

COURSE INFORMATION

Course Title:	Risk Management	Credits:	1.5
Course Code:	BAFI 513	Class Location:	HA 437
Session, Term, Period:	2024W1, Period 6	Class Times:	Tue/Thu, 10:00am – 12:00pm
Section(s):	001	Pre-Requisites:	BAFI 500 or BAFI 550
Course Duration:	Sep 3 – Oct 3, 2024	Co-Requisites:	n/a
Division:	Finance		
Program:	FT MBA		

INSTRUCTOR INFORMATION

Instructor:	Dr. Carlos da Costa	Office Location:	HA 351
Phone:	604-306-0458	Office Hours:	By appointment
Email:	carlos.dacosta@ubc.ca		

COURSE DESCRIPTION

There are many types of risk management going on in different parts of a company at the same time. The most familiar loci of risk management are trading operations and the treasury office. However, many other parts of the firm are involved in risk management. The marketing department designs types of contracts for customers that share risk. Business unit managers evaluate projects with different risk characteristics and decide on ways to alter projects to minimise risk without sacrificing return. The tax, legal, and accounting departments are concerned with risk, hedging, and corporate governance issues. At the highest level of the company, key questions about the firm's strategy and ability to fund its operations must be answered with an eye on the risks of each alternative and strategic decision that can secure the greatest value for shareholders.

The problem before a commodity trader is not the same problem that is before the business unit manager or the CFO—the difficulties facing each actor within the firm demand a focus on different risk-related issues.

Each of these different risk management activities focuses on various aspects of risk management—the umbrella of such corporate risks is usually referred to as Enterprise Risk Management (ERM). Specifically, ERM is the process of planning, organising, directing, and controlling an organisation's activities to minimise the harmful effects of risk on its capital and earnings. ERM includes financial, strategic, operational, and associated risks associated with accidental losses.

Vocational Relevance

Employment opportunities in the field of risk management have grown in recent years, partly in response to the litany of reported risk management failings. This course will be of particular interest to you if you are planning to work in an organisation in the financial sector or in the finance division of a company or public sector/not-for-profit organisation.

COURSE FORMAT

The course will include lectures, case discussions, and in-class case activities. Please see the detailed course schedule below.

LEARNING OBJECTIVES



The course will be organised according to the following outline of topics. Due to the short and concentrated nature of the course, the depth into which each is explored will vary greatly. However, the outline is very useful for organising the thinking about the place of risk management in the firm's business.

By the end of this course, students will gain a good understanding of:

1. The overall role risk plays in managing corporate performance and identifying the key steps of the risk management process
2. The application of risk-responsive frameworks (such as Enterprise Risk Management (ERM)) to an organisation
3. How to identify and analyse risks faced by an entity and dissect real business cases requiring the use of multiple risk management techniques
4. How to use financial derivatives (futures, options, and swaps) to hedge portfolio/corporate risk
5. Corporate governance in risk management

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

One of the ways UBC Sauder intends to demonstrate its commitment to responsible business is by noting certain course content via the lens of the [United Nations Sustainable Development Goals](#) (UNSDG). As can be seen from the course description above and class schedule below, this course touches on topics related to: financial instruments, institutions, services and infrastructure, credit, entrepreneur finance, regulation, and governance (elements of UNSDG 4 and 13).

Sustainable Development Goal	Description of how and when the goal is covered in the course.
<p>Goal 4: Quality Education</p> 	<p>Throughout the semester, we ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p>
<p>Goal 13: Climate Action</p> 	<p>When we discuss market risk management during the semester, we conduct a class discussion related to elements of Environmental Disclosure, ESG accounting and reporting, Cap and Trade, Carbon Markets, and Carbon Pricing.</p>

