Topics of Applied Risk Management

Overview

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Goals of course

- Familiarize with key financial risk management concepts

- Provide insights into how risk management concepts
  - can be applied in practice
  - are actually being applied in practice

- This is not a quant course
  - (Elementary) quantitative techniques will be used as tools to solve real world problems

Course outline

1. Introduction
2. MR: Fundamentals of interest rate risk management
3. MR: Interest rate risk in banking book, derivatives’ risks
4. MR: VaR & capital allocation
5. OR: Overview and basics
6. OR: Advanced concepts
7. CR: Default probability, rating models, credit spreads
8. CR: Recovery rate, exposure
9. CR: Active management (credit derivatives)
10. CR: Credit portfolio models
11. Regulatory aspects / Basel II
12. Economic capital

Case studies

- 4 Harvard Business School case studies
  - Broaden knowledge and apply risk management concepts in real world situations
    - Structuring & pricing of CDOs
    - Managing corporate FX risk
    - Hedging credit risk with CDS
    - Calculating VaR for small portfolio

- Case studies can be voluntarily handed in for grading
  - Case study marks can only improve overall result
  - Can be handed in by teams

Logistics

- Time: Mondays, 8:00 – 9:45
- Location: to be announced
- First course: **27** February