



# ECFS868

## Financial Risk Management

AFC Term 2 MB 2015

*Dept of Applied Finance and Actuarial Studies*

### Contents

---

<u>General Information</u>	2
<u>Learning Outcomes</u>	3
<u>General Assessment Information</u>	3
<u>Assessment Tasks</u>	4
<u>Delivery and Resources</u>	8
<u>Unit Schedule</u>	10
<u>Learning and Teaching Activities</u>	13
<u>Policies and Procedures</u>	13
<u>Graduate Capabilities</u>	15
<u>Changes from Previous Offering</u>	18
<u>Important Notice</u>	19
<u>Standards Required to Complete the Unit Satisfactorily</u>	19
<u>Changes since First Published</u>	21

---

#### **Disclaimer**

Macquarie University has taken all reasonable measures to ensure the information in this publication is accurate and up-to-date. However, the information may change or become out-dated as a result of change in University policies, procedures or rules. The University reserves the right to make changes to any information in this publication without notice. Users of this publication are advised to check the website version of this publication [or the relevant faculty or department] before acting on any information in this publication.

## General Information

Unit convenor and teaching staff

Unit Convenor / Lecturer

Elizabeth Sheedy

[elizabeth.sheedy@mafc.mq.edu.au](mailto:elizabeth.sheedy@mafc.mq.edu.au)

Contact via Email

Sydney

Lecturer

Simon Schwarz

[simons.schwarz@mq.edu.au](mailto:simons.schwarz@mq.edu.au)

Contact via Email

Sydney

Lecturer

Max Morley

[max.morley@mafc.mq.edu.au](mailto:max.morley@mafc.mq.edu.au)

Contact via Email

Melbourne, Beijing

Lecturer

Paul Kennedy

Singapore, Sydney

Credit points

4

Prerequisites

(Admission to MAppFin or PGCertAppFin or GradDipAppFin) and (AFCP801 or (ECFS865 and ECFS867))

Corequisites

Co-badged status

### Unit description

Financial Risk Management (FRM) is based on an enterprise risk management framework designed to increase the likelihood that an organisation will achieve its objectives. Unlike traditional, purely defensive approaches to risk, FRM's philosophy focuses on how effective risk management adds value to the organisation. We consider methods for identifying, assessing and treating a variety of risks, with special focus on market, credit, funding liquidity and operational risks. The unit encompasses both quantitative skills and broader human and organisational issues. We encourage students to question the assumptions behind the models, to think about behavioural biases, to identify ethical issues, to consider incentives, and to think creatively of risk management solutions. The lectures deliver theoretical and industry relevance by using a case study methodology. Lectures are complemented by online learning activities designed to promote student interaction, engagement, and understanding throughout the Unit. Assessable pre-course activities must be completed prior to the first class.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

Assess an enterprise, strategy, transaction or situation to identify and classify the key risks.

Apply a risk management framework having regard to the institutional setting (banks, non-financial corporation vs. managed funds).

Critique or defend governance systems for an enterprise having regard to incentive conflicts between stakeholder groups, information asymmetries, appropriate risk-taking and ethical considerations.

Identify and analyse ethical dilemmas that arise in risk management.

Understand and assess the following risks: market, credit, operational, funding liquidity  
Use, interpret and critique quantitative methods to investigate market and credit risks.

Design risk management strategies appropriate to the organisational context and risk appetite.

## General Assessment Information

To pass this unit (requires a Standardised Numerical Grade of 50 or better) the student must pass the combined examinations component of the assessment.

**Assessable pre-course activities are to be completed. Assessable pre-course activities**

(taking 4-8 hours) **MUST** be completed prior to the first class. Go to Topic 1 and complete all the Before Class Activities. Non-completion will result in zero marks for these assessments and, more importantly, reduce the quality of your learning experience.

