האוניברסיטה העברית בירושלים
THE HEBREW UNIVERSITY OF JERUSALEM

The Hebrew University of Jerusalem

Syllabus

Risk Management and Capital Markets - 55856

Last update 26-07-2021

HU Credits: 2

Degree/Cycle: 2nd degree (Master)

Responsible Department: Business Administration

Academic year: 0

Semester: 2nd Semester

Teaching Languages: Hebrew

Campus: Mt. Scopus

Course/Module Coordinator: Mr. Uzi Yitzhak

Coordinator Email: uziyitzhak@yahoo.com

Coordinator Office Hours:

Teaching Staff:

Mr. Uzi Ytzhak

<u>Course/Module description:</u>
The course will focus on practical implications of identifying and managing risk in capital markets.

<u>Course/Module aims:</u>
We will go over how to both measure and manage risk in different asset classes such as: Equities, fixed income and alternatives; as well as different investment instruments such as options, futures and forwards. Next, we will move to portfolio risk management and hedging instruments. We will also review and explore the areas of behavioral finance and ESG (Environmental, Social, Governance) and see how they affect the area of risk management. We will use case studies and real-life examples as much as possible as a mean to gap theory with reality.

<u>Learning outcomes - On successful completion of this module, students should be able to:</u>
Students should be able to define and describe the different risks facing corporations; after which they will need to be able to use qualitative and quantitative tools to evaluate and categorize them. Students should demonstrate full knowledge of the different capital markets' asset classes, legal structures and specific investment instruments; the unique risks associated with them and the correct way to calculate and quantify them both on an individual level as well as on a portfolio level. Finally, students are expected to master the tools and concepts learned and implement them in real life examples.

<u>Attendance requirements(%):</u>
100

Teaching arrangement and method of instruction: Lectures, business cases

<u>Course/Module Content:</u>
Topic 1: Introduction to Risk Management
Different Risk Types
Measurement vs management

Chance, Edleson, Introduction to Risk Management. CFA institute Article
מכשירים פיננסיים וניהול סיכונים, צבי וינר וליאון סנדלר. מבוא

Topic 2: Fixed income Investment instruments
Interest rate risk
Credit Risk
Duration and Convexity
Rating Agencies

מכשירים פיננסיים וניהול סיכונים, צבי וינר וליאון סנדלר – פרק 2
Crouhy, Galai and Mark, The essential of Risk Management Chapters 9,10

Topic 3: Mortgages
Mortgage Backed Securities
Asset Backed Securities
Credit Transfer Vehicles

Crouhy, Galai and Mark, The essential of Risk Management Chapter 12
Fabozzi, Introduction to Asset Backed Securities

Topic 4: Derivatives
Futures, Forwards, Swap
Analyzing and understanding unique risk characteristics of the different derivatives

מכשירים פיננסיים וניהול סיכונים, צבי וינר וליאון סנדלר – פרקים 3-5

Topic 5: Derivatives
Options
Put-Call Parity
Option pricing models
Measuring volatility: historical vs implied

מכשירים פיננסיים וניהול סיכונים, צבי וינר וליאון סנדלר – פרקים 7-9

Topic 6: Modern Portfolio Theory
Efficient Frontier
CAPM
Diversification
Correlation
Performance Measures

Crouhy, Galai and Mark, The essential of Risk Management Chapter 5

Topic 7: Portfolio Management
Defining and Calculating VaR
Limitations of VaR
Scenario Analysis
Stress Tests

Crouhy, Galai and Mark, The essential of Risk Management Chapters 7,16
מכשירים פיננסיים וניהול סיכונים, צבי וינר וליאון סנדלר – פרקים 11-12

Topic 8: Alternative Investments
Analyzing the unique risk characteristics of investment funds
Due Diligence Questionnaire
Strategy/Market/Investment Risk
Liquidity Risk
Operational and Legal
Case Study: DDQ of Private Equity Fund

Topic 9: Understanding Risks in different investment vehicles
Hedge Funds
Mutual Funds
Closed End Funds
ETF’s (Active, passive and smart beta)
UCIT Regulatory framework for Risk Management
Case Study: Prospectus of a UCIT Fund

Topic 10: ESG (Environmental, Social, Governance)
What are ESG risks?
What are the ESG Principals?
Different approaches for ESG investing
ESG Regulations

Topic 11: Behavioral Finance
The Role of Behavioral finance in Risk Management
Risk profiling through a behavioral Finance Lens

Topic 12: Summary and Case Studies
Risk Management at a Global Asset manager
Risk management at Kranot Hishtalmut and Kuput Gemel

Required Reading:

1) Crouhy, Galai and Mark, The essential of Risk Management, (Second Edition), McGraw-Hill, 2015 (CGM)
2) מכשירים פיננסיים וניהול סיכונים, צבי וינר וליאון סנדלר
3) Chance, Edleson, Introduction to Risk Management. CFA institute Article.
4) Fabozzi, Introduction to Asset Backed Securities. CFA institute Article.

Additional Reading Material:

Course/Module evaluation:

End of year written/oral examination 50 %
Presentation 25 %
Participation in Tutorials 25 %
Project work 0 %
Assignments 0 %
Reports 0 %
Research project 0 %
Quizzes 0 %
Other 0 %

Additional information: