

# QFI – Investment Risk Management Exam

Spring/Fall 2018

## Important Exam Information:

[Exam Registration](#)

Candidates may register online or with an application.

[Order Study Notes](#)

Study notes are part of the required syllabus and are not available electronically but may be purchased through the online store.

[Introductory Study Note](#)

The Introductory Study Note has a complete listing of all study notes as well as errata and other important information.

Case Study

There is no case study for this examination.

[Past Exams](#)

Past Exams from 2000 - present are available on the SOA website.

[Updates](#)

Candidates should be sure to check the Updates page on the exam home page periodically for additional corrections or notices.

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<b>1. Topic: Governance</b>
<b>Learning Objectives</b>
The candidate will understand the needs and methods of governing investments.
<b>Learning Outcomes</b>
The Candidate will be able to: <ul style="list-style-type: none"><li>a) Compare the interest of key stakeholders.</li><li>b) Explain principal versus agent conflict.</li><li>c) Identify sources of unethical conduct and explain the role of a fiduciary.</li><li>d) Describe governance mechanisms that attempt to address these conflicts.</li><li>e) Understand the importance of an organization’s culture in effectuating governance.</li><li>f) Explain how governance may be structured to gain competitive advantages and efficiencies.</li><li>g) Demonstrate understanding of how ethics relates to business decision-making, and relate ethics in business to personal ethics.</li></ul>
<b>Resources</b>
<ul style="list-style-type: none"><li>• <i>Financial Enterprise Risk Management</i>, Sweeting, Paul, 2<sup>nd</sup> Edition, 2017<ul style="list-style-type: none"><li>○ Ch. 1: An Introduction to ERM</li></ul></li><li>• <i>Risk Management: Foundations for a Changing World</i>, Haslett, Walter V., 2010<ul style="list-style-type: none"><li>○ Ch. 45: The Ten Commandments of Operational Due Diligence</li></ul></li><li>• <i>Investment Ethics</i>, Peck, Sarah, 2011<ul style="list-style-type: none"><li>○ Ch. 1-3, 7 and 9</li></ul></li><li>• QFII-101-14: Ch. 11 of <i>Strategic Management: An Integrated Approach</i>, Hill &amp; Jones</li><li>• QFII-103-14: <i>Advances in Risk Management and Risk Governance</i></li><li>• QFII-111-17: <i>Tracing the True Origins of Bad Behavior: New Ways to Predict Conduct Risk Exposure</i>, Dr. Roger Miles</li></ul>

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## 2. Topic: Investment Risk Management

### Learning Objectives

The candidate will understand and be able to apply the components of an effective risk management system.

### Learning Outcomes

The Candidate will be able to:

- a) Explain the importance of risk culture in an investment firm.
- b) Identify and describe the various kinds of risks, including market, credit, operational, etc.
- c) Identify and describe various approaches for managing risks including risk budgeting, position limits, etc.
- d) Explain the features of a best practices enterprise risk management system.
- e) Evaluate a company's risk management process.
- f) Examine examples of risk management failure.

### Resources

- *Managing Investment Portfolios*, Maginn, John L. & Tuttle, Donald L., 3<sup>rd</sup> Edition, 2007
  - Ch. 9: Risk Management (sections 1-4 and 6)
- *Risk Management: Foundations for a Changing World*, Haslett, Walter V., 2010
  - Ch. 18: The Sense and Nonsense of Risk Budgeting
  - Ch. 33: Risk Management Programs
- *Financial Enterprise Risk Management*, Sweeting, Paul, 2<sup>nd</sup> Edition, 2017
  - Ch. 7: Definitions of Risk
  - Ch. 8: Risk Identification
  - Ch. 20: Case Studies
- *The Top Ten Operational Risks: A Survival Guide for Investment Management Firms and Hedge Funds*, Miller and Lawton, 2010
- QFII-101-14: Ch. 11 of *Strategic Management: An Integrated Approach*
- QFII-110-15: The Devil is in the Tails: Actuarial Mathematics and the Subprime Mortgage Crisis
- QFII-112-17: Ch. 26 of *Paul Wilmott Introduces Quantitative Finance*, Wilmott, Paul, 2<sup>nd</sup> Edition, 2007
- QFII-113-17: Revisiting the Role of Insurance Company ALM Within a Risk Management Framework
- QFII-114-17: Ch. 10 of *Modern Investment Management: An Equilibrium Approach*

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**3. Topic: Risk Measurement**

**Learning Objectives**

Understand and be able to apply different approaches to risk measurement.

**Learning Outcomes**

The Candidate will be able to:

- a) Evaluate a company's or a portfolio's exposures to various risks.
- b) Explain the advantages and limitations of different risk metrics.
- c) Explain how different approaches and tests form a set of complementary investment risk metrics.
- d) Analyze and evaluate risk aggregation techniques, including the use and misuse of correlation, integrated risk distributions and copulas.

**Resources**

- *Managing Investment Portfolios*, Maginn, John L. & Tuttle, Donald L., 3<sup>rd</sup> Edition, 2007
  - Ch. 9: Risk Management (section 5)
- *Risk Management: Foundations for a Changing World*, Haslett, Walter V., 2010
  - Ch. 2: Practical Issue in Choosing and Applying Risk Management Tools
  - Ch. 14: Merging the Risk Management Objectives of the Client and Investment Manager
- QFII-104-14: Correlation: Pitfalls and Alternatives
- QFII-105-14: Risk<sup>2</sup>: Measuring the Risk in Value at Risk
- QFII-107-14: Ch. 14 of *Value at Risk*, Third Edition, Jorion
- QFII-108-14: Developments in Modelling Risk Aggregation, pp. 76-87
- QFII-110-15: The Devil is in the Tails: Actuarial Mathematics and the Subprime Mortgage Crisis
- QFII-115-17: Ch. 2 and 3 of *Liquidity Measurement and Management: A Practitioners Guide to Global Best Practices*