## Assessment Tasks

Name	Weighting	Due
<a href="#">Assignment</a>	30%	Refer to Timetable
<a href="#">Participation</a>	10%	In iLearn
<a href="#">Online Quizzes</a>	10%	In iLearn
<a href="#">Final Exam</a>	50%	Refer to Timetable

### Assignment

Due: **Refer to Timetable**

Weighting: **30%**

#### Summary of Assessment Task

**Individual / Group:** Individual

**Due Date:** Different Class Groups have different deadlines. Students should find the timetable and dates relevant to their group at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au)

**Timing:** Generally a week prior to the final exam.

**Grading Method:** Refer to 'Standards Required to Complete the Unit Satisfactorily'

**Submission Method:** Via Turnitin on iLearn.

**Duration:** Refer to Assignment coversheet

#### Extension Requests:

- If you have extenuating circumstances that prevent you from submitting your assignment by the due date, please make arrangements with your Lecturer prior to the due date.
- Unless prior arrangements have been made, any late submission of assignments will automatically be penalised. In the absence of special circumstances, a zero mark will apply.

#### Other Information:

- The assignment may be included in the lecture notes. In some teaching Centres it may be handed out in class.

On successful completion you will be able to:

- Assess an enterprise, strategy, transaction or situation to identify and classify the key risks.
- Apply a risk management framework having regard to the institutional setting (banks, non-financial corporation vs. managed funds).
- Critique or defend governance systems for an enterprise having regard to incentive conflicts between stakeholder groups, information asymmetries, appropriate risk-taking and ethical considerations.
- Identify and analyse ethical dilemmas that arise in risk management.
- Understand and assess the following risks: market, credit, operational, funding liquidity
- Use, interpret and critique quantitative methods to investigate market and credit risks.
- Design risk management strategies appropriate to the organisational context and risk appetite.

## Participation

Due: **In iLearn**

Weighting: **10%**

### Summary of Assessment Task

**Individual / Group:** Individual

**Due Date:** Different Class Groups have different deadlines. Students should find the timetable and dates relevant to their group at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au)

**Timing:** Pre-class and post-class forums plus in class discussions for Topics 1 and 4.

**Grading Method:** Participation judged on quality and frequency. Good questions are highly valued.

**Submission Method:** Online via the Unit's iLearn site and in class.

**Duration:** Check iLearn for opening and closing dates of online forums (usually a two week window applies).

### Extension Requests:

- You are expected to make yourself available for assessment.
- If you have extenuating circumstances (such as illness or misadventure) that prevent you from participating, please make arrangements with your Lecturer prior to the due date.
- Unless prior arrangements have been made, a zero mark will apply.

On successful completion you will be able to:

- Identify and analyse ethical dilemmas that arise in risk management.
- Design risk management strategies appropriate to the organisational context and risk

appetite.

## Online Quizzes

Due: **In iLearn**

Weighting: **10%**

### Summary of Assessment Task

**Individual / Group:** Individual

**Due Date:** Different Class Groups have different deadlines. Students should find the timetable and dates relevant to their group at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au)

**Timing:** Pre-class quizzes for Topics 1 and 4.

**Grading Method:** Refer to 'Standards Required to Complete the Unit Satisfactorily'

**Submission Method:** Via iLearn.

**Duration:** From 30-60 minutes. See iLearn.

**Examination Conditions:** Open book.

### Extension Requests:

- You are expected to make yourself available for assessment during the relevant quiz window.
- If you have extenuating circumstances (such as illness or misadventure) that prevent you from participating, please make arrangements with your Lecturer prior to the due date.
- Unless prior arrangements have been made, a zero mark will apply.

On successful completion you will be able to:

- Assess an enterprise, strategy, transaction or situation to identify and classify the key risks.
- Critique or defend governance systems for an enterprise having regard to incentive conflicts between stakeholder groups, information asymmetries, appropriate risk-taking and ethical considerations.

## Final Exam

Due: **Refer to Timetable**

Weighting: **50%**

### Summary of Assessment Task

**Individual / Group:** Individual

**Due Date:** Different Class Groups have different deadlines. Students should find the timetable and dates relevant to their group at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au)

**Timing:** Refer to Timetable

**Grading Method:** Refer to 'Standards Required to Complete the Unit Satisfactorily'

**Submission Method:** As per MAFC Program Rules & Procedures at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au)

**Duration:** 3 hours plus 10 minutes reading time

**Examination Conditions:**

- All examinations are closed book. However, permitted materials and aids are:
  - A formula sheet to be provided at the exam.
  - Specified calculators only.
- Exam times and locations are noted in the unit timetable at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au).
- Refer to MAFC Program Rules & Procedures at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au).

