

Risk Management

Academic Year: 2016/2017

4th trimester

Instructor(s): Diana Bonfim

Course Description:

In this course, we will analyze different sources of risk for firms and discuss in detail the tools available to managers to mitigate those risks. Most of our analysis will be focused on risk management in financial institutions for two interrelated reasons. First, these institutions are more exposed to financial risks than non-financial firms, due to the nature of their activities. Second, the importance of adequately managing these risks fosters the permanent creation of new tools to address them.

This is an area of growing interest and of high demand in the job market, after the large losses incurred during the global financial crisis due to failures in risk management systems. During the course we will look at the most recent developments in these models, reflecting many of the lessons learned during the crisis.

Students will be asked to submit a group project where the tools discussed in class should be applied.

The course offers basic preparation for the Financial Risk Manager © certification.

Course Content:

1. Introduction to risk management
 2. Risk management in financial institutions
 3. The global financial crisis – lessons for risk managers (and regulators)
 4. Stress-testing
 5. Credit risk
 6. Market risk
 7. Liquidity risk
 8. Operational risk
 9. Regulation
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Course Objectives:

The main objective of the course is to provide the tools needed to identify, measure and manage financial risks.

Grading:

Final Exam: 50%
Participation in class: 20%
Group Project: 30%

Bibliography:

Most of the material will be covered in the slides. For students interested in deepening their knowledge, the following books are advised:

- **Resti and A. Sironi, Risk Management and Shareholder's Value in Banking (Wiley).**
 - **John Hull, "Risk Management and Financial Institutions," 2nd Edition (Prentice Hall).**
 - **Saunders and M. Cornett, Financial Institutions Management – A Risk Management Approach (McGraw-Hill).**
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Biography:

Diana Bonfim is a senior economist in the Financial Intermediation Division of the Economics and Research Department of Banco de Portugal, where she works since 2001. Diana holds a Degree in Economics from ISCTE, a Research M.A. in Economics from Nova SBE and a Ph.D in Economics from University of Groningen. In Banco de Portugal, Diana has been involved in financial stability, monetary and macroeconomic assessments, as well as on discussions concerning the implementation of macroprudential policy at the EU level. Her research interests comprise empirical banking, empirical corporate finance and applied microeconometrics and she has published in Journal of Banking and Finance and in Empirical Economics.

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