AFIN3028
Financial Risk Management
Session 2, Special circumstances 2021

Department of Applied Finance

Contents

General Information 2
Learning Outcomes 2
General Assessment Information 3
Assessment Tasks 3
Delivery and Resources 5
Unit Schedule 6
Policies and Procedures 6
Changes since First Published 8

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.

Session 2 Learning and Teaching Update

The decision has been made to conduct study online for the remainder of Session 2 for all units WITHOUT mandatory on-campus learning activities. Exams for Session 2 will also be online where possible to do so.

This is due to the extension of the lockdown orders and to provide certainty around arrangements for the remainder of Session 2. We hope to return to campus beyond Session 2 as soon as it is safe and appropriate to do so.

Some classes/teaching activities cannot be moved online and must be taught on campus. You should already know if you are in one of these classes/teaching activities and your unit convenor will provide you with more information via iLearn. If you want to confirm, see the list of units with mandatory on-campus classes/teaching activities.

Visit the MQ COVID-19 information page for more detail.
General Information

Unit convenor and teaching staff
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://students.mq.edu.au/important-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 (including information about late submissions and extensions) for all assessment tasks will be provided on the unit iLearn site.

Assessment Tasks

<table>
<thead>
<tr>
<th>Name</th>
<th>Weighting</th>
<th>Hurdle</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Quiz</td>
<td>0%</td>
<td>No</td>
<td>Week 4</td>
</tr>
<tr>
<td>Mid Session Test</td>
<td>20%</td>
<td>No</td>
<td>Week 8</td>
</tr>
<tr>
<td>Assignment</td>
<td>20%</td>
<td>No</td>
<td>Week 10</td>
</tr>
<tr>
<td>Final Examination</td>
<td>60%</td>
<td>No</td>
<td>University Examination Period</td>
</tr>
</tbody>
</table>

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 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: University Examination Period
Weighting: 60%

A final exam of two 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 Learning Skills Unit 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

The content for each week will comprise of a lecture and a set of tutorial questions (Problem Sets).

Lectures
A lecture will be held each week. Lecture notes will be available on iLearn. Please refer to iLearn announcement for class delivery mode.

Tutorials
Students will need to register for a tutorial. Tutorials are considered compulsory but no marks are allocated. Tutorials will be available for most, but not all weeks of the session. In weeks where there aren't any live (on-campus or online) tutorials, a recording will be provided to cover the relevant material.

The tutorial schedule will be made available on iLearn.

Tutorial enrolment or change of tutorial can be made through eStudent in the first two weeks of the session. No tutorial changes are allowed after Week 2. 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.

Students are expected to complete the 'Tutorial Questions' as a self-directed study activity before attending a tutorial. Additional learning support will be available in tutor consultation times.

See timetable for classes on the University web site at: https://timetables.mq.edu.au/2021/


• 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

<table>
<thead>
<tr>
<th>Week</th>
<th>Textbook chapters</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1-6</td>
<td>Introduction</td>
</tr>
<tr>
<td>2</td>
<td>7-9</td>
<td>Managing Market and Interest Rate Risk</td>
</tr>
<tr>
<td>3</td>
<td>10, 11</td>
<td>Volatility, Correlation and Copulas</td>
</tr>
<tr>
<td>4</td>
<td>12, 13</td>
<td>Value-at-Risk, Expected Shortfall and Historical Simulation</td>
</tr>
<tr>
<td>5</td>
<td>13, 14</td>
<td>Model-Building Approach to Value-at-Risk and Expected Shortfall</td>
</tr>
<tr>
<td>6</td>
<td>15-18</td>
<td>Regulation</td>
</tr>
<tr>
<td>7</td>
<td>17, 19</td>
<td>Credit Risk</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Mid Session Break</strong></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td><strong>Mid Session Test</strong></td>
</tr>
<tr>
<td>9</td>
<td>20, 21</td>
<td>CVA, DVA and Credit VaR</td>
</tr>
<tr>
<td>10</td>
<td>22, 23</td>
<td>Scenario Analysis, Stress Testing and Operational Risk</td>
</tr>
<tr>
<td>11</td>
<td>24, 25</td>
<td>Liquidity and Model Risk</td>
</tr>
<tr>
<td>12</td>
<td>26-29</td>
<td>Economic Capital, Enterprise Risk Management, Financial Innovation and Risk Management Mistakes to Avoid</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>Revision</td>
</tr>
</tbody>
</table>

Policies and Procedures

Macquarie University policies and procedures are accessible from Policy Central (https://policies.mq.edu.au). 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

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

To find other policies relating to Teaching and Learning, visit Policy Central (https://policies.mq.edu.au) and use the search tool.

**Student Code of Conduct**

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: https://students.mq.edu.au/admin/other-resources/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 Enquiry Service**

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

**Equity 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.
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

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>16/07/2021</td>
<td>Small typo in the &quot;Unit Delivery Schedule&quot;</td>
</tr>
</tbody>
</table>