

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:

Examination requirements: - Interactive lectures

- Problem-based seminars
- Teamwork
- Case study discussions & presentations

Assessment, grading: Evaluation:

Case studies and presentations (10% each) 50%

Final exam 50%

100%

Grades:

A 87-

B 75-86

C 63-74

D 51-62

F -50

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: Wednesdays, 16:30 - 19:30

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:

Assignments: -Three case studies to be completed in groups of 4. A 20 minute presentation of the case studies with the participation of all group members.
-Two case studies to be done in pairs in class.

Deadlines:

- Case study discussion and presentations
- 7th week, 18th March: 3rd case study (presentation)
 - 9th week, 1st April, 4th case study (presentation)
 - 12th week, 29th April: 5th case study (presentation)

Class attendance:

To complete the course successfully, attendance is highly recommended. Missing more than 6 classes draws extra assignment.

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):