

**COURSE DATA****Data Subject**

<b>Code</b>	35914
<b>Name</b>	Financial risk management
<b>Cycle</b>	Grade
<b>ECTS Credits</b>	6.0
<b>Academic year</b>	2023 - 2024

**Study (s)**

<b>Degree</b>	<b>Center</b>	<b>Acad. year</b>	<b>Period</b>
1314 - Degree in International Business	Faculty of Economics	4	First term

**Subject-matter**

<b>Degree</b>	<b>Subject-matter</b>	<b>Character</b>
1314 - Degree in International Business	28 - Financial instruments and risk management	Optional

**Coordination**

<b>Name</b>	<b>Department</b>
CARCHANO ALCINA, OSCAR	113 - Financial and Actuarial Economics

**SUMMARY**

Financial Risk Management (code 35914) is a 6 ECTS credit optional course taught during the first semester of the fourth year of the degree in International Business. This course belongs to the subject Financial Instruments and Risk Management, which is included in the Advanced Finance Module.

The aim of this course is to provide knowledge to understand financial risk and financial instruments to hedge it. At the end of the course students are expected to identify the risks firms should face as well as design hedging strategies accordingly.

**PREVIOUS KNOWLEDGE**



### **Relationship to other subjects of the same degree**

There are no specified enrollment restrictions with other subjects of the curriculum.

### **Other requirements**

No prior knowledge is required. Nevertheless, it is advisable for the student to have passed the Financial Mathematics subject (code 35883) in the first year of this degree.

## **COMPETENCES (RD 1393/2007) // LEARNING OUTCOMES (RD 822/2021)**

### **1314 - Degree in International Business**

- Develop the capacity to evaluate and critically analyse international economic phenomena and agents.
- Be able to work in multidisciplinary and intercultural teams.
- Understand the structure and functioning of companies and organisations operating in an international context.
- Use the economic and financial information of the company to make decisions.
- Know how international financial markets work.
- Be able to generate ideas and detect business opportunities in international markets.
- Develop the capacity to prepare and defend reports that contribute to the decision-making of public and private agents.

## **LEARNING OUTCOMES (RD 1393/2007) // NO CONTENT (RD 822/2021)**

Upon successful completion of the course, students are expected to be able to:

- Understand the main financial risks of firms.
- Know the features and working methods of international financial assets.
- Manage international financial risks.
- Design hedging strategies using derivatives contracts.

## **DESCRIPTION OF CONTENTS**

### **1. Introduction.**

Introductory unit to the subject. General aspects of the types of financial risks and their management are covered, as well as basic aspects of financial markets. There is also an introduction to financial derivatives, which will be dealt with in depth later on.



## **2. Mechanics of Derivatives Markets: Futures Contracts**

How organised futures markets work, what their characteristics are, and how they are traded on the markets. Explanation of the different processes that occur in the markets during the life of these products.

## **3. Extension on Futures and Forwards.**

3A: Price Risk Hedging: Strategies using Futures/Forwards.

How hedging strategies are constructed using futures, both under optimal conditions and under conditions where some of the necessary conditions for perfect hedging are not met.

3B: Determination of Future/Forward Price:

How to obtain the price of futures contracts through non-arbitrage arguments. Explanation of the implications of the type of underlying asset on price derivation, and how the different factors involved in price derivation can affect the price.

## **4. Mechanics of Derivatives Markets: Option Contracts.**

What options contracts are and how they work, and how they are traded in the markets. Explanation of what factors affect their prices, and what their upper and lower limits are. Obtaining the put-call parity.

## **5. Trading Strategies with Options.**

Explanation of the different trading strategies that can be used to speculate on financial markets with options. Strategies that combine options with the risk-free asset, with the underlying asset and with other options. Explanation of how to replicate financial assets.

## **6. Interest Rate Derivatives.**

Explanation of some interest rate derivatives.

**WORKLOAD**

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Study and independent work	50,00	0
Readings supplementary material	20,00	0
Preparation of evaluation activities	10,00	0
Preparing lectures	10,00	0
<b>TOTAL</b>	<b>150,00</b>	

**TEACHING METHODOLOGY**

The development of the course is structured in a set of theoretical sessions (master class) of two hours duration, as many as necessary to complete the subject in course. Once finished, there will be practical sessions of the same duration, with a control test in the last of these.

The theory classes will be devoted to explanations by the lecturer, supported by resources and examples, while the practical classes will be devoted to carrying out the set of exercises proposed for each topic.

**EVALUATION**

The evaluation of the course will be carried out as explained below:

i) Written exam at the end of the semester, which will cover all the contents developed throughout the course, will consist of theoretical and practical questions and will allow obtaining up to 80% of the final grade (8 points out of 10).

ii) Assignments to be carried out during the classes, which may consist of exercises or short tests, which will allow up to 20% of the final mark to be obtained (2 points out of 10).

The course will be considered passed if the student obtains 5 points out of 10 as the sum of all the above concepts. However, it is considered an essential requirement to pass the final synthesis exam (4 points out of 8), which is compulsory.

Those students who do not pass the course in the first sitting will have the option of being assessed in the second sitting, maintaining the grade obtained in sections (ii) and (iii). The same assessment criteria and weighting will be used in the second sitting as in the first sitting.

With regard to conduct in the performance of work and exams, students must bear in mind that copying in an exam or plagiarising other people's work is considered a very serious offence and will not be tolerated under any circumstances. In the event that the teacher suspects that a student has copied in a written test or work submission, the student will be given a zero in that test. Therefore, it is extremely important to



avoid suspicion of cheating (e.g. looking at a classmate's exam or copying his/her work) or plagiarism (i.e. using other people's sentences as if they were one's own) because of the consequences that this may entail.

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#### ANNEX

- 1) There is the possibility of taking the final exam of the subject on a different date to that established in the ordinary exam session, although this option is considered extraordinary, and the reason for this must be duly justified sufficiently in advance. Taking the exam on this date will not allow the exam to be taken in the ordinary exam session.
- 2) The extraordinary holding of the final exam will take place once the classes have finished, during the month of December.

## REFERENCES

### Basic

- Hull, J.C. (2013). Fundamentals of Futures and Options Markets.

### Additional

- Horcher, K. A. (2005). Essentials of Financial Risk Management.