



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 432 H1

Risk Management for Financial Managers

Fall 2018

Course Meets: L0101 Thursday / 12:00pm – 2:00pm / WW121

Note: You are expected to attend the section that you are registered in

Instructor: Angie Elkhodiry
E-Mail: angie.elkhodiry@tdam.com
Office Hours: By appointment
Teaching Assistant: TBA

Course Scope and Mission

This course studies the way companies, particularly financial institutions, manage risk. It covers crash risk, credit risk, market risk, operational risk, model risk and regulatory risk. The nature of bank regulation and A.I are examined. Other topics include methods for monitoring volatilities and correlations.

Course Prerequisites

RSM333H1. A good aptitude for mathematics (calculus and linear algebra) and in particular statistics is necessary. THIS IS A QUANTITATIVE COURSE. A working knowledge of Excel is required.

Required Readings

Hull, John C. Risk Management and Financial Institutions, 5th Edition, Wiley, 2018

Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he or she has command of the course materials.

<u>Work</u>	<u>Weight</u>	<u>Due Date</u>
Attendance & Participation	10%	On going
Group presentation	10%	Week 11
1 st Group Assignment	15%	Week 7
2 nd Group Assignment	15%	Week 12
Final Exam	50%	Final Exam Period

COURSE FORMAT AND EXPECTATIONS

Attendance & Participation

Attendance is *mandatory* and you are expected to attend the course section that you are registered in. You are also expected to participate in the class discussions. I will do attendance checks. **You are required to bring a tent card** and display your name during each lecture.

Attendance/participation accounts for 10% of your final evaluation. You will be evaluated based on your professionalism. Do you attend the class regularly? Do you use e-mail or Facebook for non-course related reasons during my lecture? Do you treat your instructor with respect?

Group assignments

- **You will be assigned into groups of up to eight students all within your respective section.** Your group will be finalized in the fourth week. You will be working with the assigned team members for the assignments as well as for the presentation.
- There will be two group assignments during the semester. The first assignment is worth 15% of your total mark. The second assignment is worth 15% of your total mark. Each group must hand in a single well-presented report. The report will be marked based on the *results as well as its presentation*.
- All assignments must be submitted **by 9pm** on their respective due date. Only online submission through email will be accepted. Any assignments submitted past but within 24 hours after 9pm on the respective due date will be penalized. Late assignments passed 24 hours are not accepted and a grade of zero will be assigned.

Group presentation

- Your group members for the presentation will be *identical* to your assignments' group members.
- Your group will provide a short 13-minute presentation to the class.
- Your group will also hand in a 3-page maximum write-up report on your findings. The topic and details of the deliverables will be discussed in class.
- Not all group members are required to orally deliver the presentation. Class attendance of all group members are mandatory on the day of the presentation.

- All group members are expected to contribute to the Q/A session the end of the presentation.

Group presentation coaching

Your presentation will be marked based on its contents *as well as your group's presentation skills*. Coaching for your presentation is available. This is a complementary service made available to you by the Rotman Commerce program. I strongly suggest that your group takes advantage it. This is where you can do your practice run with a professional communication expert.

Group work guideline

Learning to work together in teams is an important aspect of your education and preparation for your future careers. That said, project-based teamwork is often new to students; to work well in teams, it helps to follow a set of core expectations to best succeed at your team projects.

1. Read the document entitled, "Working in Teams: Guidelines for Rotman Commerce Students" which is available on the RC portal under the Academic Services tab.

2. When working in a team, Rotman Commerce students are expected to:

- Treat other members with courtesy and respect;
- Honour the ground rules established by the team;
- Contribute substantially and proportionally to the final project;
- Ensure enough familiarity with the entire contents of the group project/assignment so as to be able to sign off on it as original work;
- Meet the project timeline as established by the team.

3. Resolving conflicts:

Conflicts are part of the team's process of learning how to work together. When handled well, it can generate creativity and bring-multiple perspectives to the solution.

Student teams are expected to work through their misunderstandings as soon as they arise (and prior to submission of the final project). When teams are unable to arrive at a solution that works for all members, the team must meet with the Rotman Commerce Team Coach** as soon as possible. The Coach will listen to the team and help develop options for improving the team process. All members of the project team must commit to, and, utilize their action plans.

**For an appointment with a Rotman Commerce Team Coach, please contact Nouman Ashraf at nouman.ashraf@rotman.utoronto.ca Nouman is highly skilled at facilitating team dynamics and collaboration. Note that the Team Coach's role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

Final Exams

- The exam will be comprehensive and will cover material from lectures, tutorial, assigned readings, and practice problems.
- I will provide you with the formula sheet, i.e., equations and symbols. This sheet will be made available to you the class prior to the examination.
- You are required to bring a standard non-programmable calculator to the examination. If you are unsure whether your calculator will be permitted to the examination room, please check with the course instructor prior to the exam.

