

Example Internship Proposal – Finance / IBA

BACHELOR INTERNSHIP PROPOSAL ROTTERDAM SCHOOL OF MANAGEMENT, ERASMUS UNIVERSITY

Name company: *Commerzbank AG*

Country: *Germany*

Brief description of the company:

Commerzbank AG is the second largest bank in Germany, involved both in financial markets and private banking.

Description of the internship assignment:

I will be part of the Corporates & Markets department within the investment bank. I will research and analyse the financial data relevant for various services Commerzbank AG offers to corporate customers. Financial modelling will be a large part of my tasks.

Description of the research problem that you will study within the company. Be sure to include the elements listed on page 7 of the internship manual.

The research question is: "How can valuation models used by Commerzbank AG be adjusted in times of a negative interest rate?"

Background: The interest rate for individuals and institutions has decreased since the financial crises in 2008. At times even a negative rate policy was pursued by central banks in European countries to motivate consumers to invest their cash. Apart from radically decreasing the profitability of banks, it also increased the ambiguity regarding the value of financial derivatives as many valuation methods imply a positive interest rate. This can increase difficulties in trading as it becomes more difficult to accurately anticipate the risk of security and consequently determining appropriate value. In my research I will make use of the different values models for various securities, such as the Black Scholes formula used to price European options.

A negative interest rate can result in a negative value when trying to calculate the value of a call. In this case, no rational investor would buy such an option, making them worthless. This can have a serious impact for individuals going for short call positions. Similarly it can also have an impact for firms offering warrants, as the value of warrants needs to be calculated with the same formula, and on valuating other securities.

I will do a lot of financial modelling on the valuation of securities and the effect of a negative interest rate. I will use this information to propose one or multiple adjusted models that Commerzbank AG can use in the future.

Description of the relation between the assignment and the chosen academic department:

As my internship takes place in a bank and I will be focusing on valuation and financial modelling during my internship, it clearly links to the finance department.

IBA students only – Please describe the international aspects of this particular internship here:

Commerzbank AG is a German bank also operating in Poland, UK, USA and many other countries. Next to that, the problem I will be working on is an international problem currently faced by many banks in many countries.