



Course and Examination Fact Sheet: Spring Semester 2025

8,164: Regulation and Risk Management

ECTS credits: 2

Overview examination/s

(binding regulations see below)

decentral - Written examination, Analog, Individual work individual grade (75%, 90 mins.)

Examination time: Term time

decentral - Active participation, Analog, Individual work individual grade (25%)

Examination time: Term time

Attached courses

Timetable -- Language -- Lecturer

[8,164,1.00 Regulation and Risk Management](#) -- English -- [Grünbichler Andreas](#)

Course information

Course prerequisites

The course requires basic knowledge in Finance and Investments.

Learning objectives

1. Critical review of the regulatory framework for financial institutions.
2. Holistic view on how regulation affects the business model for financial institutions.
3. Focus on politically economic and institutional economics aspects in addition to standard market failure theories.
4. Understand the limits of Economic Capital Models and their usage in regulation and risk management.

Course content

The failure of Credit Suisse and the 2023 US regional banks crisis put into question the current regulation. This course provides a holistic overview of the regulatory framework in the banking and insurance industry covering both the US and Europe. You will learn that most regulatory reforms are more driven by political economy decisions rather than decisions based on purely economic considerations. The current so-called "Basel Endgame" discussion in the US about implementing Basel III is a case study on political economy and regulation. We further discuss risk management frameworks based on economic capital models (VaR and Expected Shortfall), its limitations and how they are applied by regulators. The course starts with the question why financial intermediaries seemed to be special (before digitalization took place), followed by a critical discussion of the current regulatory framework, its efficiency, and its impact on the business model of financial institutions. The Basel Capital Framework for banks and its limitations (e.g. risk weighted assets approach vs. leverage ratio) will be evaluated in class. We want to get a deep understanding of the two main solvency regimes for insurance companies in Europe (Solvency II and Swiss Solvency Test). Why insurance companies are different from banks and its implications on regulation. The course is a combination of lectures and in-class micro-case discussions on the failure of Credit Suisse (CS) and the 2023 US regional banks crisis. Active class participation and class presence are expected. In-class micro-case discussion will count for 25%. The exam will count for 75%. Pre-reading of the required reading topics is expected and counts against class participation.

Course structure and indications of the learning and teaching design

1. Why are Financial Institutions (FIs) special?
2. Principles of Bank Regulation
3. Risk Management and Economic Capital Models
4. The Basel Framework and Prudential Regulation of Banks
5. Solvency Regulatory Requirements for Insurance Companies: Solvency II and SST
6. Class Room Discussion Failure Credit Suisse and 2023 US regional banks crisis



Course literature

1. Why are Financial Intermediaries (FIs) special; US: Banking and Insurance Market.
 - a. Randall S. Kroszner; "The Economics and Politics of Financial Modernization"; FRBNY Economic Policy Review / October 2000, 25-37.
 - b. Heidi Mandanis Schooner and Michael W. Taylor; "Global Bank Regulation, Principles and Policies"; Chapter 1, 1-17; Elsevier Inc. 2010.
2. Principles of Bank Regulation; Bank Business Models; Deposit Insurance; Bank Liquidity versus Solvency; Financial costs of banking crisis and GDP impact.
 - a. Heidi Mandanis Schooner and Michael W. Taylor; "Global Bank Regulation, Principles and Policies"; Chapters 2-5, 19-88; Elsevier Inc. 2010.
3. Risk Management and Economic Capital Models
 - a. Philippe Jorion; "Risk Management"; Annu. Rev. Financ. Econ 2010; 347-365.
4. The Basel Regulatory Framework for Banks; internal models and its limitations.
 - a. Christian M. McNamara, Thomas Piontek and Andrew Metrick; "Basel III A: Regulatory History"; Journal of Financial Crisis 2019, 45-58.
 - b. Christian M. McNamara, Michael Wedow and Andrew Metrick; "Basel III B: Basel III"; Journal of Financial Crisis 2019, 59-69.
 - c. Christian M. McNamara, Karen Anna Clara Braun-Munzinger and Andrew Metrick; "Basel III C: Internal Risk Models"; Journal of Financial Crisis 2019, 70-80.
5. Solvency Regulatory Requirements for Insurance Companies: Solvency II and SST
 - a. sigma; "Regulatory issues in insurance"; Swiss Re 2010; 1-28.
6. 2023 Bank Failures: Preliminary lessons learnt for resolution, FSB Financial Stability Board, October 2023, 1-35.

