Professor Contact: RTslivka@msn.com; rs3169@nyu.edu
Home Office at 672 Long Acre Lane, Yardley, PA 19067
Phone: 215-321-3524
Office hours: At classroom location one hour prior to the start of any class or by appointment. Available otherwise by phone / email

Course Pre-requisites
Prerequisite: Graduate Standing; FRE 6291 or a working knowledge of derivatives is helpful.

Course Description
This elective course replaces lectures with participant-centered and problem-based learning using in-class discussions of case studies and independent readings to examine how derivatives are used to solve financial risk management problems arising in financial firms and corporations. Special emphasis is placed upon the role of derivatives. One practical case study is examined in detail each week. Relevant analytical exercises in Excel normally accompany the case. Applications include interest rate, equity, foreign currency and credit derivative strategies for investing, hedging, trading and issuing.

By the end of the course students should be able to identify an array of firm risks that can benefit from the application of practical derivative strategies. The place of derivative-based strategies in creating firm value and achieving strategic goals will be better understood.

Course Objectives
The objectives of this elective course are
- To strengthen and advance student skills for creatively designing derivative solutions to financial risk management problems arising in investing, hedging, trading and issuing.
- To challenge student thinking about how to include the organizational context in which risk management problems arise and quantitative derivative solutions are devised.
- To develop presentation skills and build confidence in employment interview situations through role playing opportunities.
- To practice thinking outside the book.

Students should expect to achieve a detailed understanding of the following
- The financial risk management uses for derivative strategies within both financial and non-financial organizations.
- How derivative strategies can create new firm opportunities or competitive advantages.
- When derivative strategies can create unwanted risk.

Course Structure
To broaden student understanding of the organizational context in which risk management situations arise, case studies relating to actual historical situations are assigned each week. Separate case studies contain risk management situations in a firm where derivative strategies have been employed. Readings deal with the risk management problems faced by an organization and a series of questions are posed with answers to be submitted in writing and others discussed in class.

To strengthen creative skills, challenging derivative design exercises on Excel spreadsheets will be assigned.

Classes will contain brief discussions of the weekly assigned case with most of the time devoted to interactive classroom discussion. Students will be expected to participate vigorously and lead these discussions.
Readings
Weekly Case Study Guides will be used to structure the lecture and class discussion. These Guides will contain a list of required readings, exercises and questions to answer. Answers to exercises and specific risk management questions must be submitted prior to the start of the following lecture.


Initial Readings Available on NYU Classes for this course.
- MistakesExecutivesMakeinRiskMgt-1 – Nassim Taleb
- The Case For Participant-Centered Thinking – Video at http://www.hbs.edu/teaching/case-method-in-practice/core-principles.html and text transcript TheCaseForParticipantCenteredLearning.docx

Course requirements
Throughout the course students will be expected to participate actively and at times lead discussions. There will be no final exam.

Grading
- 55% ...will be based on classroom participation in discussions
- 45% ...will be based on completed assigned questions and exercises

Six Weekly Case Studies
Course Times: Assigned dates, times and locations as scheduled by the Business Office.
Course Location: NYU Tandon Campus at Metrotech Center
Students should verify the exact times and locations vary each semester.

Week 1 - Introduction to Case Studies
Explanation of Participant-Centered Learning vs. Lecturer-Centered Learning
Performance Expectations
Weekly Assignments and Submissions
Conduct of Weekly Classes

Case 2: Gold Hedging At American Barrick
This firm’s management questions whether or how to hedge its annual gold mine production.
Assigned Readings with Questions
One Written Answer To Be Submitted Prior To Start Of Class
Excel Spreadsheet Exercises To Submit

Case 3: Barings Bank Collapse
Futures strategies used in Japanese market arbitrage are studied along with risk management controls.
Assigned Readings with Questions
One Written Answer To Be Submitted Prior To Start Of Class
Excel Spreadsheet Exercises To Submit
Case 4: Jet Fuel Hedging at Southwest Air
The motivation for hedging jet fuel is discussed. Separate strategies are designed and evaluated.
Assigned Readings with Questions
One Written Answer To Be Submitted Prior To Start Of Class
Excel Spreadsheet Exercises To Submit

Skip Case 5

Case 6: GM Liability Management
GM’s use of derivatives to implement liability management policy is reviewed. Derivative solutions using swaps, caps, swaptions and interest rate options are examined in detail.
Assigned Readings with Questions
One Written Answer To Be Submitted Prior To Start Of Class
Excel Spreadsheet Exercises To Submit

Case 7: London Whale
Students analyze this recent Case Study by developing their own critical exercises and questions regarding derivatives risk management and solutions.

Case 8: Metro do Porto (Snowball Swap)
Students analyze this recent Case Study by developing their own critical exercises and questions regarding derivatives risk management and solutions.

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Moses Center Statement of Disability

If you are student with a disability who is requesting accommodations, please contact New York University’s Moses Center for Students with Disabilities at 212-998-4980 or mosescsd@nyu.edu. You must be registered with CSD to receive accommodations. Information about the Moses Center can be found at www.nyu.edu/csd. The Moses Center is located at 726 Broadway on the 2nd floor.

Ronald T. Slivka, Ph.D. is an Adjunct Professor at the Polytechnic Institute of New York University and a faculty member of the New York Institute of Finance. With over 35 years of practical Wall Street experience, Dr. Slivka has held equity derivative sales and management positions at Salomon Brothers, J.P. Morgan and ABN AMRO. He has written over 40 articles and book chapters on a broad range of derivative topics and holds a Ph.D. in Physics from the University of Pennsylvania. Ron presently serves on the Editorial Boards of the Indian Journal of Finance, the Indian Journal of Research On Capital Markets and reviews for the International Journal of Emerging Markets and Journal of Investing. (RTslivka@msn.com).

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