FINANCIAL INTERMEDIATION AND RISK MANAGEMENT

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| Course code | *GRAE035* |
| Compulsory in the programmes | *Financial Economics* |
| Level of studies | *Graduate* |
| Number of credits | *6 ECTS (36 contact hours + 2 consultation hours, 124 individual work hours)* |
| Course coordinator (title and name) | *Dr. Ana Jolovic*  [*anajol@faculty.lt*](mailto:anajol@faculty.lt) |
| Prerequisites | *Alternative Investment and Derivatives* |
| Language of instruction | *English* |

**THE AIM OF THE COURSE:**

This course is an advanced course on Financial Intermediation and Risk Management. This course aims to develop an understanding of the theories of financial intermediation and provide insights into the best practices of risk management processes and techniques used by banks and other financial intermediaries. Recent developments in the regulatory framework and financial industry will also be discussed.

**MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESMENT AND TEACHING METHODS**

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| Course level learning outcomes (objectives) | Degree level learning objectives (Number of LO) | Assessment methods | Teaching methods |
| CLO1. Demonstrate knowledge and understanding of contemporary financial intermediation theories and their application in the practical and research field of financial intermediation institutions | LO1.1. | Case study debriefing, midterm test, final exam | Lectures, individual study, self-study in groups, analysis of case studies. |
| CLO2. Analyse and evaluate financial intermediation companies’ activities and financial condition from financial statements and key performance indicators | LO1.1. | Midterm test, final exam | Lectures, solving exercises, self-study, analysis of case studies |
| CLO3. Analyse and critically evaluate the causes and consequences of the financial crisis, the behaviour of national and international financial markets and institutions during the financial crisis and be familiar with contemporary crisis management techniques. | LO1.1.,  LO2.1. | Case study debriefing, midterm test, final exam | Lectures, solving exercises, self-study, analysis of case studies |
| CLO4. To express an independent opinion on the need of financial regulation and to formulate judgments and knowledge-based conclusions on the impact of recent regulatory framework changes to the strategic development of financial intermediation institutions, | LO1.1.,  LO1.2. | Case study debriefing, midterm test, final exam | Lectures, self-study, analysis of case studies |
| CLO5. Evaluate, choose, and systemically apply advanced risk management techniques and models in solving complex risk management problems in financial intermediation institutions | LO1.2. | Case study debriefing, midterm test, final exam | Lectures, solving exercises, individual study, self-study in groups, analysis of case studies |
| CLO6. Analyse and assess changes in both micro- and macroeconomic environments of financial intermediation institutions | LO1.1.,  LO1.2 | Case study debriefing, midterm test, final exam | Lectures, solving exercises, self-study, analysis of case studies |
| CLO7. Develop a range of personal skills including argumentation, evaluation, problem identification and solving, interactive and group skills, self-appraisal, cross-cultural teamwork. | LO3.1.,  LO.3.2. | Case study debriefing, midterm test, final exam | Lectures, self-study, teamwork for solving case studies. |

**ACADEMIC HONESTY AND INTEGRITY**

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. With regard to remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

**COURSE OUTLINE**

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| **Topic** | **In-class hours** | **Readings** |
| 1. Introduction: an overview of financial institutions   * Economies of scale and scope, pooling and netting * Information asymmetry: screening and monitoring * Maturity, liquidity and risk transformation * Functions performed by financial intermediaries | 4 | * Course slides * Textbook 1. Ch. 1-3 |
| 2. Overview of financial institutions risk management  Class discussion on assigned readings | 4 | * Course slides * Textbook 1. Ch. 4 * Assigned readings posted on e-learning |
| 3. Risk management of financial institutions | 4 | * Assigned readings posted on e-learning * Risk management reports of selected financial institutions * Case study “*A Strategic Approach to Enterprise Risk Management at Zurich Insurance Group.*” |
| 4. ***Mid-term exam***  Corporate governance in the financial institution | 4 | * Textbook 2. Ch. 2 |
| 5. Non-banking institutions | 4 | * Students group presentations |
| 6. Cooperative banks and credit unions | 4 | * Course slides * Textbook 3. Ch.2 * Assigned readings posted on e-learning |
| 7. Pension funds – past and future | 4 | * Course slides * Assigned readings posted on e-learning |
| 8. Asset Management  Private Equity. Venture Capital | 4 | * Course slides * Assigned readings posted on e-learning |
| 9. Wealth management.  Case study for debriefing “Nest Wealth Asset Management, Inc.” | 4 | * Course slides * Case study for debriefing “*Nest Wealth Asset Management, Inc*.” |
|  | **Total: 36 hours** |  |
| CONSULTATIONS | 2 |  |
| FINAL EXAM | 2 |  |

