



King Saud University, College of Business Administration
Finance Department, MsF Program
FIN 571 Financial Risk Management
First Semester 2015-2016

Instructor:

Ahmed, Mamdouh Hamza. PhD
e-mail: mhahmed@ksu.edu.sa,
Room Number: S38
Office Phone: 011 4694028
Section: 58358

Required Text:

Anthony Saunders, Marcia Million Cornett *Financial Institutions Management “A Risk Management Approach”*, 8th Edition, McGraw Hill, 2014, ISBN: 9780071289559.

Suggested Materials:

Financial magazines and financial pages of newspapers
BIS web page. (www.bis.org) and SAMA web page (www.sama.gov.sa)

Course Description

We are now living in the age of risk management. Therefore, the managers of today are risk manager. Knowing the risks a firm is exposed to is the first step to risk management. However, in order to manage the risks, the measurement comes before.

This course covers the ways in which different risk sources are quantified and managed by financial institutions. Among the topics covered are interest rate risk, off balance sheet risk, sovereign risks, technology and other operational risks & liquidity risks. Managing all these risks are also part of this course.

Learning Outcomes

Students who complete this course should be able to:

- Understand different risk sources of financial institutions
- Learn how to measure interest rate risk
- Learn how to measure off balance sheet risk
- Learn how to measure sovereign risks, technology and other operational risks,
- Learn how to measure liquidity risks.
- Learn how to manage some of the risks that are measured.

Chapters to be covered

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| 07-Risks of Financial Institution |
| 08-Interest Rate Risk I |
| 13-Off Balance Sheet Risk |
| 15-Sovereign Risks |
| 16-Technology and Other Operational Risks |
| 17-Liquidity Risk |
| 18-Liability and Liquidity Management |
| 19-Deposit Insurance and Other Liability Guarantees |
| 20-Capital Adequacy |
| 23-Risk Measurement of FI |
| -Probability Distributions |

Calculators:

Financial calculators are allowed during lectures and exams. However, devices with word processing capabilities (laptop computers, palmtops, etc.) are not allowed during tests.

Handing over the calculators is strictly prohibited. **Cell phones are not allowed to use for calculation during the exams.**

Grading:

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|----------------------------|-----|
| Midterm | 40% |
| Project Presentation | 10% |
| Attendance & participation | 10% |
| Final exam | 40% |

Examinations will be a combination of multiple choice questions, short essays, T-F-U/explain essays, Fill ins, and problems. It is also possible to ask a long essay question.

For all tests, you need to choose the best answer if questions are multiple choices questions. And you need to show your steps and all the details if questions are essays or problems.

For project presentation, you need to pick a topic or come up with a topic related with financial risk management, (the list for the topics will be provided to you) and present it to the class. The presentation dates will be assigned later in class and it will be not less than 25-30 minutes for each presentation.

Suggestion:

You should use figures and numbers all the time.

Too many words on one slides is a bad idea.

Presenters need to talk, not read.

You are graded on the following aspects of your project: Novelty of the idea, depth of your research, and clarity of presentation.

Eligible topics will be provided to you later on.

Attendance:

Each student is required to attend the classes and participate to the discussion in the class. Being in the class, without attending any discussion is not enough to get 10 percent of the grade.

It is also compulsory to attend at least 75% of all classes. Any student failing to attend 75% of the classes will not be able to sit on Final exam.

Make-ups:

There will be no makeup exams. If a student misses the midterm exam, he will receive zero for the midterm. Moreover, late submission of any required report means getting zero for that report. Any student missed a quiz will get zero.

Classroom Requirements:

Please obey the lecture times and be on time in the class. If the door of the classroom is closed then it means the lecture has started.

If you have an excuse to be late then please inform me before the lecture.

Please keep your mobile phones switched off during the lecture and exams.