

COURSE INFORMATION

Course title:	Risk Management	Credits:	1.5
Course code:	BAFI 513	Class location:	HA 437
Session, term, period:	2022W1, Period 7	Class times:	Mon/Wed, 2:00pm - 4:00pm
Section(s):	001	Pre-requisites:	BAFI 500 or BAFI 550
Course duration:	Oct 31 – Nov 30, 2022	Co-requisites:	n/a
Division:	Finance		
Program:	MBA		

INSTRUCTOR INFORMATION

Instructor:	Dr. Carlos da Costa	Office location:	TBA
Phone:	604-306-0458	Office hours:	Wednesday 4:15pm-5:15pm
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. But 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 so as 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 its 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 and not the same problem that is before 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 referenced as Enterprise Risk Management (ERM). Specifically, ERM is the process of planning, organising, directing, and controlling the activities of an organisation to minimise the harmful effects of risk on its capital and earnings. Enterprise risk management includes financial risks, strategic risks, operational risks, and risks associated with accidental losses.

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 be able to:

1. Overall understanding of the role risk plays in managing corporate performance
2. Uses financial derivatives to hedge portfolio/corporate risk
3. Identify and analyse risks faced by an entity and dissect real business cases requiring the use of corporate governance, operational and reputational risk management techniques
4. Application of Risk Frameworks to an organisation

ASSESSMENTS

Summary

<u>Component</u>	<u>Weight</u>
Risk Management Report	30%
<ul style="list-style-type: none"> • Produce a project risk management report. 	
Case Studies	25%
<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. 	
Class Participation	25%
<ul style="list-style-type: none"> • Individual and Group Participation will be evaluated by meaningful contribution to class discussion, possible class exercises, and timely completion of weekly reading assignments. 	
In-Class Exam	20%
<ul style="list-style-type: none"> • Open book exam, it will cover material discussed throughout the semester (in class and in the course PPT notes). 	
Total	100%

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) 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)

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 (Editor), Rob Quail (Editor), and Betty Simkins (Editor) — John Wiley & Sons, Inc. (2021) ISBN: 978-1-119-74148-0
2. Principles of Corporate Finance, 13th Edition
by: Richard Brealey, Stewart Myers, and Franklin Allen — McGraw-Hill (2020) ISBN: 978-1-260-01390-0
3. Derivatives Markets, 3rd Edition
by: Robert McDonald — Pearson (2012) ISBN: 978-1-260-01390-0
4. Options, Futures, and Other Derivatives, 11th Edition
by: John C. Hull — Pearson (2021) ISBN: 978-0-136-93997-9

NO DISTRIBUTION OF RECORDINGS

There is no distribution of class recordings, and classes will not be live-streamed or recorded. Classes are designed as and are intended to be in-person. Your attendance 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 AND ACCOMMODATIONS

Missed or Late Assignments, and Regrading of Assessments

Late submissions will not be accepted and will receive a grade of zero.

Academic Concessions

If extenuating circumstances arise, including those that result in missed classes or assignments or other deliverables, please contact the RHL Graduate School program office as early as reasonably possible, and submit an [Academic Concession Request & Declaration Form](#). If an academic concession is granted during the course, the student will be provided options by RHL, or by the instructor in consultation with RHL, per [UBC's policy on Academic Concession](#).

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.

COVID-19 Considerations

All students must assess themselves daily for COVID-19 symptoms prior to coming to class. Please stay home if you exhibit symptoms or have tested positive for COVID-19. A list of COVID-19 symptoms can be found [here](#). Use the BC Ministry of Health's [self-assessment tool](#) to help determine whether further assessment or testing for COVID-19 is recommended. Complete UBC COVID-19 Campus Rules can be found [here](#).

Centre for Accessibility

The [Centre for Accessibility](#) (CfA) facilitates disability-related accommodations and programming initiatives designed to remove barriers for students with disabilities and ongoing medical conditions. If you are registered with the CfA and are eligible for accommodations, it is your responsibility to coordinate with the CfA, RHL and instructor.

