

Bachelor Thesis: Categorization of Risks in the Context of Financial Markets

The term 'financial risk' is a very broad and is often used for many different types of risk related to financial markets. Financial risk is originally understood as uncertainty about losses and returns and is measured by the variance or standard deviation of financial asset's price movement. Due to the groundbreaking portfolio theory of Harry Markowitz (1952), the management of financial risk became a distinct and important science. Nowadays, a broad spectrum of different risks and various approaches to manage these risk exists. Nevertheless, a comprehensive overview and systematic categorization of all kinds of risks and their management in the context of financial markets is missing.

The goal of this bachelor thesis is to review systematically the existing academic literature on financial risk and risk management practices. The student is expected to systematically sort, categorize, and define different types of risk in the context of financial markets. Based on the systematic literature review, the Bachelor's thesis aims to provide a comprehensive overview on important findings in the area financial risk and risk management practices as well as their quantitative methods and theoretical underpinnings. Due to the aim of this thesis, the student is expected to investigate an extensive amount of literature and should be able to work independently with a high degree of individual initiative.

Supervisor:

Sven Panz

Literature:

- Markowitz, H. (1952). Portfolio selection. *The journal of finance*, 7(1), 77-91.
- Smith, C. W., Smithson, C. W., & Wilford, D. S. (1989). Managing financial risk. *Journal of Applied Corporate Finance*, 1(4), 27-48.
- Allen, S. (2003). *Financial risk management: a practitioner's guide to managing market and credit risk* (Vol. 119). John Wiley & Sons.
- Lehar, A. (2005). Measuring systemic risk: A risk management approach. *Journal of Banking & Finance*, 29(10), 2577-2603.
- McNeil, A. J., Frey, R., & Embrechts, P. (2015). *Quantitative risk management: Concepts, techniques and tools*. Princeton university press.
- Cifuentes, R., Ferrucci, G., & Shin, H. S. (2005). Liquidity risk and contagion. *Journal of the European Economic Association*, 3(2-3), 556-566.