

FIN6930 Financial Risk Management

Course Description: This course is a practical introduction to the main concepts of risk management, namely market, credit, liquidity, operational, legal and regulatory, business, strategic, and reputation risk. However, the bulk of the course will focus on financial market and credit risk. The course will make little use of mathematical formalism and will emphasize intuitive *quantitative* arguments. We will briefly review fundamental results of modern finance including portfolio selection theory, the capital asset pricing and the Black-Scholes option-pricing models, and the Modigliani-Miller theorem of corporate finance.

Topics covered:

- moral hazard and adverse selection
- corporate risk management
- banks and regulations
- Value-at-Risk
- Basel Accords
- operational risk
- model risk
- credit risk
- interest-rate risk
- options risk
- Risk-adjusted performance evaluation

Prerequisites: FIN 5437, FIN 5439, or MSF student.

Required textbook:

Title: The Essentials of Risk Management
Authors: Michel Crouhy, Dan Galai, and Robert Mark
Publisher: McGraw-Hill
Year: 2006
ISBN 0-07-142966-2

Recommended textbook:

Title: Financial Risk Management: a practitioner's guide to managing market and credit risk
Author: Steven Allen
Publisher: Wiley and Sons
Year: 2003
ISBN 0-471-21977-0

Grading:

Weekly homework assignment (30%), an end-of-module exam (50%) and class participation (20%).