

Subject Description Form

Subject Code	AF5322
Subject Title	Corporate Risk Management
Credit Value	3
Level	5
Normal Duration	One Semester
Pre-requisite / Co-requisite/ Exclusion	Pre-requisite: Investments (AF5344) Exclusion: Risk Management for Corporations (AF5333) Business Risk Management (AF5336)
Role and Purposes	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).
Subject Learning Outcomes	Upon completion of the subject, students will be able to: <ul style="list-style-type: none"> a. Understand the basic principles of risk management and the role of risk management in business firms b. Identify and analyze underlying factors that lead to good/poor risk management of a business c. Use relevant tools to identify, measure and control risk exposure related to operation, financing and investment in a global market d. Apply Value-at-Risk (VAR) methodology to assess various types of risk for a business
Subject Synopsis/ Indicative Syllabus	<p>Basic Concepts of Risk and Risk Management Definitions of risk and risk management. Risk concepts and processes.</p> <p>Risk Identification, Measurement and Control Classification of risk. Basic tools. Value-at-Risk (VAR). Stress testing.</p> <p>Liquidity Risk Asset liquidity risk. Funding liquidity risk. Liquidity-adjusted VAR.</p> <p>Credit Risk Credit exposure. Default risk. Pricing credit risk.</p> <p>Operational Risk Identification, assessment and loss distributions. Data challenge.</p> <p>Integrated/Enterprise Risk Management Enterprise-wide risk management, its importance and principles.</p>

Teaching/ Learning Methodology	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.																																																													
Assessment Methods in Alignment with Intended Learning Outcomes	<table border="1" data-bbox="512 472 1385 1072"> <thead> <tr> <th rowspan="2">Specific assessment methods/tasks</th> <th rowspan="2">% weighting</th> <th colspan="6">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th>a</th> <th>b</th> <th>c</th> <th>d</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>1. Individual Essay</td> <td>20%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>2. Project Presentation</td> <td>20%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>3. Participation</td> <td>10%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>4. Final Examination</td> <td>50%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>100 %</td> <td colspan="6"></td> </tr> </tbody> </table> <p data-bbox="512 1133 1385 1296"><i>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.</i></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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4. Final Examination	50%	✓	✓	✓	✓																																																									
Total	100 %																																																													
Student Study Effort Expected	Class contact:																																																													
	a. Lectures / Seminars							39 Hrs.																																																						
	Other student study effort:																																																													
	b. Preparing for classes and reviewing course materials.							38 Hrs.																																																						
	c. Writing individual essay							10 Hrs.																																																						
	▪ Preparing for group presentation							10 Hrs.																																																						
	▪ Preparing for final exam							20 Hrs.																																																						
	Total student study effort							117 Hrs.																																																						
Reading List and References	<p data-bbox="512 1906 699 1935"><u>Required Text</u></p> <p data-bbox="512 1973 1366 2033">An E-book “Risk Management” by McGraw Hill with selected chapters from:</p>																																																													

Crouhy, M, D. Galai and R. Mark, *The Essentials of Risk Management*, 2nd edition, McGraw Hill, 2014.

Jorion, Philippe, *Value At Risk: The New Benchmark for Managing Financial Risk*, 3rd edition, McGraw Hill, 2007.

Other References

Lam, James, *Enterprise Risk Management: From Incentives to Controls*, 2nd edition, Wiley, 2014.

Hull, John, *Risk Management and Financial Institutions*, 5th edition, Wiley, 2018.

Chance & Brooks, *An Introduction to Derivatives & Risk Management*, 10th edition, Cengage Learning, 2016.

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

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