**Operational & Financial Risk Analysis**

**MASY1-GC 3600 | 100 | Fall 2024 | 9/04/2024 - 12/04/2024 | 3 Credits**

**Modality:** In-Person

**Course Site URL:**  https://brightspace.nyu.edu

**General Course Information**

**Name/Title:** John Ladyzinski, Adjunct Assistant Professor, He/Him/His

**NYU Email:** [john.ladyzinski@nyu.edu](mailto:john.ladyzinski@nyu.edu)

**Class Meeting Schedule:** 9/04/2024 - 12/04/2024 | Wednesdays | 2:00 pm - 4:35 pm

**Class Location:** 20 W 43RD st, Room 501 (Midtown Center)

**Office Hours:** By Appointment, NYU Zoom, email, or phone. Please send an email to schedule an appointment.

**Description**

Today's business environment requires a far more complex Asset Liability Management (ALM) structure to help quantify and manage risk. This course provides an introduction to what risk management means from a business perspective that employs risk management products and from the perspective of the insurance industry. Throughout the course, students learn the fundamental financial tools and techniques necessary to be an effective risk manager in the insurance industry. They also learn the fundamental concepts of financial products including both cash products and their respective derivatives, asset liability management, and actuarial sciences as well as the operational, legal, and regulatory issues that affect the insurance industry.

**Prerequisites**

1220 – Financial Management

**Learning Outcomes**

At the conclusion of this course, students will be able to:

* Assess the different types of operational and financial risks
* Plan to anticipate, prevent, and mitigate financial and operational risks
* Apply appropriate internal and external risk management tools and practices
* Assess the impact of the current regulatory environment in managing operational risk
* Create an Asset Liability Management structure for the enterprise

**Communication Methods**

Be sure to turn on your [NYU Brightspace notifications](https://www.nyu.edu/servicelink/KB0018507) and frequently check the “Announcements” section of the course site. This will be the primary method I use to communicate information critical to your success in the course. To contact me, send me an email. I will respond within 24 hours.

Credit students must use their NYU email to communicate. Non-degree students do not have NYU email addresses. Brightspace course mail supports student privacy and FERPA guidelines. The instructor will use the NYU email address to communicate with students. All email inquiries will be answered within 24 hours.

**Structure | Method | Modality**

There are 14 session topics in this course. The session topics are organized into five (5) areas of study: 1) Financial Institutions, 2) Financial Markets, 3) Operational & Enterprise Risk Management, 4) Regulation, and 5) Other Topics.

Active learning experiences and small group projects are key components of the course. Assignments, papers, and exams will be based on course materials (e.g., readings, videos), lectures, and class discussions. Course sessions will be conducted **in-person. You can access from the course site in** [NYU Brightspace](https://brightspace.nyu.edu/).

This course is in-person and will meet once a week on Wednesday, with assignments, announcements, and emails being sent through Brightspace. Zoom is the remote instruction platform used at NYU. Students are expected to check email and/or Brightspace at least twice a week for announcements concerning assignments, class changes or cancellations, and other valuable information. The course will involve lectures/discussions/forum discussions as well as case studies. Two major papers/projects are required that will both be done on an individual basis.

**Expectations**

Learning Environment

You play a key role in creating and sustaining an intellectually rigorous and inclusive classroom culture. Respectful engagement, diverse thinking, and our lived experiences are central to this course and enrich our learning community.

Participation

You are integral to the learning experience in this class. Active participation in class discussion is an important part of the classroom experience. The goal is to learn from others and allow them to learn from you. All contributions count, including questioning, listening, and responding. Prior to class, make sure you prepare by reviewing the current readings and topics in relation to the course. Other ways to contribute to the class include building on what someone else has said, paraphrasing a point someone has already made and build on it, or disagreeing with someone (including the instructor) in a respectful and constructive way. Be prepared to actively contribute to class activities, group discussions, and work outside of class.

Assignments and Deadlines

Homework: Jensen Study Due: September 18

Homework: Chapter 5 Due: September 25

Forum #1: Walking Away Due: October 9

Forum #2: Dodd-Frank Due: November 6

Course Technology Use

We will utilize multiple technologies to achieve the course goals. I expect you to use technology in ways that enhance the learning environment for all students. Some class sessions might require use of the Zoom Videoconference system.All class sessions require use of technology (e.g., laptop, computer lab) for learning purposes.

**Generative AI Use**

**Not permitted**

You can only learn from the work you do. Unless otherwise stated, you should not use generative AI tools to create any part of an assignment in this course; every submission should be entirely your work (for example from an NYU course).

