

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
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		Lecture	Tutorial	Practical/ Practice		course (if any)
Risk Management of Financial Institutions DSE- 14	4	3	1	0	-	-

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.