SUBJECT DATASHEET

CREDIT AND OPERATIONAL RISK MANAGEMENT

BMEGT35M127

I. SUBJECT DESCRIPTION

1. SUBJECT DATA

Subject name
CREDIT AND OPERATIONAL RISK MANAGEMENT

ID (subject code)	BMEGT35M127

Type of subject
contact lessons

Course types and lessons

Type	*Lessons*
Lecture	2
Practice	0
Laboratory	0

Type of assessment
exam grade

Number of credits
3

Subject Coordinator

Name	*Position*	*Contact details*
Dr. Tamás Kovács	assistant professor	kovacs.tamas@gtk.bme.hu

Educational organisational unit for the subject
Department of Finance

Subject website
https://finance.bme.hu/#&panel1-1

Language of the subject
EN

Curricular role of the subject, recommended number of terms
Programme: **Finance MSc (in English) from 2019/20/Term 1 SPRING start**
Subject Role: **Compulsory**
Recommended semester: **3**

Direct prerequisites

Strong	Foundations of Risk Management
Weak	None
Parallel	None
Exclusion	None

Validity of the Subject Description
Approved by the Faculty Board of Faculty of Economic and Social Sciences, Decree No: 580501/3/2025 registration number. Valid from: 2025.07.10.

2. OBJECTIVES AND LEARNING OUTCOMES

Objectives

Business decisions are surrounded by uncertainty and all sorts of risks. Sustaining success in business and finance is only achievable by understanding the characteristics of major risks and by being prepared to handle them. This course focuses on two fundamental risk types: credit risk and operational risk (oprisk). These risk types are among the most essential risks endangering financial services sectors. Therefore, they receive strategic focus from top management. In fact, all undertakings and individuals are strongly exposed to credit and operational risks. The major objective of the course is to provide fundamental information, building on theoretical knowledge and prac-tical insights, maintaining both an appropriate holistic view and detailed level analyses on the most relevant real-world cases. Regarding credit risk, the course covers modeling basics, credit risk management aspects, further specific topics (counterparty risks, securitization, experts models), mostly in banking risk management context but also in-cluding major corporate risk management considerations. Related to oprisk, the course presents the basic framework applied at banks and insurance companies, also addressing some other very current related topics, like the risk of financial crime, cyber risk, business continuity planning. These themes will be embedded into fundamental information on banks' general risk management and highlights on statistics and R programming. The program of the course is designed with the aim, that the audience will develop awareness and interest in credit risk and oprisk management will have adequate fundamental professional information, will be equipped to solve basic related tasks (modeling, policy writing, programming, research-creation) and will be capable to develop professionally further.

Academic results

Knowledge

1. the characteristics of credit risk and oprisk;
2. basic methods of risk management;
3. risk measurement methods;
4. risk managing and mitigation techniques.

Skills

1. plan and organize independent learning,
2. comprehend and use the professional literature of the topic,
3. identify and measure the risks on a basic level related to credit risk and oprisk,
4. provide relevant information to support decision-making.

Attitude

1. is aware of the potential surrounding credit and operational risks and interested in risk management,
2. collaborates with their instructors and others during the learning process,
3. gains knowledge and information,
4. uses the possibilities offered by IT tools.

Independence and responsibility

1. is open to accept constructive criticism,
2. collaborates with others to solve problems during the learning process,
3. could make prudent financial decisions,
4. understands the importance and weight of responsibility and can assess the consequences of decisions.

Teaching methodology

Lectures, written and oral communication, use of IT tools and techniques, optional tasks alone and in groups.

Materials supporting learning

- Kötelező - Obligatory: A félév folyamán folyamatosan feltöltött előadás diák. - Slideshows of the lectures which will be uploaded continuously during the semester.
- Ajánlott - Recommended:
- Hull, John C. (2018): Risk Management and Financial Institutions. Fifth Edition. John Wiley & Sons
- Blatter, Anja - Bradbury, Sean - Bruhn, Pascal - Ernst, Dietmar (2024): Risk Management in Banks and Insurance Companies. Springer Cham. DOI 10.1007/978-3-031-42836-4

II. SUBJECT REQUIREMENTS

TESTING AND ASSESSMENT OF LEARNING PERFORMANCE

General Rules

Assessment of the learning outcomes is based on the end-term exam. The optional homework can affect the outcome by up to 10%.

Performance assessment methods

Percentage of performance assessments, conducted during the study period, within the rating

- **The audience could gain extra points with the optional homework.**: 10

Percentage of exam elements within the rating

- **Exam**: 100

Conditions for obtaining a signature, validity of the signature

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Issuing grades

Excellent	96
Very good	89-95
Good	76-88
Satisfactory	63-75
Pass	50-62
Fail	49

Retake and late completion

According to Code of Studies.

Coursework required for the completion of the subject

participation on contact lessons	28
optional home work	10
preparing for the exam	52
Total	90

Approval and validity of subject requirements

Consulted with the Faculty Student Representative Committee, approved by the Vice Dean for Education, valid from: 07.07.2024.

III. COURSE CURRICULUM

THEMATIC UNITS AND FURTHER DETAILS

Topics covered during the term

Topics and their timing will be arranged by the calendar or other circumstances in each semester.

1 Review of previous knowledge: Fundamentals of risk management, risk-related concepts, risk classification, risk management process. Risk management strategies.
2 The concept of operational risk and its relationship to other risks. Operational risks at financial institutions.
3 Special areas: risk of financial crime, cyber risk, business continuity
4 Potential loss effects of operational risk events. Types of operational risk events.
5 Requirements for an operational risk management framework.
6 Regulatory capital calculation according to CRR3.
7 Operational risk management toolkit.
8 Types of risk within credit risk.
9 Tools for maintaining credit risk at the expected level: establishing and operating a limit system, credit risk mitigation techniques
10 The process of credit risk taking and management
11 Identification and measurement of credit risk, credit risk models
12 Regulatory expectations, capital requirement calculation
13 Special areas of credit risk management

Additional lecturers

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