

# Course Outline

<b>Course Code</b>	RSM 432 H1 S		
<b>Course Name</b>	Risk Management for Financial Managers		
<b>Term, Year</b>	Winter, 2023		
<b>Course Meets (Except Week 10)</b>	L0301 L0101/ L2001 L0201	Wed 11am – 1pm Wed 1 pm – 3pm Wed 3 pm – 5pm	WO25 WO25 WO25
<b>Online Tutorials</b>	Weekly online tutorials starting on the 3 <sup>rd</sup> week of class (TBA) Held through Zoom/ Non-mandatory (See link on Quercus)		
<b>Web page URL</b>	<a href="https://q.utoronto.ca">https://q.utoronto.ca</a>		

## Instructor Details

Name	Email	Phone	Office Hours	Virtual Office Link
Chayawat Ornthanalai	chay.ornthanalai@rotman.utoronto.ca	416-946-0669	Via Zoom	See link on Quercus

## Course Scope, Mission, and Learning Outcomes

This course studies the way companies, particularly financial institutions, manage risk. It covers crash risk, credit risk, market risk, and operational risk. We will cover standard methods for modeling time-varying volatilities and correlations. The nature of bank regulation and the Basel I, II, and III capital requirements are examined. Other topics include copulas, Dodd-Frank regulations, and macro-prudential policy in response to the COVID-19.

- Understand and be able to apply modern elements of financial risk management
- Understand the importance of banking regulations and how financial institutions manage risks
- Understand how to quantify market risks, credit risks, and operational risks by different financial institutions
- Understand reasons behind the 2008 credit crisis and how banking regulations have evolved in the post-crisis period
- Develop economic intuitions and perspectives on the efficacy as well as adverse effects of recent financial regulations

## Course Prerequisites

- RSM333H1
- A good aptitude for mathematics (calculus and linear algebra) and statistics. THIS IS A QUANTITATIVE COURSE. I have prepared a document that reviews the mathematics and statistics required for the course. It is available on Quercus. ALL STUDENTS are expected to have reviewed this document before the course starts.
- A working knowledge of Excel is required.

## Course Materials

### Required Readings

- Risk Management and Financial Institutions, 5<sup>th</sup> edition, John C. Hull, Wiley Publishing. Note: 4<sup>th</sup> Edition is acceptable, but some pages may not correspond to references in my lecture
- Additional readings will be made available online through Quercus

### Electronic Course Materials

This course will be using the following electronic course materials:

- Wall Street Journal (WSJ) [Online Subscription](#) (Required) and used in class discussions. Cost varies depends on your subscription type.
- Poll everywhere account. This online platform is heavily used to record your participation and attendance. It is required prior. You can sign up [here](#). There is no cost.

WSJ online subscription cost varies. The cost can be as low as \$2 CAD per month. This depends on your subscription period, access channel and the promotion that you receive. The University of Toronto also provides its students access to various business periodicals (e.g., The Wall Street Journal) through ProQuest which can be accessed through this link: [WSJ through ProQuest at U of Toronto](#). Note that WSJ news accessed through ProQuest are text-only articles. The use of these materials complies with all University of Toronto policies which govern fees for course materials.

## Evaluation and Grades

Grades are a measure of the knowledge and skills developed by a student within individual courses. Each student will receive a grade on the basis of how well they have command of the course materials, skills and learning objectives of the course.

Work	Percentage of grade	Due Date
Class Participation/Attendance	9%	Ongoing
Team Charter	1%	Week 4
Group Research Project: Presentation & Report	10%	Weeks 10
Group Assignment 1	10%	Week 6
Group Assignment 2	10%	Week 12
Final Exam	60%	Exam period

### Final Exam

- The exam will be comprehensive and will cover material from lectures, news articles, 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 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.

### **Group and Team Charter**

You will be working in groups of up to seven students. You can work with students across sections. However, if you choose to work with teammates across multiple sections, your scheduled group presentation MAY NOT be taking place during the class time that you prefer.

Your group must be finalized in the fourth week. You will be working with the assigned team members on the two assignments as well as on the group research project.

