

Finance 4843: Risk Management

Oklahoma State University - Tulsa

Spears School of Business

Department of Finance

Spring 2020

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Office Hours: Wed. 3:30 - 5:00pm or by appointment. Also, please post your questions in the forum provided for this purpose on the Canvas link below.

Course Description: This course focuses on Risk Management from the macro perspective of an organization with emphasis on the "How" of Enterprise Risk Management. The "How" will look at implementation, issues, cultural barriers, the 3 lines of defense, processes, and tools. Special attention will be given to concepts and applications that investors, money managers, wealth managers, and other participants utilize in their decision making processes.

Objectives and Goals: This course has the following major objectives that fit within the Spears School of Business Program Learning Goals

| Course Objective | Program Learning Goal |
|--|---|
| At the end of the semester students should have developed an understanding of the role and need for Risk Management in a firm | Business Knowledge and Competency; Critical Thinking; Ethical Decision Making |
| At the end of the semester students should have developed an understanding of the approaches and methods used in Risk Management | Business Knowledge and Competency; Critical Thinking; Ethical Decision Making |
| At the end of the semester students should have developed an understanding of how to develop and set Risk Management agendas and objectives | Business Knowledge and Competency; Critical Thinking; Ethical Decision Making |
| At the end of the semester students should have developed an understanding of special considerations of Risk Management | Business Knowledge and Competency; Critical Thinking; Ethical Decision Making |
| At the end of the semester students should have developed the requirements to design, implement, and complete a Risk Management project | Business Knowledge and Competency; Critical Thinking |
| At the end of the semester students should have developed an understanding for creating Risk Management Governance, Controls, and Policy structures and procedures | Business Knowledge and Competency; Critical Thinking; Ethical Decision Making |
| At the end of the semester students should have developed the requirements to design, implement, and complete a Risk Management Dashboard as well as KPI and KRI reports | Business Knowledge and Competency; Critical Thinking |

Course Web Pages:

1. [Canvas Course Link](#)

Academic Affairs Syllabus Attachment:

1. [Syllabus Attachment](#)

Textbook and Suggested Readings: This is a restricted list of various interesting and useful books that will be utilized during the course. You need to consult them occasionally. (The first is our textbook.)

- Implementing Enterprise Risk Management: From Methods to Applications (2017), Lam, J., Wiley. ISBN: 978-0-471-74519-8, Ebook: ISBN: 978-1-118-23536-2
- Implementing Enterprise Risk Management: Case Studies and Best Practices (2014), Fraser, J., Simkins, B. , Narvaez, K., Wiley ISBN: 978-1-118-69196-0
- ERM - Enterprise Risk Management: Issues and Cases (2014), Louisot J., Ketcham, C.H., Wiley, ISBN-13: 978-1118539521, Ebook: ISBN-10: 1118539524
- Measuring and Managing Operational Risk: An Integrated Approach (2018), Leone, P., Porretta, P., Vellella, M., Palgrave Macmillan ISBN: 978-3-319-69409-2, Online: ISBN 978-3-319-69410-8
- Articles will be provided on [Canvas](#)

Prerequisites: Finance 3113

Tentative Course Outline:

1. Enterprise Risk Management Background
2. Implementing the ERM Program
3. Governance, Control, and Policies
4. Strategic Risk Management
5. Risk Monitoring and Reporting
6. Risk Assessment and Quantification

Grading Policy:

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|--------------------------------|-----------------|
| Exam I | 150 |
| Exam II | 150 |
| Assignments & Projects | 150 |
| Group Projects | 100 |
| Risk Management Article Review | 50 |
| Discussion Board | 50 |
| Attendance | 50 |
| Group Evaluations | 100 |
| Total | 800 |
| Evaluations at 70% | 8 Bonus points |
| Evaluations at 85% | 16 Bonus points |

Two exams will be given online. There will be 5 projects/assignments individual students are required complete during the semester. Attendance is required, but will not be taken at each class meeting, but randomly during the semester.

There will be 3 group assignments, 2 worth 25 points, and 1 worth 50 points. Also, all group members will provide an evaluation of their team mates.

Class Policy: Regular attendance is essential and expected. The attendance policy for this class is to treat the class like a job where one must be present to be compensated. If you have to miss please notify the appropriate people in advance, unless it is an emergency.

S&P CapitalIQ

The course will utilize S&P Capital IQ throughout the semester for various learning objectives. The link is <https://www.capitaliq.com/>. The student should create an account before the first day of class.

