

FINANCIAL INTERMEDIATION AND RISK MANAGEMENT

Course code	<i>GRAE020</i>
Compulsory in the programmes	<i>Financial Economics</i>
Level of studies	<i>Graduate</i>
Number of credits	<i>6 ECTS (36 contact hours + 2 consultation hours, 124 individual work hours)</i>
Course coordinator (title and name)	<i>Dr Ana Jolović</i>
Prerequisites	<i>Alternative Investments and derivatives</i>
Language of instruction	<i>English</i>

THE AIM OF THE COURSE:

This advanced course covers financial intermediary institutions and their risk management practice. The course aims to develop an understanding of the theories of financial intermediation and provide insights into the best practices of risk management processes and techniques used. Recent developments in regulatory framework and management techniques will also be discussed.

MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE-LEVEL LEARNING OBJECTIVES (See Annex), ASSESSMENT AND TEACHING METHODS

Course level learning outcomes (objectives)	Degree level learning objectives (Number of LO)	Assessment methods	Teaching methods
CLO1. Demonstrate knowledge and understanding of contemporary financial intermediation theories and their application in the practical and research field of financial intermediation institutions	LO1.1, LO1.2	Lectures, individual study, self-study in groups, analysis of case studies.	Case study debriefing, midterm test, final exam
CLO2. To express independent opinion on the need of financial regulation and to formulate judgments and knowledge-based conclusions on the impact of recent regulatory framework changes to the strategic development of financial intermediation institutions	LO1.1, LO1.2	Lectures, self-study, analysis of case studies	Case study debriefing, midterm test, final exam
CLO3. Evaluate, choose, and systemically apply advanced risk management techniques in solving risk management problems in financial intermediation institutions	LO1.1	Lectures, solving exercises, individual study, self-study in groups, analysis of case studies	Case study debriefing, midterm test, final exam
CLO4. Analyse and assess changes in both micro- and macroeconomic environment of financial intermediation institutions	LO1.2	Lectures, solving exercises, self-study, analysis of case studies	Case study debriefing, midterm test, final exam
CLO5. Develop a range of personal skills including argumentation, evaluation, problem identification	LO1.1	Lectures, self-study, team-	Case study debriefing,

and solving, interactive and group skills, self-appraisal, cross-cultural teamwork.		work for solving case studies.	midterm test, final exam
CLO6. Have abilities to communicate in English the knowledge to specialist and non-specialist audiences clearly and unambiguously.	LO3.1, LO3.2	Lectures, class discussion, presentation of case studies findings	Case study debriefings

ACADEMIC HONESTY AND INTEGRITY

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism, are fully applicable and will be strictly enforced in the course. Academic dishonesty and cheating can and will lead to a report to the ISM Committee of Ethics. Regarding remote learning, ISM reminds students that they are expected to adhere to and maintain the same academic honesty and integrity that they would in a classroom setting.

COURSE OUTLINE

Topic	In-class hours	Readings
1. Introduction - Overview of financial institutions Functions performed by financial intermediaries Information asymmetry Financial institutions risk in the 21 st century	4	<ul style="list-style-type: none"> • Textbook 1. Ch. 1 • Textbook 2. Ch. 2 and 3
2. Commercial banks and bank management Credit risk: Individual Loan Risk	4	<ul style="list-style-type: none"> • Textbook 1. Ch. 10 • Textbook 2. Ch. 7 • Textbook 4. Ch. 17
3. Cooperative banks, credit unions ERM in financial institutions	4	<ul style="list-style-type: none"> • Textbook 4. Ch. 26 • Readings
4. Payment institutions Liquidity and FX risk	4	<ul style="list-style-type: none"> • Textbook 1. Ch. 12 and 13 • Readings
5. <i>Mid-term exam</i> Credit Risk: Loan Portfolio and Concentration Risk	4	<ul style="list-style-type: none"> • Textbook 1. Ch. 11
6. Pension funds – past and future Market Risk	4	<ul style="list-style-type: none"> • Textbook 4. Ch. 21 • Textbook 1. Ch. 15
7. Asset Management Firms and Wealth Management Algorithms, models and AI risk	4	<ul style="list-style-type: none"> • Readings
8. Case study “ <i>Nest Wealth Asset Management, Inc.</i> ”	4	<ul style="list-style-type: none"> • Readings
9. Venture capital firms and Finance Companies	4	<ul style="list-style-type: none"> • Textbook 4. Ch. 22 and 27

Operational risk and other risks		• Textbook 1. Ch 17
	Total: 36 hours	
CONSULTATIONS	2	
FINAL EXAM	2	

FINAL GRADE COMPOSITION

Type of assignment	%
<i>Individual Components</i>	
Midterm exam	50%
Final exam	50%
Total:	100

DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT

Mid-term exam (50%)

There will be a mid-term test from the course material during the course. The exam is a closed-book, close-note exam. The mid-term examination will be organised from the topics of the first four classes, including reading material and discussion material. The mid-term exam will consist of multiple-choice questions and questions related to the short case study(s) (case being presented at the test). The mid-term exam makes 50% of the final grade.

Final exam (50%)

The final exam is a closed-book, close-note exam. The exam will mainly cover materials and discussions from the second part of the course. It will contain multiple-choice questions, cases and problems.

RETAKE POLICY

After receiving a failing final cumulative grade, a student can make one attempt to retake an exam. A retake exam shall consist of all course material (both midterm and final test) and will equal 100% of the final cumulative grade.

REQUIRED READINGS

1. Saunders A., Cornett M., Erhemjamt O., Financial Institutions Management: A Risk Management Approach (10th edition), McGraw Hill, 2021
2. Greenbaum S. I., Thakor A. V., Boot A. W. A., Contemporary Financial Intermediation (4th edition), Academic Press Advanced Finance. 2019.
3. John C. Hull, Risk Management and Financial Institutions, Wiley, 6th edition, 2023
4. Frederic S. Mishkin, Eakins S.G, Financial Markets and Institutions, 9th edition, Pearson 2021
5. Readings posted on e-learning

ADDITIONAL READINGS

Additional readings will be posted on ISM e-learning.

(Last updated: 28. November 2023)

ANNEX

DEGREE LEVEL LEARNING OBJECTIVES

Learning objectives for Master of Social Science

Programme:

Financial Economics

Learning Goals	Learning Objectives
Students will be critical thinkers	LO1.1. Students will be able to identify underlying assumptions, limitations of previous research; evaluate managerial solution alternatives.
	LO1.2. Students will become independent learners and develop their own comprehension of scientific theories, models, and concepts.
Students will be socially responsible leaders	LO2.1. Students will be able to evaluate past and current practices in their discipline from an ethical perspective .
Students will be effective communicators	LO3.1. Students will develop and deliver a coherent oral presentation .
	LO3.2. Students will develop and deliver a coherent written research paper .