FSC206 Financial Risk Management [4 Credits]

Learning Objective: *This course helps to understand and develop the necessary tools for measuring and managing various risk faced by the Financial Markets.*

UNIT 1: Introduction to Financial Risk Management (12 Hours)

The risk management framework – Lessons from Financial Disasters - Overview of different types of risk – Need of Risk Management - Current trends in Capital Markets – Risk Management Function

UNIT 2: Market Risk (12 Hours)

Market Risk Management – Definition - Types, Measuring Market Risk Using Value at Risk Models – Definition – Types - Historical, Monte Carlo Simulation – Value at Risk for Option Portfolios – Stress Testing - Back testing ***[Including Problems]***

UNIT 3: Credit Risk (12 Hours)

Credit Risk Management - Definition – Types – Credit Risk Exposure Measurement - Model Risk – Overview – Concept – Types – Management of Model Risks – Implications ***[Including Problems]***

UNIT 4: Liquidity and Operational Risk (12 Hours)

Liquidity Risk – Types – Impact – Measurement and Management of LR - Operational Risk – Typology of Operational Risks – A Four Step Measurement Process for OR – Capital Contribution for OR – Integrated OR - Concept – Types – Operational Risk Management ***[Including Problems]***

UNIT 5: Enterprise Wide Risk Management (12 Hours)

Regulatory issues in Risk Management: Risk Management norms to Banks – Organisation structure for Risk Management for Market & Credit risk – SEBI Norms – Best Practices Report G-30 – Enterprise Wide Risk Management – Risk Reporting and Communication Bank for International Settlement (BIS) : Basel I, II & III – Three Pillar Framework – New BIS Capital Requirements for Financial Risks – Discussion on Case Studies ***[Including Problems]***

Suggested Readings:

1. Frank K Reilly, Keith C Brown - Investment Analysis and Portfolio Management- 5th Edition
2. Reynolds-Parker, Virginia - Managing Hedge Fund Risk: From the Seat of the Practitioner: Views from Investors, Counterparties, Hedge Funds and Consultants
3. Philippe Jorion, Value at Risk, 3rd Ed
4. Philippe Jorion – Financial Risk Manager Handbook, GARP, Wiley Finance, 6th Edition
5. Glyn Holton, Value at Risk
6. Richard Levin & David Rubin – Statistics for Management 7th Ed
7. Satyajit Das – Swaps/Financial Derivatives – Products Pricing, Applications and Risk Management, 3rdEdition, Volume I
8. Kevin Dowd – Measuring Market Risk, 2nd Ed