

## RMBI 3020: Practicing Risk Management using Case Studies – 3 credits (2021-22 Fall Term)

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### General Information

- Lecture: Rm 6602, Life 31/32, Tuesday, 3pm-5:50pm
- Sep 7, 2021 (Tue) – Dec 7, 2021 (Tue)
- Instructor: Prof. Christopher F. Lee
  - Department of Mathematics
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- TA: Ms. Adrienne LEE
  - Department of ISOM
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  - WhatsApp: TBC
- WhatsApp Group for Class will be created for on-going case discussions!

### Course Description

This course will examine various types of risks that many business enterprises face nowadays; for example, financial markets risks can be further divided into equity, foreign exchange, credit, interest rates and commodity risks. In addition, other non-financial risk factors such as operational risks, regulatory risks, reputational risks, catastrophe risks (earthquake, typhoon, geopolitical etc.), counterparty risks and liquidity risks will also be discussed in details. The format of the course is based on a series of real-life case studies from well-known companies (Alibaba, Ant Group, GM, Enron, Citibank, Merrill Lynch etc.) and educational institutions (Harvard & Yale etc.)

Corporations are increasingly demanding employees with risk management knowledge. Managers and specialists with strong risk management skills are also becoming professionals who serve their communities well. In addition to private enterprises and commercial entities, public agencies and governments around the world are also recognizing that risk management knowledge and skills are necessary in the skill sets of becoming managers and community leaders.

In addition to gaining knowledge from cases relating to financial & non-financial market risks, this course will also devote significant amount of time for students' skill development purposes. Intense preparation for every case is necessary and students are expected to deliver presentations and engage in debate on various risk decisions. Every student must participate actively and take ownership of his/her learning.

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### Course Intended Learning Outcomes (CILO)

- knowledge development
- technical skills in various risk topics
- communication skills between teams and people with opposing views
- problem solving skills under uncertainty with limited resources

The critical skills in information gathering, analyzing data, communication, team work, conflict resolution and presentation will be developed. Our students learn to work individually as well as collaboratively in groups. Students will acquire additional tools such as financial accounting, basic economics, derivatives pricing and legal & regulatory compliance via examining real-life cases.

Furthermore, this course also provides a safe space or laboratory setting for students to take some risks personally, experiment their ideas and express their ideas or thinking in front of peers and instructor/mentor.

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### Planned teaching activities and assessment weightings

Assessment Task	Proportion of Final Grade (%)
In-class quizzes	20%
Mid-term exam	20%
Written assignment	10%
Case report	10%
Presentation (Team)	20%
Course participation	20%
	100%

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### Class participation

Class participation is very important for final grade. Grade given to a student's participation is a careful and subjective assessment of the values of their inputs to the learning environment. Student's contributions to each class will be recorded, and these include (and not restricted to):

- Attend every class on time
- Participate in discussions of case studies and assigned readings
- Respond to general and individual questions based on readings
- Ask thoughtful and stimulating questions
- Contribute to background or perspectives on a topic that enhances discussion.
- Presentations – There will be a list of mandatory case studies (see list below) that students must finish reading as preparation before each class. Each team will need to present their project via a PowerPoint style delivery in class.

The emphasis will be on the quality of contributions, rather than the frequency. Lack of preparation, unthoughtful comments, or improper in-class behaviors will deteriorate grades. Consistent attendance and active participation are very important.

## Textbook/Required Learning Materials

Cases: Harvard Business School Publishing (<https://cb.hbsp.harvard.edu/cbmp/pages/home>)

	Cases	Author
1	Citibank Hong Kong: Capital Arbitrage in the Emerging Markets	Sanjiv Das
2	Ant Financial (A)	Feng Zhu, Ying Zhang, Krishna G. Palepu, Anthony K. Woo, Nancy Hua Dai
3	Merrill Lynch HOLDERS	Andre F. Perold, Simon Brown
4	Foreign Exchange Hedging Strategies at General Motors: Transactional and Translational Exposures	Mihir A. Desai, Mark F. Veblen
5	China Merchants Bank: Ushering in the Era of Family Office in China	Lauren Cohen, Hao Gao, Billy Chan, Dawn H. Lau
6	Enron's Demise--Were There Warning Signs?	Graeme Rankine
7	MoGen, Inc.	Kenneth Eades, Alex Holsenbeck
8	Mid Ocean Ltd.: Trading Catastrophe Index Options	Kenneth A. Froot, Markus F. Mullarkey
9	Volkswagen's Defeat Device Debacle	Michael Moffett
10	Sales Misconduct at Wells Fargo Community Bank	Suraj Srinivasan, Dennis Campbell, Susanna Gallani, Amram Migdal
11	Yale University Investments Office: February 2015	Josh Lerner
12	Alibaba Goes Public (A)	Krishna G. Palepu, Suraj Srinivasan, Charles C.Y. Wang, David Lane
13	Amaranth Advisors: Burning Six Billion in Thirty Days	Walid Busaba, Zeigham Khokher, Anuroop Duggal

These 13 cases are the mandatory reading for the course, totaling about 255 pages. Students are responsible to acquire the cases. Cases can be purchased individually or in groups with University or educator discount.

Hard Copies of the above cases should be available at the HKUST Library for borrowing

Reference Book (optional & reference material only, recommended but not required):

Risk Management and Financial Institutions, 4th edition, by John C. Hull

**Course Schedule (13 classes of 3 hours each)**

Class	Topic	Reading Assignments	Notes
1 (Sep 7, Tue)	Introduction to case studies method and overview of risk management topics.	Citibank	Prepare Name Cards and Self introductions
2 (Sep 14, Tue)	Commodity Risk & Credit Risk	Enron	Preparation Prior to arriving class
3 (Sep 21, Tue)	No Class (Mid-Autumn)		Prepare for mid-term examination
4 (Sep 28, Tue)	<b>Mid-Term Exam</b>	All 13 cases listed in this syllabus	Open-Book, HBS cases
5 (Oct 5, Tue)	Regulatory Risk	Ant Financial Group	Group 1 presentation
6 (Oct 12, Tue)	Strategic Risk	Alibaba	Group 2 presentation
7 (Oct 19, Tue)	Reputational Risk	Wells Fargo Bank	Group 3 presentation
8 (Oct 26, Tue)	Operational Risk	Volkswagen	Group 4 presentation
9 (Nov, 2, Tue)	Business Model Risk	China Merchants Bank	Group 5 presentation
10 (Nov 9, Tue)	FX Risk	General Motors	Group 6 presentation
11 (Nov 16, Tue)	Product Launch Risk	Merrill Lynch HOLDRS	Group 7 presentation
12 (Nov 23, Tue)	Investment Risk	Yale University	Group 8 presentation
13 (Nov 30, Tue)	Energy Risk	Amaranth Advisors	Group 9 presentation
14 (Dec 7, Tue) *Optional Class	Derivatives & Weather Risks	MoGen Inc., Mid Ocean Limited	Full class participation

Please note that in every class, case preparation is necessary PRIOR to arriving in class and every student is supposed to have read the cases and have an opinion about the decisions that need to be taken in the situation or the problem.

**Industry Guest Speaker(s)**

The instructor will invite CEO level or senior executives from various investment banks, hedge funds, private equity / venture capital firms or other major corporations to join as guest speakers. Students should take advantage of the presence of the guest speakers, ask questions and engage in conversations!