



AI2138 Perspectives on Risk Management 7.5 credits

Perspektiv på riskhantering

This is a translation of the Swedish, legally binding, course syllabus.

If the course is discontinued, students may request to be examined during the following two academic years

Establishment

Course syllabus for AI2138 valid from Spring 2011

Grading scale

A, B, C, D, E, FX, F

Education cycle

Second cycle

Main field of study

Built Environment

Specific prerequisites

7,5 credits in Financial Investments and 7,5 credits in Corporate Finance or equivalent.

Language of instruction

The language of instruction is specified in the course offering information in the course catalogue.

Intended learning outcomes

The course objective is to provide students with insights as to how risk management impact the operations of financial and real estate commercial entities. The knowledge is important in understanding how risk management can be used to decrease the impact of unforeseen events in financial and real estate firms. The course consists of four modules that form a basis of discussion. Risk management in financial institutions, syndication and the role of investment banks and venture capital funds, public policy in promoting risk capital and the role of financial authorities are all vital parts in understanding risk management.

The student should be able to:

- Understand how risk can be controlled through internal risk management programs.
- The difference between operational risk, credit risk and portfolio risk.
- Understand how investment banks and venture capital handles risk.
- Explain the effects of syndication on handling risks in the venture capital industry. Determine the role of public policy in promoting risk capital.
- Understand the limitations of public policy in promoting risk capital.
- Explain the role of Basel II in regulating the banking industry in Europe.
- Discuss how modern financial regulation functions and the role of financial supervision.

Course contents

The course is based on four different aspects of the handling of risk in financial institutions.

1. Risk management systems in financial institutions:
Risk management system refers to the complex systems in which financial institutions such as banks and insurance companies measure and handle risks.
2. Syndication and the role of investment banks and venture capital funds in the financial system:
Syndication is an important way of distributing the financial risk between different actors in the financial system. Investment banks, venture capital firms and commercial banks are all important actors within the financial system. Their role and functioning in the financial system will be analyzed in detail.
3. Public policy in promoting an adequate supply of risk capital in the economy:
Throughout the Western economies different public policies have been launched to increase the supply of risk capital. These policies will be analyzed and the pros and cons of different approaches will be discussed.
4. The role of financial authorities in supervising the financial risk of different types of institutions:
Since the financial system is vital for every national economy, and the internationalization of financial intermediaries continues to grow, most new rules are international in nature. We will analyze how different financial authorities deal with the issue of supervising financial risks in different institutions and organizations.

Course literature

Peter Bernstein (1998), *Against the gods*, Wiley.

A number of research articles will be added to each module. These are determined in the course.

Examination

- SEM1 - Seminar, 3.0 credits, grading scale: P, F
- TEN1 - Examination, 4.5 credits, grading scale: A, B, C, D, E, FX, F

Based on recommendation from KTH's coordinator for disabilities, the examiner will decide how to adapt an examination for students with documented disability.

The examiner may apply another examination format when re-examining individual students.

Ethical approach

- All members of a group are responsible for the group's work.
- In any assessment, every student shall honestly disclose any help received and sources used.
- In an oral assessment, every student shall be able to present and answer questions about the entire assignment and solution.