

Issue Management - Public Issue, classifications of Companies, Issue Pricing, Promoter's Contribution, Minimum Public Offer, Prospectus, Allotment, Preferential Allotment, Private Placement, Book Building Process; Green Shoe Option; Right Issue: subscription, Bought out Deals, Post issue work & obligations, Investor Protection, Broker, Sub-broker and Underwriters.

**Essential Readings:**

1. Khan, M. Y. (2013). *Indian financial system*. Tata McGraw-Hill Education.
2. Machiraju, H. R. (2010). *Indian financial system*. Vikas Publishing House.

**Additional References:**

1. Verma, J. C. (1996). *Manual of merchant banking Concepts, practices & procedures with SEBI clarifications, guidelines, rules & regulations*. Delhi: Bharat Law House.
2. Wright, M., Watkins, T., & Ennew, C. (2010). *Marketing financial services*. Routledge.
3. Sriram, K. (1992). Hand Book of Leasing. *Hire Purchase & Factoring, ICFAI, Hyderabad*.
4. Sahadevan, K. G., & Thiripalraju, M. (1997). *Mutual Funds: Data, Interpretation and Analysis*. PHI.
5. Avadhani, V. A. (2013). *Marketing of Financial Services*. Himalayan Books.
6. Gorden, R., & Natarajan, K. (2016). *Financial Markets and Services* (10 ed.). Himalaya Publishing House.
7. Fredman, A. J., & Wiles, R. (2004). *How Mutual Funds Work*. Prentice Hall.
8. Sadhak, H. (2003). *Mutual funds in India*. Response Books.

**Note: Latest edition of the readings may be used.**

**DISCIPLINE SPECIFIC ELECTIVE COURSE – 14: RISK MANAGEMENT OF FINANCIAL INSTITUTIONS**

**CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE**

Course title & Code	Credits	Credit distribution of the course	Eligibility criteria	Prerequisite of the
---------------------	---------	-----------------------------------	----------------------	---------------------

		Lecture	Tutorial	Practical/ Practice		course (if any)
<b>Risk Management of Financi al Instituti ons DSE- 14</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>0</b>	-	-

### **Learning Objectives:**

This course aims at enabling the students to understand and to contribute to the strategic operational policies and risk management practices of financial institutions in a competitive environment.

### **Learning outcomes:**

By studying this course, the students will be able to:

- Understand the functioning of a financial institution.
- Understand the entire process of operating a bank and other financial institutions with
  - Respects to the rules and regulations prescribed by the regulators.
- Understand the problems faced by the banks like that of NPA or of liquidity challenge etc. and tools and techniques to manage them.

### **Unit 1: Foundation and Key Concepts (9 hours)**

Overview of Risk Management in Banking and Financial Markets, Liquidity & Solvency Risk, Measuring and Management of Operational Risk, CRR & SLR management. Financial Intermediation: Types of Financial Services-Depository Institutions, Finance Companies, Security Firms and Investment Banks, Mutual Funds and Hedge Fund Companies, Insurance Companies. An Overview of the Indian Financial System; Regulation of Banks, NBFCs & FIs, Capital Adequacy: Capital adequacy norms; Basel agreement-I, II&III.

### **Unit 2: Financial Statement Analysis of Banks (12 hours)**

Statement of Financial Sector: Statements of Financial Institutions: Analyzing Bank's Financial Statement: The balance sheet; income statement; Cash Flow Statement; profitability, liquidity and solvency analysis; Sources and Uses of Banks Funds, Performance

Analysis of banks: CAMELS Risk system; Key Performance Indicators; Data Envelopment Analysis, Asset Liability Management: RBI guidelines on asset liability management.

**Unit 3: Measuring and Managing Risk Part 1 (12 hours)**

Institutional Risk Management: Interest Rate Risk: Level and Movement of Interest Rates, Term Structure of Interest Rates, Interest Rate Risk Management: Measurement of Interest Rate Risk; Duration and its kinds; Convexity. Managing Interest Rate Risk: Repricing Gap Model, Duration Gap Model, Cash Flow Matching Model; Convexity Adjustments. Credit Risk: Individual Loan Risk, Return on Loans, Measurement of Credit Risk- Models of Credit Risk Measurement and Pricing, Qualitative and Quantitative Models, Loan Portfolio and Concentration Risk, Moody's Analytics Portfolio Manager Model, Loan Volume-Based Models, Loan Loss Ratio-Based Models, Regulatory Models. NPA & its types, Management of NPA Market Risk; Liquidity Risk, Operational Risk.

**Unit 4: Measuring and Managing Risk Part 2 (12 hours)**

Liquidity Risk Management: Measurement of Liquidity Risk; Measures of Liquidity Exposure; Causes of Liquidity risk: Asset-Side and Liability-Side; Managing Liquidity Risk: Purchased Liquidity management and Stored Liquidity management; Liquidity Planning; Deposit Insurance; Discount Window. Market risk; Banking Book and Trading Book, The Risk metrics Model, The Historic (Back Simulation) Model, The Monte Carlo Simulation Approach, Regulatory Models: The Bis Standardized Framework, Off- Balance Sheet Risk: Off-Balance-Sheet Activities, Returns and Risk of Off-Balance-Sheet Activities; Technology and Other Operational Risk, Securitization.

**Essential/recommended readings**

1. Saunders & Cornett (2019) "Financial Institutions Management – A risk management approach" Tata McGraw Hill.
2. Justine Paul & Padmalatha Suresh (2014) "Management of Banking and Financial Services" Pearson.

**Suggestive readings**

1. Resti & Sironi (2007) "Risk management and shareholders' value in banking" John Wiley.