**Course Syllabus**

**Corporate Risk Management**

**April – May 2019**

# **Course** Corporate Risk Management

# **Professor** Bill Reese

Office Phone: 504-865-5465

E-mail: wreese@tulane.edu

**Text** *Risk Management & Derivatives* by Rene M. Stulz

**Prerequisites** Financial Management 1 and 2

**Grading** Take-Home Exam 45%

Homeworks 30%

Quizzes 20%

Attendance 5%

**Objectives**: This course will cover a broad range of topics pertaining to derivative instruments used in the practice of corporate risk management. Specifically, we will discuss the fundamentals, mechanics and application of forwards, futures and swaps to manage risk associated with interest rate changes and currency exchange fluctuations. We will also look at credit default swaps, credit default swaps, equity derivatives, and weather derivatives.

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**Website** I will be maintaining a website for this course at

<http://breesecrm.wp.tulane.edu>

On it, I will be posting announcements that you will want to read, homework assignments, class notes, and other worthwhile information. I strongly encourage you to visit the website regularly to keep up with what’s going on in class. In particular, if you print out the class notes and/or powerpoints and bring them to class with you, I think you’ll find it easier to follow the lectures and you will not have to spend as much time writing everything down.

**Preparation** Prior to the first weekend, please read chapters 1, 3, and 4 in the Stulz text. Please also read the Corporate-Value-at-Risk case.

**Homeworks** At the end of the first, second, and third Saturday, I will give you a homework assignment. You will be allowed to use your book and notes to complete the homeworks. For the first and third homeworks, you will need to email your solutions to each of these assignments by Monday morning of the following week (9 days later). On Monday afternoon, I will post the solutions on the class website. For the second homework, you will need to email your solutions to me by Wednesday morning (4 days later – because we meet back-to-back weekends). I will post the solutions by Wednesday afternoon. In each case, we will go over these homeworks at the start of the next class (second, third, and fourth Fridays).

**Quizzes** At the start of the third and fourth Fridays (after we have gone over the homework assignments), you will have an in-class quiz that will last about 45 minutes. These will be open-book and open-note quizzes.

**Exam** At the end of our final class, I will distribute a take-home exam to you. This will be an open-book and open-note exam. You will have approximately ten days to complete the exam and to email your solutions to me.

**Norms and**

**Expectations** This class will be conducted in full accordance with published Norms and Expectations for Students in Freeman Classes. Please review the Norms and Expectations in your program handbook.

**Academic Integrity** This class will be conducted in full accordance with Tulane’s policies about academic integrity including, but not limited to, the Unified Code of Graduate Student Academic Conduct (<http://tulane.edu/provost/upload/Unified_Code_of_GS_Academic_Conduct_11-14-07.pdf>) and the Tulane University Code of Student conduct (<http://studentconduct.tulane.edu>).

**Disabilities** Under the Americans with Disability Act and Section 504 of the Rehabilitation Act, if you have a disability, you may have the right to an accommodation; however, the right is contingent upon your taking certain steps. You should review the steps that you need to take, as well as Tulane’s policy concerning accommodations at <http://erc.tulane.edu/disability/index.html>. Any student with a disability, in need of course or examination accommodation, should request an accommodation through the University’s Goldman Office of Disability Services (ODS) located on the first floor of the Mechanical Engineering Building. At the beginning of the semester, please provide me with a copy of your approved ODS accommodation form. I am committed to working with ODS to ensure that I provide you with all approved accommodations. If you do not deliver the approved accommodation form to me, I will not know that ODS approved your accommodation and I will have no basis to provide those accommodations.

**Tentative Course Schedule**

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| **Date** | **Material** | **Readings** | **Quizzes and Homeworks** |
| **First Friday** | Intro to Corporate Risk Mgmt  Exchange Rate Basics  Forward Exchange Rates  VaR with Exchange Rates | Stulz: 1,3,4  Corporate-Value-at-Risk Case |  |
| **First Saturday** | Monte Carlo w/Crystal Ball  Options Basics  Put-Call Parity  Binomial Option Pricing Model  Black-Scholes Option Pricing Model  Understanding C-VaR |  |  |
| **Between Classes** |  |  | Homework #1 due |
| **Second Friday** | Go over Homework #1  Mechanics of Forwards and Futures  In-Class Exercise | Stulz: 5, 9, 14 |  |
| **Second Saturday** | Interest Rate Futures  Conversion Factors  Hedging with T-bond Futures  Currency Futures and Options with AIFS case | AIFS Case |  |
| **Between Classes** |  |  | Homework #2 due |
| **Third Friday** | Interest Rate Swaps | Stulz: 16  SELF Case | Quiz #1 |
| **Third Saturday** | Currency Swaps | Disney Case |  |
| **Between Classes** |  |  | Homework #3 due |
| **Fourth Friday** | Credit Default Swaps | Stulz: 18  First American Bank Case | Quiz #2 |
| **Fourth Saturday** | Equity Swaps  Weather Derivatives  Go over Exam | Enron Case  Honeywell Case |  |