Additional course information

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Examination information

Examination sub part/s

1. Examination sub part (1/2)

Examination modalities

| | |
|------------------------------|----------------------------------|
| Examination type | Written examination |
| Responsible for organisation | decentral |
| Examination form | Written exam |
| Examination mode | Analog |
| Time of examination | Term time |
| Examination execution | Synchronous |
| Examination location | On Campus |
| Grading type | Individual work individual grade |
| Weighting | 75% |
| Duration | 90 mins. |

Examination languages

Question language: English
Answer language: English

Remark

closed book based on open questions

Examination-aid rule

Closed Book

The use of aids is prohibited as a matter of principle, with the exception of pocket calculator models of the Texas Instruments TI-30 series and, in case of non-language exams, bilingual dictionaries without any handwritten notes. Any other aids that are



admissible must be explicitly listed by faculty members in the paragraph entitled "Supplementary aids" of the course and examination fact sheet; this list is exhaustive.

Procuring any aids, as well as ensuring their working order, is the exclusive responsibility of students.

Supplementary aids

none

2. Examination sub part (2/2)

Examination modalities

| | |
|------------------------------|----------------------------------|
| Examination type | Active participation |
| Responsible for organisation | decentral |
| Examination form | Oral examination |
| Examination mode | Analog |
| Time of examination | Term time |
| Examination execution | Synchronous |
| Examination location | On Campus |
| Grading type | Individual work individual grade |
| Weighting | 25% |
| Duration | -- |

Examination languages

Question language: English

Answer language: English

Remark

in-class micro-case discussions

Examination-aid rule

Free aids provision

Basically, students are free to choose aids. Any restrictions are defined by the faculty members in charge of the examination under supplementary aids.

Supplementary aids

Active class participation is expected. In-class micro-case discussion will count for 25%. Pre-reading of the required reading topics is expected.

Examination content

The reading list together with the slides and takeaways from the class room discussions are mandatory for the exam.

1. Why are Financial Institutions (FIs) special?
2. Principles of Bank Regulation
3. Risk Management and Economic Capital Models
4. The Basel Framework and Prudential Regulation of Banks
5. Solvency Regulatory Requirements for Insurance Companies: Solvency II and SST
6. Class Room Discussion Failure Credit Suisse and 2023 US regional banks crisis



Examination relevant literature

1. Why are Financial Intermediaries (FIs) special; US: Banking and Insurance Market.
 - a. Randall S. Kroszner; "The Economics and Politics of Financial Modernization"; FRBNY Economic Policy Review / October 2000, 25-37.
 - b. Heidi Mandanis Schooner and Michael W. Taylor; "Global Bank Regulation, Principles and Policies"; Chapter 1, 1-17; Elsevier Inc. 2010.
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6. 2023 Bank Failures: Preliminary lessons learnt for resolution, FSB Financial Stability Board, October 2023, 1-35.

Please note

Please note that only this fact sheet and the examination schedule published at the time of bidding are binding and takes precedence over other information, such as information on StudyNet (Canvas), on lecturers' websites and information in lectures etc.

Any references and links to third-party content within the fact sheet are only of a supplementary, informative nature and lie outside the area of responsibility of the University of St.Gallen.

Documents and materials are only relevant for central examinations if they are available by the end of the lecture period (CW21) at the latest. In the case of centrally organised mid-term examinations, the documents and materials up to CW 13 (Monday, 25 March 2025) are relevant for testing.

Binding nature of the fact sheets:

- Course information as well as examination date (organised centrally/decentrally) and form of examination: from bidding start in CW 04 (Thursday, 23 January 2025);
- Examination information (supplementary aids, examination contents, examination literature) for decentralised examinations: in CW 12 (Monday, 17 March 2025);
- Examination information (supplementary aids, examination contents, examination literature) for centrally organised mid-term examinations: in CW 14 (Monday, 31 March 2025);
- Examination information (regulations on aids, examination contents, examination literature) for centrally organised examinations: two weeks before ending with de-registration period in CW 15 (Monday, 07 April 2025).