**Extension Requests:**

- You are expected to present yourself for examination at the time and place designated in the relevant MAFC Timetable at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au).
- Deferral of an examination is not permitted, unless special consideration has been approved by the Director of Studies under the University's Disruption to Studies Policy.
- Refer to MAFC Program Rules & Procedures at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au) for information on the University's Disruption to Studies Policy or non-attendance at an examination.

On successful completion you will be able to:

- Assess an enterprise, strategy, transaction or situation to identify and classify the key risks.
- Apply a risk management framework having regard to the institutional setting (banks, non-financial corporation vs. managed funds).
- Critique or defend governance systems for an enterprise having regard to incentive conflicts between stakeholder groups, information asymmetries, appropriate risk-taking and ethical considerations.
- Identify and analyse ethical dilemmas that arise in risk management.
- Understand and assess the following risks: market, credit, operational, funding liquidity
- Use, interpret and critique quantitative methods to investigate market and credit risks.
- Design risk management strategies appropriate to the organisational context and risk appetite.

## Delivery and Resources

### CLASSES

**Face-to-Face Teaching:** Generally 30 hours

**Online Activities:** Under the 'flipped classroom' model, some learning activities will take place independently and online (using iLearn).

**Timetable:** Detailed timetable for classes are on the Centre's web site [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au)

#### **Class Changes:**

Students will only be permitted to change classes if authorised by the Applied Finance Centre.

Request for changes must be made:

- By completion of a Change of Unit Form, available on the Centre's web site at [www.mafc.mq.edu.au](http://www.mafc.mq.edu.au); or
- In person by going to reception at the relevant Applied Finance Centre location.

**Consultation Times:** Students who wish to contact any of the teaching staff may do so through the unit's iLearn forum in relation to general queries (so that all students may benefit).

### REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

#### **Text:**

- Crouhy, Galai and Marks Essentials of Risk Management (2nd edition). McGraw-Hill Education.
- Students should buy this text. It provides a very up-to-date exposition of relevant material. The lecture notes reference it extensively.

#### **Additional Readings:**

- Additional readings are included in the Unit notes.
- Students should assume these readings are examinable unless otherwise advised.

**Lecture Notes:** Available in printed form and electronically via iLearn.

**Study Problems:** Students are required to work systematically through suggested problem sets. These problems will not be collected but they will help you prepare for the exams. Answers to the problems will be posted to iLearn.

#### **Pre-Unit Materials:**

- Several pre-unit activities must be completed before the first class. For further information refer to the iLearn site (Topic 1) and your notes.
- Information papers on statistics, regression, accounting and other material may be found



at <http://mafcstudents.mq.edu.au/new-to-mafc/pre-course-materials/>. Students should work through this material prior to commencing the degree. The material will remain a useful reference as students progress through the program.

**Useful References:**

- Hull, John C. Risk Management and Financial Institutions (3rd edition). Pearson Education, Boston.
- Oslington, Paul. *A Maths Primer for Economics, Commerce and Business Administration Students*. Addison Wesley Longman, Australia, 1999.

**Calculators:**

- A financial calculator that can handle time value of money calculations, logs and power functions is required.
- The Hewlett Packard calculator hp17bII+ is recommended.
- In examinations, the following calculators are permitted:
  - Hewlett Packard hp17bII+
  - Hewlett Packard hp12c Platinum or hp12c
  - Texas Instruments BAII PLUS (also the PROFESSIONAL version)
- No other calculators, mobile phone or computers are permitted in examinations.

**Assumed Knowledge:** Mathematical content

- Finance has a high level of numerate content.
- Consequently this Unit is, in parts, mathematical and statistical. As an indication of the level of statistics, students should find the following problem easy to solve: If an asset has expected return of 10% p.a. and standard deviation of 15% p.a., what is the probability that returns over the next year will be less than 0%?
- The mathematical content of this Unit is higher than that of the Financial Instruments core Unit. Occasionally the Unit dips into differential/integral calculus and invokes statistical distributions. Students should explore the McDonald text for an indication of the extent of this. Appendices A1 and A2 at the end of the lecture notes are another useful resource.

