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| 1. Course code: | FIN 434 | | | 1. Course title: | | | | | | FINANCIAL RISK MANAGEMENT | | | | | | | | | | | |
| 1. College: College of Business Administration | | | | | | | | | | | | | | | | | | | | | |
| 1. Department: Economics and Finance | | | | | | | | | | | | | | | | | | | | | |
| 1. Program: Banking and Finance | | | | | | | | | | | | | | | | | | | | | |
| 1. Course credits: 3-credit hour | | | | | | | | | | | | | | | | | | | | | |
| 1. Course NQF Level: 8 | | | | | | | | | | | | | | | | | | | | | |
| 1. NQF Credits: 12 | | | | | | | | | | | | | | | | | | | | | |
| 1. Prerequisite: FIN 320 | | | | | | | | | | | | | | | | | | | | | |
| 1. Lectures Timing & Location: Online | | | | | | | | | | | | | | | | | | | | | |
| 1. Course web page: Blackboard | | | | | | | | | | | | | | | | | | | | | |
| 1. Course Instructor: Dr. Mohammad Selim | | | | | | | | | | | | | | | | | | | | | |
| 1. Office Hours and Location: TBA | | | | | | | | | | | | | | | | | | | | | |
| 1. Course coordinator: Dr. Mohammad Selim | | | | | | | | | | | | | | | | | | | | | |
| 1. Academic year: 2020-2021 | | | | | | | | | | | | | | | | | | | | | |
| 1. Semester: | |  | **First** | | | | | X | | | **Second** | | | |  | | **Summer** | | | | |
| 1. Textbook(s):   Financial Institutions Management: A Risk Management Approach,  by Anthony Saunders, New York University Marcia Millon Cornett, Bentley University  10th Edition, McGraw Hill Education  ISBN: 1260013820 Copyright year: 2021 | | | | | | | | | | | | | | | | | | | | | |
| 1. References from the Library (<http://www.ac-knowledge.net/uobv3/>):   Other resources used (e.g. e-Learning, field visits, periodicals, software, etc.):    AN INTRODUCTION TO DERIVATIVES AND RISK MANAGEMENT, 10th Edition, Don M. Chance and Robert Brooks, CENGAGE Learning; ISBN-13: 9781305104969  “[Derivatives, Risk Management And Value](http://eds.a.ebscohost.com/eds/viewarticle/render?data=dGJyMPPp44rp2%2fdV0%2bnjisfk5Ie46bVNtq%2bwUbKk63nn5Kx94um%2bSa%2blr0utqK5JtJa0Uq%2bpuEmzlr9lpOrweezp33vy3%2b2G59q7RbCtt0uyqbZMpOLfhuWz44ak2uBV49rxfeDhpIzf3btZzJzfhrupski0p7I%2b5OXwhd%2fqu37z4uqM4%2b7y&vid=8&sid=ce8bbef4-6ad8-454e-bc09-24e862a98951@sessionmgr4009&hid=4110)” By: Bellalah, Mondher. Singapore : World Scientific. 2010.  ISBN: 9789812838629  [“Risk Management and Financial Institutions](http://eds.a.ebscohost.com/eds/viewarticle/render?data=dGJyMPPp44rp2%2fdV0%2bnjisfk5Ie46bVNtq%2bwUbKk63nn5Kx94um%2bSa%2blr0utqK5JtJa0Uq%2bpuEmzlr9lpOrweezp33vy3%2b2G59q7RbCtt0uyqbZMpOLfhuWz44ak2uBV49rxfeDhpIzf3btZzJzfhruvtEu2p7E%2b5OXwhd%2fqu37z4uqM4%2b7y&vid=9&sid=ce8bbef4-6ad8-454e-bc09-24e862a98951@sessionmgr4009&hid=4110)” By: Hull, John. Series: Wiley Finance Series. Edition: Fourth Edition. Hoboken, New Jersey : Wiley. 2015. eBook. OCLC: 891185722, ISBN:978111895594 | | | | | | | | | | | | | | | | | | | | | |
| 1. Other learning resources used (e.g. e-Learning, field visits, periodicals, software, etc.):   \*\*\* Flipped classroom approach \*\*\*  It is very important that students understand the flipped classroom approach and take advantage of it as guided by the faculty members.  Technology applications: Software such as MS Word, Excel and PowerPoint are used in the class for the lecture delivery, calculations, and students’ projects, which may include writing and presentation.  