

# Syllabus - Financial Risk Management

Dr. Andre Guettler

## Course Description

This course deals with the ways in which different risk sources are quantified and managed by financial institutions. Among the topics covered are market risk, credit risk, and operational risk. Special attention is also paid to the credit derivatives market. The course will moreover cover various smaller case studies that help to understand the current financial crisis. To overcome the rather quantitative nature of the topics, the course relies heavily on MS Excel-based exercises and an extensive case study.

## Textbook

“Risk Management and Financial Institutions”, John Hull (Pearson, 1<sup>st</sup> edition).

## Covered Topics

- 1) Basel II  
Purpose: Understand different risk sources of financial institutions
- 2) Credit Risk Management - Rating Systems  
Purpose: Learn how credit risk of individual obligations can be measured through ratings
- 3) Credit Risk Management - Portfolio Models  
Purpose: Learn how credit risk can be measured on the portfolio level
- 4) Credit Derivatives  
Purpose: Understand Credit Default Swaps (CDS) based on the HBS case study “First American Bank: Credit Default Swaps”
- 5) Market Risk Management  
Purpose: Learn how market risk of different financial instruments can be measured
- 6) Operational Risk  
Purpose: Learn how a financial institution’s operational risk can be estimated

## Grading

A final exam will contribute 50% to the final grade. The remaining 50% are based upon two pieces of group works. 20% of the final grade will be based upon a group presentation. You will have ten minutes to present a topical newspaper article that is relevant for Financial Risk Management. These presentations will always be the kick-off for each lecture. Additionally, we will go through an HBS case study. Based on the classroom solution, you should write a case assignment that will contribute another 30% to the final grade.