**Financial Risk Management**

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| Resource Person: | **Ramla Sadiq** |
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| Contact Hours: |  |
| Office Address: | 3N09 |
| Program: |  |
| Section: |  |
| Semester: | Spring 2024 |
| Course Pre-requisites: | All Accounting and Finance courses |
| Credit Hours: | 3 |
| Course Type: | Undergraduate |
| Venue/Day/Time: |  |
| Course URL (if any): |  |

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| **Course Description:** |
| Financial Risk Management is a comprehensive course designed to provide students with a solid foundation in understanding and managing various types of financial risks faced by organizations. The course covers key concepts, theories, and practical applications related to risk management, with a focus on the topics outlined in the Financial Risk Manager (FRM) Level 1 curriculum. Students will be introduced to fundamental concepts and principles, including market risk, credit risk, and operational risk, and will learn about risk measurement techniques such as value at risk (VaR) and stress testing. Through a combination of lectures, readings, case studies, and practical exercises, students will develop the ability to apply quantitative techniques to assess and mitigate financial risks. |

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| **Course Teaching Methodology:** |
| Teaching methodology for the course is designed to augment participants’ learning through (a) reading & discussion, (b) observation, and (c) experimentation. Besides readings, lectures, and discussions, in-class personal assessment exercises will be conducted.   1. Lectures and Discussions 2. Class Activities 3. Videos 4. Self-assessment exercises 5. Case based teaching |

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| **Programme Educational Objectives (POs):** | |
| PO1: | To develop effective Teamwork and Leadership Skills |
| PO2: | To inculcate Critical Thinking and effective Decision-Making skills |
| PO3: | To develop Effective Communication Skills |
| PO4: | To polish Core Business Knowledge and Competence |
| PO5: | To expose and inculcate Ethical Behavior and Social Responsibility |
| PO6: | To provide real-life work experiences. |
| PO7: | To provide global perspectives. |

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| **Programme Learning Outcomes (PLOs):**  **After completing this degree programme, students shall be able to:** | | **Mapping the PLOs with POs** |
| PLO1 | Work effectively in teams and understand group processes, leadership, conflict, power and culture in organization. | PO1, PO5, PO6 |
| PLO2 | Use analytical and reflective thinking techniques. | PO2, PO4, PO6 |
| PLO3 | Apply appropriate quantitative and qualitative techniques in solving business problems. | PO2, PO3, PO4, PO5, PO6 |
| PLO4 | Draft effective business documents and prepare and deliver effective oral business presentations using the variety of appropriate technologies. | PO1, PO3, PO6 |
| PLO5 | Demonstrate competency in the underlying concepts, theory and tools taught in the core undergraduate curriculum. | PO4, PO5, PO6, PO7 |
| PLO6 | Identify and analyze ethical conflicts and social responsibility issues involving different stakeholders. | PO5, PO6 |
| PLO7 | Understand the dynamics of industry and understand business as an integrated system and apply strategic planning tools. | PO2, PO3, PO6 |
| PLO8 | Identify and analyze relevant global factors that influence decision making in an international business setting. | PO6, PO7 |

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| **Course Objectives (COs)** | | |
| CO-1 | Understand the key concepts and principles of financial risk management, including different types of risks, measurement techniques, and regulatory requirements. | |
| CO-2 | Describe and analyze the process of market risk measurement and management, including the use of value at risk (VaR) and stress testing methodologies. | |
| CO-3 | Explain the principles of credit risk measurement and management, including the use of credit scoring models and default probability estimation techniques. | |
| CO-4 | Apply quantitative techniques, such as statistical analysis and modeling, to assess and mitigate financial risks in various market conditions. | |
| **Course Learning Outcomes (CLOs):**  **After completing this course, students shall be able to:** | | |
|  | | **Mapping the CLOs with PLOs** |
| CLO-1 | Define key concepts and principles of financial risk management, including risk types, measurement techniques, and regulatory requirements. | PLO1, PLO-3 |
| CLO-2 | Describe the process of market risk measurement and management, including the use of value at risk (VaR) and stress testing methodologies. | PLO2, PLO-3 |
| CLO-3 | Explain the principles of credit risk measurement and management, including credit scoring models and default probability estimation techniques. | PLO1 |
| CLO-4 | Apply quantitative techniques such as statistical analysis and modeling to assess and mitigate financial risks in various market conditions. | PLO-1, PLO-4 |
| CLO-5 | Analyze case studies and real-world scenarios to evaluate risk management strategies and their effectiveness in different contexts. | PLO-3, PLO-4, PLO-6 |

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| **Assurance of Learning and Assessment Items:**  *Specify Assessment Items that will assure student learning through application and achieve objectives of specific PLOs / COs / CLOs* | |
| **Assessment Item** | **Application/ Objectives**  **PLO / CO / CLO** |
| Case Studies/Assignments | CLO – 1,2,3,4,5,6 |
| Projects | CLO – 1,2,3,4,5,6 |
| Midterm | CLO – 1,2,3 |
| Final Exam | CLO – 1,4,5,6 |

**Grade Evaluation Criteria**

Following are the criteria for the distribution of marks to evaluate final grade in a semester

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| **Assessment Tools** | **Assessment Details** | **% age** |
| Assignments/Case Studies | Case Study / Assignments relating to the outcomes of the topics covered will be turned in periodically. | 10% |
| Quizzes | Quizzes relating to the outcomes of the topics covered will be turned in periodically. | 20% |
| Midterm Exam | Will constitute of the topics covered up till the 7th Session. The Exam will have an objective portion (MCQ’s) and a subjective part comprising of short answers, detailed implied, scenario based or case based questions. | 30% |
| Final Exam |  | 40% |