- You are allowed to bring **one** A4-sized aid sheet to the exam. You can use both sides of the sheet. Your formula sheet must be submitted along with your final exam at the end of the examination.

Quantitative skill

Modern risk management is characterized by a quantitative approach. A good quantitative aptitude is an important asset to excel in this course. Note that a good quantitative skill does not necessarily mean a good knowledge of mathematic.

Teaching approach

This is a practical course and it is important that you can apply what you learn to real financial data. The course relies heavily on the Excel spreadsheet for the exposition of the materials. You should become familiarized with MS Excel as soon as the term starts.

POLICY AND PROCEDURE

Class Etiquette

I welcome questions during lectures. Feel free to stop me during the lecture. I ask that you follow some simple courtesy rules during class: arrive on time, do not leave during class, do not talk while I am talking, do not talk while your peer is asking a question, and make sure cell phones are turned off. I will allow laptop usage during the class as long as it is for course-related purposes. Again, I ask that you **do not** use social network sites, i.e. Facebook, Twitter, Google Talk, and Messenger during class. Any usage of computer during class for non-course-related purposes will result in a significant reduction in class participation grade.

Grade Appeals

- Grading errors should be corrected. Appeals must be made within one week after the graded work is returned (not the date you first look at it). Course work will be returned in class. Appeals submitted after this time will not be considered.
- Appeals must be in writing. The appeal should include a description of the question(s) that need to be re-examined, as well as an explanation of why the original grade was incorrect. Appeals that do not meet these criteria will not be considered.
- Once you submit an appeal, note that in general, the entire document will be checked for grading errors and correcting these could either raise or lower the overall score.
- If the problem is simply an adding error, please notify me directly at the end of the class.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: accessibility.services@utoronto.ca or <http://www.accessibility.utoronto.ca/>.

Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

The University of Toronto's Code of Behaviour on Academic Matters

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail + email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is *not advisable*. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Internal

Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Quercus and the Course Page

The online course page for this course is accessed through Quercus. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at <http://www.portalinfo.utoronto.ca/content/information-students> and review the Frequently Asked Questions.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission, and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

TENTATIVE SCHEDULE

- Slides & notes to be available on Quercus.
- In the event of extraordinary circumstances beyond the University's control, the content and/or evaluation scheme in this course is subject to change.

Session	Topic	Readings
Week 1: Sept. 6 th	Course Outline Financial Institutions and Their Risks	Chapters 2, 3, 4
Week 2: Sept. 13 th	Financial Institutions and Their Risks	Chapters 2, 3, 4
Week 3: Sept. 20 th	Value-at-Risk (VaR) and Expected Shortfall	Chapter 12
Week 4: Sept. 27 th	Volatility <i>Group formation finalized</i>	Chapter 10
Week 5: Oct. 4 th	Credit Risk	Chapter 11,19
Week 6: Oct. 11 th	Financial Crisis	Chapter 6
Week 7: Oct. 18 th	Regulation <i>Group Assignment 1 (deadline 9pm)</i>	Chapter 15 ,16, 17
Week 8: Oct. 25 th	Regulation	Chapter 15 ,16, 17
Week 9: Nov. 1 st	Historical Simulation	Chapters 13, 14
Week 10: Nov. 15 th	Deep Learning and Artificial Intelligence	Chapter 28
Week 11: Nov 22 nd	<i>In-class presentations</i> <i>Executive Summary (deadline 9pm)</i>	
Week 12: Nov 29 th	Review and Summary <i>Group Assignment 2 (deadline 9pm)</i>	
April 7 th (Optional Tutorial)	Final Exam Review Location: TBA 5:00-6:30pm.	
FINAL EXAM – (Dec. 8 th - Dec. 21 st)		

Important Dates

September 2018	
September 3	<ul style="list-style-type: none"> Labour Day; University closed
September 6	<ul style="list-style-type: none"> Start of the 2018-19 Fall/Winter session; classes begin in F and Y section code courses
September 14	<ul style="list-style-type: none"> waiting lists for F and Y courses turned off at end of day
September 19	last day to add or make section changes to F and Y section code courses;
November 2018	
November 5	last day to cancel F section code courses without academic penalty;
November 5-9	Fall Reading Week - no classes; University remains open
December 2018	
December 5	Fall term classes end in most F and Y section code courses
December 8-21	December examination period: final examinations in F section code courses; term tests in Y section code courses (note: some final exams/term tests may be held on a Saturday during this period)
December 24 - January 4	University closed for winter holidays