Other Course Policies and Resources

Assignment Submission Details:

- All in-class case assignments must be submitted at the time and in the manner specified in class.
- All out-of-class submissions must be uploaded to the course website (deadline specified on the course website).
- For group case analyses, only one member of each group needs to submit the analysis. Please make sure that the names of all group members are noted clearly in the submission.

Grading:

- Case Summaries will be marked on a “**CheckPlus/Check/CheckMinus**” scale. These will then be converted into a number. Usually, a “Check” means an “average” summary and will receive approximately 80%. CheckPlus will receive more than this, and CheckMinus will receive less. The exact percentage mark for CheckPlus and CheckMinus will depend on the quality of the summaries. Also, all CheckPlus summaries and all CheckMinus summaries need not receive the same percentage

mark. Some differences in quality may be accommodated by assigning different percentage marks. For example, while most CheckMinus summaries may receive 75%, a really poor summary may receive a much lower mark. Also, while most CheckPlus summaries may receive 85%, a really outstanding summary may receive a higher mark. In general, a **“CheckPlus”** means that the summary is thorough and thoughtful. This means that the key issues in the case were clearly identified, appropriate analysis was discussed, and recommendations were clearly justified. **“Check”** means that the summary is satisfactory but with room for improvement. For example, the issues were clearly identified, but the analysis and recommendations were not as compelling as they could be. Finally, **“CheckMinus”** means that the summary was unsatisfactory, with significant room for improvement. For example, the key issues were not identified or discussed, and/or the analysis and recommendations were unclear or unsupported by facts. Again, if there are any questions, please e-mail me, and I will be happy to meet individually to address your concerns.

- **Case Reports** will be marked out of a certain number of points, e.g., 20 points. Evaluation of the case reports will be based on the clarity of the report, the depth of the analysis, the logic of arguments, the effective use of fact and opinion from the case to defend arguments, and the appropriateness of the issues identified. Considerable attention will be paid to the quantitative analyses. The reasonableness of assumptions chosen to guide the analysis will enter in as well. Again, if there are any questions, please e-mail me, and I will be happy to meet with your group to address your concerns.

A Note About Case Solutions:

- If you search online, you may be able to find “solutions” to case studies. These are typically assignments that students at other universities have submitted and uploaded to some repository. Given the availability of these online “solutions”, it may be helpful for me to remind you about why we do case studies.
- Each of you has a unique perspective and understanding of the topics that we study in this course. Your case submissions give you an opportunity to articulate your viewpoint and, by doing so, you contribute to your learning and the learning of the class. Looking for the “correct” answer online does not benefit you. In fact, it hurts you because it constrains your ability to learn. Furthermore, it exposes you to the risk of academic misconduct.
- Maintaining the highest standard of academic integrity enhances your educational experience, individually and as a cohort. I fully expect that you are committed to getting the best possible experience from this program.

A Note About Feedback:

- This is a case-heavy course. Grading cases can be time-consuming. There is usually not one “correct” approach to a case, and students often provide diverse responses, each of which may consist of a well-thought argument. These nuances can be challenging for a marker to pick up. As a result, I often grade cases by myself. A downside of this approach is that it is not always possible to provide quick feedback. Students, however, often request quick feedback. While I will try to provide feedback as quickly as possible, I would like to emphasise a few ways students can proactively address this issue.
- First, note that after each case is submitted, it is discussed in class. This class discussion is a form of feedback. Although it is not individualised feedback, I am happy to have one-on-one discussions with students in case they want to discuss their approach to the case and how it compares to what

was discussed in class. In other words, after the case discussion, if you want to discuss your case write-up, I am happy to do so.

- Second, graded assignments are not the only form of feedback. While you are waiting for a particular assignment to be returned, if you have questions, I am happy to meet and discuss this with students.
- Third, I am happy to discuss any questions you have about an upcoming assignment. This is often done over e-mail (because cases are usually due after a weekend), but please consider this as a form of feedback as well.
- Finally, at the end of the course, if you would like to receive feedback on specific assignments, I am happy to provide it.

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 of 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 status as a First Nation, Metis, Inuit, or Indigenous person, 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.