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| **STUDENTS ARE REQUIRED TO READ AND UNDERSTAND ALL ITEMS OUTLINED IN THE PARTICIPANT HANDBOOK**  **Class Policy: -**   * Be on Time   You need to be at class at the assigned time. After 10 minutes past the assigned time, you will be marked absent.   * Mobile Policy   **TURN OFF YOUR MOBILE PHONE!** It is unprofessional to be texting or otherwise.   * Email Policy   **READ YOUR EMAILS!** You are responsible if you miss a deadline because you did not read your email.  Participants should regularly check their university emails accounts regularly and respond accordingly.   * **Class Attendance Policy**   A minimum of 80% attendance is required for a participant to be eligible to sit in the final examination. Being sick and going to weddings are absences and will not be counted as present. You have the opportunity to use 6 absences out of 30 classes. Participants with less than 80% of attendance in a course will be given grade ‘F’ (Fail) and will not be allowed to take end term exams. International students who will be leaving for visa during semester should not use any days off except for visa trip. Otherwise they could reach short attendance.   * **Moodle**   UMT –LMS (Moodle) is an Open Source Course Management System (CMS), also known as a learning Management System (LMS). Participants should regularly visit the course website on MOODLE Course Management system, and fully benefit from its capabilities. If you are facing any problem using Moodle, visit <http://oit.umt.edu.pk/moodle>. For further query send your queries to [moodle@umt.edu.pk](mailto:moodle@umt.edu.pk)   * **Harassment Policy**   Sexual or any other harassment is prohibited and is constituted as punishable offence. Sexual or any other harassment of any participant will not be tolerated. All actions categorized as sexual or any other harassment when done physically or verbally would also be considered as sexual harassment when done using electronic media such as computers, mobiles, internet, emails etc.   * **Use of Unfair Means/Honesty Policy**   Any participant found using unfair means or assisting another participant during a class test/quiz, assignments or examination would be liable to disciplinary action.   * **Plagiarism Policy** All students are required to attach a “Turnitin” report on every assignment, big or small. Any student who attempts to bypass “Turnitin” will receive “F” grade which will count towards the CGPA. The participants submit the plagiarism report to the resource person with every assignment, report, project, thesis etc. If student attempts to cheat Turnitin, he/she will receive a second “F” that will count towards the CGPA. There are special rules on plagiarism for final reports etc. all outlined in your handbook. * **Withdraw Policy**   Students may withdraw from a course till the end of the 12th week of the semester. Consequently, grade W will be awarded to the student which shall have no impact on the calculation of the GPA of the student. A Student withdrawing after the 12th week shall be automatically awarded “F” grade which shall count in the GPA.   * **Communication of Results**   The results of quizzes, midterms and assignments are communicated to the participants during the semester and answer books are returned to them. It is the responsibility of the course instructor to keep the participants informed about his/her progress during the semester. The course instructor will inform a participant at least one week before the final examination related to his or her performance in the course. |

**Calendar of Course contents to be covered during semester**

| **Week** | **Topic** | **Subtopics and Readings from Schweser Notes** | **Schweser Book** | **CLO Linked to Week** |
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| 1 | Foundations of Risk Management | Introduction to Risk Management, Organizational Structure, Risk Management Function | Book 1 | 1 |
| 2 | Quantitative Analysis | Probability Concepts, Probability Distributions, Sampling and Estimation | Book 1 | 4 |
| 3 | Quantitative Analysis (cont'd) | Hypothesis Testing, Correlation Analysis, Linear Regression | Book 1 | 4 |
| 4 | Financial Markets and Products | Types of Financial Markets, Financial Products, Trading Mechanisms | Book 1 | 1 |
| 5 | Valuation and Risk Models | Time Value of Money Concepts, Discounted Cash Flow Applications, Statistical Concepts | Book 1 | 1 |
| 6 | Valuation and Risk Models (cont'd) | Overview of Risk Management, Risk Management Framework, Risk Management Standards | Book 2 | 1 |
| 7 | Valuation and Risk Models (cont'd) | Capital Budgeting, Cost of Capital, Capital Structure Decisions | Book 2 | 1 |
| 8 | Valuation and Risk Models (cont'd) | Dividend Policy, Measures of Leverage, Working Capital Management | Book 2 | 1 |
| 9 | Market Risk | Market Risk Metrics, Market Risk Capital, Value at Risk (VaR) | Book 2 | 2 |
| 10 | Market Risk (cont'd) | Stress Testing, Scenario Analysis, Model Risk Management | Book 2 | 2 |
| 11 | Credit Risk | Credit Analysis, Credit Risk Measurement, Credit Risk Mitigation | Book 3 | 3 |
| 12 | Credit Risk (cont'd) | Credit Portfolio Management, Securitization, Credit Risk and Basel Accords | Book 3 | 3 |
| 13 | Operational and Integrated Risk Management | Operational Risk Framework, Risk Assessment and Quantification, Risk Monitoring and Reporting | Book 3 | 5 |
| 14 | Risk Management and Investment Management | Investment Management Process, Asset Allocation, Portfolio Performance Evaluation | Book 3 | 5 |
| 15 | Current Issues in Financial Markets and Risk Management | Current Trends in Risk Management, Regulatory Issues, Emerging Risks | Book 3 | 5 |

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| **Primary Text Book (s):** |
| **"Risk Management and Financial Institutions, 5th Edition"** by John C. Hull  *Schweser Notes FRM* |

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| **Reference / Supplementary Reading (s):** |
| **"Financial Risk Manager Handbook, 6th Edition"** by Philippe Jorion |

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