



# MARRI LAXMAN REDDY INSTITUTE OF TECHNOLOGY AND MANAGEMENT

(AN AUTONOMOUS INSTITUTION)

(Approved by AICTE, New Delhi & Affiliated to JNTUH, Hyderabad)

Accredited by NAAC with 'A' Grade & Recognized Under Section 2(f) & 12(B) of the UGC act, 1956

## COURSECONTENT

FINANCIAL DERIVATIVES AND RISK MANAGEMENT								
IV SEMESTER								
Course Code	Category	Hours/Week			Credits	Maximum Marks		
22MBA026F	Professional Elective	L	T	P	C	CIE	SEE	Total
		4	0	-	4	40	60	100
Contact Classes: 60	Tutorial Classes: Nil	Practical Classes: Nil			Total Classes:60			
<b>Prerequisite:</b> Basic Concepts of risk management & financial derivatives								

### COURSE OVERVIEW

This course provides an understanding of the banking, insurance, and risk management sectors. It explains the structure of the Indian banking system, banking products, and modern banking services such as e-banking and mobile banking. The course also covers banking regulations, the role of the Reserve Bank of India, and recent reforms in the banking sector. It introduces the concept, principles, and types of insurance along with the regulatory framework governing the insurance industry. Finally, the course explains the concept of risk, types of risks in business, and techniques used for effective risk management along with recent developments.

### COURSE OBJECTIVES:

- To understand the concept, structure, and functions of the banking system in India.
- To study banking regulations, the role of RBI, and reforms in the Indian banking sector.
- To understand the concept, principles, and types of insurance and their importance.
- To examine the regulatory framework and business environment of the insurance sector.
- To understand the concept of risk, types of risks, and techniques used in risk management.

### COURSE OUTCOMES: After completion of the course, students should be able to

1. Describe the fundamental concepts of derivative markets with contract types, pricing models and financial instruments, within both domestic & global frameworks
2. Analyze the role of risk management in financial markets by diagnosing key types of financial risks and evaluating institutional strategies for risk mitigation
3. Apply risk assessment tools, Basel Norms for financial risk examination, capital adequacy and banking stability.
4. Analyze option contract structures, valuation models, pricing relationships for pinpointing strategic and arbitrage opportunities.

5. Design and implement effective SWAP strategies and pricing models for diverse instruments, pertaining them to practical scenarios in both Indian and global markets

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### **UNIT-I: INTRODUCTION TO BANKING BUSINESS**

Introduction to Banking sectors, History of banking business in India, Structure of Indian banking system, Types of accounts, advances and deposits in a bank New Dimensions and products, E-Banking, Mobile, Banking, Net Banking, CRM, cheque system and KYC System.

### **UNIT-II: BANKING REFORMS AND REGULATIONS**

Banking regulation Act-1949, Reserve Bank of India Act-1934, Establishment of RBI, Functions and credit control system, Role of commercial banks and its functions, Banking sector reforms in India and deficiencies in Indian banking including problems accounts and Non-Performing Assets.

### **UNIT-III: INTRODUCTION TO INSURANCE**

Introduction to insurance, Need and importance of Insurance, principles of Insurance, characteristics of insurance contract. Branches of insurance and types of insurance, life insurance and its products: Role of Agents and brokers.

### **UNIT-IV: INSURANCE BUSINESS ENVIRONMENT**

Regulatory and legal frame work governing the insurance sector, history of IRDA and its functions: Business and economics of insurance, need for changing mindset and latest trends.

### **UNIT-V: INTRODUCTION TO RISK MANAGEMENT**

Introduction to Risk, meaning and types of risk in business and individual, Risk management process, methods, Risk identification and measurement, Risk management techniques, non insurance methods. Latest Amendments in Derivatives

### **TEXT BOOK:**

1. Dhanesh K. Khatri, Derivatives and Risk Management, Macmillan, 1e,2012
2. Rene M. Stulz, Risk Management & Derivatives, Cengage Learning, 1e,2003.
3. Sanjay Mehrotra, Durga Bhavani Jammula, Financial Management and Risk Management – Derivative Startegies, Pen and Paper Academy,2025
4. Prakash B Yaragol, Financial Derivatives- Text and Cases, vikas Publishing, 2024
5. John C Hull, Risk Management and Financial Institutions, Wiley, 5e,2018.
6. Jayanth Rama Varma, Derivatives and Risk management, Tata McGraw Hill, 1e, 2011.

### **REFERENCE BOOKS:**

- Scott E. Harringam Gregory R. Nichanus,” Risk Management and Insurance”, TMH, 2<sup>nd</sup> Edition, 2009.
- Geroge E. Rejda, “Principles of risk Management and Insurance”, Pearson Education Publications, 9<sup>th</sup> Edition, 2009.
- G. Koteswar, “Risk Management Insurance and Derivatives”, Himalaya Publications, 5<sup>th</sup> Edition, 2008.
- Mark S. Dorfman, “Risk Management and Insurance”, Pearson Publications, 9<sup>th</sup> Edition, 2009.

## **ELECTRONIC RESOURCES:**

- <http://www.ebooks directory.com>
- <http://Campus guides.lib.utah.edu>
- <http://www.bookboon.com>

## **<http://www.freemagagement.com> MATERIAL RESOURCES:**

1. Course template
2. Tutorial question bank
3. Tech talk and Concept Video topics
4. Open-ended experiments
5. Definitions and terminology
6. Assignments
7. Model question paper – I
8. Model question paper – II
9. Lecture notes
10. PowerPoint presentation
11. Drishya Siksha Sangrah (DSS) Videos

