

**NATIONAL UNIVERSITY OF
SINGAPORE SCHOOL OF BUSINESS**

FIN3118 FINANCIAL RISK MANAGEMENT

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Session: Semester 2 2016/17

Course Objectives:

This module is an introduction to financial risk management (FRM). It covers basic concepts, techniques and best practices with an aim of establishing a holistic understanding of the subject. It also serves as a preparation for more advanced study in subfields of FRM for those who wish to pursue graduate study or a professional career in FRM. The post 2008-09 global financial crisis regulatory reforms along with the Basel banking regulations will also be discussed in this course.

Course Outline:

<u>Week</u>	<u>Topic</u>	<u>Reading</u>
1	Risk Management: A Helicopter View	pp 1-44
2	Corporate Risk Management and Governance, and Basel Regulations	pp 45-66, pp 67-182
3	Value at Risk (VaR) and Other Risk Metrics	pp 233-264
4	Asset Liability Management (ALM)	pp 265-304
5&6	Credit Scoring and Default Prediction	pp 305-332; Additional Reading-1
	Recess Week	
7	Credit Rating and Regulatory Reforms	pp 333-364, 467-470; Additional Reading-2
8	Credit Risk Transfer & Counterparty Risk	pp 411-466, 471-489
9	Operational Risk Management	pp 499-528
10	Model Risk	pp 529-554
11	Term paper presentations	
12	Term paper presentations	
	Test 1: TBC	
	Test 2: TBC	
	Term paper: to be submitted via email by 5:00pm of the Friday in the week prior to term paper presentations	

Recommended Text:

The Essentials of Risk Management, 2nd Edition, Crouchy, Galai and Mark, 2014, McGraw Hill, ISBN 978-0-07-181851-3. Additional reading will also be assigned in due course.

Additional Reading:

1. "Statistical Credit Rating Methods," J.-C. Duan and K. Shrestha, 2011, *Global Credit Review* 1, 43-64.
2. "A Public Good Approach to Credit Ratings - from Concept to Reality," J.-C. Duan and E. van Laere, 2012, *Journal of Banking and Finance* 36(12), 3239-3247.

Weightage of Assessment:

Test:	60%
Term Paper:	20%
Presentation:	20%

Test

Test 1 comprising multiple choice questions and short essays will be for 30 marks, and Test 2 in a similar format will be worth 30 marks.

Term Paper

A term paper is required of each team, and a team should comprise no more than 3 members. The term paper can be a case study of topical interest, or a scientific analysis of a risk management issue. There are no specific requirements for the length of the paper or style. The paper need not look fancy, but must be prepared as a professional document. The analysis should provide motivation(s) such as a market event of risk management interest or offering insight on some risk management issues.

This report must be submitted to the instructor via email. No hardcopy is required. The term paper will be assessed on the quality of analysis, and all team members will get the same mark.

Term Paper Presentation

Term papers will be presented on Weeks 11 and 12. All team members must participate in the presentation and conduct peer assessment of other teams. Presentation will be assessed on how succinctly the analysis is conveyed and how persuasive the arguments are put forward. The instructor's view and the peer assessment each accounts for 50% of the presentation mark.