**Assumed Access:** Access to a computer with word processing and spreadsheet capability is assumed, as is general student computer literacy.

## **TECHNOLOGY USED AND REQUIRED**

### Unit's iLearn Site:

- Found by logging on to iLearn [ilearn.mq.edu.au](http://ilearn.mq.edu.au), then clicking on **ECFS 868 - Financial Risk Management**.
- This is where you will find forums, downloadable resources and links to important pages.
- The forum allows you to communicate with other students and lecturer(s) and may provide supplementary material.
- You are requested to post your questions on the forums at least 24 hours prior to the assignment submission date or the examination date. Questions posted after that time may not be answered. **Please try to not leave your questions to the last few days.**

### Important Notice:

- It is important that you familiarize yourself with the Unit's iLearn site.
- All students should check iLearn regularly (minimum twice a week and prior to all lectures) and look for updates and distribution of materials (including case studies) related to the unit or assessments and, if relevant, participate in forum discussions.

## Unit Schedule

### 1. A RISK MANAGEMENT FRAMEWORK

**References:** Shortreed 'ERM Frameworks', Chapter 7 in Fraser and Simkins (eds) Enterprise Risk Management Kolb Series in Finance, Wiley 2010

#### Topics:

- Defining risk and risk management.
- Review of crucial risk concepts (including quantitative methods). The Enterprise Risk Management (ERM) Framework.
- The bank perspective.
- The corporate perspective.
- Exposure types (transaction, translation, economic).
- Handling exposure uncertainty Case Study: BHP Billiton

**Pre-Class:** Statistics Review, ERM Frameworks, Introductions, Bank Scandals

### 2. ANALYSING MARKET RISK

**References:** Crouhy, Galai and Marks Chapter 7

#### Topics:

- Market risk in the corporate setting
- Monte Carlo simulation
- Analysing risk in trading/investment portfolios
- The Greeks (risk sensitivity)
- Some features of real-world data (violations of Normality)
- Value-at-risk and Expected Shortfall
- Regulatory trends in market risk
- Using risk measures to manage market risk
- Grappling with model risk

### **3. CREDIT RISK**

**References:** Crouhy, Galai and Marks Chapters 9, 10

**Topics:**

- Retail vs Commercial vs Corporate Credit Context
- Key elements of credit risk (probability of default, loss given default, exposure at default)
- Methods of credit risk management
- Regulatory trends in credit risk
- Credit spreads and their drivers
- Structural approach to credit analysis
- Reduced form methods for credit analysis
- Credit Rating Agencies
- Principles of credit model selection

### **4. GOVERNANCE, ETHICS AND RISK**

**Topics:**

- Why governance?
- Corporate governance overview
- Corporate governance and risk management
- Risk governance in banks
- Risk culture
- Designing the risk management framework
- Remuneration and Performance Measurement
- Performance based remuneration
- Equity based remuneration
- Ethical dilemmas for risk managers
- Case study: Barclays

**Pre-Class:** Readings, videos, online quiz and assessable forums

## **5. OPERATIONAL RISK (1 SESSION)**

**References:** Crouhy, Galai and Marks Chapter 14

**Topics:**

- Typology – People, Processes, Systems, External Events
- Scenario, Scorecard and Combined Approaches to Quantifying Operational Risk
- Role of Key Risk Indicators
- Mitigating operational risk

## **6. RISK AND THE BALANCE SHEET**

**References:** Crouhy, Galai and Marks Chapters 8, 17

**Topics:**

- Asset and liability management
- Regulatory trends in funding liquidity and capital
- Liquidity case study: Northern Rock
- Analytical tools (gap analysis etc)
- Sound practices for liquidity risk management
- Introduction to funds transfer pricing
- Risk Capital
- Risk-adjusted performance measures

## **A1. SOME USEFUL STATISTICAL CONCEPTS AND FACTS**

**References:** Bodie, Kane & Marcus 7/E -- Appendix A (quantitative review). This is downloadable from iLearn. FRM\_2.xls spreadsheet.

