BUSINESS FINANCE 4239
Risk Management

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Phone: (614) 688 – 3125                    (614) 292-5410

Office Hours:
Prof. Minton: Wednesdays, 10:00am-11:00am and by appointment
Prof. Huffner: By appointment

Course Description
Business Finance 4239, Risk Management, extends the skills students developed in Corporate Finance and Investments classes to the role of risk management within the firm. Taking risks and mitigating risks is an integral part of what Senior Executives and Board of Directors do to create shareholder value. Yet, the recent global financial crisis and corporate meltdowns suggest that many companies do not fully understand the risks that they face or how to balance these risks to create value. The current business environment also is changing. Companies around the world are investing in enterprise risk management (ERM) functions and risk-aware employees. Risk management has become one of the top priorities of boards, investors, regulators, and rating agencies.

In this course, students will learn how to identify, evaluate, and manage risks with the goal of balancing risks to create value. They will gain insights into the features of a value-enhancing risk management function with the goal of developing the skills needed to be an effective member of a risk management team as well as a risk aware professional.

The Details: Students will learn
- the concepts of risk, risk management, and enterprise risk management
- the roles of behavior, governance, and culture in risk decisions and risk management
- the main features of a value-enhancing risk management function
- the concepts of risk attitude, risk appetite, risk tolerance, and risk limit
- how to identify, assess (quantitatively and qualitatively) and manage the major risks facing the firm
- how to effectively use risk reporting (written, visual, and verbal) within the organization to create an understanding of the major risks impacting the firm

By the end of this course: Students will be able to demonstrate that they understand
- the importance of considering both risk and reward in decision-making
- the importance of considering culture, behaviors, and incentives in decision-making
- the breadth and depth of risks companies face

1 Professors Minton and Huffner can change the course schedule if necessary with the exception of the exam and quiz dates. Any changes made will be announced in class with sufficient advance notice and a revised syllabus will be posted on the course website.
• how the applications of ERM principles are linked to value creation and theory
• existing and emerging ERM frameworks and perspectives
• how to “think” in the context of ERM
• how to “apply” ERM concepts to business scenarios (the “real world”)

Course Philosophy:
Professors Minton and Huffner strongly believe that learning is a collaboration between all participants in the course. Each week students will engage with the professors and each other in action-based learning to understand
1. the theoretical and economic foundations for each area explored in the course,
2. how the these foundations can be used in practical business applications and
3. leading and emerging risk management methods, strategies, and practices

Course Resources
1. Course notes are posted on the course website. Please bring your notes to class each day to participate in the class discussion.

2. Required readings or links to required readings posted on the class website. Students are expected to have completed the assigned reading before class. To encourage preparation and facilitate class discussion, the professors will call on students in class to share their insights.

3. Suggested readings related to current events will be posted periodically on the class website.

4. Additional Resources: Below are some national and international news resources that are relevant to the course and excellent sources of information for any serious business student.

• The Wall Street Journal (WSJ) provides national and international news as well as detailed information on financial markets and institutions.

• The Financial Times is a daily newspaper out of London with a US edition. The Financial Times offers a much more extensive coverage of economic and business activity outside of the United States, compared to mostly domestic news sources such as the WSJ.

• The Economist is a weekly British newsmagazine that analyzes the week’s events and surveys financial market developments. Its target audience includes senior executives as well as high-ranking government officials.

• Bloomberg.com: Bloomberg.com offers news, data, videos on a broad group of markets, asset classes and the economy.

• Risk Management Trade Associations
  o Global Association of Risk Professionals (GARP): A professional association for risk managers, whose mission is to “advance the risk profession through education, training, and the promotion of best practices globally.” (www.GARP.org)
  o The Risk Management Association (RMA): A not-for-profit, member-driven professional association whose “sole purpose is to advance the use of
sound risk management principles in the financial services industry.” (www.rmahq.org)

- Risk Management Society (RIMS): A non-profit organization “dedicated to educating, engaging and advocating for the global risk community.” (www.RIMS.org)

**Course Requirements and Grading**
A Student’s course grade in this class will be measured by both individual and group work load.