Your group must submit a Team Charter in Week 4 of the course. Team charter will be posted on Quercus. Team charter helps realign expectations and roles of various group members. You will also be submitting your Group research project bidding through the Team Charter.

### **Group Assignments**

There will be two group assignments during the semester.

All assignments must be submitted **by 11:59pm** on their respective due date. Only online submission will be accepted.

### **Group Research Project: Presentation and Report**

- Each group will deliver an **8-minute presentation** on Week 10 during the scheduled class time. Not all group members need to deliver an oral presentation during this 8-minute period. A pre-recorded presentation can be used in lieu of a live presentation.
- Pre-recording a presentation may be useful for students who are collaborating with teammates across multiple sections.
- Each group will be responsible for a **live 2-minute Q&A** session after their presentation.
- Your group members for the presentation will be *identical* to your assignments' group members.
- In addition, each group will hand in a write-up report which summarizes your findings, recommendations, and references to your information sources. The write-up report is limited to a maximum of 2 pages (one-half spaced) excluding references, figures, tables, and appendices.
- Each group will conduct a research study on policies that the government and/or central bank of each country has implemented to stabilize its financial system in response to the COVID-19 pandemic.
- Each group will cover different countries (US is excluded). The purpose of this research is to help students: (i) Gain knowledge of recent changes in financial regulation and macroeconomic policy (ii) Understand the motivation behind unconventional risk-mitigating policies during the COVID-19 pandemic, (iii) Understand the pros/cons of government policies, and (iv) Form an opinion on the efficacy of different policies at stabilizing the financial system.
- Each group will submit a bid for countries (or economic zones) that they wish to study. This will be submitted together with your Team Charter in Week 4.

## Participation

Students are required to display their name card during each class. I practice cold calling students. Your participation will be assessed but not limited through these channels:

- Attendance
- Contribution during the classroom discussion
- Contribution via online platforms (e.g., Poll everywhere)
- Quercus discussion boards

Students' performance on this course component will be assessed based on the following criteria:

- Preparation for class materials prior to each lecture
- Thoughtful responses
- Understanding and analysis of topic
- Idea generation
- Promotion of further discussion
- Clarity of communication
- **Respect** for their classmates (see Class Etiquette)
- **Respect** for the course instructor (see Class Etiquette)

The document "*ClassParticipation\_Rubrics.pdf*" on Quercus outlines the detailed criteria that I use to assess class participation.

You are responsible to have sufficient computing hardware, software, and any other device to complete all the requirements (including participations) for the course.

## Course Format and Expectations

### News Articles

In most classes, we will spend up to 10 minutes discussing recent articles from *The Wall Street Journal*. **I require that** you sign up for a WSJ online subscription. This will give you access to the digital contents on your phone and on your browser with interactive graphics. It's also a good reading resource in preparation for job interviews in capital markets. The articles that are selected will touch on various aspects of risk management in the financial industry. You are expected to participate in the class discussions.

Before each class, links to the news article and corresponding questions that I plan to discuss will be posted on the course's Quercus site. You are expected to have read these articles ahead of the class and prepare your answers. Alternatively, you can contribute to the discussion on these news articles using the Quercus discussion board. Final exam materials **will cover** the news article that we discuss in class.

### Microsoft Excel

Microsoft Excel spreadsheet will be used heavily throughout the course. This is where the theory meets applications. You are expected to study all the Excel exercises that are covered in class and posted on the course website. Some of the Excel exercises will be demonstrated during the weekly tutorials.

### Tutorial and Office Hours

Weekly tutorials will be held starting on the third week of the course. Each tutorial will cover hand-on applications of the materials that we learned in class using Excel. The timing of weekly tutorial will be announced at the start of the course.

Tutorial will be held online via Zoom. The link is available only through Quercus. Attendance at these weekly tutorials is not mandatory. It is, however, highly encouraged. I plan to record each tutorial session on Zoom cloud. Links to the recording will be made available via Quercus. I reserve the right to the recordings of weekly tutorials. After each online tutorial, I will be available to answer students' questions related to the course. This will also serve as my weekly office hours.

