

Programme : Master of Commerce [M.Com]
 Course Code : COM-624
 Course Title : Financial Risk Management
 Number of Credits : 4
 Effective from AY : 2022 – 2023

Pre-requisites for the Course:

NIL

Objectives of the Course:

To enable the students to learn about the various types of risks faced by businesses, learn techniques of managing the risks, and apply these techniques in different scenarios.

Course Content

Unit 1	Introduction to Risk	16 Hours
Concept and definitions of Risk – Risk vs. Uncertainty – Classification of Risk (Internal, External, Controllable, Uncontrollable, Inherent, and Residual) – Types of Risk (Market Risk, Foreign Exchange Risk, Interest Rate Risk, Liquidity Risk, Purchasing Risk, Legal Risk, Management Risk, Technology Risk) - Sources of Risk - Identification of Risk – Risk identification approaches – Root Cause Analysis – Tools for Risk Identification (PESTLE, SWOT) - Risk Assessment – Methods of Risk Assessment (Qualitative and Quantitative Measures) – Quantification of Risk (Judgement and intuition, Delphi approach, Scoring, Expected Money Value, Simulation, Decision tree, Scenario Analysis) — Risk Treatment		
Unit 2	Risk Management	16 Hours
Concept of Risk Management – Risk Tolerance – Objectives of Risk Management – Risk management process (Assessment, Analysis, Evaluation, Treatment, and Monitoring) – Risk Management Techniques (Risk Questionnaire, Flow Charts, Risk Event Maps, Risk Scorecards, Capital Budgeting, Value at Risk, Risk Heat Maps) – Loss forecasting – Selecting appropriate technique for treating loss exposure – Risk financing – Implementing and administering risk management Programme – Personal risk management		
Unit 3	Credit Risk Management	16 Hours
Overview of Credit Risk – Creation of credit risk – Need for management of credit risk – Components of Credit Risk – Factors affecting credit risk – Types of credit exposures (Short term, long term, non-fund based) – Evaluating Credit Risk – Mitigating Credit Risk – Qualitative Techniques of credit risk management (Credit Due Diligence, Credit Rating Scales, Portfolio Risk Management, Credit Loss Estimation, Credit Default Swaps, Credit Insurance) – Quantitative Techniques of Credit Risk Management (Altman Z Score, Risk Adjusted Capital/Returns, Value at Risk (VaR), Ratios on Financial Assessment, Credit Scoring)		
Unit 4	Operational Risk Management	12 Hours
Meaning of Operational Risk – Need for operational risk management – Risk identification and types of risk – Insourcing and Outsourcing risk – Technology risk – Cyber Risk – Risk and control self-assessment – Business continuity plan – Operational risk governance – Risk grading - Scenario Assessment – Operational loss data management – Risk Mitigation and Monitoring – Business analytics and artificial intelligence – Insurance		

Pedagogy:

The teaching pedagogy of this course shall include the combination of the following: Interactive Lectures/Discussions/ presentations/case studies/ individual or group projects/ assignments/Class activities or a combination of some of these. The sessions shall be interactive to enable peer group learning.

Reference / Readings:

1. Chapelle, A. *Operational Risk Management: Best Practices in the Financial Services Industry*. United Kingdom: Wiley., 2018
2. Chapman, R. J. *Simple Tools, and Techniques for Enterprise Risk Management*. Germany: Wiley, 1st Edition, 2006
3. Corelli, A. *Understanding Financial Risk Management*. United Kingdom: Taylor & Francis. 2nd Edition, 2019
4. Fraser, J., Simkins, B. *Enterprise Risk Management: Today's Leading Research and Best Practices for Tomorrow's Executives*. Germany: Wiley, 2021
5. Girling, P. *Operational Risk Management: A Complete Guide to a Successful Operational Risk Framework*. United Kingdom: Wiley, 2013
6. Loader, D. *Operations Risk: Managing a Key Component of Operational Risk*. Switzerland: Elsevier Science, 1st Edition, 2006
7. Rejda, G. E. *Principles of Risk Management and Insurance*. India: Pearson, 13th Edition, 2016
8. Vaidyanathan, K. *Credit Risk Management for Indian Banks*. India: SAGE Publications, 2013
9. Van Gestel, T., Baesens, B. *Credit Risk Management: Basic Concepts: Financial Risk Components, Rating Analysis, Models, Economic and Regulatory Capital*. United Kingdom: OUP Oxford, 2008

Online Resources:

1. <https://www.investopedia.com/terms/r/riskmanagement.asp>
2. https://www.investopedia.com/terms/o/operational_risk.asp
3. <https://www.investopedia.com/terms/c/creditrisk.asp>
4. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3201337
5. ICAI – Risk Management (https://www.icai.org/post.html?post_id=16038)

Course Outcomes:

Upon completion of this course, the student shall be able

CO1: To gain a conceptual understanding of risk, risk management, and the role of risk managers

CO3: To discuss operational risk, its management, and mitigations

CO4: To discuss credit risk and the situations that give rise to credit risk.

CO5: To understand the concept of enterprise risk and the enterprise risk management process.