



## **Online Academic Summer School 2020**

SOAS University of London

### **Finance and Risk Management in the Global Economy**

Course Handbook

**Mode of Attendance:** Full-time, Online

**Duration:** 2 weeks

**SOAS Accredited:** This course is worth 15 UK credits

#### **Programme Description**

This course provides participants with the essentials of finance and risk management including the theories, concepts, tools and techniques for understanding, discussing and evaluating key themes in finance and risk management. Many of the principles in risk management were developed in relation to financial firms such as banks and investment fund managers, but they are also applicable to non-financial firms in commerce, manufacturing, government or other sectors. The world changed after the global financial crisis of 2007-2009, in particular, the changes and challenges in financial sector regulatory constraints and the higher capital costs under Basel III. All firms face risks although the types of risks they face and their extent differ, consequently, risk management requires strategies for dealing with financial risks and appropriate techniques for implementing the strategies. Based on academic research on the principles together with practical examples and applications, students will learn how to calculate financial risks, and to change the combination of risk and expected return by taking the form of derivatives contracts (such as options and futures) that powerfully facilitate strategies to reduce risk ('hedging') or increase it ('speculation'). Students will learn how banks manage downside risks through improving their risk measurement and management methodologies under the interconnected nature of the global financial system.

Topics that are covered in the course include understanding financial markets, financial instruments, financial institutions and the principles of risk management; examining concepts and methods used in the analysis of portfolios of financial securities, including stocks and bonds; explaining the use of financial derivatives for hedge and speculation in financial markets; and evaluating the application of risk.

#### **Programme Schedule and Topics:**

- Financial markets, institutions and instruments
- Principles of the analysis of financial portfolios
- Principles of Investment in equities and bonds
- Principles of financial risk management
- Forwards and futures
- Financial options: payoff profiles
- Hedging strategies using futures and options

- Managing foreign exchange risk
- Market risk: Measurement (VaR) and applications
- Credit risk: Measurement (CreditMetrics) and applications
- Operational risk in banking and finance
- Future of global economic and financial market developments

### **Learning Outcomes**

On successful completion of the module, students should be able to:

- Identify what the elements and functions of financial markets, institutions, the financial instruments of capital markets and their increasingly significant interactions in the global economy
- Understand what is portfolio risk and return and how risk and return are related and then learn how to measure and analyse portfolio risk-return analysis in equity and bond investment
- Understand the theoretical concepts of financial derivatives in particular, futures and options contracts, distinguish between hedging and speculation strategies using futures and options, and skilfully use derivatives to managing financial risks, for instance, changes of interest rates, currencies, and stock prices.
- Know the types of financial risks in banking and financial sectors, and the principles of managing financial risks, and learn how to measure and manage key regulatory risks in banking sector (market risk, credit risk, operational risk) under the Basel III.
- Engage in rational thinking and discussing finance and risk management using a multidisciplinary framework by linking theories and concepts in finance, investment, business cycles, global financial crises and macroeconomic policies.
- Develop and exhibit the intellectual disposition of confidence in reason to critically discuss the issues in finance, investment and risk management in the global economy.

### **Assessment**

Each course is assessed by two online assessments ('e-tivities'\*) comprising of 30%, the remaining 70% is formed of a 2,500 word essay. The e-tivities provide formative and summative feedback to students as a means of monitoring their progress and encouraging areas in which they can improve. On successful completion of the assessments, students will receive a transcript confirming the credit awarded. Students that do not require credit are strongly encouraged to take part in the e-tivities, but are not required to complete the assessments.

\* An 'e-tivity' is a framework for online, active and interactive learning following a format that states clearly to the students its 'Purpose'; the 'Task' at hand; the contribution or 'Response' type; and the 'Outcome' (Salmon, G. (2002) E-tivities: The Key to Active Online Learning, New York and London: Routledge Falmer.)

**Course Convenor**

Dr Jeo Lee

**Introductory Readings and Sources**

- M. Crouhy, D. Galai and R. Mark, The Essentials of Risk Management, 2nd ed, New York, McGraw Hill, 2014.
- E.J. Elton, M.J. Gruber, S.J. Brown and W.N. Goetzmann, Modern Portfolio Theory and Investment Analysis, 8th ed., New York, Wiley, 2011. 2
- J.C. Hull, Fundamentals of Futures and Options Markets, 8th ed., New Jersey, Prentice Hall, 2013.
- R.A. Brealey, S.C. Myers and F. Allen, Principles of Corporate Finance, 11th Global Edition, McGraw Hill, 2013.