ASSESSMENTS

Summary

Component	Weight
Case Studies	
<ul style="list-style-type: none"> Assignments will include case studies and readings to complement weekly topics. Class members will be divided into teams to present cases and lead discussions. 	40%
Class Participation	
<ul style="list-style-type: none"> Individual and group participation will be evaluated by meaningful contributions to class discussion, possible class exercises, and timely completion of weekly reading assignments. 	25%
Group Project	
<ul style="list-style-type: none"> This group assignment aims to assess your understanding of the application of risk management theory and your ability to communicate this to a business audience and not an academic one. Although it may be based on an actual incident, this report will not be used by the actual project or operation it represents. 	35%
Total	100%

Evaluation in the course will be based on a combination of group and individual work. As in all large courses in the UBC Sauder School of Business, grading norms will be observed. In other words, students with the top marks relative to the class average will receive the top grades. On the first day of class, your instructor will present the course syllabus that you will follow throughout the term (see Canvas for complete details). It will provide important information about class readings, exams, assignments, marking, and/or their respective due dates.

You are expected to take charge of your learning and success, so please be sure to contact your professor for the syllabus if you missed the first lecture. You will also be responsible for any course material you miss during the term.

Details of Assessments

Class Participation:

- Please be ready and willing to actively engage in all aspects of the classroom learning experience. We all have something to contribute to the collective learning experience each day, and we all want to benefit from it.

Group Work:

- Groups will be posted on Canvas.

Case Summaries:

- Case summaries are short summaries of the key issues in the case.

- Details and guidelines for the case summaries will be posted on the course website.

Case Reports:

- Case analysis and report guidelines will be posted on the course website.
- Questions to guide the analysis will also be posted on the course website.

LEARNING MATERIALS

Required:

1. Course pack containing the Harvard Business School (HBS) and Ivey Publishing cases (will be available electronically; see information on the course website).
2. Class notes (will be posted before class on the course website: access via <https://canvas.ubc.ca/>).
3. Links to some required (and some recommended) readings will be posted in the course Canvas shell.
4. Syllabus (will be posted in the course Canvas shell).
5. Textbook: Essentials of Financial Risk Management: Practical Concepts for the General Manager
by: Rick Nason and Brendan Chard — Business Expert Press (2018) (*online access available through the UBC Library*)

References:

Some good textbooks to utilise as references are:

1. Enterprise Risk Management: Today's Leading Research and Best Practices for Tomorrow's Executives, 2nd Edition
by: John R. S. Fraser, Rob Quail, and Betty Simkins (Editors) — John Wiley & Sons (2021)
2. CME Group Risk Management Handbook: Products and Applications
by: John W. Labuszewski, John E. Nyhoff, Richard Co, and Paul E. Peterson (Authors) — John Wiley & Sons (2010)
3. Options, Futures, and Other Derivatives
by: John C. Hull — Pearson; 11th Edition (2022)
4. Readings may be assigned from newspapers, magazines, journals, books, and online sources as the class progresses. Useful online sources include reports and publications from major risk-related professional organisations, including:
 - Professional Risk Managers International Association: PRMIA
 - Global Association of Risk Professionals: GARP
 - Chicago Mercantile Exchange (CME) Group

COURSE-SPECIFIC POLICIES AND RESOURCES

No Distribution of Recordings

Other than as announced in class, there is no distribution of class recordings. Classes will not be live-streamed or recorded, and you may not record classes or have classmates record classes for you. Your

attendance in class is expected. If you are unable to attend, the policies regarding academic concessions and attendance described in this syllabus apply. It is your responsibility to ensure that you have the materials you need for missed classes. It is strongly recommended that you make arrangements at the start of the semester for materials in case you miss class (for instance, you may wish to exchange contact information with a classmate who can provide you with notes in the event you miss class). If you believe you are an exceptional case that merits special consideration, please promptly reach out to RHL Sauder to advise them of your circumstances and then work with RHL to contact the instructor.