This course assumes that work submitted by students – all process work, drafts, brainstorming artifacts, final works – will be generated by the students themselves, working individually or in groups as directed by class assignment instructions. As will any other class work generated by anyone other than the students (by other students, by a company, or by using generative AI tools), use can be a violation of Academic Integrity policy (adapted example from [University of Texas, Austin](https://ctl.utexas.edu/chatgpt-and-generative-ai-tools-sample-syllabus-policy-statements)).

Feedback and Viewing Grades

I will provide timely meaningful feedback on all your work via our course site in NYU Brightspace. You can access your grades on the course site Gradebook.

Attendance

I expect you to attend all class sessions. Attendance will be taken into consideration when determining your final grade. Refer to the [SPS Policies and Procedures page](https://www.sps.nyu.edu/homepage/student-experience/policies-and-procedures.html) for additional information about attendance.

Excused absences are granted in cases of documented serious illness, family emergency, religious observance, or civic obligation. In the case of religious observance or civic obligation, this should be reported in advance. Unexcused absences from sessions may have a negative impact on a student’s final grade. Students are responsible for assignments given during any absence.

Each unexcused absence or being late may result in a student’s grade being lowered by a fraction of a grade. A student who has three unexcused absences may earn a Fail grade.

Students who join the course during add/drop are responsible for ensuring that they identify what assignments and preparatory work they have missed and complete and submit those per the syllabus.

**Textbooks and Course Materials**

**Required:**

**Risk Management and Financial Institutions:** 6th edition  
Author: John C. Hull, Year: 2023, Publisher: John Wiley and Sons, Inc.   
ISBN-13: 9781119932482

DIGITAL ISBN-13: 9781119932499

ISBN-10: 1119932483

**The Big Short (Inside the Doomsday Machine)**

Author: Michael Lewis

Publisher: W. W. Norton & Company, Incorporated – Reprint Edition 2011

ISBN-13: 9780393338829

ISBN-10: 0393338827

**Recommended:**

* Operational Risk Management: Author: Ariane Chapelle, Publisher: Wiley Finance, 2019
* The Wall Street Journal, BBC News, Bloomberg.Com, CNBC

Other readings will be provided by the instructor in Brightspace.

*Students can purchase these items through the NYU Bookstore.*

**Grading | Assessment**

Your grade in this course is based on your performance on multiple activities and assignments. Since all graded assignments are related directly to course objectives and learning outcomes, failure to complete any assignment will result in an unsatisfactory course grade.

All written assignments are to be completed using APA format and must be typed and double-spaced. Grammar, punctuation, and spelling will be considered in grading. Please carefully proof-read your written assignments before submitting them for a grade. I will update the grades on the course site each time a grading session has been completed— typically three (3) days following the completion of an activity.

**DESCRIPTION** **PERCENTAGE**

Homework & Forums 10%

Quizzes 10%

Class Participation 10%

Midterm Exam 25%

Class Project 20%

Final Exam 25%

**TOTAL POSSIBLE 100%**

**NYU SPS Graduate Grading Scale**

|  |  |  |  |
| --- | --- | --- | --- |
| **A** | 95-100 | 4.000 | **Exceptional:** Demonstrates exceptional mastery of all learning outcomes of the course and thorough and complete understanding of all concepts. |
| **A-** | 90-94 | 3.667 | **Excellent:** Demonstrates highly competent mastery of all learning outcomes of the course and strong understanding of all concepts. |
| **B+** | 87-89 | 3.333 | **Very Good; exceeds course standards:** Demonstrates mastery of all learning outcomes of the course and understanding of core concepts. |
| **B** | 83-86 | 3.000 | **Good; meets course standards:** Demonstrates mastery of some learning outcomes; understanding of some core concepts could be improved. |
| **B-** | 80-82 | 2.667 | **Somewhat Satisfactory;** meets some course standards and requires improvement: Demonstrates basic understanding of some learning outcomes; improved understanding of all core concepts is needed. |
| **C+** | 77-79 | 2.333 | **Less than Satisfactory; requires significant improvement:** Demonstrates partial understanding of all learning outcomes and core concepts; requires significant improvement. |
| **C** | 73-76 | 2.000 | **Unsatisfactory; requires substantial improvement:** Demonstrates partial understanding of some learning outcomes and core concepts; requires substantial improvement. |
| **C-** | 70-72 | 1.667 | **Unsatisfactory; requires extensive improvement:** Demonstrates poor understanding of all learning outcomes and core concepts; requires extensive improvement. |
| **F** | Below 70 |  | **Fail:** Demonstrates minimal to no understanding of all key learning outcomes and core concepts; work is unworthy of course credit towards the degree. |
| **P** |  |  | **Passing:** If a Pass/Fail grade is allowed, the choice of pass/fail must be made prior to the completion of the fifth week of the term. |

