

Asian Institute of Technology
School of Management
Professional Masters in Banking and Finance (PMBF)

Risk Management

Course Objective:

An investment institution or a bank will primarily focus on mitigating the risk, as it is too costly. Minimizing the cost of risk to an optimum level means, increasing the value of an entity. However, risk transfer also has a cost and the objective is to minimize this cost while at the same time minimizing the risk. The course will expose the participants to various risk management concepts, tools, and techniques in a global context.

Learning Outcomes:

It is expected that this course will enable students to (during and at the end of this course):

1. Identify and distinguish various kinds of risks
2. Effectively handle a comprehensive risk management issue using relevant tools and techniques.
3. Analyse and implement a risk management practice for a bank/institution
4. Comfortably handle the various instruments used in risk mitigation
5. Manage risk through hedging and Asset and Liability Management (ALM).

Pre-requisite(s): None

Course Outline:

- I. Identification of risks
 1. Risk and Return
 2. Risks of financial intermediation
 3. Enterprise risk management
 4. Interest rate risk
 5. Market risk
 6. Credit risk
 7. Off-balance sheet risk
 8. Technology and operational risks
 9. Liquidity risks
 10. Sovereign risks



11. Foreign exchange risk

II. Risk mitigation methods/instruments

1. Insurance
2. Options
3. Futures and forwards
4. Caps, floors, collars
5. Swaps
6. Securitization
7. Value at Risk (VaR)

Learning Resources:

Textbook(s):

Hull, John C.:

Risk Management and Financial Institutions, Wiley (3rd Edition), 2012

Lecture notes and handouts provided by the instructor.

Reference Books:

Saunders, A. and M. Cornett:

Financial institutions management: A risk management approach, New York, McGraw-Hill (6th edition), 2008.

Harrington, S. and G. Niehaus:

Risk management and insurance, New York, McGraw-Hill (2nd edition), 2008.

Steve L. Allen:

Financial risk management: A practitioner's guide to managing market and credit risk, Hoboken, NJ, Wiley, 2003.

Journals and Magazines:

Journal of risk
Journal of risk management
Applied Journal of Corporate Finance
Journal of Banking and Finance
Journal of Economic Studies
Journal of Asset Management
Harvard Business Review.

Teaching and Learning Methods: lectures, classroom exercises and presentations, simulation, and home assignments.

Time Distribution and Study Load: Specify the number of hours for lectures, tutorials/exercises, laboratory, case study, fieldwork, home study, etc. For every one hour lecture, students are expected to spend at least three hours of self-study.

Lecture:	30 hours
Tutorials/Exercises:	35 hours
Case study:	15 hours
Home study:	100 hours

Evaluation Scheme:

The final grade will be computed from the following constituent parts:

Mid-term exam:	30%
Final exam:	40%
Assignments:	30%

Open/closed-book examination is used for both mid-term and final exams.

Grading system

Grade	Definition	Grade Points
A	<i>Excellent.</i> Thorough knowledge and mastery of concepts and/or techniques together with a high degree of skill and/or great originality in satisfying the requirements of a piece of work or course.	4.00
B+	<i>Very Good.</i> Thorough knowledge and mastery of concepts and/or techniques together with a fairly high degree of skill in the use of those concepts and techniques in satisfying the requirements of a piece of work or course.	3.50
B	<i>Good.</i> Good level of knowledge or mastery of concepts and/or techniques with a considerable skill in using them in satisfying the requirements of a piece of work or course.	3.00
C+	<i>Near Competent.</i> Level of knowledge or mastery of concepts and/or techniques requires more efforts to satisfy the requirements of a piece of work or course.	2.50
C	<i>Deficient.</i> Level of knowledge or mastery of concepts and/or techniques requires intensive efforts to satisfy the requirements of a piece of work or course.	2.00
D	<i>Highly Deficient.</i> Knowledge or mastery of concepts and /or techniques and understanding of the subject matter unacceptably low.	1.00



F	<i>Failing.</i> Very poor with very limited knowledge or limited mastery and understanding of concepts and/or techniques; comprehension of the subject matter is very limited.	0
I	<i>Incomplete.</i> Course may be completed at a later time without prejudice	-

Instructor(s): Faculty/ Visiting Faculty/ Adjunct Faculty of School of Management