

**MODULE SPECIFICATION**

Part 1: Basic Data					
Module Title	Credit Risk Analysis and Management				
Module Code	UMAD5W-15-3	Level	3	Version	1
Owning Faculty	FBL	Field	Accounting and Finance		
Contributes towards	BA (Hons) Accounting & Finance, BA(Hons) Business Studies with Accounting & Finance, BA (Hons) Banking and Finance				
UWE Credit Rating	15	ECTS Credit Rating	7.5	Module Type	Standard
Pre-requisites	None		Co- requisites		
Excluded Combinations			Module Entry requirements		
Valid From	September 2013		Valid to		


CAP Approval Date	23/4/12
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Part 2: Learning and Teaching	
Learning Outcomes	<p>Overall, the purpose of this module is to introduce students to the concept of credit risk and acquaint them with the theoretical as well as practical applications with a view to efficiently analysing, reporting and managing credit risk. At the same time, the module aims to enable students to develop an appreciation for the subject area of credit risk, its potential and practical significance and inspire students to actively pursue research in this area and remain up-to-date with the rapid developments in the various constituent areas of credit risk.</p> <p>Specifically, on successful completion of this module students will be able to:</p> <ul style="list-style-type: none"> • Recognise and explain the importance of financial risk management and the role of credit management in a risk management and regulatory framework (A and B) • Critically discuss the different approaches to credit risk modelling and the associated theoretical and operational issues with each (A and B) • Demonstrate a good understanding of the main concepts in credit risk that are probability of default, loss given default and exposure at default and be able to apply a variety of models for their accurate measurement (A and B) • Carry out a comprehensive financial ratio and cash flow analysis of any company to try and quantify credit risk (A and B) • Research, explain and apply various credit risk assessment techniques in a number of different industries (corporate, consumer, sovereign) (A and B) • Demonstrate an understanding of the application of portfolio theory in a credit risk context and appreciate the practices developed to overcome the associated problems (A and B) • Identify, understand, discuss, critically assess and employ credit

	<p>derivatives to mitigate credit risk (A and B)</p> <ul style="list-style-type: none"> • Familiarise themselves with the regulatory framework governing credit risk from a financial institution's perspective and demonstrate a solid grasp and ability to apply different approaches used by regulators (A and B) • Critically appraise the role of volatility and correlation in credit risk and exhibit the ability to empirically apply methods, such as Value At Risk (VaR) to successfully report and manage credit risk (A and B) <p>In addition, the educational experience may explore, develop, and practise, <u>but not formally discretely assess</u>, the following:</p> <ul style="list-style-type: none"> • Communication of information, ideas, arguments, concepts, theories and development of an argument in a clearly and effectively organised essay or report. • Use of IT and computer skills in the identification of source material, capture and manipulation of data and support of research. • Planning and undertaking tasks, developing criteria to evaluate performance and seeking and making use of feedback.
Syllabus Outline	<ul style="list-style-type: none"> • Financial Risk Management <ul style="list-style-type: none"> ○ Basic risk types and key measurement tools ○ Creating value with financial risk • Credit Risk Management <ul style="list-style-type: none"> ○ Introduction to Credit Risk Management ○ Credit Risk Assessment Framework • Approaches to Credit Risk Management <ul style="list-style-type: none"> ○ Empirical modelling (incl. market-based models) ○ Structural modelling ○ Reduced-form modelling • The main credit risk equation $EL = PD \times LGD \times EAD$ <ul style="list-style-type: none"> ○ Expected and Unexpected Losses (EL and UL) ○ Modelling of Probability of Default (PD) ○ Modelling of Loss Given Default (LGD) ○ Modelling of Exposure at Default (EAD) • Credit ratings / credit scoring <ul style="list-style-type: none"> ○ A taxonomy of credit ratings (external, internal, market-based, sovereign) ○ Accounting, financial, market-based and cash flow ratio analysis; analytic relationship models ○ Credit risk scorecards • Credit risk portfolio management <ul style="list-style-type: none"> ○ Modern Portfolio Theory (MPT) revisited ○ Portfolio Effects in Credit Risk: Risk Contributions and Unexpected Losses • Value-At-Risk (VaR) and Credit VaR <ul style="list-style-type: none"> ○ Introduction to VaR ○ VaR modelling approaches (correlation, historical simulation and Monte Carlo simulation) ○ Credit VaR models, backtesting and stress testing • Financial Derivatives <ul style="list-style-type: none"> ○ Introduction to financial derivatives ○ The binomial tree approach ○ The Black-Scholes-Merton model ○ Introduction to the "Greeks" • Credit derivatives <ul style="list-style-type: none"> ○ A taxonomy of credit derivatives (CDOs, CDSs, CLNs, etc) ○ The Structuring Process and Securitisation • The Regulatory View of Credit Risk <ul style="list-style-type: none"> ○ Capital and regulation ○ From Basel I to Basel III ○ <input type="checkbox"/> Regulatory aspects of securitisation

