



AFIN3028

Financial Risk Management

Session 2, Special circumstance 2020

Department of Applied Finance

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Notice

As part of [Phase 3 of our return to campus plan](#), most units will now run tutorials, seminars and other small group learning activities on campus for the second half-year, while keeping an online version available for those students unable to return or those who choose to continue their studies online.

To check the availability of face-to-face and online activities for your unit, please go to [timetable viewer](#). To check detailed information on unit assessments visit your unit's iLearn space or consult your unit convenor.

General Information

Unit convenor and teaching staff Unit Convenor Lei Shi l.shi@mq.edu.au
Credit points 10
Prerequisites (AFIN252 or AFIN2052 or AFIN250 or AFIN2050) and (AFIN270 or AFIN2070 or STAT272 or STAT2372)
Corequisites
Co-badged status
Unit description This unit examines optimal investments strategies with respect to risk and return; the role and characteristics of international financial markets and institutions; the pricing of various financial products and how they can be used for hedging. It builds econometric models based on financial variables and how these are utilised in managing market, credit and operational risks. Students are also introduced to advanced techniques in financial markets and risk management practices.

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:

- ULO1:** Illustrate coherent theoretical and technical knowledge in the discipline and practice of financial risk management.
- ULO2:** Analyse, generate and transmit solutions to risk problems in financial institutions.
- ULO3:** Formulate well-developed judgement of knowledge and responsibility to provide specialist advice in situations of financial risk.
- ULO4:** Evaluate econometric models for financial variables.

General Assessment Information

Assessment criteria for all assessment tasks will be provided on the unit iLearn site.

It is the responsibility of students to view their marks for each within-session-assessment on iLearn within 20 days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment tasks (not including the final exam mark) will not be addressed.

Late submissions and extensions

Tasks 10% or less – No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for special consideration is made and approved.

Tasks above 10% - No extensions will be granted. There will be a deduction of 10% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late in submission – 20% penalty). This penalty does not apply for cases in which an application for special consideration is made and approved. No submission will be accepted after solutions have been posted.

Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Online Quiz</u>	0%	No	Week 4
<u>Mid Session Test</u>	20%	No	Week 8
<u>Assignment</u>	20%	No	Week 10
<u>Final Examination</u>	60%	No	During University Examination Period

Online Quiz

Assessment Type ¹: Quiz/Test

Indicative Time on Task ²: 1 hours

Due: **Week 4**

Weighting: **0%**

The online quiz will consist of 5 to 10 questions and will be available on iLearn. Please use the quiz result as an indicator of whether you are progressing satisfactorily in the unit.

On successful completion you will be able to:

- Illustrate coherent theoretical and technical knowledge in the discipline and practice of

financial risk management.

Mid Session Test

Assessment Type ¹: Quiz/Test

Indicative Time on Task ²: 10 hours

Due: **Week 8**

Weighting: **20%**

The online mid session test of 90 minutes will be held to give students practice on a summative task and to provide feedback on their progress midway through the session.

On successful completion you will be able to:

- Illustrate coherent theoretical and technical knowledge in the discipline and practice of financial risk management.
- Analyse, generate and transmit solutions to risk problems in financial institutions.
- Formulate well-developed judgement of knowledge and responsibility to provide specialist advice in situations of financial risk.

Assignment

Assessment Type ¹: Quantitative analysis task

Indicative Time on Task ²: 20 hours

Due: **Week 10**

Weighting: **20%**

The assignment will cover quantitative analysis of a financial scenario or problem.

On successful completion you will be able to:

- Illustrate coherent theoretical and technical knowledge in the discipline and practice of financial risk management.
- Analyse, generate and transmit solutions to risk problems in financial institutions.
- Formulate well-developed judgement of knowledge and responsibility to provide specialist advice in situations of financial risk.
- Evaluate econometric models for financial variables.

Final Examination

Assessment Type ¹: Examination

Indicative Time on Task ²: 20 hours

Due: **During University Examination Period**

Weighting: **60%**

An online open book final exam of 2.5 hours will be held during the University Examination Period.

