

“Financial risk management”

SYLLABUS

The management of financial risk is crucial for all companies, as failure to identify and mitigate these risks can lead to the collapse of the business. Financial risk exists in many forms, such as currency risk, commodity risk, interest rate risk, funding and liquidity risk, and credit risk. This subject identifies the sources of financial risk and explores how these risks can be assessed and measured. It recommends and justifies methods and tools for mitigating risks in various situations and within the context of a risk management framework. Many of these methods involve the use of financial derivatives. Therefore, students will be introduced to the common uses of forwards, options, interest rate and currency swaps, and credit default swaps. They will also have the opportunity to learn how derivative instruments are valued, how external factors affect their prices, and how their use can give rise to operational and counterparty risks.

Purpose and Objectives of the Course:

The main purpose of the course "**Financial Risk Management**" is to develop a comprehensive understanding among students regarding risk management and to form professional skills (competencies) in the analysis, assessment, and management of financial risks.

Course Objectives

To present existing concepts of risk;

To provide an overview of the evolution of approaches to risk management in the economy and society;

To teach the nature and classification of financial risks;

To introduce modern methods of financial risk management;

To explain the general sequence of establishing a financial risk management system;

To familiarize students with the methods of financial risk management and the principles of developing financial risk management strategies.

Learning Outcomes:

Upon completion of the course and successful assimilation of all topics, students will:

Be able to understand:

- The principles of financial risk management;
- The main functions of financial risk management;
- The strategies and methods used in financial risk management;
- The indicators for managing and assessing market risks.

Be able to:

- Calculate the value of credit risk;

- Calculate the value of currency risk;
- Assess potential risks arising in the insurance market, etc.

Course Program

The program is based on a 45-hour "**flipped learning**" module, including 15 hours of lectures and 30 hours of seminars. It utilizes various teaching tools such as lecture materials presented in video, audio, and written formats, electronic feedback mechanisms, discussions, assignments, group work, and more. The duration of the program is **15 weeks**.

Course Lecture Topics

The course consists of 15 lecture topics:

1. Conceptual foundations, economic essence, and forms of risk
2. Classification of financial risks and the financial risk management system
3. Strategies and methods of financial risk management
4. Indicators for managing and assessing market risks
5. Management of banking risks
6. Management of credit risk
7. Mechanisms for managing currency risks and methods of using them
8. Management of interest rate risk
9. Risks arising in the insurance market
10. Stock market: investment risks and portfolio management of securities
11. Investment project risk and management of investment portfolio risks
12. Hedging financial risks in operations with financial assets

Teaching Methodology of the Course

The teaching of this course involves a wide range of instructional and training methods, including lectures, interactive discussions, team-based projects, small group work, business games, the study and analysis of specific case studies, writing essays or individual assignments, and completing test tasks.

In addition, special emphasis will be placed on the analysis, discussion, and drawing of logical conclusions from articles, real-world examples, and case studies taken from foreign and local literature, as well as international and local media (including online resources).

To develop the ability to apply the acquired knowledge, students will solve assignments selected in accordance with the topic.

Before each new topic is taught, students are expected to familiarize themselves with the assigned readings and preparatory materials provided in advance.

Main Literature List

1. Kazımlı X., Quliyev İ. "İqtisadi risklərin qiymətləndirilməsi və idarə edilməsi" Dərs vəsaiti. Bakı. 2011.
2. Abbasov A. B. "Biznesin təşkili və idarə edilməsi" Dərs vəsaiti. . Bakı. 2010.
3. Məmmədov M. H., Şahbazov K. A., Həsənov H. S. "Menecment" Bakı. 2007.
4. Atakişiyev M. C. "Maliyyə menecmenti" Bakı. 2013.
5. Abbasov İ. M., Sadıqov R. F. "Menecment" Bakı. 2013.