**Course Outline**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **#** | **Date** | **Material Covered** | **Readings** | **Assignment** | **Due Date** |
| 1 | 4-Sep | Course Introduction Banks | 1 2 |  |  |
| 2 | 11-Sep | Insurance Companies & Pension Plan Fund Managers | 3 4 | HW #1: Jensen Study | 18-Sep |
| 3 | 18-Sep | Financial Instruments | 5 | HW #2: Chap 5 Q5.9,15,17,20 | 25-Sep |
| 4 | 25-Sep | Financial Instruments Securitization & the Global Financial Crisis | 5 7 |  |  |
| 5 | 2-Oct | Securitization & the Global Financial Crisis Operational Risk | 7 20 | Forum #1: Walking Away | 9-Oct |
| 6 | 9-Oct | Operational Risk Operational Risk Model Risk Management | 20  22 |  |  |
| **7** | **16-Oct** | **Midterm Exam** | **Chapters 1-5,7,20,22** | | |
| 8 | 23-Oct | Enterprise Risk Management Basel I, Basel II, and Solvency II | 24 25 |  |  |
| 9 | 30-Oct | Basel I, Basel II, and Solvency II Basel II.5, Basel III, & Other Post-Crisis Changes | 25 26 | Forum #2: Dodd-Frank | 6-Nov |
| 10 | 6-Nov | Fundamental Review of the Trading Book Economic Capital and RAROC | 27 28 |  |  |
| 11 | 13-Nov | Financial Innovation Risk Management Mistakes to Avoid | 29 30 |  |  |
|  | 17-Nov | The Big Short Papers & Presentations Due |  |  |  |
| **12** | **20-Nov** | **The Big Short Presentations** |  |  |  |
| **13** | **27-Nov** | **The Big Short Presentations** |  |  |  |
| **14** | **4-Dec** | **Final Exam** | **Chapters: 24-30 The Big Short** | | |

**Course Outline**

**Start/End Dates:** 9/04/2024 - 12/04/2024 | Wednesdays

**Time:** 02:00pm -- 04:35pm

**No Class Date(s):** N/A

**Special Notes:** N/A

**Session 1 - 09/04/24**

[Chapter 1: Introduction](ms-local-stream://EpubReader_0B5FB06B9A3340DB9B9F3CAE16DF5D5E/Content/OEBPS/9781118282915_epub_ch_01.htm)

Chapter 2: Banks

**Session 2 – 09/11/24**

Chapter 3: Insurance Companies and Pension Plans

Chapter 4: Fund Managers

**Session 3 – 09/18/24**

[Chapter 5:](ms-local-stream://EpubReader_0B5FB06B9A3340DB9B9F3CAE16DF5D5E/Content/OEBPS/9781118282915_epub_ch_01.htm) Financial Instruments

HW #1: Jensen Study Due

**Session 4 – 09/25/24**

[Chapter 5:](ms-local-stream://EpubReader_0B5FB06B9A3340DB9B9F3CAE16DF5D5E/Content/OEBPS/9781118282915_epub_ch_01.htm) Financial Instruments

Chapter 7: Securitization & the Global Financial Crisis

**Session 5 – 10/02/24**

Chapter 7: Securitization & the Global Financial Crisis

Chapter 20: Operational Risk

Forum #1: Walking Away

**Session 6 – 10/09/24**

Chapter 20: Operational Risk

Chapter 22: Model Risk Management

Forum #1: Walking Away Due

**Session 7 – 10/16/24**

Midterm Exam

Chapters 1, 2, 3, 4, 5, 7, 20, 22

**Session 8 – 10/23/24**

Chapter 24: Enterprise Risk Management

Chapter 25: Basel I, Basel II, & Solvency II

**Session 9 – 10/30/24**

Chapter 25: Basel I, Basel II, & Solvency II

Chapter 26: Basel II.5, Basel III, and Other Post- Crisis Changes

**Session 10 – 11/06/24**

Chapter 27: Fundamental Review of the Trading Book

Chapter 28: Economic Capital and RAROC

**Session 11 – 11/13/24**

Part 7: Other Topics

Chapter 29: Financial Innovation

Chapter 30: Risk Management Mistakes to Avoid

**The Big Short Presentations Due – 11/17/24**

**Session 12 – 11/20/24**

Housing Crisis Presentations – Part I

**Session 13 – 11/27/24**

Housing Crisis Presentations – Part II

**Session 14 – 12/104/24**

**Final Exam**

Chapters 24, 25, 26, 27, 28, 29, 30 & The Big Short

**NOTES:**

The syllabus may be modified to better meet the needs of students and to achieve the learning outcomes.

