

<b>Subject Code</b>	AF5322
<b>Subject Title</b>	Corporate Risk Management
<b>Credit Value</b>	3
<b>Level</b>	5
<b>Normal Duration</b>	One Semester
<b>Pre-requisite / Co-requisite/ Exclusion</b>	Pre-requisite: Investments (AF5344) Exclusion: Risk Management for Corporations (AF5333) Business Risk Management (AF5336)
<b>Role and Purposes</b>	This course is to prepare students to establish the body of knowledge necessary for independent risk management analysis and decision-making. It builds on basic finance concepts and gives the students an understanding on how a business can identify, measure and control its risks. It contributes to the achievement of the MoF programme outcomes by enabling students to identify, explain and solve real-life risk management problems of non-financial and financial institutions (Outcome 2).
<b>Subject Learning Outcomes</b>	Upon completion of the subject, students will be able to: <ul style="list-style-type: none"> <li>a. Understand the basic principles of risk management and the role of risk management in business firms</li> <li>b. Identify and analyze underlying factors that lead to good/poor risk management of a business</li> <li>c. Use relevant tools to identify, measure and control risk exposure related to operation, financing and investment in a global market</li> <li>d. Apply Value-at-Risk (VAR) methodology to assess various types of risk for a business</li> </ul>
<b>Subject Synopsis/ Indicative Syllabus</b>	<p><b>Basic Concepts of Risk and Risk Management</b> Definitions of risk and risk management. Risk concepts and processes.</p> <p><b>Risk Identification, Measurement and Control</b> Classification of risk. Basic tools. Value-at-Risk (VAR). Stress testing.</p> <p><b>Liquidity Risk</b> Asset liquidity risk. Funding liquidity risk. Liquidity-adjusted VAR.</p> <p><b>Credit Risk</b> Credit exposure. Default risk. Pricing credit risk.</p> <p><b>Operational Risk</b> Identification, assessment and loss distributions. Data challenge.</p> <p><b>Integrated/Enterprise Risk Management</b> Enterprise-wide risk management, its importance and principles.</p>

<b>Teaching/ Learning Methodology</b>	Lectures and seminars will be conducted on the topics of the syllabus. Lecture time will be used flexibly for discussing key concepts and their applications with students and carrying out other learning activities with them. Such activities include group discussions and student presentations of their work (to develop students' critical thinking, analytical skills, teamwork, and communication skills). To maximize benefits, students are encouraged to share their views and experiences actively with their lecturer and classmates.																																																																															
<b>Assessment Methods in Alignment with Intended Learning Outcomes</b>	<table border="1" data-bbox="459 506 1484 1043"> <thead> <tr> <th data-bbox="467 506 786 707" rowspan="2">Specific assessment methods/tasks</th> <th data-bbox="794 506 946 707" rowspan="2">% weighting</th> <th colspan="6" data-bbox="954 506 1476 640">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th data-bbox="954 640 1034 707">a</th> <th data-bbox="1042 640 1121 707">b</th> <th data-bbox="1129 640 1209 707">c</th> <th data-bbox="1217 640 1297 707">d</th> <th data-bbox="1305 640 1385 707"></th> <th data-bbox="1393 640 1473 707"></th> </tr> </thead> <tbody> <tr> <td data-bbox="467 707 786 775">1. Individual Essay</td> <td data-bbox="794 707 946 775">20%</td> <td data-bbox="954 707 1034 775">✓</td> <td data-bbox="1042 707 1121 775">✓</td> <td data-bbox="1129 707 1209 775">✓</td> <td data-bbox="1217 707 1297 775">✓</td> <td data-bbox="1305 707 1385 775"></td> <td data-bbox="1393 707 1473 775"></td> </tr> <tr> <td data-bbox="467 775 786 842">2. Project Presentation</td> <td data-bbox="794 775 946 842">20%</td> <td data-bbox="954 775 1034 842">✓</td> <td data-bbox="1042 775 1121 842">✓</td> <td data-bbox="1129 775 1209 842">✓</td> <td data-bbox="1217 775 1297 842">✓</td> <td data-bbox="1305 775 1385 842"></td> <td data-bbox="1393 775 1473 842"></td> </tr> <tr> <td data-bbox="467 842 786 909">3. Participation</td> <td data-bbox="794 842 946 909">10%</td> <td data-bbox="954 842 1034 909">✓</td> <td data-bbox="1042 842 1121 909">✓</td> <td data-bbox="1129 842 1209 909">✓</td> <td data-bbox="1217 842 1297 909">✓</td> <td data-bbox="1305 842 1385 909"></td> <td data-bbox="1393 842 1473 909"></td> </tr> <tr> <td data-bbox="467 909 786 976">4. Final Examination</td> <td data-bbox="794 909 946 976">50%</td> <td data-bbox="954 909 1034 976">✓</td> <td data-bbox="1042 909 1121 976">✓</td> <td data-bbox="1129 909 1209 976">✓</td> <td data-bbox="1217 909 1297 976">✓</td> <td data-bbox="1305 909 1385 976"></td> <td data-bbox="1393 909 1473 976"></td> </tr> <tr> <td data-bbox="467 976 786 1043">Total</td> <td data-bbox="794 976 946 1043">100 %</td> <td colspan="6" data-bbox="954 976 1476 1043"></td> </tr> </tbody> </table> <p data-bbox="459 1077 1516 1245"><b>Note: To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Examination components. In addition, the specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturers.</b></p>								Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c	d			1. Individual Essay	20%	✓	✓	✓	✓			2. Project Presentation	20%	✓	✓	✓	✓			3. Participation	10%	✓	✓	✓	✓			4. Final Examination	50%	✓	✓	✓	✓			Total	100 %																								
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<b>Reading List and References</b>	<p data-bbox="459 1794 659 1827"><b><u>Required Text</u></b></p> <p data-bbox="459 1850 1445 1883">An E-book "Risk Management" by McGraw Hill with selected chapters from:</p> <p data-bbox="459 1917 1430 1984">Crouhy, M, D. Galai and R. Mark, <i>The Essentials of Risk Management</i>, 2<sup>nd</sup> edition, McGraw Hill, 2014.</p> <p data-bbox="459 2018 1453 2051">Jorion, Philippe, <i>Value At Risk: The New Benchmark for Managing Financial</i></p>																																																																															

*Risk*, 3<sup>rd</sup> edition, McGraw Hill, 2007.

**Other References**

Lam, James, *Enterprise Risk Management*, Wiley, 2003.

Hull, John, *Risk Management and Financial Institutions*, 2<sup>nd</sup> edition, Prentice Hall, 2010.

Chance & Brooks, *An Introduction to Derivatives & Risk Management*, 9<sup>th</sup> edition, Thomson, 2013.

Marthinsen, John, *Risk Takers: Uses and Abuses of Financial Derivatives*, 2<sup>nd</sup> edition, Pearson, 2009.

Additional readings will be distributed in class or put into Blackboard.