Academic Concessions

If you experience unanticipated events or other circumstances that constitute valid grounds for academic concession as defined by [UBC's Academic Concession Policy](#), complete and submit the [Academic Concession Request & Declaration Form](#). Concessions are time-sensitive, and the online form should be submitted within 48 hours of the missed deadline. Upon submission, your request will be recorded in the RHL, and you will also receive an email with further instructions. Please read this email carefully and refer to the relevant course syllabus for each concession you have requested. Please know that you should continue to work on the coursework for the course(s) you submitted a concession to. You should anticipate being asked to submit work or write an exam as soon as the circumstances affecting your ability to fulfil your academic responsibilities are resolved.

Missed or Late Assignments, and Regrading of Assessments

Late submissions, or missed exams/quizzes, will receive a grade of zero unless academic concession is granted as explained herein. Requests for regrades must be submitted in writing, within 24 hours of the initial grade being posted, specifying in detail the believed grading error – if a regrade is granted the entire assignment/quiz will be regraded and the grade may rise, fall, or remain unchanged as a result.

Code Plagiarism

Code plagiarism falls under the UBC policy for [Academic Misconduct](#). Students must correctly cite any code that has been authored by someone else or by the student themselves for other assignments. Cases of "reuse" may include, but are not limited to:

- the reproduction (copying and pasting) of code with none or minimal reformatting (e.g., changing the name of the variables)
- the translation of an algorithm or a script from a language to another
- the generation of code by automatic code-generation software

An “adequate acknowledgement” requires a detailed identification of the (parts of the) code reused and a full citation of the original source code that has been reused.

Students are responsible for ensuring that any work submitted does not constitute plagiarism. Students who are in doubt as to what constitutes plagiarism should consult their instructor before handing in any assignments.

POLICIES APPLICABLE TO COURSES IN THE ROBERT H. LEE GRADUATE SCHOOL

Attendance

Excepting extenuating circumstances, students are expected to attend 100% of their scheduled class hours. Absent students limit their own academic potential, and that of their classmates, and cause unnecessary disruption to the learning environment. Students missing more than 20% of the total scheduled class hours for a course (including classes held during the add/drop period) without having received an academic concession will be withdrawn from that course. Withdrawals, depending on timing, could result in a "W" or an "F" standing on the transcript.

Punctuality

Students are expected to arrive for classes and activities on time and fully prepared to engage. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving later than halfway through a scheduled class will be treated as absent for that class.

Electronic Devices

Devices such as laptops, tablets, and cell phones are not permitted to be used in class unless directed by the instructor for in-class activities. Students who do not follow the school's policy in this regard may be required to leave the room for the remainder of the class, so that they do not distract others. Research shows that students' use of laptops in class has negative implications for the learning environment, including reducing their own grades and the grades of those sitting around them.

Citation Style

Please use the American Psychological Association (APA) reference style to cite your sources.

Details of the above policies and other RHL Policies are available at:

<http://www.calendar.ubc.ca/vancouver/index.cfm?tree=12,199,506,1625>

UNIVERSITY POLICIES AND RESOURCES

UBC provides resources to support student learning and to maintain healthy lifestyles but recognises that sometimes crises arise, and so there are additional resources to access, including those for survivors of sexual violence. UBC values respect for the person and ideas of all members of the academic community. Harassment and discrimination are not tolerated, nor is suppression of academic freedom. UBC provides appropriate accommodation for students with disabilities and for religious observances. UBC values academic honesty, and students are expected to acknowledge the ideas generated by others and to uphold the highest academic standards in all their actions. Details of the policies and how to access support are available on the UBC Senate website at <https://senate.ubc.ca/policies-resources-support-student-success>.

Respect for Equity, Diversity, and Inclusion

The UBC Sauder School of Business strives to promote an intellectual community that is enhanced by diversity along various dimensions, including Indigeneity (including identification as First Nation, Métis, or Inuit), race, ethnicity, gender identity, sexual orientation, religion, political beliefs, social class, and/or disability. It is critical that students from diverse backgrounds and perspectives be valued in and well-served by their courses. Furthermore, the diversity that students bring to the classroom should be

viewed as a resource, benefit, and source of strength for your learning experience. It is expected that all students and members of our community conduct themselves with empathy and respect for others.