On successful completion you will be able to:

- Illustrate coherent theoretical and technical knowledge in the discipline and practice of financial risk management.
- Analyse, generate and transmit solutions to risk problems in financial institutions.
- Formulate well-developed judgement of knowledge and responsibility to provide specialist advice in situations of financial risk.
- Evaluate econometric models for financial variables.

¹ If you need help with your assignment, please contact:

- the academic teaching staff in your unit for guidance in understanding or completing this type of assessment
- the [Writing Centre](#) for academic skills support.

² Indicative time-on-task is an estimate of the time required for completion of the assessment task and is subject to individual variation

Delivery and Resources

	<p>The content for each week will comprise of a lecture recording and a set of tutorial questions (Problem Sets).</p> <p>Lectures</p> <p>A lecture recording will be uploaded each week. Lecture notes will be available on iLearn.</p> <p>Tutorials</p> <p>Students will need to register to either an on-campus tutorial or an online (Zoom) tutorial. Tutorials are considered compulsory but no marks are allocated. Tutorials will be available for most, but not all weeks of the semester. In weeks where there aren't any live (on-campus or online) tutorials, a recording will be provided to cover the relevant material.</p> <p>The tutorial schedule will be made available on iLearn.</p> <p>Tutorial enrolment or change of tutorial can be made through <i>eStudent</i> in the first two weeks of the semester. <u>No tutorial changes are allowed after Week 2.</u> Students should attend their allocated tutorial, but exceptions may occur on a one-off basis. That is, where circumstances prevent you from attending your own tutorial in a given week, you may attend an alternative tutorial if room available.</p> <p>Students are expected to complete the '<i>Tutorial Questions</i>' as a self-directed study activity before attending a tutorial. Additional learning support will be available in tutor consultation times.</p> <p>See timetable for classes on the University web site at: https://timetables.mq.edu.au/2020/</p>
	<p>Hull, J. (2018) Risk management and Financial Institutions, 5th Edition, Wiley</p>
	<ul style="list-style-type: none"> • Internet access • Access to iLearn • Non-programmable financial or scientific calculator • Computer with Microsoft Excel • RMFI software available from textbook author's website

Unit Schedule

Week	Textbook chapters	Topic
1	1-6	Introduction
2	7-9	Managing Market and Interest Rate Risk
3	10, 11	Volatility, Correlation and Copulas
4	12, 13	Value-at-Risk, Expected Shortfall and Historical Simulation
5	13, 14	Model-Building Approach to Value-at-Risk and Expected Shortfall
6	15-18	Regulation
7	17, 19	Credit Risk
		Mid session break
8		Mid Session Test

Week	Textbook chapters	Topic
9	20, 21	CVA, DVA and Credit VaR
10	22, 23	Scenario Analysis, Stress Testing and Operational Risk
11	24, 25	Liquidity and Model Risk
12	26-29	Economic Capital, Enterprise Risk Management, Financial Innovation and Risk Management Mistakes to Avoid
13		Revision

Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Students seeking more policy resources can visit the [Student Policy Gateway \(https://students.mq.edu.au/support/study/student-policy-gateway\)](https://students.mq.edu.au/support/study/student-policy-gateway). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central\)](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/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/study/getting-started/student-conduct>

Results

Results published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) 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 or if you are a Global MBA student contact globalmba.support@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 help you improve your marks and take control of your study.

- [Getting help with your assignment](#)
- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module](#)

The Library provides online and face to face support to help you find and use relevant information resources.

- [Subject and Research Guides](#)
- [Ask a Librarian](#)

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.

Student Enquiries

For all student enquiries, visit Student Connect at ask.mq.edu.au

If you are a Global MBA student contact globalmba.support@mq.edu.au

IT Help

For help with University computer systems and technology, visit http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/.

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

Changes since First Published

Date	Description
22/07/2020	Additional information on Learning and Teaching Activities.