UNIVERSITY OF BATH

MSc in Economics & Finance

Department of Economics

ES50090 - Financial Risk Management

Lecturer	Dr Andreas Krause
Lecturer e-Mail	`mnsak@bath.ac.uk`
Office hours	Mondays 9.00-11.00 in 3E4.26 (no appointment needed)
Lecture times	Mondays, 11.15-12.45
Seminars	Tuesdays, 14.15-15.05 in 1WN3.11 in weeks 3, 5, 7, 9, 10
Webpage	http://people.bath.ac.uk/mnsak/teaching/ES50090

ES50090 - Financial Risk Management is an elective unit for students on the MSc in Economics and Finance of the Department of Economics. It is assumed that students are familiarizing themselves with key financial concepts as covered in ES50074 - Financial Economics and are able to read basic balance sheets.

Unit overview

This unit introduces students to quantitative aspects in financial risk management. We will cover the main methods used by financial institutions to estimate risk and how they use this information to actively manage their risk exposure. This unit will not cover hedging methods using derivatives.

Additionally exercises will be distributed for students to solve; these exercises are discussed in regular seminars.

Required texts

Most of the contents covered in the lectures can be found in the following book:

J. C. Hull: Risk Management and Financial Institutions, 3rd ed., Prentice Hall 2012

While this book covers the main aspects of this unit, the lectures will at times expand on the material covered therein. Furthermore, not all topic covered in the book will be relevant for this unit.

Unit outline

Week	*Topic*	*Readings*
1	Volatility and distributions	Chapters 1-8, 10
2	Modeling the interdepence of asset prices	Chapter 11
3	Value-at-Risk	Chapters 9, 14, 15
4	Applying VaR	Chapters 9,15
5	Credit risk	Chapters 16, 18
6	Other risks	Chapters 20-22
7	Capital allocation	Chapter 23
8	Organization of risk management	Chapter 24
9	Scenario analysis and stress testing	Chapter 19
10	Banking regulation	Chapters 12, 13

Unit assessment

The assessment of this unit will consist of an open-book examination lasting two hours. There is no coursework or in-class test for this unit. More details will be given at the appropriate time.