**Topics:**

- Random variables.
- Probability distributions.
- Expected value (= mean).
- Covariance.
- Variance.
- Standard deviation.
- Correlation.
- Linear combinations of random variables.

**PEA1:** Problems and exercises for Appendix A1 (currently none).

## **A2. SOME FACTS ABOUT NORMALLY DISTRIBUTED RANDOM**

## VARIABLES

**References:** R.L. McDonald text -- Chapter 18. FRM\_2.xls spreadsheet.

### Topics:

- Introduction.
- The probability density function (*pdf*) for the  $(\mu, \sigma^2)$  normal random variable.
- The probability density function (*pdf*) for the standard normal random variable.
- The cumulative distribution function (*cdf*) for the standard normal random variable.
- Linear transformations of a normal random variable.
- Linear combinations of normal random variables.
- A way to think about variances and covariances.
- Zero covariance (zero correlation) versus statistical independence.
- Calculating probabilities using the normal distribution.

**PEA2:** Students should do all the problems & exercises for Appendix A2 (currently 8).

## Learning and Teaching Activities

### Strategy

The Master of Applied Finance degree adopts a deep teaching and learning strategy in which students acquire and retain knowledge and also are able to make sense of the issues and concepts and apply them in the “real world”. The degree relies heavily on student engagement and participation by: (a) Continuous learning throughout the semester. This is encouraged through a combination of students undertaking prescribed reading throughout the units and / or completion of practice problems, online activities, case studies, assignments, class discussions, etc and interaction via forums; and (b) Assessments, which enable the student to demonstrate his / her understanding of the learning objectives achieved through the continuous learning.

### Student Participation

Students participate in this unit by: (a) Attending lectures and participating in class discussion; (b) Before each class, completing the pre-class activities, reading notes and other prescribed readings; (c) After each class, working systematically through suggested problem sets and completing on-line activities; (d) Interacting in forums; and (e) Completing all assessment tasks and exams. On average the unit will require students to complete, for every hour of class time, approximately 3 hours private study.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy [http://mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://mq.edu.au/policy/docs/academic_honesty/policy.html)

Assessment Policy <http://mq.edu.au/policy/docs/assessment/policy.html>

Grading Policy <http://mq.edu.au/policy/docs/grading/policy.html>

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Grievance Management Policy [http://mq.edu.au/policy/docs/grievance\\_management/policy.html](http://mq.edu.au/policy/docs/grievance_management/policy.html)

Disruption to Studies Policy [http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html) *The Disruption to Studies Policy is effective from March 3 2014 and replaces the Special Consideration Policy.*

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

## **Student Code of Conduct**

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: [https://students.mq.edu.au/support/student\\_conduct/](https://students.mq.edu.au/support/student_conduct/)

## **Results**

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit <ask.mq.edu.au>.

Students should also consult the MAFC Program Rules & Procedures found at <http://www.mafc.mq.edu.au>

## **Student Support**

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

## **Learning Skills**

Learning Skills (<mq.edu.au/learningskills>) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## **Student enquiry service (MAFC-specific)**

For all student enquires, please contact [studentsupport@mafc.mq.edu.au](mailto:studentsupport@mafc.mq.edu.au)

## **Student Services and Support**

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Learning Skills

Learning Skills ([http://www.students.mq.edu.au/support/learning\\_skills/](http://www.students.mq.edu.au/support/learning_skills/)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- Workshops
- StudyWise
- Academic Integrity Module for Students
- Ask a Learning Adviser

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

## IT Help

For help with University computer systems and technology, visit <http://informatics.mq.edu.au/help/>.

When using the University's IT, you must adhere to the [Acceptable Use Policy](#). The policy applies to all who connect to the MQ network including students.

## Graduate Capabilities

### PG - Capable of Professional and Personal Judgment and Initiative

Our postgraduates will demonstrate a high standard of discernment and common sense in their professional and personal judgment. They will have the ability to make informed choices and decisions that reflect both the nature of their professional work and their personal perspectives.

