
BAFI 513: Risk Management

Course Outline

COURSE INFORMATION

Division: Finance

Instructor: Glen Donaldson

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Office hours: By appointment

Pre-requisites: either BAFI 500 (Introductory Finance); or BAFI 580A (Fundamental Finance); or equivalent

BRIEF COURSE DESCRIPTION

Risk management is one of the fast growing and most dynamic fields in finance. Risk management is about taking risks intelligently, not necessarily eliminating all risk. A goal is to understand how much, and what types, of risk one faces and to shape the risks to which one chooses to be exposed while protecting oneself against risks one wishes to avoid. The concepts, analysis framework and types of solutions explored in this course can be used across industries, in corporations large and small, governments, and in a variety of financial institutions including banks and hedge funds. Topics covered include:

- Four steps in risk management: identification, measurement, mitigation and monitoring
 - Risks – market risk, credit risk, operational risk, liquidity risk, etc.
 - Value at Risk / Monte Carlo analysis – core concepts in risk management
 - Applications and instruments
 - Real-life lessons from the market
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COURSE GOALS & LEARNING OBJECTIVES

The goal of this course is to study key aspects of financial risk management and to investigate certain topical issues in this dynamic and important area of finance.

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COURSE MATERIALS & REQUIREMENTS

1. Textbook: Hull, John, Fundamentals of Futures and Options Markets, Pearson Prentice Hall, 9th Edition, 2017. This is a good reference text that explains many of the tools we use.
2. Selected readings: Readings may be assigned from newspapers, magazines, academic journals, practitioner journals, books, online sources, and case studies (free online) as the class progresses. Such additional readings and studies will be selected during the class to use the most up-to-date and topical material. Useful online sources include reports and publications from major risk-related professional organizations including:
 - Professional Risk Managers International Association: PRMIA
 - Global Association of Risk Professionals: GARP

ASSESSMENT

Class Presentation	45%
Term Paper	45%
Participation	10%

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SCHEDULE

Provisional schedule, subject to change

Class#	CLASS TOPICS	ACTIVITIES / READINGS	WHAT'S DUE
Week 1	Types of risk and steps in risk management Hedging basics	Vol 3, Professional Risk Managers' Handbook (www.prmia.org) Hull: Ch 1, 3	
Week 2	Market risk – part 1: options and risk sensitivities Market risk – part 2: Applications, Desk-level risk, Enterprise risk,	Hull: parts of Ch 10, 12, 13, 17, 18 – focus on “the greeks”	
Week 3	Monte Carlo analysis and Value at Risk, core tools in risk management Risk uses of swaps, securitized instruments	Hull Ch 20 Hull Ch 7, 8	
Week 4	Credit risk, risk-weighting, credit risk tools Liquidity risk Energy risk Operational risk, system oversight/failure, security	Hull Ch 23; PRMIA Handbook Vol 3, and selected readings assigned in class Hull Ch 24 Hull Ch 25; and selected readings assigned in class	
Week 5	Real-life lessons from the market	Case studies selected in class, plus hands-on current events analysis	Class presentations, Term paper due 11:59pm last day of exams

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KEY REGULATIONS

Attendance: As per RHL Regulations on Professionalism, Attendance and Behaviour, students are expected to attend 100% of their scheduled classes. Students missing more than 20% of scheduled classes for reasons other than illness will be withdrawn from the course. Withdrawals, depending on timing, could result in a “W” or an “F” standing on a student’s transcript. Students must notify their instructors at the earliest opportunity if they are expected to miss a class due to illness. A medical note from a licensed, local doctor is required if more than 20% of scheduled classes for a course are missed due to illness. Students are required to notify the Student Experience Manager if they are absent from two or more classes due to illness.

Tardiness: As per RHL Regulations on Professionalism, Attendance and Behaviour, students are expected to arrive for classes and activities on time and fully prepared. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving halfway through a scheduled class, or later, will be treated as absent for that class.

Electronic Devices: As per RHL Regulations on Professionalism, Attendance and Behaviour, laptops and other electronic devices (cellphones, tablets, personal technology, etc.) are not permitted in class unless required by the instructor for specific in-class activities or exercises. Cellphones and other personal electronic devices must be turned off during class and placed away from the desktop. Students who fail to abide by the RHL “lids down” policy will be asked to leave the room for the remainder of the class. Research has shown that multi-tasking on laptops in class has negative implications for the learning environment, including reducing student academic performance and the performance of those sitting around them.

ACADEMIC MISCONDUCT

All UBC students are expected to behave as honest and responsible members of an academic community. Failure to follow appropriate policies, principles, rules and guidelines with respect to academic honesty at UBC may result in disciplinary action.

It is the student’s responsibility to review and uphold applicable standards of academic honesty. Instances of academic misconduct, such as cheating, plagiarism, resubmitting the same assignment, impersonating a candidate, or falsifying documents, will be strongly dealt with according to UBC’s procedures for Academic Misconduct. In addition to UBC’s Academic Misconduct procedures, students are responsible for reviewing and abiding by RHL’s policy on Academic Integrity.

STANDARD REFERENCE STYLE

The Robert H. Lee Graduate School uses American Psychological Association (APA) reference style as a standard. Please use this style to cite sources in your work unless directed to use a different style.

LATE ASSIGNMENTS

Late or missed submissions or projects will not be accepted and will receive a zero.
