation of risks it faces (drawbacks of excessive leverage)
 - Understand how lack of coordination among supervisors and absence of a robust supervisory plan can lead to a bank's failure
 - Understand how lack of effective market (government) oversight can lead to systemic weakness
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- **What do you think of the US government's decision to let Lehman Brothers fail. Were they right, or was the Bank just too big to fail?**
 - This case is designed to understand the debate between too big to fail and too important to the financial system to disappear.
 - In this situation students should consider the government, regulatory, and supervisory agencies surrounding when, and if, an individual financial institution should be bailed out
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- **Analyse the aggressive strategies that Lehman Brothers followed in the Mortgage Business. What do you think of the leadership at Lehman Brothers behind the companies rise and subsequent collapse?.**
 - Students should comment on the risk management strategies and decision making process in this organisation. They should identify with the aggressive management style of the CEO Richard S Fuld.

- They can comment on the business environment that allowed this style – namely the liberal credit driven economic growth policy which led directly to the sub-prime crisis.
 - Issue of ethical behaviour and management tactics may be discussed.
 - Finally, whether other Senior Directors or managers had a responsibility to confront him.. might encourage a debate regarding who should be forced to be responsible for the collapse of businesses (re RBS).
- **It is widely acknowledged that the activities of Lehman Brothers contributed to the economic crisis of 2008, what would you recommend in order to ensure that such an event never happens again?**
 - This case study demonstrates the need for proper supervisory oversight and strengthened coordination among supervisors, governments and self-regulatory organizations.
 - Students should use the lecture notes to critically evaluate some of the legislation, regulations and policies introduced following the various scandals in both Europe, UK and the US.
 - Legislation - Companies Acts, PIDA, Sabanes Oxley Act..
 - Commissions and Reports - Cadbury's 1992, The 'code' Centralised Code on Corporate Governance (latest one 2008)
 - European Commissions – ESCR
 - UK Independent banking commission (IBC) 2010
 - In critically evaluating these measures students should identify their weaknesses – voluntary nature, repeals during periods of economic liberalisation, weakness of coverage etc... .
 - A good answer might also discuss the ethical culture of the industry , recommending the application of applied ethics to the profession in much the same way as medical ethics