FRM® Part I

PREPSMARTER

2017 Curriculum Changes

2016	2017
FOUNDATIONS OF RISK MANAGEMENT	
FRM-5: Risk-Taking and Risk Management by Banks René Stulz, "Risk-Taking and Risk Management by Banks," Journal of Applied Corporate Finance 27, No. 1 (2015)	FRM-5: Risk Management, Governance, Culture and Risk Taking in Banks René Stulz, "Risk Management, Governance, Culture and Risk Taking in Banks," FRBNY Economic Policy Review, (August 2016): 43-59
FRM-7: The Credit Crisis of 2007 John Hull, Risk Management and Financial Institutions, 4th Edition Chapter 6. The Credit Crisis of 2007	FRM-7: Deciphering the Liquidity and Credit Crunch 2007—2008 Markus K. Brunnermeier, 2009. "Deciphering the Liquidity and Credit Crunch 2007—2008," Journal of Economic Perspectives 23:1, 77—100
	FRM-8: Getting Up to Speed on the Financial Crisis Gary Gorton and Andrew Metrick, 2012. "Getting Up to Speed on the Financial Crisis: A One-Weekend-Reader's Guide" Journal of Economic Literature 50:1, 128—150.
FRM-12: Information Risk and Data Quality Management Anthony Tarantino and Deborah Cernauskas, Risk Management in Finance: Six Sigma and Other Next Generation Techniques. Chapter 3. Information Risk and Data Quality Management	
QUANTITATIVE ANALYSIS	
QA-11: Modeling and Forecasting Trend Francis X. Diebold, Elements of Forecasting, 4th Edition. Chapter 5. Modeling and Forecasting Trend (Section 5.4 only—Selecting Forecasting Models Using the Akaike and Schwarz Criteria) • Define mean squared error (MSE) and explain the implications of MSE in model selection. • Explain how to reduce the bias associated with MSE and similar measures.	QA-10: Modeling and Forecasting Trend Francis X. Diebold, Elements of Forecasting, 4th Edition. Chapter 5. Modeling and Forecasting Trend • Describe linear and nonlinear trends. • Describe trend models to estimate and forecast trends.
	QA-11: Modeling and Forecasting Seasonality Francis X. Diebold, Elements of Forecasting, 4th Edition Chapter 6. Modeling and Forecasting Seasonality
QA-14: Estimating Volatilities and Correlations for Risk Management John Hull, Options, Futures, and Other Derivatives, 9th Edition. Chapter 23. Estimating Volatilities and Correlations for Risk Management • Describe how correlations and covariances are calculated, and explain the consistency condition for covariance	QA-14: Volatility John C. Hull, Risk Management and Financial Institutions, 4th Edition. Chapter 10. Volatility • Define and distinguish between volatility, variance rate, and implied volatility. • Describe the power law.
FINANCIAL MARKETS AND PRODUCTS	
	FMP-1: Banks John C. Hull, Risk Management and Financial Institutions, 4th Edition. Chapter 2. Banks
	FMP-2: Insurance Companies and Pension Plans John C. Hull, Risk Management and Financial Institutions, 4th Edition. Chapter 3. Insurance Companies and Pension Plans
	FMP-3: Mutual Funds and Hedge Funds John C. Hull, Risk Management and Financial Institutions, 4th Edition. Chapter 4. Mutual Funds and Hedge Funds
FMP-14: Central Counterparties: Introduction Jon Gregory, Central Counterparties: Mandatory Clearing and Bilateral Margin Requirements for OTC Derivatives. Chapter 1. Introduction	
FMP-17: Risks Caused by CCPs Jon Gregory, Central Counterparties: Mandatory Clearing and Bilateral Margin Requirements for OTC Derivatives. Chapter 14 (section 14.4 only). Risks Caused by CCPs: Risks Faced by CCPs	FMP-18: Risks Caused by CCPs Jon Gregory, Central Counterparties: Mandatory Clearing and Bilateral Margin Requirements for OTC Derivatives. Chapter 14 (section 14.4 only). Risks Caused by CCPs: Risks Faced by CCPs • Identify and distinguish between the risks to clearing members as well as non-members. • Identify and evaluate lessons learned from prior CCP failures.
FMP-20: The Rating Agencies John B. Caouette, Edward I. Altman, Paul Narayanan, and Robert W.J. Nimmo, Managing Credit Risk: The Great Challenge for Global Financial Markets, 2nd Edition. Chapter 6. The Rating Agencies	
VALUATION AND RISK MODELS	
VRM-16: Stress Testing Philippe Jorion, Value-at-Risk: The New Benchmark for Managing Financial Risk, 3rd Edition. Chapter 14. Stress Testing	VRM-16: Governance over Stress Testing Stress Testing: Approaches, Methods, and Applications, Edited by Akhtar Siddique and Iftekhar Hasan. Chapter 1. Governance over Stress Testing
	VRM-17: Stress Testing and Other Risk Management Tools Stress Testing: Approaches, Methods, and Applications, Edited by Akhtar Siddique and Iftekhar Hasan. Chapter 2. Stress Testing and Other Risk Management Tools

(green)	New in 2017
(yellow)	Updated for 2017
(red)	Removed in 2017