

Spring 2021  
Risk Management in Financial Institutions  
Undergraduate

Professor Saunders - KMEC 9-91  
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This course looks in depth at methods and models used by financial institutions to measure and manage their risks. Importantly, this process takes place in a competitive and regulated setting. As a result, some part of the course will be spent describing the regulatory and competitive environment within which financial institutions operate. However, a key focus of the course will be on models such as VAR, Duration gap, Riskmetrics, Credit Metrics, KMV, RAROC and MPT models of credit portfolio management and pricing.

Grading:

Mid-term Exam – 40%  
Final Exam – 60%

Course Material

Book:

Anthony Saunders and Marcia Cornett (S), “Risk Management in Financial Institutions”, McGraw-Hill (10<sup>th</sup> Edition)

1. Jan 26<sup>th</sup> – Overview of the course

Why are financial Intermediaries special?

Reading: (S) Chapter 1

2. Jan 28<sup>th</sup> – The changing nature of bank specialness

Reading: (S) Chapter 1

3. Feb 2<sup>nd</sup> – Depository institutions and their regulation

Reading: (S) Chapter 2

4. Feb 4<sup>th</sup> – Depository institutions and their regulation (Contd.)

Reading: (S) Chapter 2, Chapter 22, Chapter 16

5. Feb 9<sup>th</sup> – Depository institutions and their regulation (Contd.)

Reading: (S) Chapter 2, Chapter 22, Chapter 16

6. Feb 11<sup>th</sup> – Overview of the risks of financial intermediation

Reading: Chapter 7

7. Feb 16<sup>th</sup> – Interest rate risk and gap measurement and management

Reading: Chapter 8 and 9

8. Feb 18<sup>th</sup> – Interest rate risk (Contd.)

Reading: Chapter 8 and 9

9. Feb 23<sup>rd</sup> – Interest rate risk (Contd.)

Reading: Chapter 8 and 9

10. Feb 25<sup>th</sup> – Interest rate risk (Contd.)

Reading: (S) Chapter 8. Chapter 9 and Chapter 23

11. March 2<sup>nd</sup> – Market risk

Reading: (S) Chapter 15

12. March 4<sup>th</sup> – Market risk (Contd.)

Reading: (S) Chapter 15

13. March 9<sup>th</sup> –Market risk (Contd.)

Reading: (S) Chapter 15

14. March 11<sup>th</sup> – Review Session

15. March 16<sup>th</sup> – Spring Break

16. March 18<sup>th</sup> – Spring Break

17. March 23<sup>rd</sup> – Mid-term Exam

18. March 25<sup>th</sup> – Loans and credit risk

Reading: (S) Chapter 10 and 11

19. March 30<sup>th</sup> – Loans and credit risk (Contd.)

Reading: (S) Chapter 10 and 11

20. April 1<sup>st</sup> – Loans and credit risk (Contd.)

Reading: (S) Chapter 10 and 11

21. April 6<sup>th</sup> – Loans and credit risk (Contd.)

Reading: (S) Chapter 10 and 11

22. April 8<sup>th</sup> – Liquidity risk

Reading: (S) Chapter 12 and 19

23. April 13<sup>th</sup> – Liquidity risk (Contd.)

Reading: (S) Chapter 12 and 19

24. April 15<sup>th</sup> – Operational risk

Reading: (S) Chapter 17 and 18

25. April 20<sup>th</sup> – Operational risk (Contd.)

Reading: (S) Chapter 17 and 18

26. April 22<sup>nd</sup> – Capital Adequacy

Reading: (S) Chapter 21

27. April 27<sup>th</sup> – Capital Adequacy (Contd.)

Reading: (S) Chapter 21

28. April 29<sup>th</sup> – Capital Adequacy and Stress Tests

Reading: (S) Chapter 21

29. May 4<sup>th</sup> – Securitization

Reading: (S) Chapter 27

30. May 6<sup>th</sup> – Securitization (Contd.)

Reading: (S) Chapter 27

31. Final Exam (Date to be determined)

# Stern Undergraduate College

## **Required Sections and Suggested Language for Syllabi for All Undergraduate Courses**

### **ACADEMIC INTEGRITY**

Our undergraduate [Academics Pillar](#) states that ***we take pride in our well-rounded education and approach our academics with honesty and integrity.*** Indeed, integrity is critical to all that we do here at NYU Stern. As members of our community, all students agree to abide by the NYU Stern Student Code of Conduct, which includes a commitment to:

- Exercise integrity in all aspects of one's academic work including, but not limited to, the preparation and completion of exams, papers and all other course requirements by not engaging in any method or means that provides an unfair advantage.
- Clearly acknowledge the work and efforts of others when submitting written work as one's own. Ideas, data, direct quotations (which should be designated with quotation marks), paraphrasing, creative expression, or any other incorporation of the work of others should be fully referenced.
- Refrain from behaving in ways that knowingly support, assist, or in any way attempt to enable another person to engage in any violation of the Code of Conduct. Our support also includes reporting any observed violations of this Code of Conduct or other School and University policies that are deemed to adversely affect the NYU Stern community.

The entire Stern Student Code of Conduct applies to all students enrolled in Stern courses and can be found here: [www.stern.nyu.edu/uc/codeofconduct](http://www.stern.nyu.edu/uc/codeofconduct)

To help ensure the integrity of our learning community, prose assignments you submit to NYU Classes will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

### **GENERAL CONDUCT & BEHAVIOR**

Students are also expected to maintain and abide by the highest standards of professional conduct and behavior. Please familiarize yourself with Stern's Policy in Regard to In-Class Behavior & Expectations (<http://www.stern.nyu.edu/portal-partners/current-students/undergraduate/resources-policies/academic-policies/index.htm>) and the NYU Student Conduct Policy (<https://www.nyu.edu/about/policies-guidelines-compliance/policies-and-guidelines/university-student-conduct-policy.html>).

## GRADING GUIDELINES

### Grading Information for Stern **Core Courses**

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have adopted a grading guideline for core courses with enrollments of more than 25 students in which approximately 35% of students will receive an “A” or “A-” grade. In core classes of less than 25 students, the instructor is at liberty to give whatever grades they think the students deserve, while maintaining rigorous academic standards.

### Grading Information for Stern **Elective Courses**

At NYU Stern, we strive to create courses that challenge students intellectually and that meet the Stern standards of academic excellence. To ensure fairness and clarity of grading, the Stern faculty have agreed that for elective courses the individual instructor or department is responsible for determining reasonable grading guidelines.

## STUDENT ACCESSIBILITY

If you will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Student Accessibility ([212-998-4980](tel:212-998-4980), [mosescsa@nyu.edu](mailto:mosescsa@nyu.edu)) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the Moses Center for Student Accessibility, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation. For more information, visit the CSA website: <https://www.nyu.edu/students/communities-and-groups/student-accessibility.html>

## STUDENT WELLNESS

Classes can get stressful. I encourage you to reach out if you need help. The NYU Wellness Exchange offers mental health support. You can reach them 24/7 at [212 443 9999](tel:212-443-9999), or via the “NYU Wellness Exchange” app. There are also drop in hours and appointments. Find out more at <http://www.nyu.edu/students/health-and-wellness/counseling-services.html>