The course requirements include the following components:

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<tr>
<th>Component</th>
<th>Individual/Group</th>
<th>% of total course grade</th>
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<tbody>
<tr>
<td>Online Surveys</td>
<td>Individual</td>
<td>5%</td>
</tr>
<tr>
<td>Quizzes (online and in-class)</td>
<td>Individual</td>
<td>10%</td>
</tr>
<tr>
<td>Bloomberg Risk Assessment Report</td>
<td>Group</td>
<td>15%</td>
</tr>
<tr>
<td>Assignments (including in-class exercises)</td>
<td>Individual &amp; Group</td>
<td>20%</td>
</tr>
<tr>
<td>Exam 1 (Tuesday, September 12th)</td>
<td>Individual</td>
<td>15%</td>
</tr>
<tr>
<td>Exam 2 (Tuesday, November 7th)</td>
<td>Individual</td>
<td>15%</td>
</tr>
<tr>
<td>Project (DUE December 8th, 8:00-9:45AM)</td>
<td>Group</td>
<td>15%</td>
</tr>
<tr>
<td>Class Participation</td>
<td>Individual</td>
<td>5%</td>
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<td>100%</td>
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1. **Online Surveys**: There will be two (2) to five (5) online surveys. Each survey will be announced in advance and will be open for students to complete during a fixed timeframe. A student will receive a grade of 100% if the survey is completed during the allotted timeframe and 0% otherwise. There are no make-ups for surveys not completed during the allotted timeframe.

2. **Quizzes**: There will be periodic quizzes covering required readings, material covered in pre-requisite courses, and class material. Quizzes will be online and in-class. In-class quizzes will take place at the start of class and last about 15 minutes. Information about what each quiz will cover will be announced prior to the quiz.

*The lowest Quiz grade will be dropped and the each of the remaining Quiz grades will contribute equally towards the Quizzes component grade.*

3. **Bloomberg Risk Assessment Report**: In this assignment, groups of two students will use Bloomberg tools to evaluate risks of stock portfolios on various dimensions and analyze the differences between the risks of an Exchange Traded Fund (ETF) and those of a mutual fund. Profs. Minton and Huffner will randomly assign students to groups for the group assignment. Each group will be working independently of all other groups. Details of the project will be discussed in class and posted on the course website during the beginning of the semester.

4. **Assignments**: The assignments will be individual and group, depending on the assignment. In either case, each student or group will be working independently of all
other students or groups. Profs. Minton and Huffner will randomly assign students to
groups for each group assignment. The assignments include exam-style problems, case
studies discussion questions, questions related to assigned readings and completion of
in-class exercises to be completed outside of class. All assignments are due at the
beginning of class on the date indicated in the assignment. No late assignment will be
accepted (See Course Schedule for assignments and dates). Please note the
assignments that are related to the completion of in-class exercises are not always listed
on the syllabus.

Each assignment grade will contribute equally towards the Assignments component
grade.

5. Exams. There will two non-cumulative exams:
   a. Exam 1: Tuesday, September 12th
   b. Exam 2: Tuesday, November 7th

6. Project: There will be a course project due during the Final Exam period for BUSFIN
   4239 (Friday, December 8th, 8:00 – 9:45AM). Details of the project will be discussed in
class and posted on the course website. Profs. Minton and Huffner will randomly assign
students to groups for the group assignment. Each group will be working independently
of all other groups.

7. Class Attendance and Participation: Students are expected to attend class and to
   arrive on time. To a significant extent, the value you get from the course depends on
your presence in class, and your classmates’ opportunities to learn from your insights
depend on your presence in class.

As noted above, students are expected to have completed the assigned reading and
assignments posted on the course content page before the start of class. To encourage
preparation and facilitate class discussion, Profs. Minton and Huffner will call on students
in class to share their insights.

As is the case with real world work environments, students are evaluated not by what
they know but by what they contribute. Even if a student feels that he or she know the
material, unless a student shares his or her insights with the class, Profs. Minton and
Huffner cannot adequately evaluate a student’s preparedness and contribution. Students
are never penalized for making comments, which do not appear to be the “right answer.”
It is only through consideration of many diverse opinions and viewpoints that we will
move toward a greater shared understanding of the multi-dimensional material that this
course entails.

Exam Policy:
Everyone will take the two exams on the assigned dates. There are no make-up exams.

Quiz Policy:
Everyone will take the quizzes on the dates or during allotted timeframe (Online quizzes) listed
in the course syllabus. There are no make-up quizzes.
Extra Credit/Grade Change Policy:
Extra credit will not be offered unless it is available to the entire class. For example, if a student wishes to improve his or her grade at the end of the course, extra credit will not be available for this purpose, as it unfairly penalizes students who have consistently worked hard throughout the course. This policy is strictly enforced.

Electronic Devices Policy:
The absence of unnecessary distractions and interruptions is essential for a positive and effective learning environment. Thus, students may not use any electronic device in class, unless explicitly permitted by the instructor. All electronic devices (including mobile phones) must be turned off and put away prior to the start of class.

Students who want to take electronic notes may do so but only if it is on a tablet device and that tablet must remain on the flat on the desk for the entire class time.

