



PGDM 2015 and GPX 2015

*Risk Management*

*Instructor: Dr. Abhinanda Sarkar*

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The course will run from September 1 to September 12. It will be split into two week.

**Week 1 (September 1 to 5)**

We will review modern portfolio theory, covering risk-optimal portfolios, components of risk via index models, and related topics.

Reading: Parts II and III of Brodie, Kane, Marcus, and Mohanty, *Investments*, 8<sup>th</sup> edition.

We will then have an overview of some basic methods in financial risk management such as value-at-risk, stress testing, and backtesting.

Reading: Part 1 of *Risk Management – A Practical Guide* by Laubsch and Ulmer, RiskMetrics Group.

**Week 2 (September 8 to 12)**

We will cover the basic ideas of Basel I and Basel II, which are financial and operational risk management standards for banks, taking both global and Indian views.

Reading: *Basel II – A Worldwide Challenge for the Banking Business*, KPMG.

Reading: *Prudential Norms on Capital Adequacy*, RBI Master Circular [Sections 1-10].

Reading: *A Review of Key Issues in Operational Risk Capital Modeling*, Chaudhury, JOR.

We take a look at the financial crisis of 2007-08 using as a reference the writings of Raghuram Rajan, both before and after the event.

Reading: *Has Financial Development made the World Riskier?* Rajan, NBER working paper

Reading: *The Credit Crisis and Cycle-proof Regulation*, Rajan, Federal Reserve Bank of St. Louis

**Prerequisite:** The course will assume familiarity with basic concepts in finance and statistics.

**Grading:** Students are expected to read the assigned readings and be prepared to discuss and analyse in class. The discussions may also take the form of formal presentations and/or short quizzes. These discussions, presentations, and quizzes will be held on each day of the class and attendance is mandatory in order to be eligible for grades.