



**Advanced Diploma in Finance (531) – Financial Risk Management**

|   |   |
|---|---|
| <b>Prerequisites:</b> Knowledge of Finance.   | <b>Corequisites:</b> A pass or higher in Diploma in Finance or equivalence.   |
| <b>Aim:</b> This course aims to explore the concept of financial risk, ways of investigating managing risk open to traders and portfolio managers. The course offers an in-depth analysis of the measurement and management of risk in financial markets. Other topics include: assessing overall market risk, credit risk, liquidity risk, settlement risk, volatility risk, measuring portfolio risk, and extreme value risk. |   |
| <b>Required Materials:</b> Recommended Learning Resources.  | <b>Supplementary Materials:</b> Lecture notes and tutor extra reading recommendations.  |
| <b>Special Requirements:</b> The course requires a combination of lectures, demonstrations and discussions.   |   |
| <b>Intended Learning Outcomes:</b>  | <b>Assessment Criteria:</b>   |
| 1 Analyse the concepts of risk management   | 1.1 Define risk<br>1.2 Describe conditional and unconditional notions of risk<br>1.3 Analyse risk and uncertainty<br>1.4 Discuss how people deal with risk<br>1.5 Define arbitrage<br>1.6 Explore risk and the law<br>1.7 Analyse risk, government, and politics<br>1.8 Be able to illustrate what managing risks means for businesses and non-profits  |
| 2 Be able to analyse sources of market risk   | 2.1 Analyse the meaning of managing risk<br>2.2 Explore the principal sources of risk<br>2.3 Analyse market risk; credit risk and business risk vs. financial risk<br>2.4 Explore how organizations deal with risk<br>2.5 Define derivative tools for managing risk<br>2.6 Describe advantages and disadvantages of derivative tools<br>2.7 Explore the overview of the risk management process<br>2.8 Analyse the exchange-listed derivative markets<br>2.9 Explore over-the-counter derivatives markets<br>2.10 Analyse the different institutions that operate in the risk management environment<br>2.11 Understand accounting and disclosure of risk management activities<br>2.12 Describe derivatives accounting |
| 3 Understand the value of risk management   | 3.1 Discuss if risk management create shareholder value<br>3.2 Explore market imperfections as justification for managing risk<br>3.3 Analyse characteristics of companies that manage risk<br>3.4 Discuss if hedging is a form of risk taking  |

|    |   |      |  |
|----|---|------|--|
| 4  | Understand the basic concepts in measuring risk     | 4.1  | Define the concept of value-at-risk                          |
|    |   | 4.2  | Be able to calculate VaR                                     |
|    |   | 4.3  | Describe advantages and disadvantages of VaR                 |
|    |   | 4.4  | Analyse the concepts of cash flow risk                       |
|    |   | 4.5  | Analyse the concepts of interest rate risk                   |
| 5  | Understand forward and futures contracting          | 5.1  | Explore global futures markets                               |
|    |   | 5.2  | Define a forward contract                                    |
|    |   | 5.3  | Be able to price foreign currency forward contracts          |
|    |   | 5.4  | Define forward rate agreement                                |
|    |   | 5.5  | Define futures contracts                                     |
| 6  | Understand swap contracting                         | 6.1  | Describe characteristics of swaps                            |
|    |   | 6.2  | Describe characteristics of interest rate swaps              |
|    |   | 6.3  | Describe characteristics of currency swaps                   |
| 7  | Describe option contracting                         | 7.1  | Describe characteristics of options                          |
|    |   | 7.2  | Describe the basic principles of option valuation            |
|    |   | 7.3  | Analyse binomial option valuation                            |
|    |   | 7.4  | Analyse black-scholes-merton option valuation                |
|    |   | 7.5  | Describe the interest rate options                           |
|    |   | 7.6  | Be able to measure the risk of options                       |
|    |   | 7.7  | Be able to managing option risk                              |
| 8  | Understand credit risk                              | 8.1  | Describe credit risk as an option                            |
|    |   | 8.2  | Discuss how to measure and manage credit risk                |
| 9  | Describe operational risk                           | 9.1  | Explore how to manage operational risk                       |
|    |   | 9.2  | Describe liquidity risk                                      |
|    |   | 9.3  | Describe model risk  |
|    |   | 9.4  | Describe settlement risk                                     |
|    |   | 9.5  | Describe regulatory risk                                     |
|    |   | 9.6  | Describe accounting risk                                     |
|    |   | 9.7  | Describe tax risk  |
| 10 | Understand corporate governance and risk management | 10.1 | Describe the role of risk management in corporate governance |
|    |   | 10.2 | Describe the elements of an effective risk management system |
|    |   | 10.3 | Describe centralized and decentralized risk management       |




### **Recommended Learning Resources: Financial Risk Management**

- |  |  |
|--|--|
|  | <ul style="list-style-type: none"> <li>The Essentials of Risk Management: The Definitive Guide for the Non-risk Professional (Hardcover) by Michel Crouhy (Author), Dan Galai (Author),</li> </ul> |
|--|--|

Tel: 0044 7423211037

Email: [info@londoncomputercollege.co.uk](mailto:info@londoncomputercollege.co.uk) Website: [www.londoncomputercollege.co.uk](http://www.londoncomputercollege.co.uk)

Registered No: 3267009 (England)

|   |   |
|---|---|
| <b>Text Books</b>   | <p>Robert Mark. ISBN-10: 0071429662</p> <ul style="list-style-type: none"> <li>• Risk Management and Financial Institutions (Paperback) by JOHN C HULL. ISBN-10: 0136134270</li> <li>• Corporate Risk Management (Hardcover) by Tony Merna (Author), Faisal F. ,Dr. AlThani. ISBN-10: 0470518332</li> </ul> |
| <b>Study Manuals</b><br> | <p>BCE produced study packs</p>   |
| <b>CD ROM</b><br>        | <p>Power-point slides</p>   |
| <b>Software</b><br>      | <p>None</p>   |

Tel: 0044 7423211037

Email: [info@londoncomputercollege.co.uk](mailto:info@londoncomputercollege.co.uk) Website: [www.londoncomputercollege.co.uk](http://www.londoncomputercollege.co.uk)

Registered No: 3267009 (England)