Office hours:
Unless announced otherwise, Profs. Minton and Huffner are available to meet with students on an individual basis during office hours or by appointment. Please speak to us before class or email to make an appointment for an office visit.

Reviews for exams:
Prof. Minton will run a review session prior to each exam. The review sessions will be online or on campus depending classroom availability. Details will be announced in class.

Course website:
A course website is on Carmen (using the University’s new Canvas system). The URL is https://carmen.osu.edu. The website will be used to post course slides, readings, materials for guest speakers, assignments and for group work; for review sessions, discussion boards, and online quizzes and surveys. Please check the website on a daily basis.

Communication:
The quickest way to contact Profs. Minton or Huffner is by email at minton.15@fisher.osu.edu and Huffner.7@osu.edu, respectively. Please email outside of Carmen so that we can reply more quickly to your email. Emails sent through Carmen can only be answered from within Carmen. Given our schedules, we are not always on Carmen. We usually reply to emails within 24 hours.

ACADEMIC INTEGRITY
Academic integrity is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. Thus, The Ohio State University and the Committee on Academic Misconduct (COAM) expect that all students have read and understand the University’s Code of Student Conduct, and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the University’s Code of Student Conduct and this syllabus may constitute “Academic Misconduct.”
The Ohio State University’s *Code of Student Conduct* (Section 3335-23-04) defines academic misconduct as: “Any activity that tends to compromise the academic integrity of the University, or subvert the educational process.” Examples of academic misconduct include (but are not limited to) plagiarism, collusion (unauthorized collaboration), copying the work of another student, and possession of unauthorized materials during an examination. Ignorance of the University’s *Code of Student Conduct* is never considered an “excuse” for academic misconduct, so Profs. Minton and Huffner recommend that students review the *Code of Student Conduct* and, specifically, the sections dealing with academic misconduct. (Students can find the full Code at [http://studentlife.osu.edu/pdfs/csc_12-31-07.pdf](http://studentlife.osu.edu/pdfs/csc_12-31-07.pdf))

If either Prof. Minton or Huffner suspect that a student has committed academic misconduct in this course, they are obligated by University Rules to report their suspicions to the Committee on Academic Misconduct.

**DISABILITY SERVICES**  
The Student Life Disability Services (SLDS) ([www.ods.ohio-state.edu](http://www.ods.ohio-state.edu)) verifies students with specific disabilities and develops strategies to meet their needs. Students requiring accommodations based on identified disabilities should contact the instructor at the beginning of the term to discuss their particular needs. Students with a specific disability are encouraged to contact SLDS to explore potential accommodations available to them.
## Part 1: Foundation of Enterprise Risk Management (ERM)

### WEEK 1
**TUE, AUG 22** and **THU, AUG 24**

**Course Introduction and Overview:**
What is Risk? Risk Management? ERM?

**Readings:**
- University Risk Management, Financial Services, OSU.

**Assignments:**
- **Student Online Survey**
  Open until WED, AUG 23, 12:00PM
- In-class group exercise on AUG 24 due at the end of class

### WEEK 2
**TUE, AUG 29** and **THU, AUG 31**

**Firm Value and the Role of Enterprise Risk Management**

**Readings:**

**Assignments:**
- **Online Quiz** (covers Firm Value basics from 4211)
  Open SUN, AUG. 27, 3:00PM to MON, AUG 28, 3:00PM

### WEEK 3
**TUE, SEP 5** and **THU SEP 7**

**People and Behaviors: Why understanding matters**

**Readings:**
- Stulz, August 2016, Risk Management, Governance, Culture, and Risk Taking in Banks, FRBNY Economic Policy Review (*Sections 1 and 6 only*.)
- SEP7 Guest Speaker’s Bio
- Pre-readings for speaker to be posted

**Assignments:**
- Real-time in-class case exercise (SEP 5). Materials for case available in class.
- Guest Speaker Assignment DUE SEP 7

