

# Course Outline

<b>Course Code</b>	RSM 432 H1 S		
<b>Course Name</b>	Risk Management for Financial Managers		
<b>Term, Year</b>	Winter, 2024		
<b>Course Meets</b>	L0101	Wed 11am – 1pm	RT (See Quercus)
	L0201/ L2001	Wed 1 pm – 3pm	RT (See Quercus)
	L0301	Wed 3 pm – 5pm	RT (See Quercus)
<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, macro-prudential policy in response to COVID-19, and the recent banking crisis in 2023.

- 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 the reasons behind the 2008 credit crisis and how banking regulations have evolved in the post-crisis period.
- Understand the reasons behind the 2023 Fall out of various medium-sized banks, e.g., Silicon Valley Bank, First Republic, Signature Bank, and Credit Suisse.
- Develop economic intuitions and perspectives on the efficacy as well as adverse effects of government intervention and 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 Computing Hardware

- A standard laptop computer with MS Excel (version 2010 or later) installed.
- YOU ARE encouraged to bring a laptop to most classes for lab exercises in MS Excel.
- YOU ARE required to bring a laptop to the in-person Final Exam to be scheduled during the regular exam period.
- Computing hardware must be used for course-related purposes only during classes.

### Required Readings

- Risk Management and Financial Institutions, 6<sup>th</sup> edition, John C. Hull, Wiley Publishing. Note: 5<sup>th</sup> or 4<sup>th</sup> Editions are 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 based on 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	12%	Weeks 10
Group Assignment 1	12%	Week 6
Group Assignment 2	12%	Week 12
Final Exam	54%	Exam period

### Final Exam

- The exam will be comprehensive and will cover material from lectures, news articles, tutorials, assignments, assigned readings, and practice problems.

- The exam will be open notes and open textbooks.
- You **are required** to bring a laptop computer with MS Excel installed to the examination. You **must turn off** your WIFI and Bluetooth functions on your device during the examination period.
- **It is your responsibility** to have sufficient computing hardware and software for completing all the course requirements and evaluations.

### ***Group Formation 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 take place during the class time that you prefer.

Your group must be finalized in the fourth week. If you cannot find a group, I will assign you to a group that has space availability. 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 submissions through Quercus will be accepted.

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

- The topic is “Managing Non-financial Risks.”
- Each team will choose **one type of non-financial risk** and research how a **financial institution** manages it.
- Non-financial risks are those that do not fall under these three categories: Market Risk, Credit Risk, and Liquidity Risk. Management of these three financial risks will be covered in our class.
- Each Team will deliver a **9-minute presentation** during the scheduled class time on **March 20<sup>th</sup>, 2024**. Not all group members need to give an oral presentation during this 9-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 written **Executive Summary** of your findings, recommendations, and references to your information sources. The report is limited to a maximum of 2 pages (one-half spaced) excluding references, figures, tables, and appendices.

- Within each Section, each team will research a different type of non-financial risk. An exception may be granted at the discretion of the course instructor.
- **Topic Bidding.** Your group will send in bids for the non-financial risk that you wish to conduct your research study. Please submit your bids along with the *TEAM CHARTER* by 11:59pm on January 31<sup>st</sup>, 2024 (Week 4). Please rank up to 5 non-financial risk topics and assign a weight (out of 100%) to each topic. The bidding results will be posted on Quercus by the following week.

### *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 the 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.

### *Quercus Discussion Board*

All students are **STRONGLY** encouraged to use the Discussion Board on Quercus to ask questions about class materials, assignments, and final exams. I have set up a discussion board for each topic, e.g., Assignment 1, and Assignment 2. Please use them to ask questions outside of the class lectures.

The use of the discussion board helps streamline communications between students and their instructors. It allows the course instructor to answer questions more efficiently and more promptly to students. It is often that students have questions on the same issue or topic. Using the discussion board reduces redundancy and repetition between students and the course instructor. Importantly, it promotes equity and transparency across all students.