Discussion Board:

Post an introduction comment about yourself for 10 points. There will be a total of 9 posts required. Please follow the format that is on Canvas

Post at least 8 comments during the semester to the course Discussion Board. Each posting is worth 5 points for a total of 50 points of your grade (see the Discussion Rubric on the right). These comments need to be thought provoking statements related to risk management and/or replies to someone else's posting. ALWAYS provide your source and provide the link if you are citing an article or content from another source.

At least 5 of the comments must be posted to the "Current Events and Topics" folders to receive credit and it is acceptable if all 8 posts are to this discussion folder. Replies to someone else's posting will count if they have insightful content too (at least 20 words or more of substance). Please note: The postings are not to be questions directed to me. What I want is a discussion among students and I will add insights where needed. Also, be sure to read other posts in Discussions.

All discussion board postings need to be posted by the next to last week of the semester, or before *dead week*. No more than two postings per week will count so start posting at the beginning of the semester. In other words, comments cannot be posted all at once towards the end of the semester – again, only two postings a week will count. Also, at most only two questions/comments about exams or assignments will count for discussion points and these must be posted to the exams folders and/or assignments folders, respectively.

Discussion Board Rubric

| Discussion Rubric | | | |
|---|--|---|--|
| Rubric Components | 5 | 3 | 0 |
| 1st comment or reply to the Current Events and Topics | Both more than 8 words and not more than 2 in one week | One of these. More than 8 words and not more than 2 in one week | None of these. more than 8 words and not more than 2 in one week |
| 2nd comment or reply to the Current Events and Topics | Both more than 8 words and not more than 2 in one week | One of these. More than 8 words and not more than 2 in one week | None of these. more than 8 words and not more than 2 in one week |
| 3rd comment or reply to the Current Events and Topics | Both more than 8 words and not more than 2 in one week | One of these. More than 8 words and not more than 2 in one week | None of these. more than 8 words and not more than 2 in one week |
| 4th comment or reply to the Current Events and Topics | Both more than 8 words and not more than 2 in one week | One of these. More than 8 words and not more than 2 in one week | None of these. more than 8 words and not more than 2 in one week |
| 1st comment or reply on Class Discussion Topics | Both more than 8 words and not more than 2 in one week | One of these. More than 8 words and not more than 2 in one week | None of these. more than 8 words and not more than 2 in one week |
| 2nd comment or reply on Class Discussion Topics | Both more than 8 words and not more than 2 in one week | One of these. More than 8 words and not more than 2 in one week | None of these. more than 8 words and not more than 2 in one week |
| 3rd comment or reply on Class Discussion Topics | Both more than 8 words and not more than 2 in one week | One of these. More than 8 words and not more than 2 in one week | None of these. more than 8 words and not more than 2 in one week |
| 4th comment or reply on Class Discussion Topics | Both more than 8 words and not more than 2 in one week | One of these. More than 8 words and not more than 2 in one week | None of these. more than 8 words and not more than 2 in one week |

Code of Conduct and Academic Honesty: Academic honesty is expected and violations will not be tolerated. The Code of Conduct for OSU can be found by following the link above to the Canvas course page, where the Syllabus attachment is located. Additional information on Academic Honesty and Integrity is at the [Academic Honest and Integrity website](#)

Course Policies and Communication: We will do our best to respond to emails within 24 hours. On weekends, we always try to respond within 48 hours. Please note that we often receive around 150 work emails per day so before asking questions, make sure they are not already answered in the FAQ. It is important that course related questions are to be posted to Canvas Discussions so that all students can benefit from the Q & A. Of course, if the email is personal in nature, you should email us directly. Again, before making posts with questions, make sure they are not already answered in the Frequently Asked Questions or the Discussion Board in prior Q&A.

- **Professionalism in Email:** Please be professional when corresponding with me and other OSU employees via email. Use a proper opening (i.e., Dear Dr. XYZ or Dear Professor XYZ), grammar, punctuation, and closing. Also, this policy will help you establish professionalism in digital communications when looking for a job and working in a professional position.

