

## RMBI 3020: Practicing Risk Management using Case Studies – 3 credits (2020-21 Fall Term)

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### General Information

- Lecture: (L1) Sat, Sun 10:00AM - 12:50PM Zoom ID: 962-2487-2201
- Sep 12, 2020 (Sat) – Dec 5, 2020 (Sat)
- Instructor: Prof. Christopher F. Lee
  - Department of Mathematics
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### 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, 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 (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%
Project 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	Matrix Capital Management (A)	Malcolm P. Baker, David Lane
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	Wal-Mart's Use of Interest Rate Swaps	Michael D. Kimbrough, Michael Faulkender, Nicole Thorne Jenkins, Rachel Gordon
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 12, Sat)	Introduction to case studies method and overview of risk management topics.	Citibank	Prepare Name Cards and Self introductions
2 (Sep 13, Sun)	Commodity Risk & Credit Risk	Enron	Preparation Prior to arriving class
3 (Sep 26, Sat)	<b>Mid-Term Exam</b>	All 13 cases listed in this syllabus	Open-Book, <b>Hard Copies of Cases only</b>
4 (Sep 27, Sun)			
5 (Oct 3, Sat)	Equity Market Risk	Matrix Capital	Group 1 presentation
6 (Oct 4, Sun)	Strategic Risk	Alibaba	Group 2 presentation
7 (Oct 10, Sat)	Reputational Risk	Wells Fargo Bank	Group 3 presentation
8 (Oct 11, Sun)	Operational Risk	Volkswagen	Group 4 presentation
9 (Oct 17, Sat)	Interest Rate Risk	Walmart	Group 5 presentation
10 (Oct 18, Sun)	FX Risk	General Motors	Group 6 presentation
11 (Oct 31, Sat)	Product Launch Risk	Merrill Lynch HOLDERS	Group 7 presentation
12 (Nov 1, Sun)	Investment Risk	Yale University	Group 8 presentation
13 (Nov 14, Sun)	Energy Risk	Amaranth Advisors	Group 9 presentation
14 (Dec 5, Sat) *Bonus Class	Guest Speaker		Industry CEO or senior executive
15 (Dec 6, Sun) *Back up class	Derivatives & Weather Risk	MoGen Inc, Mid Ocean Limited	

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.