Learning platform-1: Blackboard will be used to post lecture notes and other course related material and information and to conduct online revisions. <http://bb.uob.edu.bh>  Learning platform-2: Microsoft Team will be used supplementally for communication and other supporting online activities, as appropriate.  Video learning resources: Video resources from online as well as prepared by the faculty members will be made available. Weblinks of the videos are included in this syllabus as part of the weekly breakdown.  Group discussions: Discussions on various case studies that present students with real-life problems are encouraged in the class and online via blackboard. <http://bb.uob.edu.bh>  Guest speakers: Expert guest speakers from Bahrain and abroad in the field of Islamic banking, finance, economics, and law will be invited to speak on contemporary issues.  Conference participation facilitation: To understand the current developments of the Islamic finance industry and its future prospects, participation in locally organized International conference, when available, is facilitated and encouraged.  For Research projects students are advised to explore and use the data from Thomson Reuters at UOB Library as well as form International Monetary Fund (IMF), World Bank, Organization for Islamic Countries (OIC), Gulf Cooperation Council Countries (GCC), and Organization for Economic Cooperation and Development (OECD) historical Statistics. | | | | | | | | | | | | | | | | | | | | | |
| 1. Course description (as per the published):   The objective of this course is to familiarize the students with the various instruments available for risk management. It covers rather simpler instruments such as options, futures, and swaps. Besides discussing the pricing of these instruments and hedging principles the course would also aim at introduction of some complex instruments such as options on futures and swaps. | | | | | | | | | | | | | | | | | | | | | |
| 1. Course Intended Learning Outcomes (CILOs): | | | | | | | | | | | | | | | | | | | | | |
| CILOs | | | | | *Mapping to PILOs* | | | | | | | | | | | | | | | | |
| Learning goals | | | | | a. Knowledge | | b. Globalization | | | | | c. Skills | | d. Communication | | | | e. Competencies | | f. Values | |
| Learning objectives | | | | | a1: General Knowledge | a2: Specific knowledge | b1: International cross-cultural | | b2: Global Perspective | | | c1: Thinking skills | c2: Analytical skills | d1: Communication (Writing) | | d2: Communication (Oral) | | e1: Leadership skills | e2: Teamwork | f1: Ethics | f2: Social responsibility |
| 1. Develop a comprehensive understanding of option basic strategies | | | | | ✓ | ✓ | ✓ | | ✓ | | |  |  |  | |  | |  |  | ✓ | ✓ |
| 1. Explore futures and forward contracts and Explain different Forward and Futures Hedging Strategies | | | | |  |  |  | |  | | | ✓ | ✓ |  | |  | |  |  | ✓ | ✓ |
| 1. Discover SWAP market and formulate Swap hedging strategies. | | | | |  |  |  | |  | | |  |  | ✓ | | ✓ | |  |  |  |  |
| 1. Apply Financial Risk Management Techniques in an Organization. | | | | |  |  |  | |  | | |  |  |  | |  | | ✓ | ✓ | ✓ | ✓ |

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| 1. Course assessment: | | | | |
| *Assessment Type* | *Details/ Explanation of Assessment in relation to CILOs* | *Number* | *Weight* | *Date(s)* |
| Continuous Assessment (2-hour) | 1-4 | 7 | 15 % | TBA |
| Engagement Activities (1-hour) | 1-4 | 7 | 15 % | TBA |
| Practical |  |  | % |  |
| Examinations | 1-2 | 1 | 10 % | TBA |
| Projects/Case Studies | 2-4 | 1 | 20% | TBA |