The School of Professional Studies (SPS) and its faculty celebrate and are committed to inclusion, diversity, belonging, equity, and accessibility (IDBEA), and seek to embody the IDBEA values. The School of Professional Studies (SPS), its faculty, staff, and students are committed to creating a mutually respectful and safe environment (*from the* [*SPS IDBEA Committee*](https://www.sps.nyu.edu/homepage/about-us/idbea/about-idbea.html)).

**New York University School of Professional Studies Policies**

1. Policies - You are responsible for reading, understanding, and complying with [University Policies and Guidelines](http://www.nyu.edu/about/policies-guidelines-compliance.html), [NYU SPS Policies and Procedures](http://sps.nyu.edu/academics/academic-policies-and-procedures.html), and [Student Affairs and Reporting](https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/student-services.html).

2. Learning/Academic Accommodations - New York University is committed to providing equal educational opportunity and participation for students who disclose their dis/ability to the [Moses Center for Student Accessibility](https://www.nyu.edu/students/communities-and-groups/student-accessibility.html). If you are interested in applying for academic accommodations, contact the [Moses Center](https://www.nyu.edu/students/communities-and-groups/student-accessibility/academic.html) as early as possible in the semester. If you already receive accommodations through the Moses Center, request your accommodation letters through the [Moses Center Portal](https://www.nyu.edu/students/communities-and-groups/student-accessibility.html) as soon as possible ([mosescsa@nyu.edu](mailto:mosescsa@nyu.edu) | 212-998-4980).

3. Health and Wellness - To access the University's extensive health and mental health resources, contact the [NYU Wellness Exchange](https://www.nyu.edu/students/health-and-wellness/wellness-exchange.html). You can call its private hotline (212-443-9999), available 24 hours a day, seven days a week, to reach out to a professional who can help to address day-to-day challenges as well as other health-related concerns.

4. Student Support Resources - There are a range of resources at SPS and NYU to support your learning and professional growth. For a complete list of resources and services available to SPS students, visit the [NYU SPS Office of Student Affairs site](https://www.sps.nyu.edu/homepage/student-experience/resources-and-services.html).

5. Religious Observance - As a nonsectarian, inclusive institution, NYU policy permits members of any religious group to absent themselves from classes without penalty when required for compliance with their religious obligations. Refer to the [University Calendar Policy on Religious Holidays](https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/university-calendar-policy-on-religious-holidays.html) for the complete policy.

6. Academic Integrity and Plagiarism - You are expected to be honest and ethical in all academic work. Moreover, you are expected to demonstrate how what you have learned incorporates an understanding of the research and expertise of scholars and other appropriate experts; and thus recognizing others' published work or teachings—whether that of authors, lecturers, or one's peers—is a required practice in all academic projects.

Plagiarism involves borrowing or using information from other sources without proper and full credit. You are subject to disciplinary actions for the following offenses which include but are not limited to cheating, plagiarism, forgery or unauthorized use of documents, and false form of identification

[Turnitin](https://www.nyu.edu/servicelink/KB0018471), an originality detection service in NYU Brightspace, may be used in this course to check your work for plagiarism.

Read more about academic integrity policies at the NYU School of Professional Studies on the [Academic Policies for NYU SPS Students](https://www.sps.nyu.edu/homepage/student-experience/policies-and-procedures.html) page.

7. Use of Third-Party Tools - During this class, you may be required to use non-NYU apps/platforms/software as a part of course studies, and thus, will be required to agree to the “Terms of Use” (TOU) associated with such apps/platforms/software.

These services may require you to create an account but you can use a pseudonym (which may not identify you to the public community, but which may still identify you by IP address to the company and companies with whom it shares data).

You should carefully read those terms of use regarding the impact on your privacy rights and intellectual property rights. If you have any questions regarding those terms of use or the impact on the class, you are encouraged to ask the instructor prior to the add/drop deadline.