FIN3118: Financial Risk Management
Spring 2014

Monday 11:00 – 2:00

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Office Hours: Tuesday 2-5 PM and by appointment
Extra office hours will be available before each of the two tests.

Course Overview:

This course is structured around the theme of risk management in banking. You will examine how banking institutions generate earnings and the nature of risks assumed in their operations. The focus of the subject matter is risk management. Topics to be covered: Why are financial intermediaries special? The role of depository institutions; financial crisis; risk of financial intermediation including interest rate risk, credit risk, off-balance sheet risk, liquidity risk; management of risks, including liquid asset management, liability management, deposit insurance, other liability guarantees, capital adequacy, product and geographic diversification, and loan sales. Some of the examples are based on US financial institutions; I will also discuss the Asian financial crisis and other major financial crisis around the world.

The objective of this course is to provide the student with the conceptual framework necessary to analyze and comprehend the current problems confronting managers of commercial banks and other depository institutions. The course materials do not dwell on the development of financial theories. It is assumed that the student comprehends the basic theoretical concepts of corporate finance, monetary theory, and financial accounting. Each class session will be structured to include lecture and discussion.

Lecture Notes:

In order to reduce your note taking, lecture notes on the book chapters and financial crisis will be available before class.

Optional Reading Materials:

*Financial Institution Management: Risk Management Approach*, Saunders, Anthony and Marcia Millon Cornett, 7th Edition, 2011. Chapters covered include: 1, 2, 7, 8, 9, and 11 (skip pages 353-358), 12, 13, 17, 18, 19, 20, 21, and 25. No appendices except Chapter 1 Appendix 1A are required. You may also skip descriptions of financial institutions other than depository institutions.
Relevant Web Sites:
Textbook Website
http://highered.mcgraw-hill.com/sites/0073530751/student_view0/index.html
The Federal Reserve http://www.federalreserve.gov/
Federal Deposit Insurance Corporation http://www.fdic.gov/

Final Grade Computation:
Participation 10 pts
Test 1 25 pts
Test 2 25 pts
Group Project 40 pts
TOTAL 100 pts

Tests are non-cumulative.

Tests will cover materials in the lecture notes.

Tests consist primarily of short-answer questions. Test 2 will include computations and students are required to bring their own calculators. All tests are closed book.

Week 1 Autopsy of the Financial Crisis what does it tell us about our financial system
Week 2 Chapter 1 and 2
Week 3 Chapter 7 and 8
Week 4 Chapter 8 and 9
Week 5 Chapter 11 and 12
Week 6 Chapter 13 and Test 1

Recess Week

Week 7 Chapter 17 and 18
Week 8 Chapter 19 and 20
Week 9 Chapter 21 and 25
Week 10 Examples of Risk Management
Week 11 Asian Financial Crisis
Week 12 Project Presentations
Week 13 Project Presentations
Week 14 Test 2

The syllabus is subject to change.