# Business Economics and Management - Banks (Risk Management)

## Prof. Antonio Pace; Prof. Marco Campo

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

To facilitate the student's acquisition of a basic understanding of the structure of the financial system, the functions carried out by financial intermediaries, and the main operating issues for bank intermediaries, as well as some notes on the regulation of bank capital.

The aim of the course is to teach students the operational models employed in the banking industry to manage risk, including an understanding of the topics and their operational application. Continuous reference to the course topics, through the sharing of operational documentation, will stimulate in students an ability to judge independently, using a "problem solving" approach. The interactive approach adopted by the course, including the use of a series of Q&A sessions and testimonies related to the course topics, will stimulate the student's overall understanding and, ultimately, their uptake of a technical language that will facilitate their ability to communicate with the working world.

***COURSE CONTENT***

The topics set out below will be covered in a different sequence to that shown in order to guarantee alternation between the two lecturers.

*Introduction*

– Introduction. Game rules. Risk classification.

*Interest rate*

– The interest rate risk. Repricing gap.

– Duration gap.

– The internal rate of return.

– Exercises on interest rate risk.

*Liquidity*

– Liquidity risk (overview).

*Operational risk*

– Operational risk (overview).

*Capital*

– Regulations on banking capital: from the Basilea evolution until the present days.

– Managing the capital.

– Exercises on managing capital.

*Market*

– Market risk. VaR: the parametric approach.

– The mapping of risk positions.

– Estimating volatility.

– Simulation models.

– Exercises on market risk.

*Credit*

– The credit risk. Scoring models.

– Rating models.

– Market models.

– Portfolio models. Credit Metrics.

– Exercises on credit risk.

***READING LIST***

A. Resti-A. Sironi, *Rischio e valore nelle banche. Misura,* *regolamentazione e gestione*, Egea, Milano, 2008 (ISBN: 9788823831254).

Slides and material distributed by the lecturers and published on Blackboard.

***TEACHING METHOD***

Theoretical lectures supported by empirical verifications and testimonies from managers within the reference industry ("risk management").

***ASSESSMENT METHOD AND CRITERIA***

Final exam at the end of the course. The asssessment method will be the same for all students, regardless of class attendance. The exam is not aimed to test their mnemonic knowledge of the topics explained in class, but to assess their actual understanding of course content. It will consist in a combination of open-ended and multiple choice questions. In addition, some of the questions will pose math problems.

***NOTES AND PREREQUISITES***

The required knowledge is that of the basic course in Financial Intermediaries (stock market, bond market, derivative instruments).

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG, or on the Faculty notice board.