This graduate capability is supported by:

### Learning outcomes

- Critique or defend governance systems for an enterprise having regard to incentive conflicts between stakeholder groups, information asymmetries, appropriate risk-taking and ethical considerations.
- Identify and analyse ethical dilemmas that arise in risk management.
- Understand and assess the following risks: market, credit, operational, funding liquidity
- Use, interpret and critique quantitative methods to investigate market and credit risks.
- Design risk management strategies appropriate to the organisational context and risk appetite.

### Assessment tasks

- Assignment

- Participation
- Online Quizzes
- Final Exam

## PG - Discipline Knowledge and Skills

Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

### Learning outcomes

- Assess an enterprise, strategy, transaction or situation to identify and classify the key risks.
- Critique or defend governance systems for an enterprise having regard to incentive conflicts between stakeholder groups, information asymmetries, appropriate risk-taking and ethical considerations.
- Identify and analyse ethical dilemmas that arise in risk management.
- Understand and assess the following risks: market, credit, operational, funding liquidity
- Use, interpret and critique quantitative methods to investigate market and credit risks.

### Assessment tasks

- Assignment
- Participation
- Online Quizzes
- Final Exam

## PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

### Learning outcomes

- Assess an enterprise, strategy, transaction or situation to identify and classify the key risks.
- Identify and analyse ethical dilemmas that arise in risk management.
- Understand and assess the following risks: market, credit, operational, funding liquidity



- Use, interpret and critique quantitative methods to investigate market and credit risks.
- Design risk management strategies appropriate to the organisational context and risk appetite.

## **Assessment tasks**

- Assignment
- Online Quizzes
- Final Exam

## **PG - Research and Problem Solving Capability**

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

### **Learning outcomes**

- Apply a risk management framework having regard to the institutional setting (banks, non-financial corporation vs. managed funds).
- Critique or defend governance systems for an enterprise having regard to incentive conflicts between stakeholder groups, information asymmetries, appropriate risk-taking and ethical considerations.
- Identify and analyse ethical dilemmas that arise in risk management.
- Understand and assess the following risks: market, credit, operational, funding liquidity
- Use, interpret and critique quantitative methods to investigate market and credit risks.
- Design risk management strategies appropriate to the organisational context and risk appetite.

## **Assessment tasks**

- Assignment
- Online Quizzes
- Final Exam

## **PG - Effective Communication**

Our postgraduates will be able to communicate effectively and convey their views to different social, cultural, and professional audiences. They will be able to use a variety of technologically supported media to communicate with empathy using a range of written, spoken or visual formats.

This graduate capability is supported by:

## Learning outcomes

- Apply a risk management framework having regard to the institutional setting (banks, non-financial corporation vs. managed funds).
- Critique or defend governance systems for an enterprise having regard to incentive conflicts between stakeholder groups, information asymmetries, appropriate risk-taking and ethical considerations.
- Identify and analyse ethical dilemmas that arise in risk management.
- Understand and assess the following risks: market, credit, operational, funding liquidity
- Use, interpret and critique quantitative methods to investigate market and credit risks.
- Design risk management strategies appropriate to the organisational context and risk appetite.

## Assessment tasks

- Assignment
- Participation
- Online Quizzes
- Final Exam

## PG - Engaged and Responsible, Active and Ethical Citizens

Our postgraduates will be ethically aware and capable of confident transformative action in relation to their professional responsibilities and the wider community. They will have a sense of connectedness with others and country and have a sense of mutual obligation. They will be able to appreciate the impact of their professional roles for social justice and inclusion related to national and global issues

This graduate capability is supported by:

## Learning outcomes

- Apply a risk management framework having regard to the institutional setting (banks, non-financial corporation vs. managed funds).
- Critique or defend governance systems for an enterprise having regard to incentive conflicts between stakeholder groups, information asymmetries, appropriate risk-taking and ethical considerations.
- Identify and analyse ethical dilemmas that arise in risk management.
- Understand and assess the following risks: market, credit, operational, funding liquidity

## Changes from Previous Offering

- The curriculum for this unit has been revised and up-dated. In previous semesters option

pricing models were included in the curriculum. New topics have been introduced on operational risk and funding liquidity risk.

- The Academic Policies section of this Unit Guide was updated March 2014.
- The Extension Requests section of this Unit Guide was updated June 2014.