### WEEK 4
**TUE, SEP12**

**Exam 1**
(Covers Weeks 1-3)
### Part 2: The ERM Framework (Organizing and Skills)

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<thead>
<tr>
<th>Week 4 (cont.)</th>
<th><strong>THU, SEP 14</strong></th>
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<tbody>
<tr>
<td><strong>ERMT Function &amp; Framework Overview and Governance, Culture and Risk Taking</strong></td>
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<tr>
<td><strong>Readings:</strong></td>
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<td><strong>Assignment:</strong></td>
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<tr>
<td>- <strong>Student Online Personal Risk Assessment Survey</strong></td>
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<td>Open THU SEP 14, 12:00PM to FRI, SEP 15, 6:00PM</td>
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<tr>
<th>Week 5</th>
<th><strong>TUE, SEP 19 and THU, SEP 21</strong></th>
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<tr>
<td><strong>Understanding Risk Appetite, Risk Tolerance, Risk Target, Risk Limit, and Risk Identification</strong></td>
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<td><strong>Readings:</strong></td>
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<td><strong>Assignments:</strong></td>
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<tr>
<td>- Individual A firm's 10-K RM Disclosure Assignment DUE SEP 19.</td>
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<td>- Group in-class exercises (Risk Appetite, Risk Tolerance and Risk Target Statements)</td>
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<tr>
<th>Week 6</th>
<th><strong>TUE, SEP 26 and THU, SEP 28</strong></th>
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<tr>
<td><strong>Risk Assessment Overview</strong></td>
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<tr>
<td><strong>Reading:</strong></td>
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<td>- Curtis and Carey, 2012, Risk Assessment in Practice, Thought Leadership in ERM.</td>
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<tr>
<td><strong>Assignment:</strong></td>
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<tr>
<td>- Bloomberg Market Concepts Completion Certificate DUE SEP 28</td>
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<tr>
<td>Week 7</td>
<td>Quantitative Risk Assessment Methods</td>
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| TUE, OCT 3 and THU, OCT 5 | **Readings:**  
  - Value-at-Risk reading TBD  
**Assignments:**  
- **Online Quiz**
  - Open SUN, OCT 1, 12:00PM to MON, OCT 2, 3:00PM  
- In-class Quantitative Risk Assessment Assignment |

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<tr>
<th>Week 8</th>
<th>Quantitative Assessment Methods - Current State</th>
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| TUE, OCT 10 | **Reading:**  
**Assignment:**  
- Quantitative Risk Assessment Assignment DUE OCT 10. |

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<tr>
<th>THU, OCT 12</th>
<th>OSU FALL BREAK</th>
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<tr>
<th>Week 9</th>
<th>Leading and Emerging Qualitative Risk Assessment Methods</th>
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| TUE, OCT 17 and THU, OCT 19 | **Reading:**  
  - Curtis and Carey, 2012, Risk Assessment in Practice, *Thought Leadership in ERM*. (Re-read and focus on sections on Qualitative Risk Assessment)  
**Assignments:**  
- Bloomberg Risk Assessment Report Due THU, OCT 19  
- Group In-class Probability-Impact Application Exercise |

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<tr>
<th>Week 10</th>
<th>Risk Assessment Application to Operational Risks</th>
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| TUE, OCT 24 and THU, OCT 26 | **Readings:**  
  - TBA  
**Assignment:**  
- Qualitative Risk Assessment Assignment DUE OCT 26 |
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<tr>
<th>Week 11</th>
<th>Risk Assessment Application to Political and Regulatory Risks</th>
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| TUE, OCT 31 And THU, NOV 2 | Reading:  
Assignment:  
- Group In-class Exercise |

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<thead>
<tr>
<th>Week 12</th>
<th>Exam 2</th>
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<tr>
<td>TUE, NOV 7</td>
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<tr>
<th>Week 12 (cont.)</th>
<th>Managing Risks – Part 1: Understanding Needs and Available Strategies</th>
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</table>
| THU, NOV 9 | Readings:  
Assignment:  
- Group In-class Exercise |

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<tr>
<th>Week 13</th>
<th>Methods to Manage Risks</th>
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</table>
| TUE, NOV 14 and THU, NOV 16 | Readings:  
Assignments:  
- Group Hedging Case Prep Assignment Due NOV 14  
- Bring Laptop to class NOV 14  
- Group in-class exercise (NOV 16) |

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<thead>
<tr>
<th>Week 14</th>
<th>NO CLASS Meeting ONLINE CLASS ASSIGNMENT</th>
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<tr>
<td>TUE, NOV 21</td>
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<tr>
<th>THU, NOV 23</th>
<th>THANKSGIVING HOLIDAY</th>
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# Part 3: Putting it all together

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<tr>
<th>Week 15</th>
<th>TUE, NOV 28 and THU, NOV 30</th>
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<tr>
<td><strong>Risk Reporting &amp; Communications and the ERM framework continues</strong></td>
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**Readings:**
- Nottingham, 2013, Risk Communication and Aligning the Board and the C-suite.
- 2017 Annual Risk Institute Annual Risk Survey

**Assignment:**
- Group In-class exercise

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<thead>
<tr>
<th>Week 16</th>
<th>TUE, DEC 5</th>
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<tr>
<td><strong>Course conclusion: The future for ERM</strong></td>
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## Final Exams Session

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<th>FRI DEC 8, 8:00 - 9:45AM</th>
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<td><strong>Project Due (to be handed in online)</strong></td>
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