**Université PARIS - PANTHÉON – ASSAS**

**Droit - Economie - Sciences Sociales**

**U.E.F. 1**

G24493AC

Paris

**Session :**         JANVIER 2023 – 1er semestre

**Année d'étude : 2022-2023**

**Discipline :**   Introduction to Capital Markets

**Titulaire(s) du cours :**M Pierre Bertrandias, M Roland Prévôt

**Durée de l’épreuve :** 1h30

**Document(s) autorisé(s) :**pas de document, ni de calculatrice

*Ce sujet comporte 2 pages. Avant de composer, veuillez vérifier que votre sujet est complet.*

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Vous pourrez répondre en anglais ou en français aux questions. Une attention toute particulière sera portée à la présentation, la rédaction et la manière de présenter vos divers arguments de réponse.

You can answer in English or French to the question asked below. We will take into consideration the overall presentation, your wording as well as your way of presenting your arguments when answering the questions.

**Question 1:** You are an analyst working for an investment bank within ECM desk at *Bearn & Cie*, based in NY. You have a meeting with *Gaby Barnes*, a successful entrepreneur in the coming days. Her company, MBF, is a 5 years old FinTech unicorn generating $800mn of sales, $230mn net cash flow from operating activities and a total estimated REO (Return on Equity) of 35%. She is the sole owner of the company as of today.

She is looking to raise money so she can expand MBF activities and reach new markets and is looking for an acquisition in EMEA. As of today, MBF is privately owned and your analysis shows that the valuation reaches $1.350bn.

* You know that Gaby, and her management team, has been pitched already by *Litt & Pearson Specter*(a massive private equity company), they are willing to invest $500mn, with a deal structured with the following characteristics: 50% equity and 25% of senior debt (7% interest rate for 10 years) and 25% junior debt (10% interest rate for 5 years). This deal would also cost MBF $150k but the valuation of the company is expected to reach $1.6bn.
* Your team just submitted to Gaby a pitchbook to be selected as bookrunner of MBF IPO where MBF could raise between $300mn to $800mn in equities. Should Gaby select *Bearn & Cie* for the IPO, it would cost MBF $300k.

Describe to Gaby the steps of an IPO and explain to her the pro vs cons of such an operation with *Bearn & Cie*vs taking the private equity deal (think about liquidity, structure of the deal and ownership of the company, cost of capital, total money raise in the IPO vs Private Equity, liquidity, valuation in both scenarios, etc.)

**Question 2:**You have recently been hired within a big brokerage firm working within the Cash Equity Execution Desk. Your client, a big Asset Manager, sends you an order to buy $100mn Total SA shares on its behalf and wants you to manage the entire execution.

You know that your desk provides usually the following services when it comes to execution:

* usage of “Dark Lit Sweep” trading algorithm to find the liquidity available in the market.
* usage of Iceberg Order on Lit Venues.
* usage of at least 20% of the nominal executed within the closing auctions of the primary venue.
* usage of all european MTFs and alternative venues.
* usage of OTC trading (not more than 10% of the notional executed).

Explain to your client the execution strategy you will use to execute the trades. Your explanation should be sales-oriented and will take into consideration what you have learnt when it comes to trading across different venues, how iceberg order works, why you will be using Dark Pool as well as Lit execution channel, information leakage, fees, spreads etc.

**Question 3:** Please describe market making activities and their different business models.

**Question 4:** Please draw a trading order book with sizes and prices showing an aggressive order which executes two sell orders.

**Question 5:** Please explain what an ETF is.

**Question 6:** What are the roles of a clearing house?