MN5608 – Risk Management

Module Type/Semester: Option (20 credits), Semester 2

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Aim: The last two decades have witnessed a spectacular change and growth in financial markets (equity markets, foreign exchange markets, Euromarkets and international bond markets). This has brought a new breed of investors that see the role of managers as enhancing their shareholder value and protecting their wealth from potential risk. One of the challenging tasks of managers in recent years has been to manage the exposure to risks arising from the ever expanding financial markets and the use of derivatives markets. Recent years have witnessed a resurgence of further deregulation, mergers, acquisitions and take-overs. This brought about new ways of innovating financing, hedging and funding. The principal aim of this module is to provide an introduction to financial derivatives, managing the exposure to risk, and to apply relevant theories to realistic financial decision problems.

Method of Teaching and Learning: One two-hour lecture per week, supplemented by tutorials and seminars.

Learning Outcomes: By the end of the course, participants should be able to:

- Understand the different types of risks faced by investors
- Understand the conceptual building blocks of financial derivatives
- Analyse and measure market risk and hedge market risk with derivatives
- Use Value at Risk

Indicative Topic Outline:

- Futures markets and futures valuation
- Options markets and options valuation
- Other derivatives
- Hedging strategies using derivatives
- Analysing risk
- Value-at-Risk
• Credit risk
• Country risk

ASSESSMENT:

• One class test (25%)
• One essay (25%)
• Final Written Exam (50%)

READING LIST:


Further reading will be provided in the class.