



## **FIN204 Fundamentals of Financial Risk**



# Subject outline

## FIN204 Fundamentals of Financial Risk

### Section 1 — General information

#### 1.1 Administrative details

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Duration	Credit points	Level
One study period (12 weeks)	6	AQF8

#### 1.2 Core or elective subject

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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

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This subject is delivered online.

#### 1.4 Prerequisites

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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

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Whilst there are no prerequisites for this subject, Kaplan assumes that students have completed FIN201 Quantitative Applications in Finance or understand the content covered in this subject, prior to undertaking FIN204 Fundamentals of Financial Risk.

## 1.6 Course transition subject equivalence

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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

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

## 1.8 Other resource requirements

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

## Section 2 — Academic details

### 2.1 Subject overview

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This subject provides an overview of financial risks and highlights the importance of risk management in the current financial marketplace. It introduces different types of financial and non-financial risk, including market risk, interest rate risk, credit risk, liquidity risk, operational risk, compliance and conduct risk. This subject also discusses and analyses the lessons learnt from the most prominent financial disasters of the past thirty years.

With the use of case studies, students explore the drivers and consequences of types of financial and non-financial risk, analyse common models used to measure and assess these risks, and discuss possible risk management measures and strategies.

### 2.2 Subject learning outcomes

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

1. Discuss the risk management process and the implications of process failure.
2. Assess the nature of financial risks within an organisation including market, credit and liquidity risks.
3. Examine the non-financial risks that affect financial institutions.
4. Analyse the common models used to measure and assess financial risks.

### 2.3 Topic learning outcomes

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#### Topic 1: Introduction to financial risk

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

- explain the importance of, and need for, risk management by an organisation
- analyse the types of financial and non-financial risk
- evaluate the processes for measuring, monitoring and management of financial risk
- analyse the connection between risk, regulation, corporate governance and ethics
- discuss the principles and framework of an organisation's risk management processes.

#### Topic 2: Financial disasters and scandals

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

- explain the rationale for a three-part categorisation of financial disasters
- discuss the major cases in which financial disasters were due to misleading reporting, large market moves and the conduct of consumer business respectively
- critically consider the lessons from the global financial crisis (GFC) for market risk managers and regulators
- analyse the consequences of operational risk management failures in historical case studies.

### Topic 3: Compliance and conduct risk

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

- analyse the key features of compliance and legal risk to a financial institution
- outline the nature and importance of conduct and reputational risk
- discuss the growing importance of the relationship between compliance and conduct risks and ethical behaviour within the finance industry
- analyse the processes for measuring, monitoring and management of compliance and conduct risks
- explain the need for integration of compliance and conduct risk management into business practices and governance.

### Topic 4: Introduction to market risk

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

- describe the nature of market risk and its management
- analyse the key drivers of market uncertainty and risk
- explore the key market risks arising from exposure to equities, FX, commodities and derivative instruments
- discuss the common tools utilised by practitioners in evaluating market risk exposures.

### Topic 5: Interest rate risk

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

- explain the importance and need for interest rate risk management
- analyse the effect of mismatch/repricing risk, basis risk, yield curve risk and option risk in causing interest rate risk
- apply analytical tools to understand and represent interest rate risk
- analyse the tools for measuring and monitoring interest rate risk.

### Topic 6: Credit risk

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

- describe the nature of credit risk and its management
- explain credit risk as it affects the monetary and banking system
- evaluate how credit scores are identified and measured
- critically assess the role of rating agencies in assessing credit risk.

### Topic 7: Liquidity risk

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

- differentiate between funding liquidity risk and market liquidity risk
- analyse the causes of market liquidity risk
- explain the interconnection between liquidity risk and other types of risk
- explain the importance of liquidity to a financial institution
- evaluate the processes for measuring, monitoring, and stress testing of liquidity risk.

## Topic 8: Operational risk in finance

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

- explain operational risk, and its relationship with the organisation
- explain the operational risk function within a financial institution
- analyse the impact of operational risk on a financial institution's shareholder value
- identify and classify operational risk
- evaluate the tools used to identify operational risk
- assess the relative priority of operational risks
- apply a risk assessment methodology to assess risk
- explain the role of key risk indicators (KRIs) in operational risk management.

## Topic 9: Introduction to financial risk management frameworks

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

- identify and explain the issues surrounding liquidity, market valuations and market risk
- identify and explain the key components of a market risk management framework
- analyse the components of an interest rate risk management framework
- explain the credit risk management process and the techniques used to treat credit risks.

### 2.4 Assessment schedule

Assessment	Description	Week	Topics	Weighting	Subject learning outcomes assessed
Participation	Weekly quizzes	All weeks	All topics	10%	LO1–LO4
Task	Short answer questions	Week 4	1–3	25%	LO1, LO3
Assignment 1	Case study/ scenario based short answer questions	Week 7	4–6	35%	LO2, LO4
Assignment 2	Case study/ Scenario based short answer questions	Week 12	7–9	30%	LO2–LO4

Please refer to our website <[www.kaplanprofessional.edu.au](http://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 financial risk <b>Quiz 1</b>	10
2	Topic 2: Financial disasters and scandals <b>Quiz 2</b>	10
3	Topic 3: Compliance and conduct risk <b>Quiz 3</b>	10
4	<b>Task (Weighting 25%)</b> Topic 4: Introduction to market risk <b>Quiz 4</b>	12
5	Topic 5: Interest rate risk <b>Quiz 5</b>	10
6	Topic 6: Credit risk <b>Quiz 6</b>	10
7	<b>Assignment 1 (Weighting 35%)</b>	8
8	Topic 7: Liquidity risk <b>Quiz 7</b>	10
9	Topic 8: Operational risk in finance <b>Quiz 8</b>	10
10	Topic 9: Introduction to financial risk management frameworks <b>Quiz 9</b>	10
11–12	<b>Assignment 2 (Weighting 30%)</b>	20
<b>Total minimum study load</b>		<b>120 hours</b>

**Note:** Weekly Quizzes (Quiz 1 to Quiz 9) contributes towards participation (Weighting 10%) and must be completed by the end of week 12.

Additional study hours (if required), dependent on knowledge and personal commitments	60 hours
<b>Total study load, including additional study hours</b>	<b>180 hours</b>