

# FIN3230 Financial Institutions Management

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## Code

FIN3230

## Title

Financial Institutions Management

## Prerequisites

FIN 3201 Financial Institutions and Markets FIN 3121 Principles of Finance

## Credits

3

## Description

This course will review all major types of financial institutions, their specific features and activities. The course focuses on nature, sources, measurement and management tools for different types of risks such as interest rates, market, liquidity, capital, foreign exchange, etc. The course will also provide students with an opportunity to develop their understanding of contemporary procedures utilized in risk management of financial institutions, different types of traditional risk management techniques and new ways to manage risks.

## Objectives

The major objective of the course is to develop problem solving, analytical and critical thinking abilities of students related to changes in financial and economical environment which may directly impact the financial decision. Students learn to think as managers of financial institutions trying to assess and prevent the risks of FIs. Students have to be able to define risks, measure risks and manage risks; be able to assess the outcome of risk mitigation strategies; be able to assess the sufficient capital against risks accepted by FI.

## Outcomes

At the end of the course, students should be able to do the following: Knowledge Understand banks' financial statements for risk management; Know the derivative instruments such as forwards, futures and swaps; Differentiate and identify major types of risks faced by Financial Institutions; Understand the nature, measurements of credit risk; Understand the structure and functions of capital for FIs; Understand securitization structures, its benefits, shortfalls and role in the financial crisis 2007. Skills Be able to recognize and calculate exposures for different types of risk; Use credit scoring models for different types of loans; Construct hedging strategies with and without derivatives' products Calculate residual gains/losses after each risk management strategy; Be able to determine a minimum amount of capital to cover losses. Be able to identify advantages and weaknesses of each model and strategy learned. Application abilities Abilities to make management decisions in different risk situations; Use excel to measure and calculate the major types of risks; Use excel to estimate VAR with risk – metrics and historic simulation methods; Use Basel 2 capital guidance to estimate the amount of minimum bank capital. Values and Attitudes: Student practice KIMEP UniversityCore Values Academic honesty Respect for peers and instructors

## Assessment

60 % -first and second assessments

40 % -final assessment

## Tentative course outline

### Week1

Course syllabus presentation; Introduction into financial services industry and financial risks

### Week2

Measurement of the interest rate risk 1: Repricing Gap and Maturity Model

### Week3

Assessment of the interest rate risk 2: Estimation of Duration and Duration Gap

### Week4

Immunization strategies for interest rate risk and Convexity adjustment

### Week5

Management of interest rate risk: hedging with futures, forwards, and swaps.

### Week6

1st Exam\*: topics to be covered include Chapters 7, 2, 8, 9, 23, 25. Time and Exam room: To be arranged

### Week7

Market Risk measurement: Introduction to VAR

### Week8

Reading Week

### Week9

Analysis of Credit Risk. Case study.

**Week10**

Default Risk Models

**Week11**

2nd Exam\*: Topics to be covered include Chapters 10, 11, 12. Time and place: To be arranged

**Week12**

Foreign Exchange Risk: measurement

**Week13**

Foreign Exchange Risk: management

**Week14**

Capital Adequacy, Basel 3 framework

**Week15**

Preparation for the Final examination\*. Topics to be covered in final exam will be announced.