| Final Examination  (Respondus) | 1-4 | 1 | 40  % | TBA |
| Total |  |  | 100% |  |

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| 1. Description of Topics Covered | |
| *Topic Title*  *(e.g. chapter/experiment title)* | *Description* |
| Chapter 1  Exposure to Financial risk & Financial Risk Management | The chapter describes the special role financial intermediaries (FI) play in the financial system and the functions they provide and how they are exposed to financial risks. Also explains why the various FIs face special regulatory attention and how the crisis in the financial markets are related to financial risk management. |
| Chapter 5:  Mutual Funds and Hedge Funds | The chapter describes mutual funds and hedge funds, such as activities of mutual funds, size, structure, and composition, balance sheets and recent trends, regulation of mutual funds, Global issues, activities of hedge funds, regulation of hedge funds. |
| Chapter 7:  Risks of Financial Institutions | The chapter introduces the risks faced by financial institutions, such as interest rate risk, market risk, credit risk, off-balance-sheet risk, foreign exchange risk, country or sovereign risk, technology and operational risk, liquidity risk, fintech risk, and insolvency risk. |
| Chapter 10: Credit Risks | This chapter discusses types and characteristics of loans made by U.S. FIs and similar perspectives for Bahrain, models for measuring credit risk, and applicable technological advances. Also analyzes the importance and purposes of pricing loans and bonds and mitigating and setting limits on credit risk exposure. |
| Chapter 12:  Liquidity risk | The chapter investigates the causes of liquidity risk, methods of measuring liquidity risk, consequences of extreme liquidity risk exposure and financial crisis. |
| Chapter 16:  Forward Contract, Futures, Option and Swap- the off-Balance-Sheet (OBS) Risks | This chapter focuses on derivative securities held OBS such as forward contract, futures contract, Option, and Swap. |
| Chapter 18:  Fintech Risks | The chapter describes how Financial technology, or fintech, has been adopted rapidly in the financial sector over recent years. Why has Fintech evolved as disruptive, challenging as well as potential force? Types of fintech innovations and ways to mitigate the risks. |
| Chapter 19:  Liability and Liquidity risks management | This chapter Depository institutions and life insurance companies are highly exposed to liquidity risk.  This chapter discusses how these firms can control liquidity risk, the motives for holding liquid assets, and specific issues associated with liability and liquidity risk management. |
| Chapter 23:  Futures and Forwards | Futures and forwards definitions. Role of futures and forwards in managing interest rate risk, FX risk, credit risk, and catastrophe risk. Regulations and mitigations of risks. |
| Chapter 24:  Option Market | Review of options — puts and calls.  Fixed income or interest rate options.  Options that address foreign exchange risk, credit risks, and catastrophe risk.  Caps, floors, and collars. |
| Chapter 25  Swaps | Generic swaps in order of quantitative importance:  Interest rate, Currency, Credit, Commodity and Equity. |

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| 1. Weekly Schedule | | | | | |
| *Week* | *Date* | *Topics covered* | *CILOs* | *Teaching Method* | *Assessment* |
