

FINC-GB.3112 (B40.3112) Risk Management in Financial Institutions

Draft Outline - Professor A. Sinan Cebenoyan

KMEC 9-150

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Objective of the Class

The course will focus on modern, quantitative methods to measure and manage the risks faced by financial institutions. At the end of the session, you are expected to be fluent in all of the major risks that are faced by a large financial institution.

Required Text

Anthony Saunders, Marcia Cornett, *Financial Institutions Management: a Risk Management Approach*, 7th edition, Irwin-McGraw Hill, 2011.

Description - I reserve the right to change any of the following with proper advance warning to you.

There will be a packet of slides on the following topics:

- introduction/overview
- interest rate risk
- liquidity risk
- market risk
- credit risk – sovereign risk
- capital adequacy
- securitization
- Your grade in this course will be based on your midterm (30-40 %) and final exam (60-70 %) scores. The midterm will be a 1 hour test on the 3rd class, The final will be 2 hours on the 6th and last class. **Attendance is mandatory for both exams. NO EXCEPTIONS, NO MAKEUPS.**
- The exams are closed-book but I will give you a formula-sheet.

Prerequisites

You need a financial calculator (the basic ones are just fine, no need to spend much money on this). You should be familiar with the CAPM, the main properties of the term structure of interest rates, and the basics of asset pricing.

We may have a TA. I will give details on this later.