

Outline: Spring 2016
Risk Management in Financial Institutions
FIN 3312.30

This course combines two important aspects of financial institution behavior: the measurement and management of risk and the U.S. regulatory setting for financial institution risk taking. Thus, apart from analyzing the key risk factors such as credit risk, liquidity risk, interest rate risk, market risk, and operational risk, we also discuss important recent and impending regulatory changes such as Basel III and Dodd Frank that set the boundaries to the scope and scale of risk taking banks can engage in. This course will primarily be lecture-based with possibly 2 or 3 short cases.

Course Materials

- (a) 1. Lecture Notes (handout)
- 2. Credit Risk Readings (handout)
- (b) Textbook:
Anthony Saunders and Marcia Cornett (SM) “Financial Institutions Management: A Risk Management Approach (8th Edition, McGraw Hill)

Grading

Midterm: 30% (March 22nd)
Final: 70% (May 3rd)

Lecture Outline (Subject to change)

- 1. February 9th
 - a. Why Are Financial Intermediaries Special?
 - b. Depository Institutions and Their RegulationReading: SM Chapters 1 and 2
- 2. February 16th
 - a. Depository Institutions and Their Regulation (continued)
 - b. An Overview of the Risks of Financial IntermediationReading: SM Chapter 7
- 3. February 23rd Interest Rate Risk Measurement and Management
Reading: SM Chapters 8 and 9
- 4. March 1st Interest Rate Risk Measurement and Management (continued)
Reading: SM Chapters 22 (pp. 691-706) and 24 (pp 768-773)
- 5. March 8th Market Risk
Reading: SM Chapter 15

March 14th – 20th Spring Break

6. March 22nd First Half: MIDTERM EXAM
Second Half: Credit Risk
Reading: SM Chapters 10 and 11 and Credit Risk Handout
7. March 29th Credit Risk (continued)
8. April 5th
 - a. Credit Risk (continued)
 - b. Credit Derivatives
 - c. Liquidity RiskReading: SM Chapter 12
9. April 12th Liquidity Risk (continued)
Reading: SM Chapters 17 and 19
10. April 19th Capital Adequacy and Basel III
Reading: SM Chapter 20
11. April 26th Securitization
Reading: SM Chapter 26
12. May 3rd FINAL EXAM