| *1* | *07/02/2021* | **Chapter 1**  **Exposure to Financial risk & Financial Risk Management**  <https://youtu.be/gsnhAaEm1UE> | 1,4 | *2-hour lecture:* | Quiz 1  Continuous Assessment Engagement Activities |
| *1-hour lecture* |
| *2* | *14/02/2021* | **Chapter 5:**  **Mutual Funds and Hedge Funds**  <https://youtu.be/xUa3BilLIrA> | 2,3 | *2-hour lecture:* | Quiz 1  Continuous Assessment Engagement Activities |
| *1-hour lecture* |
| *3* | *21/02/2021* | **Chapter 5:**  **Mutual Funds and Hedge Funds**  <https://youtu.be/xUa3BilLIrA> | 2,3 | *2-hour lecture:* | Quiz 1  Continuous Assessment Engagement Activities |
| *1-hour lecture* |
| *4* | *28/02/2021* | **Chapter 7:  Risks of Financial Institutions**  <https://youtu.be/Tnt0H9qA-2g>  **Group project announced** | 1,4  2-4 | *2-hour lecture:* | Quiz 1  Continuous Assessment Engagement Activities |
| *1-hour lecture* |
| *5* | *07/03/2021* | **Chapter 10: Credit Risks**  <https://youtu.be/KiArLTBAfkc> | 1,4 | *2-hour lecture:* | Quiz 1  Continuous Assessment Engagement Activities |
| *1-hour lecture* |
| *6* | *14/03/2021* | **Chapter 12:**  **Liquidity risk**  <https://youtu.be/Rl1N_qQ43p8> | 4 | *2-hour lecture:* | Quiz 1  Continuous Assessment Engagement Activities |
| *1-hour lecture* |
| *7* | *21/03/2021* | **Chapter 16:  Forward Contract, Futures, Option and Swap- the o**ff-Balance-Sheet **(OBS)** Risks  [**https://youtu.be/Pz9TJUwa6DM**](https://youtu.be/Pz9TJUwa6DM) | 2,3 | *2-hour lecture:* | Quiz 1  Continuous Assessment Engagement Activities |
| *1-hour lecture* |
| *8* | *28/03/2021* | **Chapter 16:  Forward Contract, Futures, Option and Swap- the o**ff-Balance-Sheet **(OBS)** Risks  [**https://youtu.be/Pz9TJUwa6DM**](https://youtu.be/Pz9TJUwa6DM) | 3,5 | *2-hour lecture:* | Final Exam Continuous Assessment Engagement Activities Project |
| *1-hour lecture* |
| *9* | *04/04/2021* | **Mid-Semester Break** |  | *2-hour lecture:* |  |
| *1-hour lecture* |
| *10* | *11/04/2021* | **Chapter 18:  Fintech Risks**  [**https://youtu.be/089AIKV6KUU**](https://youtu.be/089AIKV6KUU)  **Group Project Due** | 4 | *2-hour lecture:* | Final Exam Continuous Assessment Engagement Activities Project |
| *1-hour lecture* |
| *11* | 18/04/2021 | **Chapter 19:**  **Liability and Liquidity risks management**  <https://youtu.be/OxKpufmdaK0>  <https://youtu.be/ngfA4mGPON4> | 1,4 | *2-hour lecture:* | Final Exam Continuous Assessment Engagement Activities |
| *1-hour lecture* |
| *12* | *25/04/2021* | **Chapter 23:**  **Futures and Forwards**  <https://youtu.be/ocASABYRVGo>  <https://youtu.be/122Vee14f-0> | 2 | *2-hour lecture:* | Final Exam Continuous Assessment Engagement Activities Project |
| *1-hour lecture* |
| *13* | *02/05/2021* | **Chapter 24:**  **Option Market**  <https://youtu.be/RsxmuQlNCKQ> | 2,3 | *2-hour lecture:* | Final Exam Continuous Assessment Engagement Activities Project |
| *1-hour lecture* |
| *14* | *09/05/2021* | **Chapter 24:**  **Option Market**  [**https://youtu.be/U5uXOqygJRE**](https://youtu.be/U5uXOqygJRE)  **Chapter 25**  **Swaps**  <https://youtu.be/uVq384nqWqg> | 2, 3 | *2-hour lecture:* | Final Exam Continuous Assessment Engagement Activities Project |
| *1-hour lecture* |
| *15* | *16/05/2021* | **Chapter 25**  **Swaps**  <https://youtu.be/uVq384nqWqg> | 3 | *2-hour lecture:* | Final Exam Continuous Assessment Engagement Activities  Project |
| ***1-hour lecture*** |
| *16* | *23/05/2021* | Revisions |  | *2-hour lecture:* |  |
| ***1-hour lecture*** |
|  |  | Final Exam: 6/5/2021 |  |  |  |