

Full Course Title: Markets Room, U.S. Department of the Treasury: Liquidity in the municipal bond markets

Course Number: SIPAU9000.039

Faculty Advisor: Bruce Tuckman

Columbia Email Address: bt2320@columbia.edu

Meeting Date/sTimes: M 02:10P-04:00P

Location: INTERNATIONAL 501 IAB

Office Hours: By Appointment

Credits: 3

Course Overview:

Brief description of US Treasury, The Markets Room:

The Markets Room advises senior Departmental officials on global financial markets and provides policy advice on markets-related matters. The office analyzes credit, equity, and foreign exchange markets, financial market infrastructure and trading frameworks, and the interrelations between the economy and the financial markets. Outputs include daily oral and written briefings for senior officials, in-depth specialty markets analysis, presentations, and synthesis of markets-related research.

In its daily activities, the Markets Room (i) analyzes price developments on a real-time basis using Bloomberg, Reuters, and other financial information resources, (ii) speaks to a wide range of financial market participants, (iii) tracks financial markets research and trends, (iv) performs quantitative markets analysis, and (iv) interacts with various agencies and institutions, including regulators, international financial institutions and the Federal Reserve.

The Markets Room reports to the Assistant Secretary for International Affairs and to the Assistant Secretary for Financial Markets through their delegates in International Affairs and Domestic Finance. The Markets Room staff includes financial markets experts and economists with a range of backgrounds including foreign exchange, fixed income, equities, risk and supervision, and emerging markets.

Summary of project (one paragraph):

The objectives of this project are 1) to identify the important factors that may be constraining liquidity and secondary market trading of municipal bond issues, and 2) consider whether changes to market practice, accounting and tax calculations, and / or federal, state, and local regulations would improve liquidity in these markets.

1. Conduct background reading and research on current practices in the issuance of municipal

bonds and secondary market trading. This step will include reading a number of secondary sources and collecting and analyzing a sample of recent municipal bond issues.

2. Prepare a questionnaire to be used as a guide for interviewing market participants about practices in the issuance of municipal bonds.
3. Starting with contacts suggested by US Treasury and the faculty advisor or otherwise identified, conduct interviews on the subject of liquidity in municipal bond markets. Follow up with additional interviews as necessary.
4. Prepare a report summarizing the results of the interviews.
5. Prepare a report with suggestions on whether liquidity of secondary market trading of municipal bonds should be addressed, and, if appropriate, propose policy recommendations.

Deliverables:

December 5: Capstone group meets with faculty advisor to agree on background reading and preliminary research.

January 23, 2012: Capstone group meets with faculty advisor to review background reading and research and to plan the interview questionnaire.

February 3: Completion of interview questionnaire.

February 6: Call with US Treasury contacts to discuss the proposed questionnaire and prospective interview candidates. Faculty advisor and US Treasury will suggest potential interview candidates for discussion. Interviews begin as soon as possible thereafter.

March 7-8: Mid-Term Capstone SIPA presentations.

March 23: Call with US Treasury contacts to present interim findings from interviews, early thoughts on policy recommendations, and any changes or additions to the interview plan. Interviews continue.

April 6: Conclusion of interviews with market participants.

April 9: Capstone group meets with faculty advisor to discuss the final formulation of the policy recommendations and the preparation of the final reports.

April 27: Capstone group makes reports publicly available and meets with US Treasury Markets Room in Washington D.C. or New York to discuss project and results. Reports will include one with the policy recommendations and one summarizing the results of the interviews.

Special skills/knowledge needed by team members:

- A basic understanding of bonds and bond markets and the tax treatment of taxable and municipal bond cash flows.
- Ability to collect, store, and process both the preliminary data on recent municipal issues and the results of the interviews.
- Presence of mind and English language skills suitable for interviewing senior market participants.
- Excellent expository writing skills.

Initial meeting(s) with your student team in late November or early December, if applicable:
TBD

Dates for meetings with US Treasury:

US Treasury Markets Room will be available for calls on or about February 6 and on or about March 23, as described above. US Treasury Markets Room will be available for a meeting on or about April 27.

Field component: Students may need to travel to Washington D.C. for up to two trips; one for the final presentation and possibly one other trip during the duration of the project.

Student selection: [All eligible students may apply for up to five workshops through a special online application process from October 15th until October 31st. Assignment of students will be coordinated by the Office of Academic Affairs, and relevant faculty will be consulted about team membership for their workshop(s).]

Grading (students receive an individual grade):

Grades for the workshop will be based on the following criteria:

Quality of individual written work (10%)

Quality of participation in class, Peer review (20%)

Feedback from US Treasury (20%)

Overall professionalism, including timeliness, ability to work with team, etc. (20%)

Quality of team's final report and briefing (30%)

***Academic Integrity Statement*:** [The statement below *must* appear on all syllabi.]:

The School of International & Public Affairs does not tolerate cheating and/or plagiarism in any form. Those students who violate the Code of Academic & Professional Conduct will be subject to the Dean's Disciplinary Procedures. Cut and paste the following link into your browser to view the Code of Academic & Professional Conduct online.

http://sipa.columbia.edu/resources_services/student_affairs/academic_policies/deans_discipline_policy.html

Please familiarize yourself with the proper methods of citation and attribution. The School provides some useful resources online; we strongly encourage you to familiarize yourself with these various styles before conducting your research:

http://sipa.columbia.edu/resources_services/student_affairs/academic_policies/code_of_conduct.html

Violations of the Code of Academic & Professional Conduct should be reported to the Associate Dean for Student Affairs.