



FIN254 Risk Management Frameworks



Subject outline

FIN254 Risk Management Frameworks

Section 1 — General information

1.1 Administrative details

Duration	Credit points	Level
One study period (12 weeks)	6	AQF8

1.2 Core or elective subject

This is an elective subject for the Graduate Certificate in Applied Finance, Graduate Diploma of Applied Finance and Master of Applied Finance.

1.3 Delivery mode

This subject is delivered online.

1.4 Prerequisites

There are no prerequisites for this subject. However please review the 'Assumed knowledge' section below to understand the prior knowledge Kaplan advises you should hold before enrolling in this subject.

1.5 Assumed knowledge

Whilst there are no prerequisites for this subject, Kaplan assumes that students have completed FIN204 Fundamentals of Financial Risk or understand the content covered in this subject, prior to undertaking FIN254 Risk Management Frameworks.



1.6 Course transition subject equivalence

Students may not be required to complete this subject if they have transitioned from a SIA/Finsia/Kaplan course and have completed the following subjects:

- there are no equivalences for this subject.

1.7 Work integrated learning

There are no placements, internships or work experience requirements associated with undertaking this subject.

1.8 Other resource requirements

Students do not require access to specialist facilities and/or equipment to undertake this subject.



Section 2 — Academic details

2.1 Subject overview

This subject focuses on regulatory frameworks and corporate governance structures and assesses the effect of common business risks on organisational performance and society. Students examine risk management frameworks and risk models in controlling and mitigating acceptable levels of risk.

In this subject, students use case studies based on real-life scenarios to investigate the implementation of these frameworks and models in a financial institution.

2.2 Subject learning outcomes

On successful completion of this subject, students should be able to:

1. Assess regulatory frameworks and corporate governance structures that seek to reduce the adverse effect of common business risks on organisational performance and society.
2. Apply valuation and risk models in assessing finance-specific risks.
3. Evaluate a financial institution's implementation of an enterprise risk management framework.
4. Examine the use of risk management frameworks in controlling and mitigating acceptable levels of risk within a financial institution.

2.3 Topic learning outcomes

Topic 1: Risk and regulation in the finance industry

On successful completion of this topic, students should be able to:

- understand the role of regulation in the financial system
- discuss the evolution of the regulatory mechanisms governing financial institutions globally
- assess the impact of Basel II and Basel III on managing market, credit, liquidity and operational risk
- explain the role of the Australian Prudential Regulation Authority's prudential standards in financial risk management
- assess the role of regulators in protecting client interests and reducing unethical behaviours.

Topic 2: Risk governance, tolerance and controls

On successful completion of this topic, students should be able to:

- analyse the risk governance structure of an organisation and its effect on stakeholders
- determine appropriate risk budgets and tolerances for a financial institution
- assess the incorporation of risk controls into different levels of a financial institution's hierarchy
- discuss how risk information should be reported throughout the organisation
- explain the need for integration of risk management into business practices and governance.

Topic 3: Evaluating risk

On successful completion of this topic, students should be able to:

- assess the various ways in which risk might be evaluated by a financial institution
- utilise valuation techniques to price financial assets and determine financial exposures
- explain the credit decision process and evaluate a simple credit decision
- apply stress testing approaches to assess levels of risk in a financial institution
- use various risk models to conduct an evaluation of a financial institution's level of operational risk.

Topic 4: Value at risk and other financial risk models

On successful completion of this topic, students should be able to:

- define value at risk and describe its advantages and disadvantages as a risk measure
- describe the key approaches to simulating the profit and loss (P&L) distribution, including their strengths and weaknesses
- assess different quantitative models used to measure credit risk
- define model risk and discuss the importance of model risk management to risk management practice
- discuss the key elements of model risk evaluation and control.

Topic 5: Enterprise risk management (ERM) framework

On successful completion of this topic, students should be able to:

- explain the advantages and disadvantages of ERM
- describe the principles and benefits of ERM
- analyse the processes for implementing ERM
- explain the relationship between ERM and corporate governance.

Topic 6: Economic Capital

On successful completion of this topic, students should be able to:

- discuss the importance of ECAP in the banking industry
- analyse the causes of risk associated with ECAP
- explain the interconnection between ECAP and other types of risk
- analyse the processes for measuring, monitoring, management and stress testing of ECAP
- explain the need for integration of ECAP into business practices, governance and enterprise risk management (ERM).

Topic 7: Asset liability management (ALM) framework

On successful completion of this topic, students should be able to:

- explain the need for ALM as a holistic risk management process
- analyse the ALM process
- explain the interconnection between ALM and the management of other types of risk
- explain the need for the integration of risk management into business practices and governance
- explain the appropriate roles and responsibilities for oversight of risks
- explain the process to determine a risk appetite for ALM
- explain the risk metrics that form part of an organisation's risk appetite and overall policy.

Topic 8: Funds transfer pricing (FTP)

On successful completion of this topic, students should be able to:

- explain the importance and need for FTP
- analyse the interconnection between FTP and other types of risk
- explain the need for integration of FTP into business practices, governance and enterprise risk management
- evaluate the processes for implementing, monitoring, and managing FTP
- analyse the implications of taxation in FTP.

Topic 9: Operational risk management framework

On successful completion of this topic, students should be able to:

- discuss the importance of monitoring operational risk
- analyse the role of key risk indicators (KRIs) in monitoring operational risk
- assess the key aspects of operational risk that should be reported to internal and external stakeholders
- explain how an operational risk function can be established across a financial institution
- assess the challenges in establishing an effective operational risk management framework.

2.4 Assessment schedule

Assessment	Description	Week	Topics	Weighting	Subject learning outcomes assessed
Participation	Weekly quizzes	All weeks	All topics	10%	LO1–LO4
Task	Short answer questions	Week 4	1–2	20%	LO1
Assignment 1	Scenario/case study based short-answer questions	Week 7	3–6	40%	LO2–LO4
Assignment 2	Scenario/case study based short-answer questions	Week 12	7–9	30%	LO4

Please refer to our website <www.kaplanprofessional.edu.au> to review student policies relating to your assessment, including the Kaplan *Assessment Policy* and *Academic Integrity and Conduct Policy*.

2.5 Prescribed text

There is no prescribed text for this subject. Students are provided with key readings and access to Kaplan's online databases. Students are encouraged to research and read widely on the topic.

2.6 Study plan

Week(s)	Topic name	Study load in hours
1	Topic 1: Risk and regulation in the finance industry Quiz 1	10
2	Topic 2: Risk governance, tolerance and controls Quiz 2	10
3	Topic 3: Evaluating risk Quiz 3	12
4	Topic 4: Value at risk and other financial risk models Task (Weighting 20%) Quiz 4	10
5	Topic 5: Enterprise risk management (ERM) framework Quiz 5	10
6	Topic 6: Economic Capital Quiz 6	12
7	Topic 7: Asset liability management (ALM) framework Assignment 1 (Weighting 40%)	8
8	Topic 7: Asset liability management (ALM) framework (continue) Quiz 7	8
9	Topic 8: Funds transfer pricing (FTP) Quiz 8	10
10	Topic 9: Operational risk management framework Quiz 9	10
11–12	Assignment 2 (Weighting 30%)	20
Total minimum study load		120 hours

Note: Weekly Quizzes (Quiz 1 to Quiz 9) contributes towards participation (Weighting 10%) and must be completed by the end of week 12.

Additional study hours (if required), dependent on knowledge and personal commitments	60 hours
Total study load, including additional study hours	180 hours