6. Doç. Dr. Murat Akkaya. Finansal Risk Yönetimi. Nisan 2021 / 1. Baskı / 448 Syf.
7. Prof. Dr. Burak Saltoğlu. Finansal Risk Yönetimi. 2020, 452 syf.
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9. Бланк И. А. Управление финансовыми рисками / И. А. Бланк. - Киев : Ника-Центр, 2005. - 600 с.
10. Воробьев С. Н. Управление рисками в предпринимательстве / С. Н. Воробьев, К. В. Бал-дин. - Москва: Дашков и К°, 2013. - 482 с.
11. Вяткин В. Н. Риск-менеджмент: учебник / В. Н. Вяткин, В. А. Гамза, Ф. В. Маевский. - Москва: Юрайт, 2015. - 351 с.
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13. Гурнович Т. Г. Оценка и анализ рисков: учебник / Т. Г. Гурнович, Е. А. Остапенко, С. А. Молчаненко; под общ. ред. Т. Г. Гурнович. - Москва: КНОРУС, 2019. - 252 с.
14. Найт Ф. Х. Риск, неопределенность и прибыль / Ф. Х. Найт; пер. с англ. - Москва: Дело, 2003. - 360 с.
15. Омарова З. Н. Риск-менеджмент: учебное пособие / З. Н. Омарова. - Казань: Изд-во «БУК», 2017. - 78 с.
16. Рыхтикова Н. А. Анализ и управление рисками организации: учебное пособие / Н. А. Рыхтикова. - Москва: Инфра-М, 2018. - 247 с.
17. Слепухина Ю. Э. Риск-менеджмент на финансовых рынках: учебное пособие / Ю. Э. Слепухина, А. Ю. Казак. - Екатеринбург: Изд-во Урал. ун-та, 2015. - 216 с.
18. Смит А. Исследование о природе и причинах богатства народов / А. Смит; пер. с англ. П. Ключкин. - Москва: Эксмо, 2016. - 1056 с.
19. Steve L. Allen . Financial Risk Management: A Practitioner's Guide to Managing Market and Credit Risk (Wiley Finance Book 721) 2nd Edition, Kindle Edition, 2012, 609 pages

20. Шапкин А. С. Экономические и финансовые риски. Оценка, управление, портфель инвестиций: монография / А. С. Шапкин, В. А. Шапкин. - 9-е изд. - Москва: Дашков и К°, 2018. - 544 с.
21. John C. Hull. Risk Management and Financial Institutions (Wiley Finance) 5th Edition, 2018, 832 pages

For each topic, the instructor’s lecture notes and presentations are uploaded to the electronic cabinet. Additionally, the instructor may recommend supplementary literature related to each topic.

Organization of Lecture Sessions

In the **flipped learning** method, the content and structure of lecture sessions differ from those in traditional teaching. In a traditional approach, the instructor delivers a lecture on each topic during class time. However, in the flipped learning model, **two topics are discussed during one lecture session**, with **40 minutes allocated for the discussion of each topic**. Students are expected to study the materials for both topics *before* attending the lecture.

The main purpose of these discussions is to strengthen students’ weak areas and to clarify the concepts they find challenging through interactive dialogue. To ensure effective discussion, the instructor (trainer) determines how well students have studied and understood the materials—shared in advance via the EDUMAN system—**before the lecture** using the “**Communication Panel**” platform. The instructor may use tests, assignments, or other question-and-answer techniques to assess this.

These lecture sessions aim to reinforce students’ comprehension of the topics.

Out of the maximum **100 points** that a student can earn in the course, **5 points are allocated for active participation in lecture sessions**.

Content of the Topics and Teaching-Thematic Distribution

Week	Course Topic	Main content of the topic	Literature
1, 2	Conceptual Foundations, Economic Essence, and Forms of Risks	<p>The Concept of “Risk.” The Evolution of Scientific Risk Theories.</p> <p>The essence of risk, its factors, characteristics, and functions.</p> <p>Risk factors from the external environment and risk factors within the internal environment of an organization.</p> <p>External risk factors at the macro level and global (world) level.</p> <p>External risk factors at the meso level and micro level.</p> <p>Organizational and managerial risk factors.</p> <p>Operational risk factors.</p> <p>Characteristics of risk as an economic category.</p> <p>Classification of risk.</p>	
3, 4	Classification of Financial Risks and Its Management System	Financial Risk as an object of Management.	