CORPORATE AND ACADEMIC SERVICES

Contact Hours/Scheduled Hours	Module delivery will be based on 3 hours of scheduled learning and teaching activities per teaching week.								
Teaching and Learning Methods	<p>Formal contact between lecturers and students will be through lectures and workshops each week.</p> <p>The main purpose of the lectures will be to convey core material and engage students in critical thinking over the theories and practices relating to credit risk and its management.</p> <p>The workshops, tutorials and other organised learning activities will aim to enable students to apply the knowledge gained in the lectures and also emulate industry models and practices in a facilitated environment. Specific emphasis will be placed on the use of modern technologies for the purposes of credit risk analysis and management.</p> <p>Online discussion boards, reference to professional associations (e.g. GARP), use of professional websites (e.g. www.defaultrisk.com) will allow students to keep up-to-date with the developments in the area of credit risk and also reflect upon and elaborate on issues that will be covered in the module. The module team will rely extensively on current financial and credit related news to form the backdrop against which the discussion will take place and theories will be sought to be put into practice.</p> <p>Furthermore, students will be actively directed towards the University Library online Study Skills resources, namely mySkills (www.uwe.ac.uk/library/resources/hub/) for the development of academic as well as generic skills appropriate to the level and style of the module.</p> <p>Students will be directed on how the resources on this site should be used to develop the skills that will underpin their studies in the module handbook and/or via Blackboard.</p> <table data-bbox="448 1205 1310 1323"> <tr> <td>Lectures:</td> <td>1 hour per week, total 12 hours*</td> </tr> <tr> <td>Workshops:</td> <td>2 hours per week, total 24 hours*</td> </tr> <tr> <td>Independent Study:</td> <td>114 hours</td> </tr> <tr> <td>Total hours:</td> <td>150 hours</td> </tr> </table> <p>* This breakdown of delivery is only indicative. The module team reserves the right to amend the balance of lectures and workshops as it sees fit for the achievement of the learning outcomes of the module.</p> <p><u>Independent Study</u> includes, but is not necessarily restricted to, engaging in essential reading, workshop preparation, contribution to online discussion, development of academic and generic skills, assignment preparation and completion, research required for the purposes of the module, keeping up-to-date with credit risk developments and examination preparation.</p>	Lectures:	1 hour per week, total 12 hours*	Workshops:	2 hours per week, total 24 hours*	Independent Study:	114 hours	Total hours:	150 hours
Lectures:	1 hour per week, total 12 hours*								
Workshops:	2 hours per week, total 24 hours*								
Independent Study:	114 hours								
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Key Information Sets Information	Key Information Sets (KIS) are produced at programme level for all programmes that this module contributes to, which is a requirement set by HESA/HEFCE. KIS are comparable sets of standardised information about undergraduate courses allowing prospective students to compare and contrast between programmes they are interested in applying for.								

Key Information Set - Module data						
Number of credits for this module					15	
Hours to be allocated	Scheduled learning and teaching study hours	Independent study hours	Placement study hours	Allocated Hours		
150	36	114	0	150		

The table below indicates as a percentage the total assessment of the module which constitutes a -

Written Exam: Unseen written exam, open book written exam, In-class test
Coursework: Written assignment or essay, report, dissertation, portfolio, project
Practical Exam: Oral Assessment and/or presentation, practical skills assessment, practical exam

Please note that this is the total of various types of assessment and will not necessarily reflect the component and module weightings in the Assessment section of this module description:

Total assessment of the module:	
Written exam assessment percentage	60%
Coursework assessment percentage	40%
Practical exam assessment percentage	0%
	100%

Reading Strategy	Reading list link https://uwe.rl.talis.com/modules/umad5w-15-3.html
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Part 3: Assessment

Assessment Strategy	The module will be assessed by means of an unseen 3-hour closed-book written exam (60%) and a written individual coursework assessment (40%). Non-assessed formative feedback will be provided in class group work and individual practical problems that students will be expected to attempt most weeks.		
Identify final assessment component and element	Component A		
% weighting between components A and B (Standard modules only)	A:	B:	
	60%	40%	
First Sit			
Component A (controlled conditions) Description of each element	Element weighting (as % of component)		
1. Examination (3 hours)	100%		
Component B Description of each element	Element weighting (as % of component)		
1. Individual Business Report (2,000 words)	100%		

CORPORATE AND ACADEMIC SERVICES

Resit (further attendance at taught classes is not required)	
Component A (controlled conditions) Description of each element	Element weighting (as % of component)
1. Examination (3 hours)	100%
Component B Description of each element	Element weighting (as % of component)
1. Individual Business Report (2,000 words)	100%
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