



## International Finance Discussion Papers: The Management of Financial Risks at German Nonfinancial Firms: The Case of Metallgesellschaft

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By Allen B Frankel, David E Palmer

Bibliogov, United States, 2013. Paperback. Book Condition: New. 246 x 189 mm. Language: English . Brand New Book \*\*\*\*\* Print on Demand \*\*\*\*\*.In late 1993 and early 1994, the wholly-owned U.S. subsidiary of a German conglomerate experienced substantial losses in connection with the implementation of a petroleum marketing strategy, triggering an emergency recapitalization of the German parent company. The rescue was overseen by the firm's supervisory board, which was chaired by a member of the senior management of the largest German bank. This paper draws on a special auditor's report that examined the near-bankruptcy of the firm, as well as other sources. We develop a case study which finds that the German bank was not well informed as to the formulation and execution of the client firm's risk management strategy that was to be implemented through the large-scale use of financial derivatives. The analysis in the paper raises questions as to whether private information is transmitted efficiently within the bank-based German system of corporate governance.



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