- Frequently Asked Questions (FAQ): There is a list of frequently asked questions about the course posted to the main class web page on Canvas. Please read these at the very beginning of the semester and make sure you have read these before posting course questions to Canvas because they may already be answered here.
- Netiquette: A melding of the words "network" and "etiquette", netiquette refers to the manner in which communication is conveyed in an electronic environment. Here are some guidelines for communication within this course:
 - REFRAIN FROM USING ALL CAPS. It is considered SHOUTING when communicating online.
 - Always add in the subject line a concise statement describing the email or discussion post.
 - Do not post or forward offensive or racially insensitive jokes or comments.
 - Be careful with humor and sarcasm.
 - Don't respond to personal attacks: Contact the instructor for action and referral.
 - Respect others' opinions. If you disagree with what another has said, post your thoughts in an objective, respectful manner.
 - Do not make remarks that can be taken personally.
 - Reflect upon the text you have entered before posting.
 - Keep the discussion within the scope of the course material.
 - Communication should be grammatically correct. Adhere to correct sentence structure, grammar, and spelling conventions.
 - Proofread for errors before posting a message.
 - Before you respond to a threaded message, read all the messages related to that message that have been previously posted.

Computer Requirements:

- A broadband internet connection
- Windows 7, Mac OS, or a Linux Flavor is preferred
- Google Chrome, Mozilla Firefox, or other Mozilla based web browser

Useful Websites to Monitor: A couple of our favorites are:

- [Securities and Exchange Commission](#), note [Edgar lives here!](#)
- [Federal Reserve System](#) There are many sub sites for the Fed, like [FRED](#)

Analytical Software:

1. R.
 - (a) [My R Setup script and notes](#).
2. Data services: Bloomberg, Interactive Brokers.
3. Other Software: Matlab, SAS, Octave, Scilab, SPSS, Eviews.
4. Programming Languages: Python, Ruby, C++, ...

University Drop Policy: Information about university drop policy and dates is at this website: <http://registrar.okstate.edu/>. Click on “class schedules,” and “short, internet, and outreach courses”. To drop this course, contact the Registrar’s office, (405) 744-6876, or drop through Banner Self Service, <http://my.okstate.edu>

Academic Integrity Policy: Oklahoma State University is committed to the maintenance of the highest standards of integrity and ethical conduct of its members. This level of ethical behavior and integrity will be maintained in this course. Participating in a behavior that violates academic integrity (e.g., unauthorized collaboration, plagiarism, multiple submissions, cheating on examinations, fabricating information, helping another person cheat, unauthorized advance access to examinations, altering or destroying the work of others, and fraudulently altering academic records) will result in your being sanctioned. Violations may subject you to disciplinary action including the following: receiving a failing grade on an assignment, examination or course, receiving a notation of a violation of academic integrity on your transcript (F!), and being suspended from the University. You have the right to appeal the charge. Contact the Office of Academic Affairs, 101 Whitehurst, 405-744-5627, <http://academicintegrity.okstate.edu/>.

Accessibility: Any student in this course who has a disability that may prevent him or her from fully demonstrating his or her abilities should contact the instructor as soon as possible, so we can discuss accommodations necessary to ensure full participation and facilitate your educational opportunity. For more information about OSU Student Disability Services, please go to: <http://sds.okstate.edu>.

OSU Syllabus Attachment: Other important academic information and university policy can be found on the syllabus attachments that can be downloaded from the OSU websites at official syllabus attachment and the Registrar’s Enrollment Guide: <http://academicaffairs.okstate.edu/>

Detailed Outline*:

1. Enterprise Risk Management Background
 - (a) CHAPTER 1 Fundamental Concepts and Current State
 - (b) CHAPTER 2 Key Trends and Developments
 - (c) CHAPTER 3 Performance-Based Continuous ERM
 - (d) CHAPTER 4 Stakeholder Requirements
2. Implementing the ERM Program
 - (a) CHAPTER 5 The ERM Project
 - (b) CHAPTER 6 Risk Culture
 - (c) CHAPTER 7 The ERM Framework
3. Governance, Control, and Policies
 - (a) CHAPTER 8 The Three Lines of Defense
 - (b) ~~CHAPTER 9 Role of the Board~~
 - (c) ~~CHAPTER 10 The View from the Risk Chair~~
 - (d) ~~CHAPTER 11 Rise of the CRO~~
 - (e) CHAPTER 12 Risk Appetite Statement
4. Strategic Risk Management
 - (a) CHAPTER 15 Strategic Risk Management
 - (b) CHAPTER 16 Risk-Based Performance Management
5. Risk Monitoring and Reporting
 - (a) CHAPTER 17 Integration of KPIs and KRIs
 - (b) CHAPTER 18 ERM Dashboard Reporting
 - (c) CHAPTER 19 Feedback Loops
6. *Risk Assessment and Quantification*
 - (a) *CHAPTER 13 Risk Control Self-Assessments*
 - (b) *CHAPTER 14 Risk Quantification Models*

~~we will not cover~~
if we have time

*The topics listed here will be discussed to some extent in class.