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| **Title** | | | | **Risk Management for Banks** | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| **Lecturer** | | | | **Livia Pancotto** | | | | | | | | | | | | Tutor | | | Livia Pancotto | | | | | | | | | | | | | |
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|  | | Code | | | AG919 | | | | | Semester | | 2 | | Weeks | | | | | | 6 – 11 | | | | Credits | | | 10 | | |  | | |
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|  | **Assessment** | | | | | |  | | Examination | | | 70% | | | | |  | Coursework | | | | 30% | | |  | Test | | |  | |  | |
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|  | Finance | | N/A | | |  | | Int. Banking & Fin. | | | Compulsory | |  | | Investment & Fin. | | | | | N/A |  | | Int. Accounting & Fin. | | | | | N/A | | | |  |
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## CLASS AIMS

The aim of this class is to further develop the analysis of risk introduced in the core finance class and to introduce students to some specific risk management techniques employed in practice within banks. It provides an overall view of risk management, but will primarily focus on the application of the analysis within the context of the banking sector. The class employs some of the basic principles of financial analysis to consider the application of risk analysis. The class explores issues related to risk management in the banking sector, with a particular focus on the regulatory requirements stemming from the Basel Accords.

## LEARNING OUTCOMES

The class provides opportunities for students to develop and demonstrate knowledge, understanding and skills in the following areas:

**i) Knowledge Based Outcomes:**

On completion of the class students should be able to:

* identify and evaluate the nature of the risk exposure of banks;
* identify the main risks that banks face and understand their interconnected nature;
* analyse the main risks in banking activity, the related metrics and main management tools;
* understand the concept of integrated risk management in banks;
* appreciate the aggregate risk exposure of banks;
* understand the role of risk management in corporate governance;
* appreciate the nature and causes of prior financial/banking crises (e.g. 2007-Global Financial Crisis) and risk management failures;
* understand the most recent key events in the international banking landscape.

**ii) Skills Outcomes:**

On completion of this class students should be able to demonstrate that they can:

* identify problems and opportunities arising from recent developments in the international banking landscape;
* evaluate how banks evolve in an uncertain and developing regulatory and economic environment;
* appreciate the implications of a rapidly changing environment for bank risk management;
* reconcile academic theory with practice and understand the rationale for evolving risk management techniques;
* research in depth on banking topics;
* read and appraise academic papers.

**TEACHING AND LEARNING**

There are 15 contact hours and the teaching will be organized on the basis of lectures and workshops. In order to achieve the learning outcomes, students will be engaged in formal class contact, directed and independent reading and the use of electronic resources. The formal class contact time will be used to introduce the main topics of bank risk management. The workshops will reinforce and extend the topics covered during the lectures, while providing an opportunity to explore some of the most recent developments in the international banking landscape.

**ASSESSMENT**

The assessment is based on an assignment and a final examination. The assignment will account for 30% of the overall assessment and the final examination will account for 70% of the overall assessment. The final examination will take place in the April/May diet of examinations and last two hours (practical details to follow). Any reassessment will be via a re-sit exam of the same format as the main exam. Assignment details will be communicated in the first weeks of the course.

**READINGS**

***Main text***:

Saunders A. & Cornett, M. 2018. Financial Institutions Management: A Risk Management Approach, 9th Edition, *McGraw-Hill Education*.

***Support readings***:

Allen, L., Boudoukh, J. & Saunders, A. 2004. Understanding Market, Credit and Operational Risk: The Value at Risk Approach, *Wiley-Blackwell*.

Allen, S.L. 2013. Financial Risk Management: A Practitioner’s Guide to Managing Market and Credit Risk, 2nd Edition, *John Wiley & Sons*.

Hull, J.C. 2014. Options, Futures and Other Derivatives, 9th Edition, *Pearson*.

Selected BIS Publications.

*Further readings and references will be suggested during the course*.

## LECTURE PROGRAMME

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| **Session** | **Lecture Title/Subject/Content** |
| **1** | Bank risk management: Concepts and dimensions |
| **2** | Banks’ approaches to measuring and managing credit risk and operational risk |
| **3** | Banks’ approaches to measuring and managing market risk |
| **4** | Banks’ approaches to measuring and managing liquidity risk, interest rate risk and residual risks |
| **5** | IT and cyber risk: FinTech vs Traditional banking |