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UNIVERSITAT POLITÈCNICA
DE CATALUNYA
BARCELONATECH

Syllabus 2017-18

Course Title: International Financial Risk Management

Date of syllabus: September 2017

General Information

Course:	International Financial Risk Management
Code:	
Year:	2017-18
Title:	Master Universitario en Administración y Dirección de Empresas
Nº of Credits (ECTS):	5
Requirements:	No Prerequisites
Part:	2 nd Quarter
Final Revision Date:	September 2017
Professor in charge	Samer Ajour El Zein

1 General Description

The course pretends to give the student the needed skills to analyze the international environment, not only learning different techniques of the way to hedge the risks, but also the ways to take profit from them, and how to handle investment decisions.

Although the financial instruments used in the subject are often applied to domestic environment, we extend them from an international prospective.

This has to start by choosing the correct project it, manage it and finally establish strategies to control it.

2 Objective

- Acquire adequate knowledge of the financial instruments and markets available for the Financial Director of a company to carry out the management of cash, investments and results in the international environment.
- Acquire the ability to identify and select the appropriate instruments for each situation.
- Acquire the ability to judge the quality of exchange rate and interest rate risk management of a Financial Director.
- Be capable of developing an overall corporate vision in the face of international challenges.
- Be capable of acting as a corporate consultant in the face of the financial problems confronted by the company in its internationalization process, which includes the capacity to put oneself in the

customer shoes (empathy), and to prepare adequate reports which allow the customer to make a decision (oral and written communication skills).

3 Program

Topic 1: Mode of financing and financial markets

Learning outcomes:

The students, once exposed in class and worked on this topic, will be able to:

- Identify the fundamental function of a company's financial information.
- Interpret the classification of financial markets.

Content:

- 1.1. The difference between each financial market, and financial assets.
- 1.2. Investors in every financial market.
- 1.3. The financial instruments that exist in the Spanish and American financial markets.

Topic 2: Investments vs. Risks

Learning outcomes:

The students, once exposed in class and worked on this topic, will be able to:

- Distinguish the different investment options.
- Estimate volatility in the financial market.
- Quantify financial risk using historical data.
- Evaluate possibilities of speculation and coverage needs.

Content:

- 1.1. Valuation of an investment.
- 1.2. Methods of valuation of financial instruments.
- 1.3. Standard deviation under the Price Lags method.

Topic 3: Interest Rates and the Risk Premium

Learning outcomes:

The students, once exposed in class and worked on this topic, will be able to:

- Interpret the concept of interest rates.
- Differentiate between financial instruments with risk-free interest rates.
- Interpret the concept of the risk premium of a financial market.
- Interpret the concept of Financial Asset Ratings (bonds).

Content:

- 1.1. Financial Risks in a Financial Market
- 1.2. First risk in an investment
- 1.3. Credit Reports and Bond Ratings

Topic 4: Quotas and prices of financial instruments**Learning outcomes:**

The students, once exposed in class and worked on this topic, will be able to:

- Be able to read a quote correctly (BID / ASK)
- Differentiate between Spot Rate and Forward Rate.

Content:

- 1.1. Currency Market: Quotes.
- 1.2. Spot Rate vs. Forward Rate.

Topic 5: Forwards and Futures Market**Learning outcomes:**

The students, once exposed in class and worked on this topic, will be able to:

- Appreciate the difference between the Forward Market and the Futures market.
- Interpret the concept of a Coverage contract.
- Appreciate the difference between Regulated Market and an OTC Market (over the counter).

Content:

- 1.1. Forward Contract, Future Contract: Application, and quotes.
- 1.2. Short-term Operations Market and Forward operation.
- 1.3. Coverage Strategies with Forwards and Futures.
- 1.4. Lufthansa Case and GCPAT Case before the International Buy / Sell Exchange rate.

Topic 6: Options Market**Learning outcomes:**

The students, once exposed in class and worked on this topic, will be able to:

- Discriminate and evaluate among the types of options by:
- The specifications of an options contract.
- Option valuation models.

Content:

- 1.1. Stock option contracts and indexes.
- 1.2. Options contracts on exchange rates.
- 1.3. Coverage Strategies with Options.
- 1.4. Covered Call vs. Protective Put.

1.5. Complex strategies with options.

Topic 7: SWAPS

Learning outcomes:

The students, once exposed in class and worked on this topic, will be able to:

- Use the SWAP Product in coverage and speculation.
- Infer the financial crisis due to misuse of SWAPS.
- Interpret fixed interest rate concepts. Libor and Euribor and the live quote.

Content:

- 1.1. Currency SWAPS
- 1.2. Interest Rate SWAPS: Fixed and Variable
- 1.3. Coverage Strategies with SWAPS
- 1.4. The movie The big Short

4 Teaching Methodology

The professor will combine theoretical and practical explanations with student participation. Through case studies, basic concepts will be introduced, including tools for accounting and financial analysis, encouraging debate, discussion, and teamwork.

Real cases from work environment will enhance the knowledge of students in the class.

This simulation will oblige participants to be abreast of the economic situation and of the movement of the main economic and financial indicators. Participants will attend group sessions in Euncet's rooms, supervised by the subject teacher whose professional life comes within this area.

The participants will also prepare a presentation to defend their strategy in front of the Board of Directors of the company who will select the best between the teams that will compete in the same game. In addition to previous comments, we will perform the next teaching activities: □ Detailed planning: before the beginning of the course students will be handed a detailed plan describing the competences to be acquired, a work-plan and a clear description of corresponding evaluation system.

- Face-to-face lectures carried on in a form of a dialogue and brainstorming to insure active involvement of students.
- Personal work that will require individual efforts of each student to prepare sessions, acquire knowledge and participate in class sessions.
- Group work to develop the skills of working in a team and ability to actively collaborate with students'

future colleagues.

- Case analysis and case study of firms individually, in groups and in open discussions during the classes.

5 Evaluation

The grading system will be in accordance with Bolonia plan where consistent effort is expected from students. 40% of the grade is obtained by continued activities and 60% of the final exam that has two calls.

The final grade is calculated by the following formula:

- Final Grade: Final exam grade x 60% + on going activities x 40%
- Minimum final exam grade to calculate final grade is 40 out of 100
- To pass the course, the student needs a grade higher than 50 out of 100

6 Resources

Basic Bibliography

- Eon & Resnick, 2008, . International Financial Management. McGraw-Hill, 4th edition
- Brealy, Myres & Macrus, 2010, Fundamentals of Corporate Finance McGraw-Hill, 7th edition.
- Bekaert, G., Hodrick, R., 2014, International Financial Management, Pearson
- PMI Standards Committee. A Guide to the Project Management Body of Knowledge - Fifth Edition (PMBOK Guide). Newtown Square, Pennsylvania, USA: Project Management Institute, Inc., 2013.
- Martínez Abascal, Eduardo. Finance for Managers. London: McGraw-Hill Higher Education, 2012. ISBN 97888478979691
- Besley S. and Brigham E. Essentials of Managerial Finance. 14th Edition. South- Western Cengage Learning. 2008. ISBN 13: 978-0-324-65216-1

Recommended Bibliography

- Levi, Maurice, 2009, International Finance 5th Edition, Routledge
- Taleb, Nicholas, 2010, The Black Swan: The Impact of the Highly Improbable: With a new section: "On Robustness and Fragility" (Random House), 2nd Edition