



FINANCIAL INTERMEDIATION AND RISK MANAGEMENT

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| Course code | <i>GRAE035</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 Zsuzsanna T. Vőneki</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 and critically evaluate the best practices of risk management processes and techniques used, preparing students for their application. Recent developments in regulatory framework and management techniques will also be analysed.

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) | Teaching methods | Assessment 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, presentation, final exam |
| CLO2. To critically evaluate and 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, presentation, 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, presentation, 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, presentation, final exam |
| CLO5. Develop a range of personal skills including argumentation, evaluation, problem identification and solving, interactive and group skills, self-appraisal, cross-cultural teamwork. | LO1.1 | Lectures, self-study, team-work for solving case | Case study debriefing, presentation, |

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| | | studies. | final exam, simulation game |
| 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, presentation |

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 and risk measures (online) Overview of financial institutions; Financial institutions risk in the 21 st century Value at Risk, Expected shortfall | 4 | <ul style="list-style-type: none"> Hull: Ch. 2-4 Hull: Ch. 11-13. |
| 2. Country and counterparty risk (online) Case study of OTP Bank Group | 4 | <ul style="list-style-type: none"> Presentation and exercises |
| 3. Banking regulation, capital adequacy and liquidity risk (contact lesson) Base I-II-III. | 4 | <ul style="list-style-type: none"> Hull: Ch. 25. 26. Basel regulation I-II-III Case study |
| 4. Credit Risk (contact lesson) Credit risk, counterparty risk | 4 | <ul style="list-style-type: none"> Hull: Ch. 17. 18. 19 |
| 5. Crisis management and reputation risk (contact lesson) Simulation game | 4 | <ul style="list-style-type: none"> Readings |
| 6. Operational risk (contact lesson) AMA model; case studies | 4 | <ul style="list-style-type: none"> Hull: Ch. 20 |
| 7. Case study presentations and discussions (online, presentation) Group presentations | 4 | <ul style="list-style-type: none"> Case studies |
| 8. Market risk (online) | 4 | <ul style="list-style-type: none"> Hull: Ch. 14. 15. 27. |
| 9. Enterprise Risk Management; ESG, Geopolitical risk, Cyber risk and other challenges | 4 | <ul style="list-style-type: none"> Hull: Ch. 23. |



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| | Total: 36 hours | |
| CONSULTATIONS | 2 | |
| FINAL EXAM | 2 | |

FINAL GRADE COMPOSITION

| Type of assignment | % |
|------------------------------|------------|
| <i>Group Components</i> | |
| Presentation | 30% |
| <i>Individual Components</i> | |
| Final exam | 70% |
| Total: | 100 |

DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT

Presentation (30%)

There will be a case study presentation by small groups. The presentation makes 30% of the final grade.

Final exam (70%)

The final exam is a closed-book, close-note exam. 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 the final exam. A retake exam shall consist of all course material and will equal 70% of the final cumulative grade. The presentation grade will not be annulled.

REQUIRED READINGS

1. John C. Hull, Risk Management and Financial Institutions, Wiley, 6th edition, 2023
2. Readings and case studies posted on e-learning

ADDITIONAL READINGS

Additional readings will be posted on ISM e-learning.

(Last updated: 30 July 2024)



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 . |