

Subject ST9

Corrections to 2014 study material

Comment

This document contains details of any errors and ambiguities in the Subject ST9 study materials for the 2014 exams that have been brought to our attention. We will incorporate these changes in the study material each year. We are always happy to receive feedback from students, particularly details concerning any errors, contradictions or unclear statements in the courses. If you have any such comments on this course please email them to ST9@bpp.com.

You may also find it useful to refer to the Subject ST9 Frequently Asked Questions thread on the Actuarial Discussion Forum. (You can reach the Forums by clicking on the “Discussion Forum” button in the bottom left-hand corner of ActEd’s website, or by going to www.acted.co.uk/forums/.) This contains useful questions asked by students studying Subject ST9, with answers written by ActEd’s tutors.

Important note

This document was created in December 2013. The date on which any subsequent corrections have been added is noted below.

Sweeting

Students are advised to check the errata to the Sweeting textbook. This can be found on the ActEd’s ST9 online discussion forum at:

<http://www.acted.co.uk/forums/forumdisplay.php?f=79>

Chapter 14**Page 22**

In the table, the formula for the measure of upper-tail dependence for the Generalised Clayton copula should not have the minus in the exponent. It should read:

$$2 - 2^{\frac{1}{\beta}}$$

Note this error is also in Sweeting, Table 10.2, page 209.

Subject ST9

How to use the 2nd edition (2014) of the textbook 'Enterprise Risk Management' by James Lam for the 2014 exams

Purpose of this note

ActEd's Subject ST9 materials for the 2014 exams reference the 1st edition of the textbook by Lam. However, a 2nd edition was published in April 2014 and the 1st edition is no longer in print.

Although the 2014 exams will be based on the 1st edition, students can use the 2nd edition. To enable them to do so, this note maps the references to the 1st edition of Lam's textbook contained in ActEd's Course Notes for the 2014 examinations to references to the 2nd edition.

(Subsequent ST9 exams, from and including those in 2015, will be based on the 2nd edition.)

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<i>ActEd's 2014 Course Notes</i>	<i>Reference</i>	<i>1st edition</i>	<i>2nd edition</i>
Chapter 1	Chapter 1, Introduction	Pages 3-9	unchanged
	Chapter 4, Introduction and "The benefits of ERM"	Pages 43-48	Pages 51-57 (excluding the section "ERM definitions")
	Chapter 15, All	Pages 235-239	Pages 271-275
Chapter 2	Chapter 4, "Components of ERM"	Pages 51-56	Pages 61-66
	Chapter 5, "Corporate governance"	Pages 57-68	Pages 69-81
Chapter 4	Chapter 11, All	Pages 133-145	Pages 157-172 (excluding the sections "Regulators", "Rating Agencies" and "Shareholder Service Provides" on Pages 164-167)
Chapter 6	Chapter 3, "Risk processes" onwards	Pages 27-40	Pages 36-48 (excluding "Risk is a Bell Curve")
	Chapter 4, "The Chief Risk Officer"	Pages 48-51	Pages 57-61
	Chapter 6, All	Pages 69-81	Pages 83-96 (excluding "Risk and Incentive Compensation")
Chapter 8	Chapter 18, "Risk identification and assessment"	Pages 281-283	Pages 326-329
	Chapter 15, "The further evolution of risk management"	Page 239	Page 275

Chapter 9	Chapter 3, “Risk Concepts”	Pages 23-27	Pages 31-36
	Chapter 12, “Introduction” only	Pages 149-150	Pages 175-176
	Chapter 13, “Introduction and “Types of Market Risk”	Pages 181-183	Pages 209-211
	Chapter 14, “Operational Risk: Definition and Scope”	Pages 210-215	Pages 240-246 (excluding “Knight Capital”)
	Chapter 16, “Risk by Industry Sector”, “Systemic Risk”	Pages 248-249 and 251-252	Pages 284-285 and 287-289
	Chapter 18, “Risk Management Requirements”	Pages 273-280	Pages 317-326 (excluding “Pension Risks and “Outsourcing”)
Chapter 10	Chapter 3, “Time horizon”	Page 26	Pages 34-35
	Chapter 13, “Value at Risk” and “Calculating VaR”	Pages 184-187	Pages 212-215
Chapter 11	Chapter 3, “Correlation”	Page 26	Page 35
	Chapter 9, “Scenario analysis”	Pages 110-111	Pages 128-131
	Chapter 13, “Monte Carlo simulation” to “Market risk management”	Pages 188-194	Pages 216-222 (starting at “Monte Carol Simulation”, and excluding “Conditional Value-at-risk or Expected Shortfall”)
Chapter 19	Chapter 9, “Credit risk analytics” and “Credit portfolio models”	Pages 117-120 and 120-121	Pages 138-142
Chapter 20	Chapter 14, Introduction and “The Operational Risk Management Process” to “Scenario Analyses”	Pages 207-210 and 215-223	Pages 237-240 and 246-254

Chapter 22	Chapter 7, All	Pages 83-93	Pages 99-109
	Chapter 8, All	Pages 95-107	Pages 111-124 (excluding “Case Study: Barclays”)
Chapter 23	Chapter 13, “Market risk management” and “Best practices in market risk management” (excl. case study)	Pages 194-200	Pages 224-229
Chapter 24	Chapter 12, “Credit Risk Management” (excl. case study)	Pages 157-172	Pages 184-199
Chapter 25	Chapter 14, “Risk mitigation and control”, “Risk transfer and finance” and “Best practices in operational risk management” (excl. case study)	Pages 223-227	Pages 254-259 (excluding “Emerging IT Risks”)
Chapter 26	Chapter 9, from “Economic Capital” up to, but not including “Market Risk Analytics”	Pages 111-115	Pages 131-135
Chapter 27	Chapter 1, Introduction and “Cautionary tails”	Pages 9-14	Pages 12-17 (excluding “Société Générale Blindsided”)
	Chapter 12, “Case Study: EDC”	Pages 172-179	Pages 200-207
	Chapter 13, “Case Study: Market Risk Management at Chase”	Pages 200-206	Pages 230-236
	Chapter 14, “Case Study: Heller Financial”	Pages 228-233	Pages 264-270
	Chapter 17, “Lessons learned from Enron”	Pages 270-271	Pages 313-314
	Chapter 18, “Case Study: Microsoft”	Pages 287-289	Pages 333-335
	Chapter 2, “Lessons Learned”	Pages 15-22	Pages 21-29

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