AFIN3028

Financial Risk Management

Session 1, In person-scheduled-weekday, North Ryde 2023

Department of Applied Finance

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General Information

Unit convenor and teaching staff
Convenor, Lecturer
Lei Shi
l.shi@mq.edu.au
Contact via Email
4ER 517
Refer to iLearn

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

Late Assessment Submission Penalty (written assessments)

Unless a Special Consideration request has been submitted and approved, a 5% penalty (of the total possible mark) will be applied each day a written assessment is not submitted, up until the 7th day (including weekends). After the 7th day, a grade of '0' will be awarded even if the assessment is submitted. Submission time for all written assessments is set at 11.55pm. A 1-hour grace period is provided to students who experience a technical concern.

For any late submissions of time-sensitive tasks, such as scheduled tests/exams, performance assessments/presentations, and/or scheduled practical assessments/labs, students need to submit an application for Special Consideration.

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>10%</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>50%</td>
<td>No</td>
<td>University Exam Period</td>
</tr>
</tbody>
</table>

Online Quiz

Assessment Type 1: Quiz/Test
Indicative Time on Task 2: 1 hours
Due: Week 4
Weighting: 10%

The online quiz 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: Quiz/Test
Indicative Time on Task: 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: Quantitative analysis task
Indicative Time on Task: 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: Examination
Indicative Time on Task: 20 hours
Due: University Exam Period
Weighting: 50%

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 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
Refer to iLearn.

Unit Schedule

<table>
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<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>
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<tr>
<td>2</td>
<td>7-9</td>
<td>Managing Market and Interest Rate Risk</td>
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<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>Week</td>
<td>Textbook chapters</td>
<td>Topic</td>
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<tr>
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<tr>
<td>6</td>
<td>15-18</td>
<td>Regulation</td>
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<tr>
<td>7</td>
<td>17, 19</td>
<td>Credit Risk</td>
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<tr>
<td></td>
<td></td>
<td>Mid Session Break</td>
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<tr>
<td>8</td>
<td></td>
<td>Mid Session Test</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>
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<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>
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### Policies and Procedures

Macquarie University policies and procedures are accessible from Policy Central ([https://policies.mq.edu.au](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
- Assessment Procedure
- Complaints Resolution 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](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](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](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

Academic Integrity
At Macquarie, we believe academic integrity – honesty, respect, trust, responsibility, fairness and courage – is at the core of learning, teaching and research. We recognise that meeting the expectations required to complete your assessments can be challenging. So, we offer you a range of resources and services to help you reach your potential, including free online writing and maths support, academic skills development and wellbeing consultations.

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

The Writing Centre
The Writing Centre provides resources to develop your English language proficiency, academic writing, and communication skills.

- Workshops
- Chat with a WriteWISE peer writing leader
- Access StudyWISE
- Upload an assignment to Studiosity
- Complete the 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
Macquarie University offers a range of Student Support Services including:

- IT Support
- Accessibility and disability support with study
- Mental health support
- Safety support to respond to bullying, harassment, sexual harassment and sexual assault
- Social support including information about finances, tenancy and legal issues
- Student Advocacy provides independent advice on MQ policies, procedures, and
Student Enquiries
Got a question? Ask us via AskMQ, or contact Service Connect.

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.