Respectfulness in the Classroom

Students are expected to be respectful of their colleagues at all times, including faculty, staff and peers. This means being attentive and conscious of words and actions and their impact on others, listening to people with an open mind, treating all UBC Sauder community members equally and understanding diversity. Students who act disrespectfully toward others will be asked to leave the class and be marked as absent for the day. They may also be removed from a team, lose credit for in-class assessments and activities, or be asked to complete a group assignment individually.

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 acknowledging all sources of information or ideas 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 to 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; or spread information through word of mouth, social media, or other channels that subvert the fair 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.

COPYRIGHT

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 the permission of the copyright holder(s) constitutes a breach of copyright and may lead to academic discipline and could be subject to legal action. All lecture recordings are for the sole use of the instructor and students enrolled in the class. In no case may lecture recordings, or part of the recordings, be used by students for any other purpose, either personal or commercial. Further, audio or video recordings of classes are not permitted without

the prior consent of the instructor. Students may not share class Canvas or Zoom links or invite others who are not registered to view sessions or access material.

ACKNOWLEDGEMENT

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

ONLINE TEACHING TOOL & REQUIREMENTS

This course may be taught using Zoom for some office hours and potentially some classes if the Health Officer or UBC so determines. For this course, you are required to use a Zoom account during such times. If you do not have a Zoom account, you can create one here: <https://zoom.us/signup>. Note: creating a Zoom account requires that you provide a first name, last name, and email address to Zoom. For privacy purposes, you may consent to use your existing email address and your real name. Alternatively, if you prefer, you may sign up using an alternative email address and an anonymised name that does not identify you (i.e., Jane Doe, jane.doe@email.com). If you have trouble creating an account or accessing a Zoom session, please contact CLCHelp@sauder.ubc.ca. You will be required to provide the email address associated with your Zoom account in a Canvas quiz for identification purposes. Students are expected to conduct themselves professionally by joining online sessions on time, muting mics when not speaking, refraining from using any other technology when in-session, attending in business casual attire (at a minimum), and participating from a quiet environment.

COURSE SCHEDULE

(subject to change with class consultation)

Week	Date	Topic	Assessments Due
1	Mon, Oct 31	<ul style="list-style-type: none"> • Class Overview • Definitions of Risk – Overview • Enterprise Risk Management (ERM) 	<ul style="list-style-type: none"> • Review case study (for Wednesday): Barclays and the LIBOR Scandal
	Wed, Nov 2		<ul style="list-style-type: none"> • In-class group case assignment: Barclays and the LIBOR Scandal
2	Mon, Nov 7	<ul style="list-style-type: none"> • Financial Risks for Corporations: Market, Credit, Liquidity, and Operational • Measuring Risk: Value at Risk (VaR) 	<ul style="list-style-type: none"> • Review case study (for Wednesday): Risk Management at Wellfleet Bank: All That Glitters Is Not Gold
	Wed, Nov 9		<ul style="list-style-type: none"> • In-class group case assignment: Risk Management at Wellfleet Bank: All That Glitters Is Not Gold

Week	Date	Topic	Assessments Due
3	Mon, Nov 14	<ul style="list-style-type: none"> Measuring Risk: Market Financial Risk Tools: Futures/Forwards, Options/Swaps 	<ul style="list-style-type: none"> Group VaR article: https://www.nytimes.com/2009/01/04/magazine/04risk-t.html Review case study (for Wednesday): The Fall of Enron
	Wed, Nov 16		<ul style="list-style-type: none"> In-class group case study discussion: The Fall of Enron
4	Mon, Nov 21	<ul style="list-style-type: none"> Financial Risk Tools: Futures/Forwards, Options/Swaps (<i>continue</i>) Hedging Techniques, Risk Sensitivities, and Desk-Level Risks Measuring Risk: Credit 	<ul style="list-style-type: none"> Review case study (for Wednesday): Executive Compensation at General Electric (A)
	Wed, Nov 23		<ul style="list-style-type: none"> In-class group case study discussion: Executive Compensation at General Electric (A)
5	Mon, Nov 28		<ul style="list-style-type: none"> Prepare for exam and work on group project
	Wed, Nov 30		<ul style="list-style-type: none"> Exam (open book)
	Due in exam week (Mon, Dec 5)		<ul style="list-style-type: none"> Risk Management Report Due