



FIN304 Applied Risk Management



Subject outline

FIN304 Applied Risk Management

Section 1 — General information

1.1 Administrative details

| Duration | Credit points | Level |
|--------------------------------|---------------|-------|
| One study period (12 weeks) | 6 | AQF9 |

1.2 Core or elective subject

This is an elective subject for the Graduate Certificate in Applied Finance, Graduate Diploma of Applied Finance and Master of Applied Finance.

1.3 Delivery mode

This subject is delivered online.

1.4 Prerequisites

There are no prerequisites for this subject. However please review the 'Assumed knowledge' section below to understand the prior knowledge Kaplan advises you should hold before enrolling in this subject.

1.5 Assumed knowledge

Whilst there are no prerequisites for this subject, Kaplan assumes that students have completed FIN254 Risk Management Frameworks subject prior to undertaking FIN304 Applied Risk Management.

1.6 Course transition subject equivalence

Students may not be required to complete this subject if they have transitioned from a SIA/Finsia/Kaplan course and have completed the following subjects:

- there are no equivalences for this subject.



1.7 Work integrated learning

There are no placements, internships or work experience requirements associated with undertaking this subject.

1.8 Other resource requirements

Students do not require access to specialist facilities and/or equipment to undertake this subject.

Section 2 — Academic details

2.1 Subject overview

This subject focuses on the application of risk management within organisations. It examines the various tools, techniques and processes for managing financial risks including 'market risk and credit risk', and operational risk. The common types of market risk evaluated in this subject include interest rates risk, spot risk, forward risk, options risk, and liquidity risk. It also examines the range of credit products and derivatives used in managing credit exposures as well as the issues that arise in assessing, managing and monitoring operational risk.

Students perform calculations and review real-world as well as fictitious case studies based on mock institutions to apply their learnings in this subject.

2.2 Subject learning outcomes

On successful completion of this subject, students should be able to:

1. Analyse the risks and the need for risk management by an organisation.
2. Critically assess the tools, techniques and processes that can be used in managing the various market risks to which an organisation may be exposed.
3. Critically analyse the tools, techniques and processes for managing liquidity risk within an organisation.
4. Evaluate financial products and derivatives to hedge credit exposures.
5. Adapt risk management frameworks to manage a financial institution's operational risk.

2.3 Topic learning outcomes

Topic 1: Introduction to applied risk management

On successful completion of this topic, students should be able to:

- analyse the types of financial and non-financial risk and the connection between these two types of risk
- discuss the techniques used to measure the financial risk faced by an organisation
- review the importance of, and need for, risk management by an organisation
- assess the relationships of risk with regulation, corporate governance and ethics, and their value to organisations
- review risk faced by an organisation when managing risks.

Topic 2: Managing interest rate risk

On successful completion of this topic, students should be able to:

- assess the use of hedging instruments in managing interest rate risk
- analyse the components of an interest rate risk management framework
- assess the difference between spreads and margins and why both measures are used when analysing asset and liability management performance
- evaluate the processes for measuring, monitoring, and management of risks associated with margins and spreads.

Topic 3: Managing spot risk

On successful completion of this topic, students should be able to:

- analyse the characteristics of a spot trade
- differentiate between physical commodities and financial commodities
- assess the importance of good order flow to market making
- compare and contrast foreign exchange spot risk, equity spot risk and physical commodity spot risk
- apply hedging techniques to manage the level of spot market exposures.

Topic 4: Managing forward risk

On successful completion of this topic, students should be able to:

- compare and contrast various financial instruments and their respective forward risk
- assess why slight variations in the structure of financial instruments can result in large differences in the risks faced by financial institutions
- assess the relevant concepts in this field, specifically, interpolation and flow
- critically analyse the key mathematical approaches used to value and measure forward risk
- apply techniques to manage a firm's forward risk.

Topic 5: Managing options risk

On successful completion of this topic, students should be able to:

- describe and understand the simulation of dynamic hedging
- assess the place of risk reporting and limits in managing options risk
- apply delta hedging in managing option exposures
- assess volatility surfaces as a tool for managing options risk
- appreciate the implications of exotic options for managing options risk.