Academic Integrity

The academic enterprise is founded on honesty, civility, and integrity. As members of this enterprise, all students are expected to know, understand, and follow the codes of conduct regarding academic integrity. At the most basic level, this means submitting only original work done by you and clearly acknowledging all sources of information or ideas (including without limitation online sources, websites, and Artificial Intelligence tools, for example Chat) and attributing them to others as required. This also means you should not cheat, copy, or mislead others about what is your work, nor should you help others do the same. For example, it is prohibited to: share past assignments and answers with other students; work with other students on an assignment when an instructor has not expressly given permission to do so; or spread information through word of mouth, social media, or other channels that subverts the fair completion or evaluation of a class exercise or assessment. Violations of academic integrity (i.e., misconduct) lead to the breakdown of the academic enterprise, and therefore serious consequences arise, and harsh sanctions are imposed. For example, incidences of plagiarism or cheating may result in a mark of zero on the assignment or exam, and more serious consequences may apply if the matter is referred to the President's Advisory Committee on Student Discipline. Careful records are kept in order to monitor and prevent recurrences.

Use of Artificial Intelligence

Any work submitted must be your own original work, written without outside assistance or collaboration. Any use of generative artificial intelligence (AI), including ChatGPT, is not permitted and constitutes academic misconduct. Any student suspected of submitting work that includes AI generated content may be asked for preliminary work or other materials to evidence the student's original and unaided authorship. The student may also be asked to separately explain or support their work. AI identification methods may also be employed by the instructor. After review, if it is determined by the instructor that submitted work likely contains AI generated content, the work may receive a zero and may be subject to further misconduct measures set out in the [UBC Academic Calendar](#).

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All materials of this course (course handouts, lecture slides, assessments, course readings, etc.) are the intellectual property of the instructor or licensed to be used in this course by the copyright owner. Redistribution of these materials by any means without permission of the copyright holder(s) constitutes a breach of copyright and may lead to academic discipline and could be subject to legal action. Any lecture recordings are for the sole use of the instructor and students enrolled in the class. In no case may the lecture recording, or part of the recording be used by students for any other purpose, either personal or commercial. Further, audio or video recording of classes are not permitted without the prior consent of the instructor.

ACKNOWLEDGEMENT

UBC's Point Grey Campus is located on the traditional, ancestral, and unceded territory of the x^wməθk^wəyəm (Musqueam) people, who for millennia have passed on their culture, history, and traditions from one generation to the next on this site.

COURSE SCHEDULE

(subject to change with class consultation – see Canvas course for full details (including due dates))

Week	Class	Date	Topics	Reading(s)	Activities & Assessments Due
One	1	Tues, Sept 3	<ul style="list-style-type: none"> • Course Overview • Module 1 – Defining Risk Management & Enterprise Risk Management (ERM) <ul style="list-style-type: none"> • Definitions of Risk – Overview • Risk Management Process Steps 	Refer to Canvas shell – Module 1 Nason and Chard (2018): Chapter(s) 1 & 3	
	2	Thur, Sept 5	<ul style="list-style-type: none"> • Module 1 – Defining Risk Management & Enterprise Risk Management (ERM) (Cont.) <ul style="list-style-type: none"> • Enterprise Risk Management • Governance of Risk Management • Designing an Integrated ERM Approach 	Refer to Canvas shell – Module 1 Nason and Chard (2018): Chapter(s) 3 & 10	<ul style="list-style-type: none"> • Introducing Case Study 1 (<i>for next Thursday's class discussion</i>): Risk Management at Wellfleet Bank: All That Glitters Is Not Gold

