

Liverpool John Moores University

Title: TREASURY AND RISK MANAGEMENT
Status: Definitive
Code: **6521CP** (103606)
Version Start Date: 01-08-2013

Owning School/Faculty: Arts, Professional and Social Studies
Teaching School/Faculty: Dublin Business School

Team	Leader
Alistair Beere	Y

Academic Level: FHEQ6
Credit Value: 24.00
Total Delivered Hours: 77.00
Total Learning Hours: 240
Private Study: 163

Delivery Options

Course typically offered: Standard Year Long

Component	Contact Hours
Lecture	50.000
Tutorial	25.000

Grading Basis: 40 %

Assessment Details

Category	Short Description	Description	Weighting (%)	Exam Duration
Essay	AS1	Continuous Assessment	30.0	
Exam	AS2	Examination	70.0	2.00

Aims

To develop the learners' knowledge of the tools and techniques for managing financial and other forms of risk in the modern business environment including sovereign institutions.

To develop knowledge in the learners' of the risk management function as well as the principal risk management instruments and strategies.

To develop the learners' skills to enable them to apply and value case appropriate risk management instruments and strategies.

To develop in the learner an understanding of a number of treasury functions, including foreign exchange, interest rate risk management, liquidity and international financial management.

To provide the learner with an understanding of current and potential future developments in treasury regulation on both a national and international level.

6. To provide the learner with the knowledge of the importance of operating with appropriate treasury systems and controls.

Learning Outcomes

After completing the module the student should be able to:

- 1 Evaluate risk management strategies and solutions to counter the financial risks facing governments, financial and non-financial corporations.
- 2 Evaluate arguments for and against hedging foreign exchange rate risk and interest rate risk.
- 3 Critique risk management methodologies and recent innovations in product development for risk management within the Treasury function.
- 4 Appraise the role and operation of cash management within Treasury function.
- 5 Explain the risk management issues that arise out of the relationship between various stakeholders within global economy.

Learning Outcomes of Assessments

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

ESSAY	1	2	3	5	
EXAM	1	2	3	4	5

Outline Syllabus

1. Risk Management Environment The role of risk management. The relationship between risk and return and diversifiable and non-diversifiable risk.

2. The Significance of Financial Risk The significance of financial risk. Objective and importance of risk management in corporate strategy. Key elements of successful risk management.

3. Treasury Department The role of the treasury department in evaluating treasury products and the management of risk. Consideration of risk management techniques.

4. Risk Exposure Interest rate and foreign exchange exposure incorporating cash management techniques. Analysing and managing currency volatility and evaluating credit risk exposure. Operational risk and how firms may adopt an integrated risk management approach.

5. Interest Rate Exposure Fixed income securities and markets. Term structure of interest rate and yield curve dynamics. The relative merits and demerits of the interest rate parity relationship. Define and measure interest rate risk across a variety of institutional perspectives. Asset and liability management. Evaluate tools and instruments to counter risk. The design, evaluation and assessment of interest

rate swaps, swaptions, caps, floors, collars, forward rate agreements and futures contracts.

6. *Foreign Exchange Exposure* The role and application of foreign exchange risk management and the forms of foreign exchange exposure. Forward exchange quotes. The design and use of forward contracts, money markets, futures contracts, currency options, currency swaps and valuation of currency swaps.

7. *Market Risk and Credit Risk* Market and credit risk in banking institutions. Methodologies for dealing with market and credit risk: value-at-risk, credit value-at-risk and other credit risk derivatives.

8. *Risk Management and Moral Hazard* Relationship between individual economic agents and sovereign and institutional interests within the economy in the context of risk management and moral hazard. The theoretical framework for regulation and policy responses.

9. *Managing Cash Cycles* Models used to illustrate cash management techniques. The use of probabilistic models, call deposit accounts, note issuance facilities and certificates of deposit.

10. *Strategies and Compliance Requirements* Treasury management strategies and the regulatory environment. Regulatory issues such as Basel Accords and GAAP requirements.

Learning Activities

Lectures and tutorials.

References

Course Material	Book
Author	Hull, J.C.
Publishing Year	2012
Title	Risk Management and Financial Institutions
Subtitle	
Edition	3rd
Publisher	Pearson
ISBN	

Course Material	Book
Author	Saunders,A. & Cornett, M.
Publishing Year	2011
Title	Financial Institutions Management
Subtitle	A Risk Management Approach
Edition	7th
Publisher	McGraw Hill
ISBN	

Course Material	Book
Author	Hull, J.C.

Publishing Year	2011
Title	Fundamentals of Futures and Options Markets
Subtitle	
Edition	7th
Publisher	Prentice Hall
ISBN	

Course Material	Book
Author	Bessis, J.
Publishing Year	2010
Title	Risk Management in Banking
Subtitle	
Edition	3rd
Publisher	Wiley
ISBN	

Notes

Risk management focuses on the types of risk that arise for businesses and sovereign institutions including: market risk, credit risk, and interest rate risk. The module considers financial risk management strategies; how risk is evaluated; the methods that are available to hedge against risk and the strategies that are employed to mitigate risk. This is complemented by consideration of operational risk and key risk management issues for financial institutions including regulatory issues such as the Basel Accords. The module also analysis the various responsibilities of the treasury function and its roles that either contribute to protecting or enhancing shareholders value, reducing risk or securing the organisation's cash flows. The module concentrates on the management of financial risk in an international corporate setting.