### ***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.

You are encouraged to bring a laptop the class for Excel labs that will take place in most lectures. It is important that your use of electronic device must be for course-related purposes only. I ask that you do not use social network sites during class. Any usage of personal electronic device during class for non-course-related purposes will negatively affect your class participation grade.

### ***Teamwork***

Learning to work together in teams is a crucial transferrable skill you will use not only in your coursework, but also in your future careers. Support is available if you encounter common teamwork challenges such as:

- Team members feeling left out of the team.
- Team members not responding in a timely manner to communication.
- Division or quality of work among team members being unequal or unfair.

Consult the [Centre for Professional Skills Teamwork Resources page](#) for tips, strategies, and best practices. You can also [book an appointment with a teamwork mentor](#) through the RC Centre for Professional Skills Writing Centre. Teamwork mentors can help you resolve or mitigate conflict, strategize on planning, or improve team communication.

If you are a student registered with Accessibility Services, and extensions are one of your academic accommodations, consult with your Accessibility Advisor about the teamwork in this course.

### ***Communication Skills***

The group research project are intended to help you develop your communication skills. How well you communicate your ideas, in writing or orally, will be considered in the evaluation of the assignment. In your written assignments, you should aim for clarity, strong organization, concision, professionalism, and correct grammar. Your presentations should reflect strong planning and organization, clarity of speech, and an engaging demeanour. Sources, whether in written or presentation assignments, should always be correctly attributed.

Support is available through the RC Centre for Professional Skills (CPS) for students who would like help or feedback on their writing or speaking (presentations). CPS offers both individual and group appointments with trained writing instructors and presentation coaches who are familiar with the RC program and common types of business assignments. You can also access your college Writing Centres for help with written assignments.

You can [book an appointment with a writing or presentation coach](#) through the RC Centre for Professional Skills Writing Centre. For more information about writing centres, student supports, and study resources, see the [Writing and Presentation Coaching academic support page](#).

### ***Missed Tests and Assignments (including final-term assessment)***

Students who miss a test or assignment for reasons entirely beyond their control (e.g., illness) may request special consideration.

In such cases, students must:

1. Notify the instructor AND the Rotman Commerce Program Office **on the date** of the missed course deliverable, e.g., missed test, final assessments, assignment, or class (in the case of participation marks).
2. Complete a [Request for Special Consideration Form](#) and submit it along with your Absence Declaration on [ACORN](#) (please read the instructions on how to use the Absence Declaration in ACORN) within **2 business days** of the originally scheduled course deliverable. Please email your documents to [rotmancommerce.info@utoronto.ca](mailto:rotmancommerce.info@utoronto.ca)

Students who do not provide this information will be given a grade of 0 (zero) for the missed course deliverable.

Your course's participation is evaluated continuously throughout the course. If you do not attend the class, you will not be participating in the in-class discussion.

### ***Late Assignments***

Late submission of assignments will not be accepted. A grade of 0% will be assigned.

Students who, for reasons beyond their control, are unable to submit an assignment by its deadline must obtain approval from the instructor for an extension. Supporting documentation will be required as per the policy on missed tests and assignments.

## **Statement on Equity, Diversity and Inclusion**

The University of Toronto is committed to equity, human rights and respect for diversity. All members of the learning environment in this course should strive to create an atmosphere of mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. U of T does not condone discrimination or harassment against any persons or communities.

## **Commitment to Accessibility**

The University is committed to inclusivity and accessibility, and strives to provide support for, and facilitate the accommodation of, individuals with disabilities so that all may share the same level of access to opportunities and activities offered at the University.

If you require accommodations for a temporary or ongoing disability or health concern, or have any accessibility concerns about the course, the classroom or course materials, please [email Accessibility Services](#) or [visit the Accessibility Services website for more information](#) as soon as possible. Obtaining your accommodation letter may take up to several weeks, so get in touch with them as soon as possible. If you have general questions or concerns about the accessibility of this course, you are encouraged to reach out to your instructor, course coordinator, or Accessibility Services.

## Academic Integrity

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarship at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the U of T 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](#) 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 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 U of T or RC resources such as the RC Centre for Professional Skills, the 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 U of T 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 ACORN. For more information visit the [Information Commons Help Desk](#).

