

Liverpool John Moores University

Title: RISK MANAGEMENT AND DERIVATES
Status: Definitive
Code: **6507AE** (116121)
Version Start Date: 01-08-2011

Owning School/Faculty: Liverpool Business School
Teaching School/Faculty: Isle of Man International Business School

Team	Leader
Alex Watt	Y

Academic Level: FHEQ6
Credit Value: 24.00
Total Delivered Hours: 55.00
Total Learning Hours: 240
Private Study: 185

Delivery Options

Course typically offered: Standard Year Long

Component	Contact Hours
Lecture	26.000
Tutorial	26.000

Grading Basis: 40 %

Assessment Details

Category	Short Description	Description	Weighting (%)	Exam Duration
Essay	AS2	Presentation and report.	30.0	
Exam	AS1	Examination	50.0	3.00
Essay	AS3	Test: PC based.	20.0	

Aims

This module aims to provide the concepts, theory, and practice of risk management used by banks and other financial institutions. It also aims to provide students with an understanding of the techniques for managing financial risks using derivatives.

Learning Outcomes

After completing the module the student should be able to:

- 1 Identify, quantify and analyze the risks that financial institutions face in an international context
- 2 Understand the concepts of a risk management process, operational risk and risk governance
- 3 Use and evaluate financial derivatives to manage financial risks
- 4 Understand and evaluate hedging techniques in currency risk and interest rate risk
- 5 Measure market risk utilizing Value-at-Risk methods
- 6 Measure credit risk losses and credit Value-at-Risk
- 7 Understand liquidity risk, economic capital and risk-adjusted return on capital (RAROC)

Learning Outcomes of Assessments

The assessment item list is assessed via the learning outcomes listed:

ESSAY	1	2
EXAM	3	4 7
ESSAY	5	6

Outline Syllabus

Introduction to the characteristics of international financial risks, risk management process, regulation and governance. Risk management mistakes to avoid
Hedging risks with forward and futures contracts, and options
Methods and strategies to manage interest rate risk and fixed income assets
Hedging techniques to manage foreign exchange rate risk
Market risk models: Modelling correlations and multi-factor models and Value-at-Risk (VaR)
Credit risk models and credit derivatives
Operational risk and liquidity risk - capital adequacy, economic capital and RAROC

Learning Activities

Lectures and tutorials.

References

Course Material	Book
Author	Hull, J
Publishing Year	2007
Title	Risk Management and Financial Institutions
Subtitle	
Edition	

Publisher	2nd edition, Pearson
ISBN	

Course Material	Book
Author	Stulz, R
Publishing Year	2003
Title	Risk Management & Derivatives
Subtitle	
Edition	
Publisher	Thomson
ISBN	

Course Material	Book
Author	Chance, D
Publishing Year	2001
Title	Derivatives and Risk Management
Subtitle	
Edition	
Publisher	5th edition, Harcourt
ISBN	

Course Material	Book
Author	Bessis, J
Publishing Year	1997
Title	Risk Management in Banking
Subtitle	
Edition	
Publisher	Wiley
ISBN	

Course Material	Book
Author	Cuthbertson, K and Nitzsche, D
Publishing Year	2001
Title	Financial Engineering: Derivatives and Risk
Subtitle	
Edition	
Publisher	Wiley
ISBN	

Course Material	Book
Author	Jorion, P
Publishing Year	2006
Title	Value at Risk: The New Benchmark for Managing Financial Risk
Subtitle	
Edition	
Publisher	3rd edition, McGraw-Hill

ISBN	
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Notes

From an early stage students are encouraged to start work on the assignment, researching background material and analyzing the given project topic. The majority of the course is devoted to risk quantification and hedging techniques using derivatives, with the emphasis being on the applications.