

# Financial Management - Banking

## Anglo-American Bankruptcy Management

The worldwide credit crunch, which started in 2006 with sub-prime mortgages in the United States, has highlighted the fundamental importance of the credit decision. As the problems in these mortgages unfolded, it was demonstrated that unsound credit decisions had been made and lessons as to how to manage credit risk effectively had been either ignored or never learned. This shows that poor lending decisions, whether by a financial institution or a corporate, can lead to significant losses. What the incredible losses sustained by banks and others caught up in the credit crunch have underlined is the major impact of credit risk and – by implication – credit risk management on the wellbeing and profitability of businesses. Being able to manage this risk is a key requirement for any lending decision. This is well understood in theory – if not always in practice – by banks and other lending institutions that make their profit by advancing money to individual and corporate borrowers. It should also be well understood by industrial and commercial firms that, in the course of their normal business, provide trade credit. This course covers the essential credit assessment processes that involve bankruptcy risk.

Bankruptcy is a process where people who cannot pay their debts give up their assets and control of their finances, either by agreement or court order, in exchange for protection from legal action by their creditors. Discharging the debtor from monetary obligations to her creditors is one possible result of a bankruptcy proceeding. The purpose of this lecture is to contrast German, English, American and Australian discharge policy.

Part I of this lecture briefly defines debtor discharge rules in Germany (in English language): rules of condition, rules of suspension, and rules of limitation. Parts II, III and IV demonstrate how the English, American and Australian bankruptcy courts actually deal with the debtors that come before them.

*Wednesday 10:00 – 11:30 a.m.*

*Lecture Hall: H0102*

*Lecturer: Prof. Dr. Bernhard Schellberg*

*Language: English*

*Semester Hours: 2*

*Course Assessment: Final Exam (60 min.)*

*Workload: 75 hours*

*ECTS: 2.5 CP*