Week	Class	Date	Topics	Reading(s)	Activities & Assessments Due
Two	3	Tues, Sept 10	<ul style="list-style-type: none"> • Module 2 – Understanding Risk Types <ul style="list-style-type: none"> • Risks for Corporations include: Business, Financial, Strategic, etc. • KPIs, Metrics, & Dashboards for Risk Management 	Refer to Canvas shell – Module 2	
	4	Thur, Sept 12	<ul style="list-style-type: none"> • Module 3 – Financial Risk Management <ul style="list-style-type: none"> • Financial Risk Management Approach, Strategies, and Process; Impact of Interest Rates, Foreign Exchange, and Commodity Prices 	Refer to Canvas shell – Module 3	<ul style="list-style-type: none"> • In-class group Case Study 1 assignment discussion: Risk Management at Wellfleet Bank: All That Glitters Is Not Gold • Introducing Case Study 2 (<i>for next Thursday's class discussion</i>): Enterprise Risk Management at Hydro One (A)
Three	5	Tues, Sept 17	<ul style="list-style-type: none"> • Module 4 – Value at Risk (VaR) <ul style="list-style-type: none"> • Understanding Value at Risk and How It's Computed (Historical, Parametric, and Monte Carlo VaR) 	Refer to Canvas shell – Module 4 Nason and Chard (2018): Chapter(s) 4	Introduction of the Group Risk Management Report (due: Sunday, Oct 6)

Week	Class	Date	Topics	Reading(s)	Activities & Assessments Due
	6	Thur, Sept 19	<ul style="list-style-type: none"> • Module 5 – Financial Derivatives <ul style="list-style-type: none"> • Financial Risk Tools: Futures, Forwards, Options, and Swaps <p>Structured Finance, Securitization, and Structured Products (at a glance: What are they?, Types?, Benefits & Risks, and more)</p>	<p>Refer to Canvas shell – Module 5</p> <p>Nason and Chard (2018): Chapter(s) 2</p> <ul style="list-style-type: none"> • VaR article (see <i>Canvas shell</i>) 	<ul style="list-style-type: none"> • In-class group Case Study 2 assignment discussion: Enterprise Risk Management at Hydro One (A) • Introducing Case Study 3 (for next Thursday's class discussion): FX Risk Hedging at EADS
	7	Tues, Sept 24	<ul style="list-style-type: none"> • Module 6 – Hedging Strategies Using Forwards & Futures <ul style="list-style-type: none"> • Hedging (Interest Rates, FX, and Commodities) Using Forwards & Futures - Definition, Meaning, Strategies, and Examples 	<p>Refer to Canvas shell – Module 6</p> <p>Nason and Chard (2018): Chapter(s) 5, 6, 7, & 9</p>	
Four	8	Thur, Sept 26	<ul style="list-style-type: none"> • Module 7 – Hedging Strategies Using Swaps <p>Hedging (Interest Rates, FX, and Commodities) Using Swaps - Definition, Meaning, Strategies, and Examples</p>	<p>Refer to Canvas shell – Module 7</p> <p>Nason and Chard (2018): Chapter(s) 5, 6, 7, & 9</p>	<ul style="list-style-type: none"> • In-class group Case Study 3 assignment discussion: FX Risk Hedging at EADS • Introducing Case Study 4 (for next Thursday's class discussion): Metro do Porto - An Interest Rate Swap

Week	Class	Date	Topics	Reading(s)	Activities & Assessments Due
Five	9	Tues, Oct 1	<ul style="list-style-type: none"> • Module 8 – Hedging Strategies Using Options • Hedging (Interest Rates, FX, and Commodities) Using Options - Definition, Meaning, Strategies, and Examples 	<p>Refer to Canvas shell – Module 8</p> <p>Nason and Chard (2018): Chapter(s) 5, 6, 7, & 9</p>	
	10	Thur, Oct 3	<ul style="list-style-type: none"> • Module 9 – Measuring Credit Risk • Credit Derivatives and Credit Risk Metrics <p>Guest Speaker(s): Alteryx (Data Science and Analytics)</p>	<p>Refer to Canvas shell – Module 9</p> <p>Nason and Chard (2018): Chapter(s) 8</p>	<ul style="list-style-type: none"> • In-class group Case Study 4 assignment discussion: Metro do Porto - An Interest Rate Swap
Six		Exam Week			Due: Group Risk Management Report (Sunday, October 6)