Module Specification

Financial Risk Management

Version: 2021-22, v3.0, 28 Mar 2022

Contents

Part 1: Information

Module title: Financial Risk Management

Module code: UMACRK-15-M

Level: Level 7

For implementation from: 2021-22

UWE credit rating: 15

ECTS credit rating: 7.5

Faculty: Faculty of Business & Law

Department: FBL Dept of Accounting Economics & Finance

Partner institutions: None

Delivery locations: Banking Academy Vietnam, Frenchay Campus

Field: Economics

Module type: Standard

Pre-requisites: None

Excluded combinations: None

Co-requisites: None

Continuing professional development: No

Professional, statutory or regulatory body requirements: None

Part 2: Description

Overview: Not applicable

Features: Not applicable

Educational aims: The aim of the module is to provide students with an understanding of market, operational, liquidity and credit risks, their measurement and management.

In addition to the learning outcomes the educational experience may explore, develop, and practise but not formally discretely assess the following:

Facility in the use of EXCEL

Outline syllabus: Sources of risk (market, operational, liquidity, and credit risk), Basel Accords, and simple approaches to risk measurement (s.d. variance, 'Greeks')
Volatility and GARCH modelling (Using EXCEL Solver: S&P 500)
Value at Risk measures (expected shortfall, time horizon, confidence level, types of VaR measures, back testing, stress testing)
VaR (parametric and non-parametric) and historical simulation
Extreme value theory
Hedging Market Risk with derivatives (forwards, futures and options)
Credit risk (credit ratings, credit spread, historical default probabilities, estimating default probabilities from bond prices, Credit VaR, Credit Metrics, credit derivatives, CDS, CDOs)
Interest rate risk and asset/liability management (measuring interest rates, duration, yield curve, interest rate deltas)
Interest Rate Risk hedging with derivatives (FRAs, Futures and Options)
Liquidity Risk (liquidity VaR, liquidity funding risk, liquidity risk, and financial crisis)
Managing operational risk (different ways of operational risk management, steps to measuring operational risk, capital attribution for operational risk)

Part 3: Teaching and learning methods

Teaching and learning methods: A variety of teaching methods will be used, centred on lectures, lectorials, workshops and seminars. Some topics will be explored through workshop sessions using EXCEL.

A variety of teaching methods will be used. Students will be confronted with a series of practical exercises which will enable them to build up a range of valuation and other analytical techniques.

Students will be actively encouraged to make themselves familiar with the study skills web pages and in particular to read widely around the subject matter. Active use will be made of the Blackboard facilities.

Module Learning outcomes: On successful completion of this module students will achieve the following learning outcomes.

MO1 Explain and assess different sources of financial and operational risks

MO2 Understand and critically apply the fundamental concepts of hedging with derivatives

MO3 Apply and critically assess simple and complex risk measurement techniques

MO4 Critically evaluate different forms of market risk and their measurement and management

MO5 Understand and evaluate yield curves and calculate duration and convexity measures

Hours to be allocated: 150

Contact hours:

Independent study/self-guided study = 114 hours

Face-to-face learning = 36 hours

Total = 150

Reading list: The reading list for this module can be accessed at readinglists.uwe.ac.uk via the following link https://uwe.rl.talis.com/modules/umecrk-15-m.html

Part 4: Assessment

Assessment strategy: There will be both formative and summative assessment on the module. The formative assessment will be through continuous feedback on tutorial and workshop exercises whilst the summative assessment will be through an

exam. The major part of the examination will require students to write an analysis of selected risk management problems. The analysis will require students to show that they can apply concepts and principles that have been discussed in the course but will not be limited to technical applications.

Assessment components:

Examination - Component A (First Sit)
Description: Time constrained online exam: 3 hour exam in a 4 hour window
Weighting: 100 %
Final assessment: Yes
Group work: No
Learning outcomes tested: MO1, MO2, MO3, MO4, MO5

Examination - Component A (Resit)
Description: Time constrained online exam: 3 hour exam completed in a 4 hour window
Weighting: 100 %
Final assessment: Yes
Group work: No
Learning outcomes tested: MO1, MO2, MO3, MO4, MO5

Part 5: Contributes towards

This module contributes towards the following programmes of study:

Finance [Sep][FT][Frenchay][1yr] MSc 2021-22

Finance and Investment [Sep][FT][Frenchay][1yr] MSc 2021-22

Finance [Sep][FT][BAV][1yr] MSc 2021-22

Finance [Sep][PT][Frenchay][3yrs] MSc 2020-21