

Case Study: Lehman Brothers Collapse

Learning Objectives:

1. Understand the causes and consequences of the Lehman Brothers collapse.
2. Evaluate the impact on financial markets and the global economy.

Case Overview:

Lehman Brothers, a major investment bank, filed for bankruptcy on September 15, 2008, triggering a global financial crisis. The collapse was attributed to excessive risk-taking, poor risk management, and inadequate regulatory oversight.

Learning Outcomes:

1. Identify the key factors that contributed to Lehman Brothers' collapse, including excessive leverage, subprime mortgage exposure, and liquidity crisis.
2. Analyze the consequences of the collapse, including the impact on financial markets, counterparties, and the global economy.

Key Takeaways:

1. Risk management: Effective risk management is crucial for financial institutions to prevent excessive risk-taking.
2. Corporate governance: Strong corporate governance is essential for ensuring accountability and oversight.

Discussion Questions:

1. What were the primary causes of Lehman Brothers' collapse?
2. How did excessive leverage and subprime mortgage exposure contribute to the collapse?
3. What role did corporate governance and risk management play in the collapse?