## Important Notice

This unit guide may be subject to change. The latest version is on the Centre's website [www.maf.cmq.edu.au](http://www.maf.cmq.edu.au). Students should read the Unit Guide carefully at the start of semester. It contains important information about the Unit. If anything is unclear, please consult one of the unit lecturers.

## Standards Required to Complete the Unit Satisfactorily

### University Policy on Grading:

- Macquarie University's Academic Senate has established a Grading Policy available at <http://www.mq.edu.au/policy/docs/grading/policy.html>. Your final result will include:
  - A grade ranging from Fail to High Distinction; and
  - A Standardised Numerical Grade (SNG). A SNG is not a summation of the individual assessment components, but is allocated on the basis of the performance in all assessment items, providing the examination component is passed.
- It is important to note:
  - The Policy does not require that a minimum or maximum number of students are to be failed in any unit;
  - Grades will not be allocated to fit a predetermined distribution; and
  - The process of allocating SNGs does not change the rank order of marks among students who pass the unit.

### Specific Unit Grading:

- To pass this unit (ie requires a Standardised Numerical Grade of 50 or better), the student must pass the combined examinations component of the assessment.
- All final grades in the Applied Finance Centre are determined by a grading committee and are not the sole responsibility of the unit convenor.
- The core criteria used to assess student work in this unit are:
  - Knowledge and understanding: Understanding key ideas, knowledge and use of concepts.

- Application: Ability to apply theoretical ideas and frameworks in practice and in a critically reflective way.
  - Reasoning and analysis: Ability to analyse, use critical reasoning and principles to formulate a position, balancing theory and personal reflection.
  - Professional literacy and research: Understanding of professional factors (language and landscape) and ability to undertake appropriate research.
  - Communication and presentation: Ability to communicate and present effectively (written and oral, as relevant).
  - Use of mathematical and statistical ideas: Ability to use mathematical and statistical ideas, methods and formulae appropriately.
- Performance in relation to each of these criteria are assessed against the University’s grading descriptors:

Grade	Expectation
High Distinction	Provides consistent evidence of deep and critical understanding in relation to the learning outcomes. There is substantial originality and insight in identifying, generating and communicating competing arguments, perspectives or problem solving approaches; critical evaluation of problems, their solutions and their implications; creativity in application as appropriate to the discipline.
Distinction	Provides evidence of integration and evaluation of critical ideas, principles and theories, distinctive insight and ability in applying relevant skills and concepts in relation to learning outcomes. There is demonstration of frequent originality in defining and analysing issues or problems and providing solutions; and the use of means of communication appropriate to the discipline and the audience.
Credit	Provides evidence of learning that goes beyond replication of content knowledge or skills relevant to the learning outcomes. There is demonstration of substantial understanding of fundamental concepts in the field of study and the ability to apply these concepts in a variety of contexts; convincing argumentation with appropriate coherent justification; communication of ideas fluently and clearly in terms of the conventions of the discipline.
Pass	Provides sufficient evidence of the achievement of learning outcomes. There is demonstration of understanding and application of fundamental concepts of the field of study; routine argumentation with acceptable justification; communication of information and ideas adequately in terms of the conventions of the discipline. The learning attainment is considered satisfactory or adequate or competent or capable in relation to the specified outcomes.
Fail	Does not provide evidence of attainment of learning outcomes. There is missing or partial or superficial or faulty understanding and application of the fundamental concepts in the field of study; missing, undeveloped, inappropriate or confusing argumentation; incomplete, confusing or lacking communication of ideas in ways that give little attention to the conventions of the discipline.

**Review of Grade and final examination Script viewing:**

- A student who has been awarded a final grade for a unit and who does not believe it is an accurate reflection of their performance, and has grounds for such a claim and can demonstrate those grounds, may apply to have their grade reviewed.
- For information on requesting a review of grade and/or viewing your final exam script, please refer to the University’s Grade Appeal Policy at <http://www.mq.edu.au/policy/docs/gradeappeal/policy.html> and MAFC Program Rules & Procedures at <http://www.mafc.mq.edu.au/mafc-program-rules-procedures>

[mq.edu.au](http://mq.edu.au)

## Changes since First Published

Date	Description
14/01/2015	Updated Staff List