

<b>Identification</b>	<b>Subject (code, title, credits)</b>	<b>FIN 870 Financial Risk Management - 3KU/6ECTS</b>
	<b>Department</b>	Economics and Management
	<b>Program</b>	Graduate
	<b>Term</b>	Spring, 2024
	<b>Instructor</b>	Alikhan Huseynov
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	<b>Classroom/hours</b>	
	<b>Office hours</b>	
<b>Prerequisites</b>	<b>FIN 830 Financial Management</b>	
<b>Language</b>	English	
<b>Compulsory/Elective</b>	Compulsory	
<b>Required textbooks and course materials</b>	<p><b>Core textbook:</b></p> <ol style="list-style-type: none"> <li>1) Risk Management and Financial Institutions, John C. Hull (published by John Wiley &amp; Sons, Inc., Hoboken, New Jersey.), sixth edition, published in 2023</li> <li>2) The Essentials of Risk Management (Michel Crouhy, Dan Galai, Robert Mark), third edition, published in 2023</li> <li>3) Financial Statement Analysis and Security Valuation (Stephen Penman, Columbia University), fifth edition, published in 2012</li> <li>4) Fundamentals of Corporate Finance, ninth edition by Richard Brealey, Stewart Myers and Alan Marcus - Published by McGraw-Hill Education, eleventh edition, published in 2023</li> </ol> <p><b>Supplementary textbook:</b>  <b>GARP Financial Risk and Regulation Series</b>, 4 books:</p> <ul style="list-style-type: none"> <li>- Market Risk Management</li> <li>- Credit Risk Management</li> <li>- Operational Risk Management</li> <li>- Asset and Liability Management</li> </ul>	
<b>Course outline</b>	<p>This course provides an introduction to financial risk management in enterprise level as well as risk management within risk modelling process. The course will examine the way in which financial markets and hedge funds hedge against market and credit risks quantitative background as well as knowledge regarding financial instruments are preferable to understand the main stages of the financial risk management. Risk management practices and the regulation of financial institutions have continued to evolve in the past three years. Risk Management and Financial Institutions has been expanded and updated to reflect this. This course is designed to be useful to practicing managers as well as college students. Those studying for GARP and PRMIA qualifications will find this course particularly helpful.</p>	
<b>Course objectives</b>	<p>This course aims to explain the main stages of the financial risk management process, including risk identification, risk assessment, management strategies to reduce the risk. Instead of taking separate view on individual risks, holistic approach supposed to be more effective and efficient in understand risk associated with corporations and to understand the risk profile for the entire entity. In general, this course helps to get practical knowledge in defining main risk warning indicators for both individual financial instruments and organizations as a whole.</p>	

<b>Learning outcomes</b>		The goal of this course is to: <ul style="list-style-type: none"><li>• equip students with financial risk management concepts and techniques;</li><li>• cover key financial risks and the financial instruments to manage the risk;</li><li>• train students on market, credit, operational as well as other (i.e. ESG) risk that corporations may face during daily operations;</li><li>• discuss the regulatory approach to various financial risks and their management;</li><li>• discuss the potential impacts that mismanagement of risks can result;</li><li>• create a sense of risk awareness and risk culture.</li></ul>	
<b>Teaching methods</b>		<b>Lecture</b>	x
		<b>Group discussion</b>	x
		<b>Others</b>	x
<b>Evaluation</b>	<b>Methods</b>	<b>Date/deadlines</b>	<b>Percentage (%)</b>
	<b>Midterm Exam</b>	TBA	30
	<b>Attendance</b>		5
	<b>Activity</b>		5
	<b>Quiz</b>	6 <sup>th</sup> and 13 <sup>th</sup> Week	20
	<b>Final Exam</b>	TBA	40
	<b>Total</b>		100
<b>Policy</b>		‘ <b>Placement</b> ’ <b>Quiz</b> / not graded - Designed to help the students test preparedness for the module. <b>Quizzes</b> – two quizzes, each contributing 10% to the total grade (combined 20%), composed of 5-8 open-ended questions. Will be held in pre-midterm and pre-final exams, on relevant subjects. <b>Attendance:</b> Grade in accordance with attendance at the lectures. <b>Activity</b> shall mean active participation i.e. asking and answering the question, contributing with insights and feedback, and demonstrating willingness and dedication to be part of an overall class discussion.	
<b>Tentative Schedule</b>			
<b>Week</b>	<b>Date/Day (tentative)</b>	<b>Topics</b>	<b>Textbook/Assignments</b>
1		Banks	Risk management and Financial Institutions, Ch. 2
2		Insurance companies and pension plans	Risk management and Financial Institutions, Ch. 3
3		Mutual funds and Hedge funds	Risk management and Financial Institutions, Ch. 4
4		Credit crisis of 2007	Risk management and Financial Institutions, Ch. 6
5		Interest rate risk	Risk management and Financial Institutions, Ch. 9
6		Financial Derivatives <b>Quiz 1 (10%)</b>	Essentials of risk management, Ch. 8
7		<b>Midterm Exam</b>	
8		Credit risk- Margin, OTC markets and CCP	Risk management and Financial

			Institutions, Ch. 18
9		Credit Scoring and Retail Credit Risk Management	Essentials of risk management, Ch. 9
10		Commercial Credit Risk and the Rating of Individual Credits	Essentials of risk management, Ch.10
11		Viewing the business liquidity risks through financial statements	Financial Statement Analysis and Security Valuation, Ch. 8
12		Risk factors in valuation of company through financial statement	Financial Statement Analysis and Security Valuation, Ch. 3
13		How investment decisions made? <b>Quiz 2 (10%)</b>	Financial Statement Analysis and Security Valuation, Ch. 1
14		Risk, return and opportunity cost of capital	Fundamentals of Corporate Finance, Ch.11
15		Case study	Risk management and Financial Institutions, Ch. 28
		<b>Final Exam</b>	