

BA 4514 – Risk Management  
Friday 14:40 - 18:15

<b>Instructor:</b>	Prof. Dr. Erk Hacıhasanoğlu
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<b>Office Hours:</b>	Friday 18:15-19:00
<b>Course Web Page:</b>	To be announced
<b>Course Description:</b>	
<p>This course makes an introduction into the theory and applications of enterprise risk management. The course will be focusing on the application of the enterprise risk management and financial risks, namely credit, market and liquidity risks. Operational risk will also be addressed, although not in detail. After introducing each risk type, the techniques commonly used in risk measurement will be discussed. These techniques will include some advanced quantitative methods like Value-at-Risk and scenario analysis as well as more traditional measurement techniques such as duration and gap analysis. The final part of the course will be dedicated to risk control. The topics will include asset liability management, capital allocation and risk-based performance measurement. During the course of the semester, we will also discuss the recent global financial crisis as it relates to the topics covered in this course.</p>	
<b>Course Student Learning Objectives: (CSLO)</b>	
<p><i>Upon successful completion of this course, students should be able to:</i></p> <p><b>Course Specific Skills:</b></p> <ol style="list-style-type: none"><li>1. Understand “Enterprise Risk Management (ERM)”</li><li>2. Understand the concept of market risk</li><li>3. Develop skills in understanding market risk measurement techniques</li><li>4. Understand the concept of credit risk</li><li>5. Develop skills in understanding credit risk measurement techniques</li><li>6. Understand the concept of liquidity risk</li><li>7. Develop skills in understanding liquidity risk measurement techniques</li><li>8. Understand the concept of operational risk</li><li>9. Develop skills in understanding operational risk measurement techniques</li><li>10. Understand risk control methods</li></ol> <p><b>Discipline Specific Skills:</b></p> <ol style="list-style-type: none"><li>11. Recognize how risk management is useful in making the best managerial decisions</li><li>12. Demonstrate broad knowledge of concepts on the ERM</li></ol> <p><b>Personal and Key Skills:</b></p> <ol style="list-style-type: none"><li>13. Develop reading skills</li><li>14. Develop writing and discussion skills</li></ol>	
<b>Learning and Teaching Methods:</b>	
This course is going to make use of formal lectures, in-class discussions, and written homework assignments,	
<b>Required Reading and Other Material:</b>	
<ol style="list-style-type: none"><li>1. “RiskMetrics™ Technical Document”, RiskMetrics, 1996. (<a href="http://www.riskmetrics.com">www.riskmetrics.com</a>)</li><li>2. “CreditMetrics™ Technical Document“, RiskMetrics, 1997. (<a href="http://www.riskmetrics.com">www.riskmetrics.com</a>)</li><li>3. Financial Risk Management: A Practitioner's Guide to Managing Market and Credit Risk 2nd Edition by Steve L. Allen, 2013</li></ol>	

4. Implementing Enterprise Risk Management: From Methods to Applications (Wiley Finance) by James Lam, 2017
5. Implementing Enterprise Risk Management: Case Studies and Best Practices (Robert W. Kolb Series) by John Fraser and Betty Simkins, 2014

#### Assessment and Grading:

Form of Assessment	% Contribution	Size of the assessment	CSLOs covered by this assessment	Feedback Method
Written Examination 1	30	60-minute essay-type examination	1-5	Written
Final Examination	45	60-minute essay-type examination	1-10	Written
Written Assignment (Case Study)	15	Self-study hours	1-14	Written and presentation

Attendance and participation to the class will contribute 10 % to the grading

**Makeup Examinations:** There will be no make-ups for exams or assignments. If you have a time conflict, please contact me ahead of time.

**Important Note About Re-sit (Bütünleme) Exams:** Please note that re-sit exams are no longer given at METU.

**Incompletes:** A grade of incomplete will not be granted except for the most extreme circumstances and only after stringent verification and approval by the Department. A grade of incomplete will be granted only as a result of circumstances beyond the student's control. A grade of "I" is not given in lieu of an "FF".

#### Course Policies:

**COURSE REQUIREMENTS:** Attendance is mandatory in this class. Past experience repeatedly demonstrated that students who regularly attend class and read the chapter assignments perform significantly better than students who have an intermittent attendance and/or who do not keep current in reading the chapters.

**CASE STUDY ASSIGNMENTS:** Case study assignments and due dates will be announced after the midterm exam. Please remember that it is the student's responsibility to follow the due dates for the assignments.

