

MScFE 560 FINANCIAL MARKETS

Group Work Project # 2

[See grading rubric here.](#)

Scenario

Your company's end-of-the year report is writing a feature article on the FTX crisis..

Tasks

Submit a 1000-word transcript of an interview that shows a panel discussion regarding one specific regulation that will be proposed following the FTX scandal.

Step 1:

Distribute the following roles among your team members:

- Student A will play the technical interviewee
- Student B will play the non-technical interviewee
- Student C will play the role of journalist

The journalist will:

- Create questions that aim to explain the motivation, foundation, theoretical underpinnings, intended outcomes, and lack of success to date of the regulation. The journalist will direct his/her questions to either the technical specialist or the qualitative risk manager.

The non-technical interviewee will:

- Provide qualitative responses that can be followed by people with fundamental finance knowledge.

The technical interviewee will:

- Provide more technical terms that can be followed by people with solid financial knowledge. Ideally, the technical interviewee will address issues discussed, namely liquidity, leverage, moral hazards, etc. that are not necessarily common in the regular news.

In groups of two students, the journalist role will be shared between Student A (the technical interviewee) and Student B (the non-technical interviewee).

Step 2:

In groups: All team members will decide on the nature of the questioning: Will it focus on leverage? Will it address fraudulent behavior? Once the nature of questioning is done, then all parties can agree on the points they want to cover. So interviewees can help decide the types and even wording of questioning.

The questions should address:

1. A specific outline of the regulation itself.
2. The scope of the regulation (company-level, industry-level, national-level, multi-national, global).
3. The intended effect of the regulation and some context for why it was deemed necessary.
4. An explanation of how this regulation fits into the general theme and rationale of financial regulation.
5. A description of some of the possible downsides and unintended consequences of the regulation.
6. A comparison between points 3) and 4).
7. Concise and relevant details of the FTX crisis that motivated the regulation
8. The occurrence of misbehaviors such as Greed, Fraud, Corruption, Hiding Losses, ...
9. The occurrence of incompetence such as Negligence; Ignorance; Bad Assumptions or Programs, ...
10. The effectiveness (if any) that ethics training would provide.
11. The purported effectiveness of deterring misbehaviors and incompetence .
12. The extent of underlying problems (1 particular individual, 1 corporation, 1 industry, ...)

Please note: Here's a link to an open access paper with an historical scandal:
<https://theconversation.com/ftxs-collapse-mirrors-an-infamous-18th-century-british-financial-scandal-196729>

Feel free to include comparisons to this scandal when addressing Steps 2 and 3.

Step 3:

In groups: All team members review the interview and make sure it follows a natural conversational tone by adding transitions where key points are synthesized, and each response forms some type of conclusion for the respective question. For example:

Journalist: What is the primary cause of the disaster?

Non-Tech: Inflation is the culprit

Journalist: I see how inflation is important. Tech RM, tell me how inflation affected your models?

Tech: Good question, because we had model failure from faulty inflation assumptions.

Journalist: In the end, bad assumptions hurt everybody...

Submission requirements and format

One team member submits on behalf of the entire group the following:

1. **1 PDF document*** with the transcript of the interview (1,000 words):
 - a. Use the available Report Template and fill out the required information on the first page

*** Use Google Docs to collaborate.** Start by uploading the Report Template provided in the Course Overview. Once your report is completed, click File → Download → PDF Document (.pdf) to obtain the copy for your submission.

Rubric

Your instructor will evaluate your group submission for GPW2 using the following rubric:

Quantitative Analysis (open-ended questions)	Technical and Non-technical Reports	Writing and Formatting
40 Points	30 Points	20 Points
<p>The group is able to apply results, formulas, and their knowledge of theory to real-life finance scenarios by doing the following:</p> <ul style="list-style-type: none"> • Providing all the necessary information to support their arguments. • Presenting arguments that reflect group discussion and research. • Using authoritative references to support a position and provide updated information • Concluding with practical takeaways for more insightful financial decision-making 	<p>Technical Reports contain 3 parts:</p> <ol style="list-style-type: none"> 1) summary of key results; 2) interpretation of results; and 3) the recommended course of action that can reasonably follow from those results and interpretations. <p>Note: Technical reports will include the technicalities of models, such as names, methods of estimation, parameter values, etc. and exclude generalities about the work done. It should NOT include the names of Python code that was used.</p>	<p>A submission that looks professional should include:</p> <ul style="list-style-type: none"> • The axes labels and scales in graphs. • No significant grammar errors or typos. • Organized, clear structure, and easy to read document. • Proper citations and bibliography using MLA format.
	<p>Non-technical Reports contain 3 parts:</p> <ol style="list-style-type: none"> 1) clear explanation of results; 2) the recommended course of action that follows; and 3) the identification of factors that impact each portfolio. <p>Note: AVOID all references to model names, algorithms, unnecessary details, and focus on the investment decision.</p>	

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