



University of Management *and* Technology

FN 480 Financial Risk Management

Resource Person:	
Email:	
Contact Hours:	
Office Address:	
Programme:	BBA
Section:	
Semester:	
Course Pre-requisites:	All Accounting and Finance courses
Credit Hours:	3
Course Type:	Undergraduate
Venue/Day/Time:	
Course URL (if any):	

Course Description:

Financial Risk Management is a comprehensive course designed to equip students with the knowledge and skills necessary to identify, assess, and mitigate various types of risks faced by financial institutions. This course explores the fundamental concepts, theories, and practical techniques related to risk management in the financial industry. Students will gain a deep understanding of market risk, credit risk, liquidity risk, and interest rate risk, along with the regulatory framework that governs risk management practices.

Throughout the course, students will examine real-world case studies, industry best practices, and the latest advancements in risk management. They will learn how to apply risk measurement and modelling techniques, develop risk mitigation strategies, and make informed decisions to optimize risk-return trade-offs. By the end of the course, students will possess the necessary skills to effectively manage risks and contribute to the sustainable growth of financial institutions.

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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.
<ol style="list-style-type: none"> 1. Lectures and Discussions 2. Class Activities 3. Videos 4. Self-assessment exercises 5. Case based teaching

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.

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

Course Objectives (COs)	
CO-1	To understand the fundamental concepts and theories of financial risk management, including various types of risks faced by financial institutions.

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CO-2	To apply quantitative and qualitative methods to assess and measure different types of risks in financial institutions.
CO-3	To develop effective risk mitigation strategies and techniques to manage and control risks within acceptable levels.
CO-4	To analyze and interpret regulatory frameworks and compliance requirements related to risk management in the financial industry.
CO-5	To apply critical thinking and problem-solving skills to evaluate real-world risk management scenarios and make informed decisions.
Course Learning Outcomes (CLOs): After completing this course, students shall be able to:	
	Mapping the CLOs with PLOs
CLO-1	To demonstrate a comprehensive understanding of the key concepts and theories of financial risk management, including market risk, credit risk, liquidity risk, and interest rate risk.
CLO-2	To apply quantitative techniques, such as VaR modeling and stress testing, to assess and measure risks in financial institutions accurately.
CLO-3	To develop risk mitigation strategies and recommendations that effectively address specific risk exposures faced by financial institutions.
CLO-4	To evaluate the regulatory landscape governing risk management practices in the financial industry and demonstrate compliance awareness.
CLO-5	To analyze complex risk management scenarios, integrate theoretical knowledge with practical applications, and make informed decisions to optimize risk-return trade-offs.

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

Grade Evaluation Criteria

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

Assessment Tools	Assessment Details	% age
Assignments/ Case Studies	Case Study / Assignments relating to the outcomes of the topics covered will be turned in periodically.	20%
Project		40%

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Midterm Exam	Will constitute of the topics covered up till the 7 th 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%
Viva		10%

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
- **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,

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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.

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Calendar of Course contents to be covered during semester

Week	Topic to be covered	Learning Objective(s)	Teaching Method	Assessment Criteria	Deadlines
1	Introduction to Risk Management CLO1	Introduction to Risk Management	Lecture		
2	Financial Institutions and Their Risk Exposures CLO-1,2,3	Financial Institutions and Their Risk Exposures	Lecture/ Assignment	Assignment (Hull Chapter 2 – End of Chapter Questions)	End of Week 2
3	Financial Institutions and Their Risk Exposures CLO-1,2,3	Understanding financial crises and their impact on the economy Causes and consequences of the subprime mortgage crisis Lessons learned from the subprime debacle	Lecture/ Assignment	Assignment (Hull Chapter 3 – End of Chapter Questions)	End of Week 3
4	Regulation of Financial Institutions CLO-1,2,3	Overview of financial regulations and their objectives Role of regulatory bodies and their impact on risk management Compliance requirements and challenges for financial institutions	Lecture/ Class Activity/ Assignment	Assignment (Hull Chapter 4 – End of Chapter Questions)	End of Week 4
5	Types of Risks Incurred by Financial Institutions CLO-1,2,3	Market risk and its measurement techniques Credit risk and its assessment methods Liquidity risk and its management strategies	Lecture/ Class Activity/ Assignment	Assignment (Hull Chapter 5 – End of Chapter Questions)	End of Week 5
6	Interest Rate Risk I CLO-1,2,3	Understanding interest rate risk and its sources Measurement and management of interest rate risk Hedging strategies for mitigating interest rate risk	Lecture/Class Activity/ Assignment	Assignment (Hull Chapter 6 – End of Chapter Questions)	End of Week 6
7	Interest Rate Risk II CLO-1,2,3	Duration and convexity as measures of interest rate risk	Lecture/Class Activity/ Assignment	Assignment (Hull Chapter 7 – End of Chapter Questions)	

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		Immunization strategies for managing interest rate risk Term structure models and their implications for interest rate risk		Questions)	
8					
9	Credit Risk: Individual Loan Risk CLO-1,4,5	Fundamentals of credit risk and credit analysis Credit rating methodologies and credit scoring models Default probability estimation and credit risk mitigation techniques	Lecture/ Class Activity/ Assignment	Assignment (Hull Chapter 8 – End of Chapter Questions)	End of Week 9
10	Credit Risk: Loan Portfolio and Concentration Risk CLO-1,4,5	Assessing credit risk in loan portfolios Diversification strategies for managing concentration risk Stress testing and scenario analysis for credit risk assessment	Lecture/ Class Activity/ Assignment	Assignment (Hull Chapter 9 – End of Chapter Questions)	End of Week 10
11	Credit Risk: Default Risk and Credit VaR CLO-1,4,5	Default risk modelling and estimation techniques Credit Value at Risk (VaR) and its application in credit risk management Collateral management and credit risk mitigation tools	Lecture/ Class Activity/ Assignment	Assignment (Hull Chapter 10 – End of Chapter Questions)	End of Week 11
12	Market Risk VaR: Model-Building Approach Market Risk VaR: Historical Simulation Approach CLO-1,4,5	Value at Risk (VaR) and its role in market risk management Parametric VaR models and their assumptions Backtesting and validation of VaR models Historical Simulation as an alternative VaR approach Calculation and interpretation of Historical VaR Advantages and limitations of Historical	Lecture/ IClass Activity/ Assignment	Assignment (Hull Chapter 11 – End of Chapter Questions)	End of Week 12



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		VaR in market risk assessment			
13	Case Studies (Part 1) CLO-1,2,3,4,5				
14	Case Studies (Part 2) CLO-1,2,3,4,5				
15	REVISION CLO-1,2,3,4,5				



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Primary Text Book (s):
<i>Risk Management and Financial Institutions by John C. Hull</i>

Reference / Supplementary Reading (s):
<i>Financial Institution Management-A Risk Management Approach by Anthony Saunder and Marcia Millon Cornet</i>