

Identification	Subject (code, title, credits)	FIN 455 Risk Management-3KU/6ECTS credit
	Department	Economics and Management
	Program (undergraduate, graduate)	Undergraduate
	Term	Spring 2023
	Instructor	Afandi Aliyev
	Classroom/hours	Khazar University (Neftchilar Campus) 11 Mahsati Street; Thursday 18.30 – 21.10
	Office hours	
Prerequisites	FIN 410: Financial Management	
Language	English	
Compulsory/Elective	Compulsory	
Required textbooks and course materials	<p>Core textbook:</p> <ol style="list-style-type: none"> 1. Lecture notes, which will summarize relevant points from below textbooks, and provide references for further information 2. John C. Hull, <i>Risk Management and Financial Institutions</i>, 4th edition, Wiley Pub, 2015 3. Richard Apostolik, Christopher Donohue, “Foundations of Financial Risk: An overview of Financial Risk and Risk-Based Regulation”, Wiley Finance Series, GARP, 2015. 4. 2018 <i>FRM Exam Part I, II</i> Books <p>Supplementary textbook:</p> <ol style="list-style-type: none"> 1. John C. Hull, <i>Options, Futures, and Other Derivatives</i>, 8th edition, Pearson Ed, 2012 (or later) 2. Michel Crouhy, Dan Galai, and Robert Mark, <i>The Essentials of Risk Management</i>, 2nd ed (or later) 	
Course website		
Course outline	<p>This course will introduce you to modern risk management from the perspective of mainly non-financial corporations and in some cases financial institutions. You will learn</p> <ul style="list-style-type: none"> • what risks companies should manage and why, • how risk management policies should be developed and organized, and • how the various types of risk <p>can be measured and managed. In the process, you will gain critical new insight into the operational problems that today’s corporations face, and how financial market conditions interact with corporate performance and decision making. To highlight the practical relevance of the course materials, we will discuss case studies throughout</p>	

Course objectives	<p>This course will examine the way in which business and society make an assessment of, control and transfer risk. It is designed for the student with no previous knowledge of risk management. This course focuses on the ways in which businesses and society assess, control, and transfer risk. This process, known as the risk management process, is becoming an increasingly important tool in the management of business and personal financial health. An effective and efficient corporate risk management program leads to knowledge and control of costs and an improved bottom line. The risk management process involves identification of risks and associated potential costs, analysis of the causes of risk of financial loss, determination of various strategies to treat risk, selection of strategies appropriate to the goals and objectives of the business, implementation of the selected strategies, management and monitoring of results. Making adjustments, adapting to external and internal forces, and crisis or disaster management are incorporated in the corporate risk management process.</p>		
Learning outcomes	<p>As a result, the goal of this course is to:</p> <ul style="list-style-type: none"> • equip students with risk management concepts and techniques; • cover key instruments to manage the risk; • train students on market, credit, and operational risk that corporations may face during daily operations; • discuss the regulatory approach to various risks and their management; • discuss the potential impacts that a mis-management of risks can result; • create the sense of the risk awareness and risk culture. 		
Teaching methods	Lecture		x
	Group discussion		x
	Practice session		x
	Case analysis		x
	Others		x
Evaluation	Method s	Date/deadlines	Percentage (%)
	Midterm Exam		30
	Activity		5
	Participation		5
	Quizzes		10
	Business Case		10
	Final Exam		40
	Total		100
Policy	<p>Attendance: Students exceeding the 25% absence limit will not be allowed to participate at the final exam. Students are required to attend all classes in order to</p>		

<p>be able to follow all lectures. Participation in class discussions will play a vital role in assessment of students' activity rates.</p> <p>Activity: Assessment will be based on how active students are in the class discussions by answering the instructor's questions, and initiating to ask subject related questions, and providing their views and insights on respective matters.</p> <p>Business Case - There will be two business case in order to combine theoretic concepts with real world cases. Students expect to make write-up as well as present results. Cases will focus on quantitative RM, mainly market, credit, liquidity risks.</p>			
Tentative Schedule			
Week	Date/Day (tentative)	Topics	Textbook/ Assignments
1		Risk Management: A Helicopter view. Risk management as a part of corporate strategy	Lecture notes
2		Market Mechanisms and Efficiency	Lecture notes
3		Financial Products and How They are Used for Hedging	Lecture notes
4		Market risk: Risk factors and risk mapping, risk measures	Lecture notes
5		Market risk: Quantitative methods	Lecture notes
6		The Basics of Credit Risk Management	Lecture notes
7		Credit risk management, credit-value-at-risk and Basel	Lecture notes
8		Credit ratings and scoring models	Lecture notes
9		Midterm Exam	
10		Regulatory approach to Risk Management (Market and Credit Risks)	Lecture notes
11		Operational Risk Management	Lecture notes
12		Operational Risk: Qualitative and quantitative methods	Lecture notes
13		Liquidity Risk	Lecture notes
14		'Newly emerging' financial risks	Lecture notes
15		Lessons from history: Failing to manage risks	Lecture notes
		Final Exam	