\* Course slides will follow selected topics and are obligatory as a part of course material. Course slides will be uploaded in the e-learning.

**FINAL GRADE COMPOSITION**

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| **Type of assignment** | **%** |
| *Individual Components 80%* |  |
| * Midterm | 40% |
| * Final exam | 40% |
| *Group Components 20%* |  |
| * Debriefing of case study | 10% |
| * Group presentation | 10% |
| **Total:** | **100** |

**DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT**

Mid-term exam (40%)

There will be a mid-term test from the course material during the course. The exam is a closed-book close-note exam. The mid-term examination will be organised from the topics of the first three classes, including reading material, discussions material and case study analysis. The mid-term exam will consist of questions related to the short case study(s) (case being presented at the test). The mid-term exam makes 40% of the final grade.

Debriefings of case studies (10%)

Students will have one case study for debriefing. Case study debriefings will be made in groups of up to 4 students. Students will receive a list of questions to answer. The assessment will be made considering understanding the problem and solutions measures, using integrated knowledge of the course material.

Group presentation (10%)

Students will have one group presentation on the chosen topic (a list of topics will be shared on day 1). Groups should have up to 3 students. The assessment will allow students to explore in more detail the assigned topic, use their knowledge and skills to prepare materials and presentations for the peers, and fully understand the pros and cons of financial intermediary institutions.

Final exam (40%)

The final exam is a closed-book close-note exam. The exam will mainly cover materials and discussions from the second part of the course. It will contain cases and problems.

**ADDITIONAL REMARKS**

1. A student must score on all the assigned tasks by the lecturers (see *Assessment Methods*). No postponement and/or retake of the assigned tasks shall be allowed.
2. After receiving a failing final cumulative grade, a student can make one attempt to retake an exam. A retake exam shall consist of all course material and will equal **80% of the final cumulative grade**. Provided a retake exam is taken by a student, the acquired grade for the debriefing of case-study and group presentation **will be calculated and weighted into the final cumulative grade for the course.**

**REQUIRED READINGS**

1. **Greenbaum S. I., Thakor A. V., Boot A. W. A.,** Contemporary Financial Intermediation (4th edition), Academic Press Advanced Finance. 2019.
2. **Robert C. Gericke**, Corporate Governance and Risk Management in Financial Institutions, Springer International Publishing, 2018.
3. **Saunders A., Cornett M., Erhemjamts O.,** Financial Institutions Management: A Risk Management Approach (10th edition)., McGraw HIll, 2021

(Last updated: 2021 12 16)

**ANNEX**

**DEGREE LEVEL LEARNING OBJECTIVES**

**Learning objectives for Master of Social Science**

*Programme:*

*Financial Economics*

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| **Learning Goals** | **Learning Objectives** |
| Students will be critical thinkers | LO1.1. Students will be able to identify underlying assumptions, limitations of previous research; evaluate managerial solution alternatives. |
| LO1.2. Students will become **independent learners** and develop their own comprehension of scientific theories, models, and concepts. |
| Students will be socially responsible leaders | LO2.1. Students will be able to evaluate past and current practices in their discipline from an **ethical perspective**. |
| Students will be effective communicators | LO3.1. Students will develop and deliver a **coherent oral presentation**. |
| LO3.2. Students will develop and deliver a **coherent written research paper**. |