COURSE DESCRIPTION

This course introduces you to corporate risk management. You will learn of techniques firms use to measure, estimate, and mitigate a variety of risk exposures by insurance, hedging, and diversification. Covered risk exposures include interest rate risk, fx risk, credit risk, market risk, liquidity risk and operational risk. In light of current financial markets crisis, we will focus on risk exposures associated with financial intermediation. However, the material presented is equally important to non-financial institutions, multinationals in particular. Attendance is required.

The main textbook we shall use this semester is the latest edition of Financial Institutions Management: A Risk Management Approach by Saunders and Cornett from McGraw-Hill. A special edition designed specifically for this course can be bought from ‘McGraw-Hill Create’. Additional material will be distributed in class or posted on Blackboard.

I will be posting practice sets for you to work on. Be sure to spend due time and effort working on these practice sets. Although you are encouraged to work in groups on your practice sets and homework, you must work alone on your term research paper and hand in your individual copy on due date. Please note that late assignments are not accepted.

COURSE MATERIALS

A NON-PROGRAMMABLE FINANCIAL CALCULATOR IS REQUIRED FOR THIS CLASS.

STRICTLY, NO OTHER ELECTRONIC DEVICE IS ALLOWED IN CLASS (NO LAPTOP, CELLPHONE, iPAD, iPOD, iPHONE, VOICE RECORDER, CAMERA, PDA...ETC.). ALL SUCH DEVICES MUST BE TURNED OFF COMPLETELY BEFORE YOU ENTER THE CLASSROOM.

CLASS ORGANIZATION & ADMINISTRATION

EXAM PROTOCOL The only two items allowed on your table are: an authorized calculator and a pen. You cannot exit the room once the exam has started (Please report any documented medical condition that necessitate frequent use of bathroom during the first two weeks of classes).

Make-up exam policy As a rule, I do not give make-up exams. If you miss an exam and I do not accept your excuse, your grade for that exam will be zero. In the very rare case in which I may grant you a make-
up exam, you acknowledge that *I reserve the right to change the format and the content of your make-up exam.*

**EMAIL PROTOCOL** ALWAYS START THE SUBJECT LINE with **460-01**

**STUDENTS with disabilities** Please communicate directly with the Dean’s office by the end of the second week of classes. The Dean’s office will determine the nature of the disability and the necessary accommodations.

**STUDENT ATHLETES** If you expect to miss class and/or examinations due to events which conflict with class, please inform me of the dates on which those events will occur in writing by the end of the second week of classes.

**Notes**

<table>
<thead>
<tr>
<th>Event</th>
<th>Dates</th>
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<tr>
<td>SPRING RECESS</td>
<td>March 16 thru Mar 24</td>
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<tr>
<td>Regular Classes End</td>
<td>May 6</td>
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<tr>
<td>Exam Period</td>
<td>May 9 thru May 15</td>
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<td>End of Term</td>
<td>May 15</td>
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**FINAL GRADE ASSIGNMENT**

Your grade for this course will be determined as follows:

Homework 20
Exam 1 20
Exam 2 20
Exam 3 20
Research 10
Attendance 12

**Missing class will cost you 6 points per occurrence, up to a total loss of 12 points per semester.**

Total 102 points

Your course letter grade is likely to be determined as follows: A>94 points, B+>87, B>84, C+>77, C>74, D>60, F<60
# Finance (33:390:460)

## COURSE SCHEDULE

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
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| Week 1| Introduction to Risk Management & Typology of Risk  
Sovereign Risk                     |
| Week 2| Technology & Operational Risk               |
| Week 3| Term structure of interest rates            
Interest Rate Risk 1                 |
| Week 4| Taylor series                              
Interest Rate Risk 2                 |
| Week 5| **Exam 1** FEB 25                         
Distributions                        |
| Week 6| Market Risk and VaR                       |
| Week 7| VaR, CVaR                                  |
| Week 8| Credit Risk 1 _ individual loan risk       |
| Week 9| Term structure of default                  
Credit Risk 2 _ portfolio loan risk  |
| Week 10| **Exam 2** APR 1                          
Derivatives                           |
| Week 11| Off-Balance Sheet Risk                     |
| Week 12| Foreign Exchange Risk                      |
| Week 13| Liquidity Risk                             |
| Week 14| **Exam 3** MAY 6                          
Presentation of research              |