Topic 6: Managing liquidity risk

On successful completion of this topic, students should be able to:

- assess the liquidity needs of different types of institutional investors
- critically analyse the potential premium for accepting liquidity risk
- apply techniques to assess and manage an investor's level of liquidity
- evaluate the techniques that might be used by a financial institution in managing cash flows and liquidity risk.

Topic 7: Credit products and their risks

On successful completion of this topic, students should be able to:

- assess the range of credit products used by individuals, corporations, governments and financial institutions
- analyse the practice and purpose of trade finance products
- critically analyse the characteristics underlying the process of securitization and its role in the economy
- construct a range of asset-backed securities
- assess the limitations of technology in the modelling and risk management of securitised assets.

Topic 8: Credit derivatives and their role in credit risk management

On successful completion of this topic, students should be able to:

- compare and contrast various financial instruments, in particular structured products and assess their credit risk implications
- assess the family structure of securitised assets and how they can be valued
- analyse the structure of synthetic products and what advantages these offer investors and risk managers
- utilise credit derivatives in managing credit risk exposures.

Topic 9: Credit risk portfolio management

On successful completion of this topic, students should be able to:

- analyse the features of credit portfolio management and the power of diversification
- distinguish between the market and credit risk aspects of loan portfolio management
- assess the importance of covenants and monitoring measures for controlling credit risk
- assess the notion of risk pricing as it applies to credit
- apply loan loss provisioning in credit portfolio management.

Topic 10: Managing operational risk

On successful completion of this topic, students should be able to:

- assess the strategies for mitigating operational risk
- explore the critical components of an internal control system
- analyse the role of both insurance and outsourcing in mitigating operational risk
- analyse the advantages and disadvantages of outsourcing.

2.4 Assessment schedule

| Assessment | Description | Week | Topics | Weighting | Subject learning outcomes assessed |
|----------------|---|------------------|--------|-----------|------------------------------------|
| Online Quizzes | Four (4) multiple-choice quizzes | Week 4, 6, 8, 11 | 1–10 | 20% | LO1–LO5 |
| Assignment 1 | Scenario/case study based short-answer question | Week 7 | 2–6 | 40% | LO2, LO3 |
| Assignment 2 | Scenario/case study based short-answer question | Week 12 | 7–10 | 40% | LO4, LO5 |

Please refer to our website <www.kaplanprofessional.edu.au> to review student policies relating to your assessment, including the *Kaplan Assessment Policy* and *Academic Integrity and Conduct Policy*.

2.5 Prescribed text

There is no prescribed text for this subject. Students are provided with key readings and access to Kaplan’s online databases. Students are encouraged to research and read widely on the topic.

2.6 Study plan

| Week(s) | Topic name | Study load in hours |
|---------------------------------|--|---------------------|
| 1 | Topic 1: Introduction to applied risk management | 8 |
| 2 | Topic 2: Managing interest rate risk | 10 |
| 3 | Topic 3: Managing spot risk | 12 |
| 4 | Topic 4: Managing forward risk Online Quiz 1 (Weighting: 5%) | 12 |
| 5 | Topic 5: Managing options risk | 12 |
| 6 | Topic 6: Managing liquidity risk Online Quiz 2 (Weighting: 5%) | 12 |
| 7 | Assignment 1 (Weighting 40%) Topic 7: Credit products and their risks | 10 |
| 8 | Topic 8: Credit derivatives and their role in credit risk management Online Quiz 3 (Weighting: 5%) | 10 |
| 9 | Topic 9: Credit risk portfolio management | 10 |
| 10 | Topic 10: Managing operational risk | 10 |
| 11 | Work on Assignment 2 Online Quiz 4 (Weighting: 5%) | |
| 12 | Assignment 2 (Weighting 40%) | 14 |
| Total minimum study load | | 120 hours |

| | |
|---|------------------|
| Additional study hours (if required), dependent on knowledge and personal commitments | 70 hours |
| Total study load, including additional study hours | 190 hours |