I will prioritize answering questions on this discussion board. I plan to answer new questions posted on the discussion board within 2 days.

## 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 content 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. **Your contribution to the online discussion on Quercus must be original work and must not be facilitated by generative AI.** See my policy on Generative AI below.

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 hands-on applications of the materials that we learned in class using Excel. The timing of the 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*

Bring your tent "name" card to every class and display it!

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 required to bring a laptop to the class for Excel labs that will take place in most lectures. It is important that your use of electronic devices must be for course-related purposes only. I ask that you do not use social network sites during class. Any usage of personal electronic devices 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.

## *Course Policy on Usage of Generative AI*

- The use of generative artificial intelligence tools or apps (e.g., ChatGPT and other AI writing or coding assistants) for assignments, research projects, and participation on Quercus' discussion board in this course is prohibited.
- The knowing use of generative artificial intelligence tools, including ChatGPT and other AI writing and coding assistants, for the completion of, or to support the completion of, an examination, term test, assignment, research project, online discussion board, or any other form of academic assessment, are considered an academic offense in this course.
- Representing as one's own an idea, or expression of an idea, that was AI-generated may be considered an academic offense in this course.
- This course policy is designed to promote your learning and intellectual development and to help you reach course learning outcomes.

## *Communication Skills*

The group research project is 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 **within 2 business days** of the missed midterm/test/assignment due date.

In such cases, students must:

1. Complete the Request for Special Consideration form: <https://uoft.me/RSMConsideration>
2. Provide documentation to support the request, eg. Absence Declaration from [ACORN](#), medical note etc.

**Please note:** As of September 2023, students may use the Absence Declaration on ACORN **\*one time per term\*** to report an absence and request consideration. **Any subsequent absence will require a [Verification of Illness form](#) or other similar relevant documentation.**

Students who do not submit their requests and documentation within 2 days may receive a grade of 0 (zero) on 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 tests 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 questions 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 ARE NOT PERMITTED to record a lecture or other course material in any way. This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

## Tentative Weekly Schedule

Week	Date	Topic	Readings
1	January 10 <sup>th</sup> , 2024	Financial Institutions and Their Risks	Hull, Chapters 2, 3, 4
2	January 17 <sup>th</sup> , 2024	Value at Risk (VaR), Expected Shortfall (ES)	Hull, Chapters 12
3	January 24 <sup>th</sup> , 2024	Volatility Part I	Hull, Chapters 10
4	January 31 <sup>st</sup> , 2024	Volatility Part II Team Charter and Group Research topic bidding due by 11:59pm	Hull, Chapters 10
5	February 7 <sup>th</sup> , 2024	Correlation and Copula	Hull, Chapters 10 and 11
6	February 14 <sup>th</sup> , 2024	Regulation (Part 1): Historical Insights, and Basel I, and II, 2.5 Group Assignment #1 is due by 11:59pm	Hull, Chapter 15
7	February 28 <sup>th</sup> , 2024	Regulation (Part 2): Historical Insights, and Basel I, and II, 2.5	Hull, Chapters 15, 16
8	March 6 <sup>th</sup> , 2024	Financial Crisis, and Post-crisis Regulations	Hull, Chapters 6, 16
9	March 13 <sup>th</sup> , 2024	Historical Simulation and Extreme Value Theory	Hull, Chapter 13
10	March 20 <sup>th</sup> , 2024	Group Research Presentations: In class Group Research Report due by 11:59pm	Click here to enter text.
11	March 27 <sup>th</sup> , 2024	Credit Risk Management	Hull, Chapter 19
12	April 3 <sup>rd</sup> , 2024	Credit Risk Management Group Assignment #2 is due by 11:59pm	Hull, Chapter 19

Please note that the last day you can drop this course without academic penalty is March 11<sup>th</sup>, 2024.

## 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

- 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>
- 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/>

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