

Financial Market Risk Management

Course code: FINMA_VTBEF

Course name : Financial Market Risk Management

Course name (Hungarian): Financial Market Risk Management

Number of hours per semester: Two 90 minute classes per week = 43.5 hours per semester
>1 lecture and 1 seminar per week (1+1)

Credits: 4

Fall/Spring: Spring

Language: English

Prerequisites: Basic mathematics, statistics, finance and accounting User-knowledge of spreadsheets

Course type: Elective

Department: [Befektetések és Vállalati Pénzügy Tanszék](#)

Course leader: [Naffa Helena](#)

Course description:

The rapid development of financial instruments, the ever increasing speed of globalisation, the technological revolution and especially the recent ongoing financial crisis have dramatically increased the perceived risk associated with financial markets. Pressing credit conditions and market turbulence of the recent past underlined the need for adequate risk management strategy in the corporate environment with special care to the banking sector. For this reason, the reshaping of the prevalent regulatory framework appears to be inevitable. As a consequence, there is high demand for qualitative and quantitative risk management skills in both financial and non-financial enterprises as well as for regulatory authorities. Financial market risk management requires an interdisciplinary approach. The course is integrated with Bloomberg.

Course requirements during the semester:

3 Case studies (graded)

1 presentation (graded)

Classwork (non-graded)

Examination requirements:

For this course, the final exam has an entry exam part. This will be a Moodle-based 30 minutes, 15 multiple choice question covering basic material covered in class. 51% pass grade (8 out of 15 questions) is required to entitle the students to sit for the oral exam. The final exam grade (60 marks) is entirely based on the oral exam part, which constitutes problem-solving via spreadsheet modelling, and a pursuant oral defense.

Assessment, grading:

Case studies: 35%

Presentation: 5%

Final exam: 60%

Total: 100%

87-100 5 A Excellent

77-86 4 B Good

67-76 3 C Satisfactory

60-66 2 D Pass

0-59 1 F Fail

Aims, objectives and description of the course:

The main objective is to gain insight into the complex world of financial market risk management. The course is built on 3 major inter-connected blocks. The objective of each is described below:

Investments Block

Students will become familiar with the markets and instruments, trends and major players, pricing formulas and trading strategies; students will learn to use Bloomberg through the semester.

Risk Management Block

In this block students will acquire the foundations of risk management and the relevant regulatory environment, understand basic concepts and techniques, and apply their acquired skills for tackling current practical problems;

Accounting Block

Students will learn the relevant accounting standards and directives concerning all types of financial instruments with special emphasis on the hedge activity of multinational enterprises spanning multiple sectors.

Course schedule: Thursdays, 17:20 – 18:50 and 19:00 – 20:30

Learning outcomes:

The course introduces students to the conceptual background of financial risk management decisions. Students should be able to demonstrate aptitude in three key areas:

firstly, the valuation and practical use of different financial instruments, such as forwards, futures, options and swaps;

secondly, the understanding of the importance of risk management, incorporating different types of risk models into strategic decision making;

thirdly, on the analysis of the role of accounting and regulation in risk management.

By the end of semester, students will be able to:

use financial terminology with confidence;

measure financial risk using excel;

perform quantitative and qualitative analysis of complex financial problems.

Course assessment during the semester:

3 Case studies (graded)

1 presentation (graded)

Classwork (non-graded)

Assignments:

For the case studies, please work individually or in pairs. We encourage you to consult with any member of your class and learn from one another. However, pairs (or individuals) are required to submit their own solutions to Moodle for a grade to be registered. Please make sure your pair's name is also recognizable in the submission.

Submissions need to be made in one file only; no opportunity to withdraw or amend any submission. All your work needs to be made in a spreadsheet where your model can be tracked down, for this end, please use formulae in your models.

Please, respect the submission deadlines indicated above. For cases of emergency when you cannot meet the first deadline, use the late submission opportunity albeit with a grade discount. No other

submission options are available. Please do not send any homework submission via e-mail. All case studies and the presentations have to be attempted. Otherwise the student will be denied from final examination and thus passing the course.

Deadlines for the presentation:

Two dates and topics are announced:

- 1) 23rd March, 2017 Topic: Financial Markets
- 2) 4th May, 2017 Topic: Risk Outlook

Students are required to work in pairs or in maximum groups of three. Please choose to make a presentation on either one of the two topics; only one presentation is required. The split in number of presentations between the two topics has to be roughly equal, please understand that the final choice of topic and presentation subject requires the approval of the professor. The presentations should last 20 minutes with all group members participating in the presentation. Discussions and a debate will follow.

Required submission: a presentation (ppt, prezi, or its equivalent). Deadline: 2 days before the presentation is held.

Program's name:

Readings:

Compulsory readings:

- Background material (papers, articles, case studies and handouts) available on the website of the course.

Recommended readings:

- - John Hull [2005]: Options, futures and other financial derivatives. Prentice Hall.
- - Zvi Bodie, Alex Kane, Alan J. Marcus [2002]: Investments, 5th ed, McGraw-Hill/Irwin, Boston

Course professor(s)/lecturer(s): [Naffa Helena](#)