		<p>Types of financial risks. Systematic risks and unsystematic risks. Financial risk management system. Main functions of risk management. Methods of identifying and assessing financial risks. Qualitative methods. Quantitative methods. Expert evaluation methods. Analogy method. Analytical calculation methods. Mathematical calculation methods.</p>	
5, 6	Financial Risk Management Strategies and Methods	<p>Financial Risk Management Strategies and Methods. Risk avoidance strategy. Risk retention strategy. Risk acceptance methods. General approaches to quantitative assessment of financial risks. Indicators for measuring financial risk. Consideration of risk tolerance levels.</p>	
7	Management and Assessment Indicators of Market Risks	<p>Content and Causes of Market Risks. Classification of market risks. Equity risk. Interest rate risk. Currency market risk. Types of currency risk: operational, translation, and economic risks. Assessment of market risks. Portfolio approach to managing market risk. Hedging of market risk.</p>	
8	Management of Bank Risks	<p>Typical Bank Risks: Nature and Classification. Credit risk: concept, methodology, and identification methods. Operational risk: concept and identification characteristics. Market risk and other risks specific to bank activities.</p>	
9	Management of Credit Risk	<p>The Essence and Types of Credit Risk. Methodological approaches to evaluating the credit risk of the borrower and its management. Evaluation and management of credit risk by non-financial corporations. Use of credit derivatives in the practice of credit risk management.</p>	

10	Mechanisms for Managing Currency Risks and Methods of Their Use	Types of Currency Risk and Its Determining Factors. Exchange rate. Types of exchange rates. Real exchange rate. Nominal effective exchange rate. Real effective exchange rate. Methods of managing currency risk. Hedging-based methods for managing currency risk.	
11	Management of Interest Rate Risk	The Essence of Interest Rate Risk and Its Determining Factors. Main methods for managing interest rate risk. Hedging instruments for interest rate risk.	

12	Risks Arising in the Insurance Market	<p>Operational Characteristics of Insurance Activity Entities.</p> <p>The goal of managing risks in an insurance company as ensuring financial stability.</p> <p>Risk management mechanisms related to insurance activities.</p> <p>Stress testing as a method for analyzing and assessing the financial risk of an insurance organization.</p>	
13	Stock Market: Investment Risks	<p>Securities: Concept, Classification, Profitability, and Risk.</p> <p>The stock market and its participants.</p> <p>Portfolio management.</p> <p>Transactions with securities in stock markets.</p> <p>Key factors of uncertainty and risks in operations with debt obligations and stocks.</p> <p>Risk management through the stock market.</p>	
14	Investment Project Risks and Management of Investment Portfolio Risks	<p>Concept of Investment Risk and Factors Affecting Its Emergence.</p> <p>Basic approaches to calculating investment risks.</p> <p>The essence of a new comprehensive financial analysis indicator for evaluating investment risk.</p> <p>Probabilistic methods of risk analysis.</p> <p>Method of analyzing individual project risk by creating a project decision tree.</p>	
15	Hedging Financial Risks in Transactions with Financial Assets	<p>Derivative Financial Instruments (Derivatives) — Types and Their Use in Hedging Financial Risks.</p> <p>Mechanism of futures markets.</p> <p>Mechanism of options markets.</p> <p>Forward contracts and their use in financial operations for hedging risks.</p>	

Grading: 100-Point System

The final grade is the sum of points awarded for **current assessment** — seminars and colloquiums (0–30 points), independent work (0–10 points), attendance (0–10 points) — and **interim assessment**, which includes end-of-semester exams (0–50 points).

If the course includes additional practical or applied lessons, up to 10 points may be allocated for the evaluation of those classes. Final Grade = Current Assessment + Interim Assessment

Based on the total number of points accumulated during the semester for the course, students' knowledge is assessed as follows:

Grading Scale

Grade	Grading by Letters	Indicator
100 – 91	A	“excellent”
90 – 81	B	“very good”
80 – 71	C	“good”
70 – 61	D	“sufficient”
60 – 51	E	“satisfactory”
Below 51	F	“unsufficient”

Seminar and Colloquium

Colloquiums are held three times each semester in accordance with the academic calendar. Each colloquium is evaluated on a scale of 0 to 10 points. Participation in colloquiums is mandatory. A student who does not attend a colloquium will receive 0 points

Instructor:

Head Lecturer Nusrat Babayev