**READING ASSIGNMENTS:** Reading assignments will be given 1 week prior to classes.

**PRESENTATION SLIDES:** A copy of the presentation slides will be given after the lecture.

**STUDENT DISABILITIES:** Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; [engelsiz@metu.edu.tr](mailto:engelsiz@metu.edu.tr)) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

**ACADEMIC DISHONESTY:** The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BS degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

**CHEATING:** All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the

Faculty for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

**PLAGIARISM:** The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately. Persons observed to plagiarize while preparing assignments will be referred to the Dean of the Faculty for additional disciplinary action and also they will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

### METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

**CIVILITY IN THE CLASSROOM:** Students are expected to assist in maintaining a classroom environment which is conducive to learning. In order to assure that all students have an opportunity to gain from time spent in class, unless otherwise approved by the instructor, students are prohibited from using laptop computers and cellular phones, making offensive remarks, reading newspapers, sleeping, or engaging in any other form of distraction. Inappropriate behavior in classroom shall result, minimally, in a request to leave class.

Past observations showed that the METU classroom experience is improved when the following are true:

**Students arrive on time.** Timely arrival ensures that classes are able to start and finish at the scheduled times. Timely arrival shows respect for both fellow students and faculty and it helps to create a better learning environment by reducing avoidable distractions.

**Students are fully prepared for each class.** Much of the learning in this course takes place during classroom discussions. When students are not prepared, they cannot contribute to the learning process. This affects not only the individual but also the classmates who count on them.

**Students respect the views and opinions of their colleagues.** Disagreement and debate are encouraged; however, intolerance for the views of others is unacceptable.

**Laptops, phones and wireless devices are turned off.**

**STUDENT EXCUSES:** Unless you inform us in advance, we will not excuse you from any of the grade requirements. At the same time, this does not mean that we will allow you to miss a test or an assignment with any excuse that you present to us. Please note that the excuse is acceptable for only the most extreme circumstances and only after stringent verification and approval by the Department.

**KNOW YOUR RIGHTS AND RESPONSIBILITIES!** <http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

**NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR!** <http://oidb.metu.edu.tr/en/academic-calendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

#### Notes:

- Usage of cell phones is strictly prohibited during class. Please be courteous to your classmates and us and make sure that your phones are on silent mode before the class begins.

- Please arrive on time and do not enter the classroom if we already have closed the classroom doors. If you have to leave early, please inform us in advance. If, due to uncontrollable circumstances, you end up being late for class, please wait outside until the first in-class break during which we will open the classroom door and let you in.
- Please turn in the homework assignments at the beginning of the class period they are due on and note that no late assignments (no matter how late) will be accepted once the class starts.
- You are encouraged to drop by our office for questions, concerns, or, suggestions. Please make an appointment with us in advance, before or after the class, via phone or e-mail. For quick questions that you may have, note that e-mailing is a very effective means of communicating with us.

The following table gives the tentative schedule for the semester. The lectures will stress the most important and/or most difficult material. Appendices are required only if they are assigned. The students are required to read the chapters and appendices before they are covered in class.

Tentative Course Schedule				
Month	Day	Topic	Reading/ Assignment	CSLO
MAR	11	Introduction to Enterprise Risk Management	Reports, Articles	1-14
MAR	18	ERM Application- Six Step Approach	Reports, Articles	1-14
MAR	25	ERM Application- Roles on the ERM process	Reports, Articles	1-14
APR	1	Market Risk -Definition of market risk and sources and types of market risk	Reports, Articles	1-14
APR	8	Market Risk- Measuring Market Risk	Reports, Articles	1-14
APR	15	Credit Risk - Definition of credit risk and Sources and types of credit risk	Reports, Articles	1-14
APR	22	Credit Risk- Measuring credit risk	Reports, Articles	1-14
APR	29	Midterm/ Credit Risk-Measuring credit risk	Reports, Articles	1-14
MAY	6	Liquidity Risk- Definition of liquidity risk and sources of liquidity risk	Reports, Articles	1-14
MAY	13	Liquidity Risk - Measuring liquidity risk	Reports, Articles	1-14
MAY	20	Operational Risk	Reports, Articles	1-14
MAY	27	Risk Control	Reports, Articles	1-14
JUN	3	Risk Control	Reports, Articles	1-14
JUN	10	Case Study Presentations		1-14
JUN	17	Case Study Presentations		1-14