NOVA SCHOOL OF BUSINESS & ECONOMICS

Banking – Autumn semester 2024-2025

Case 1: Investment Banking in 2008 | Rise and Fall of the Bear

Support questions

1. Discuss how the market environment made Bear Stearns so vulnerable and explain how did Bear's potential collapse differ from that of LTCM in the eyes of the Federal Reserve?
2. What could Bear have done differently to avoid its fate:
    a. In the early 2000s?
    b. During the summer of 2007?
    c. During the week of March 10, 2008?
3. Does anyone benefit from Bear Stearns's collapse?
4. Discuss how market perception of liquidity can be more important for an investment bank that it is for a traditional manufacturing or distribution business.
5. Discuss how Bear could have addressed perceptions of its liquidity to stop the run on the bank.
6. What role should the Federal Reserve play in maintaining market order?
7. Which lessons can you draw from the Bear's potential collapse? In you answer please also elaborate considering the current environment.