



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM 432H1S - Risk Management for Financial Managers

Winter 2018

L0101	Thursday	12:00pm - 2:00pm	WW 126
L0201/2201	Thursday	2:00pm - 4:00pm	WW 126
L5101	Thursday	6:00pm - 8:00pm	WO 20

Instructor: Otto Yung

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Office Hours: TBA

Office Location: 105 St. George Street, PhD House - Room 3050

Teaching Assistant: TBA

Course Scope and Mission

This course studies the way companies, particularly financial institutions, manage risk. It covers credit risk, market risk, operational risk, and liquidity risk. The nature of bank regulation and the Basel capital requirements are examined. Other topics include methods for monitoring volatilities and correlations, the calculation of economic capital, and RAROC.

Course Prerequisites

RSM333H1. A good aptitude for mathematics and in particular statistics is necessary. A working knowledge of Excel is required.

Required Readings

Hull, John C., Risk Management and Financial Institutions, 4th Edition, John Wiley & Sons, 2015. ISBN: 978-1-118-95594-9.

Highly Recommended References

Christoffersen, P., Elements of Financial Risk Management, 2nd Edition, Academic Press, 2011

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 she or he has command of the course materials.

Work Type	Deliverable	Weighting	Due Date
Individual	Mini-Quiz	10%*	Thursday, February 8 th (in-class)
Individual or Pair	Assignment #1	15%	Friday, February 16 th
Group (3 to 4 members)	Case Write-Up, Debrief and Feedback	20%	Wednesday, March 28 th
Individual or Pair	Assignment #2	20%	Wednesday, April 4 th
Individual	Final Exam	35%*	During Final Exam Period

* The total weight of the Mini-Quiz and the Final Exam combined will be 45% (note: the allocation will be one of the following: (i) 10% mini-quiz and 35% final exam or (ii) 5% mini-quiz and 40% final exam). The allocation will be based on the higher grade of the two allocations by each student.

Tutorials

Schedule and Location - TBA

COURSE FORMAT AND EXPECTATIONS

For Written Assignments:

Although the assignments include some mathematical problem sets, please note that clear, concise, and correct writing will be considered in the evaluation of assignments. That is, you may lose points for writing that impedes communication: poor organization, weak paragraph development, excessive wordiness, hard-to-follow sentence structure, spelling mistakes and grammatical errors. Students who require additional support and/or tutoring with respect to their writing skills are encouraged to visit the Academic Success Centre (<http://www.studentlife.utoronto.ca/asc>) or one of the College Writing Centres (www.writing.utoronto.ca/writing-centres). These centres are teaching facilities – not editing services, where trained staff can assist students in developing their academic writing skills. There is no charge for the instruction and support.

For the Final Exam:

You will be permitted to bring in a non-programmable calculator and an 8.5"×11" two-sided "aid sheet" with notes and/or formulae. Only hand-written crib sheets are allowed. Photocopies are not allowed.

For Group Work:

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. Elaine 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.

Electronic Course Materials

This course will be using electronic course materials (e.g. case studies). These materials will cost a total of \$10 to \$30. The use of these materials complies with all University of Toronto policies which govern fees for course materials.

Class Schedule

The following schedule of topics covered is subject to modification as the course progresses.

Session	Topic	Readings
1: Thursday, Jan 4	Introduction (Banks, Insurance Companies, Pension Funds, Mutual Funds & Hedge Funds)	Chapters 1 to 4
2: Thursday, Jan 11	Value at Risk and Expected Shortfall	Chapter 12
3: Thursday, Jan 18	Volatility	Chapter 10
4: Thursday, Jan 25	Correlations and Copulas	Chapter 11
5: Thursday, Feb 1	Regulation and Basel Accord	Chapters 15 and 16
6: Thursday, Feb 8	Market Risk VaR (Historical Simulation & EVT)	Chapter 13
7: Thursday, Feb 15	Market Risk VaR (Model Building Approach)	Chapter 14
Family Day (Monday, Feb 19th) and Reading Week (Tuesday, Feb 20th to Friday, Feb 23rd)		
8: Thursday, March 1	Credit Risk (Default Probabilities) & Credit VaR	Chapters 19 and 21
9: Thursday, March 8	Credit Derivatives and Credit Crisis	Chapters 19 and 6
Wednesday, March 14th (Course Withdrawal Deadline)		
10: Thursday, March 15	Operational Risk and Liquidity Risk	Chapters 23 and 24
11: Thursday, March 22	Economic Capital and RAROC	Chapter 26
12: Thursday, March 29	Course Review	
Final Exam (TBA - Exam Period – Monday, April 9th to Monday, April 30th)		

POLICY AND PROCEDURE

Missed Tests (Quizzes) and Assignments

Students who miss a test (quiz) or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied. Upon approval for a missed test (quiz), the weight will be shifted to the final examination.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

Documentation submitted in support of petitions for missing tests and assignments must be original; no faxed or scanned copies will be accepted.

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a later report of illness made by the student and documented by the physician.

Late Assignments

Late submissions will not be accepted. Students who, for reasons beyond their control, are unable to submit by the posted deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments/deliverables.

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 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.

Blackboard and the Course Page

The online course page for this course is accessed through Blackboard. 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, Blackboard 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.