

RISK MANAGEMENT II

2019-2020

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Teaching assistant: tbd

Course description

The aim of this course is to provide understanding of practical grounds of risk management in financial institutions. The course will give understanding of the risk framework, risk appetite, risk processes, risk-based pricing and risk infrastructure. The students will get knowledge of how financial institutions create value via risk management. There is no higher math in this course.

Prerequisite courses

Accounting, statistics, econometrics. Corporate finance is recommended

Learning Objectives & Outcomes

At the conclusion of the course, students should be able to

- improve and develop their intellectual and cultural level, to build a trajectory of professional development and career.
- make management decisions and is ready to take responsibility for them.
- analyze, verify, evaluate the completeness of information in the course of professional activities, if necessary, to fill and synthesize the missing information.
- make economic and financial organizational and managerial decisions in professional activities

Methods of instruction

The following methods and forms of study are used in the course:

- lectures (4 hours a week)
- home assignment on some of the topics
- teachers' consultations
- self study

In total the course includes: 32 hours of lectures.

Grade determination

The course grade is sum of home assignment (20%) and final exam (80%). Both home assignments and exam are in writing.

$$G=0.2*G_{ha}+0.8*G_{exam}$$

Sample materials for knowledge assessment are available in ICEF Information system at <https://icef-info.hse.ru>.

All grades are given initially out of 100. The final grades are also transferred to 10- and 5-points grades in accordance with the [ICEF Grading Regulations](#) (par.3)

Retakes are organized in accordance with the [HSE Interim and Ongoing Assessment Regulations](#) (incl. Annex 8 for ICEF). Grade determination after retakes is done in accordance [with ICEF Grading Regulations](#) (par. 5).

Language

English

Main reading

1. Risk Management in Banking 2nd ed., Joel Bessis
2. Bank Asset and Liability Management, Moorad Choudry
3. Basel Committee on Banking Supervision Publications (<http://www.bis.org/bcbs/>):
 - a. International Convergence of Capital Measurement and Capital Standards, 1998
 - b. Basel II: International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version, 2006
 - c. Basel III: A global regulatory framework for more resilient banks and banking systems, 2011
 - d. Fundamental review of the trading book: A revised market risk framework, 2013
 - e. Basel III: International framework for liquidity risk measurement, standards and monitoring, 2010
4. Economics of Money, Banking, and Financial Markets, Frederic S. Mishkin
5. Options, Futures and Other Derivatives 6th ed., John C. Hull
6. Value at Risk, Philippe Jorion
7. Risk Management, Michel Crouhy, Robert Mark, Dan Galai

Guest speakers

The course will include presentations of guest speakers from banking industry.

Course outline and readings

Week	Date	Topic	Total hours	Lectu res	Self study	Reading
1	TBD	Overall risk framework. Regulation The role of risk management, risk setup in organization, risk appetite statement, risk committees. Overview of regulatory requirements: Basel I-II-III-IV	8	4	4	[1], [7]
2	TBD	Corporate credit risk management Processes and models. Risk-based pricing. Active credit portfolio management. Credit risk in New Economy	8	4	4	[1], [7]
3	TBD	Retail credit risk management Processes and models. Risk-based pricing. Fraud detection and monitoring.	8	4	4	[1], [7]

Week	Date	Topic	Total hours	Lectures	Self study	Reading
4	TBD	Market risk management Processes and models. Identification, measurement, hedging. Recent developments. CVA, VAR.	8	4	4	[1], [5], [6]
5	TBD	Asset Liability Management I Concept of the banking book. Interest rate and FX risk management: processes and models.	8	4	4	[2]
6	TBD	Asset Liability Management II Funds transfer pricing. Liquidity risk management: processes and models	8	4	4	[2]
7	TBD	Operational risk. New types of risks – overview. IT in risk management Processes and models	8	4	4	[1]
8	TBD	Enterprise risk management Risk dashboards, performance evaluation via risk-based metrics. Stress testing. Risk-based budgeting	8	4	4	[1]
TOTAL			64	32	32	