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

## 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 MAY NOT record a lecture or other course material in any way. This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

On an exceptional circumstance, if permission for recording 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 any way. It is forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

**!!! It is illegal to share my course materials on any public platforms. Such criminal act is a violation of intellectual property. !!!!**



## Tentative Weekly Schedule

Week	Date	Topic	Readings
1	January 11 <sup>th</sup> , 2023	Financial Institutions and Their Risks	<b>Hull</b> , Chapters 2, 3, 4
2	January 18 <sup>th</sup> , 2023	Value at Risk (VaR), Expected Shortfall (ES)	<b>Hull</b> , Chapters 12
3	January 25 <sup>th</sup> , 2023	Volatility Part I	<b>Hull</b> , Chapters 10
4	February 1 <sup>st</sup> , 2023	Volatility Part II Team Charter and Group Research topic bidding due by 11:59pm	<b>Hull</b> , Chapters 10
5	February 8 <sup>th</sup> , 2023	Correlation and Copula	<b>Hull</b> , Chapters 10 and 11
6	February 15 <sup>th</sup> , 2023	Regulation (Part 1): Historical Insights, and Basel I, and II, 2.5 Group Assignment #1 due by 11:59pm	<b>Hull</b> , Chapter 15
7	March 1 <sup>st</sup> , 2023	Regulation (Part 2): Historical Insights, and Basel I, and II, 2.5	<b>Hull</b> , Chapters 15, 16
8	March 8 <sup>th</sup> , 2023	Financial Crisis, and Post-crisis Regulations	<b>Hull</b> , Chapters 6, 16
9	March 15 <sup>th</sup> , 2023	Historical Simulation and Extreme Value Theory	<b>Hull</b> , Chapter 13
10	March 22 <sup>nd</sup> , 2023	Group Research Presentations: In class Group Research Report due by 11:59pm	<b>Hull</b> , Chapter 16
11	March 29 <sup>th</sup> , 2023	Credit Risk Management	<b>Hull</b> , Chapter 19
12	April 5 <sup>th</sup> , 2023	Credit Risk Management Group Assignment #2 due by 11:59pm	<b>Hull</b> , Chapter 19

**Please note that the last day you can drop this course without academic penalty is March 19, 2023.**

## Other Useful Links

- [Become a volunteer note taker](#)
- [Accessibility Services Note Taking Support](#)
- [Credit / No-Credit in RSM courses](#)
- [Rotman Commerce Academic Support](#)

## URL links for print

- Request for Special Consideration Form: <https://rotmancommerce.utoronto.ca/current-students/forms-requests-and-appeals/forms/>
- ACORN: <http://www.acorn.utoronto.ca/>
- Email Accessibility Services: [accessibility.services@utoronto.ca](mailto:accessibility.services@utoronto.ca)
- Accessibility Services website: <http://studentlife.utoronto.ca/as>
- University's Plagiarism Detection Tool FAQ: <https://uoft.me/pdt-faq>
- The University of Toronto's Code of Behaviour on Academic Matters: <http://www.governingcouncil.utoronto.ca/policies/behaveac.htm>
- Information Commons Help Desk: <http://help.ic.utoronto.ca/category/3/utmail.html>
- Become a volunteer note taker: <https://studentlife.utoronto.ca/program/volunteer-note-taking/>
- Accessibility Services Note Taking Support: <https://studentlife.utoronto.ca/service/note-taking-support/>
- Credit / No-Credit in RSM courses: <https://rotmancommerce.utoronto.ca/current-students/degree-requirements/credit-no-credit-option/>
- Rotman Commerce Academic Support: <https://rotmancommerce.utoronto.ca/current-students/academic-support/>
- Book an appointment with a writing or presentation coach: <http://uoft.me/writingcentres>
- Writing and Presentation Coaching academic support page: <https://rotmancommerce.utoronto.ca/current-students/academic-support/writing-and-presentation-coaching/>
- Centre for Professional Skills Teamwork Resources page: <https://rotmancommerce.utoronto.ca/teamwork-resources>
- Book an appointment with a Teamwork Mentor: <http://uoft.me/writingcentres>