

# Master 2 “Economics”

## Track Quantitative Finance and Insurance Classic training

- Field: Economics
- Duration of studies: 1 year
- Diploma: Master
- Language: English

Aix-Marseille School of Economics  
is a department of the Faculty of Economics and Management

# SUMMARY

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## MODELS OF FINANCE - 24H

### TEACHERS

- Dominique HENRIET - [dominique.henriet@centrale-marseille.fr](mailto:dominique.henriet@centrale-marseille.fr)
- Mathieu LEFEBVRE - [mathieu-julien.lefebvre@univ-amu.fr](mailto:mathieu-julien.lefebvre@univ-amu.fr)
- BNP Paribas (professional)

### CONTENT

The aim of this course is to give some general concepts that found the main models of finance. This in order to first better understand the jungle of financial products and second to understand the functioning of markets.

#### Course outline:

##### Chapter 1 - Introduction

1. First questions
2. Assets
3. Functioning of trading
4. Two first models: risk neutral valuation

##### Chapter 2 - Static model: arbitrage free condition

1. No arbitrage condition in a static model
2. Mathematical appendix

##### Chapter 3 - Dynamics (finite discrete models)

1. The tree of states of nature
2. Stochastic process on a tree
3. No arbitrage condition on a dynamic model
4. Risk neutral probability
5. The Cox Ross Rubinstein model
6. Reformulation: filtration and tree
7. Appendix: the example of a random walk

##### Chapter 4 - Continuous models

1. The "continuous random walk": Brownian motion
2. Arbitrage free equation
3. The Black and Scholes model
4. Appendix: conditional expectation

##### Chapter 5 - Microstructure and behaviour models

1. The market efficiency hypothesis
2. The Competitive Rational Expectation Equilibrium
3. Bid ask spread (Glosten and Molgrom)
4. High frequency trading: arm's race
5. The capital asset pricing model

### PROFESSIONAL SKILLS

To understand the functioning of financial markets & To know how to model financial asset value

### BIBLIOGRAPHY AND TEXTBOOKS

- G. Demange et J.-C. Rochet « Méthodes mathématiques de la finance », Economica
- Divers articles de recherche

### ORGANIZATION

This course is given through 24 hours of lecture at Ecole Centrale Marseille. Handouts are provided.

### COURSE LANGUAGE

French  English

### FUNDAMENTAL PREREQUISITES

Knowledge in probability and decision theory.

*Updated on April 2021*

## PORTFOLIO MANAGEMENT - 24H

### TEACHER

- WeeFin (professional)

### CONTENT

The course objective is to understand the theory and the main optimization techniques used by portfolio managers. The course will review the fundamentals (Markowitz efficient frontier, CAPM) and its application on equity portfolios and fixed income assets. The student will apply the theory on excel examples and then in a group portfolio construction exercise. The course will also cover the main trends (cryptos, passive indexing, ESG) and roles (risk manager, performance analyst, ...) of the asset management industry.

#### Course outline:

##### 1. Introduction to portfolio management (3h)

We start by explaining how the asset management works and why (clients, goals) and then review the main formulas behind modern theory of portfolio management (Diversification, Markowitz, Sharpe Ratio, Volatility, returns, Efficient Frontier, multi-factor models).

##### 2. Equity Investing and investment process (3h)

The investment process is explained step by step to understand how an asset manager works in practice. The equity market history helps us to understand the construction of the different investment theory: capitalization weighted benchmark and optimized portfolios (min vol, risk parity). And excel example is then used to apply the formulas covered.

##### 3. Fixed Income Investing - basics (3h)

The specificities of the fixed income asset securities risk factors are detailed (time, yield curves, spreads). The risk factors are used to understand what are the main investing strategies (buy & hold, yield bets) for bonds. The pricing and returns formulas are reviewed in an excel example for a fixed bond.

##### 4. Fixed Income Investing - advanced (3h)

More complex strategies and investment products (floaters, bond futures, CDS, IRS, Options) are reviewed. An example of advanced pricing is realized for option-embedded bonds. We also review the main bootstrapping formulas to derive zero-coupon yield curves, mandatory for portfolio manager.

##### 5. Alternative asset classes and Performance Measurement (3h)

The other investment asset classes (Private Equity, Real Estate, Currencies, and Infrastructure) are covered. The basics risks and performance drivers behind the management of each asset class is explained. We also cover what are the main performance measurement ratios and calculations.

##### 6. Asset management trends (3h)

Portfolio managers try to innovate and create new trends to diversify their return sources and information flows. We cover the main ones: NLP, alternative data sets, cryptos, ESG, smart betas. We will as well use a portfolio manager workstation to explain the tools used in practice.

##### 7. Portfolio construction (6h)

The students apply the course theory by creating their own investment portfolios. They create an investment target profile and design an innovative investment solution that they pitch with an "investment deck" (backtest, portfolio background, etc...).

### PROFESSIONAL SKILLS

- Becoming familiar with the principle concepts of portfolio management.
- Know how to organize an investment process that covers the main asset classes (equities, bonds).
- Understand the main roles and trends in the asset management industry.

### BIBLIOGRAPHY AND TEXTBOOKS

John Hull (1995) "Options, futures & other derivatives" - Roland Portait, Patrice Poncet (2014) "Market Finance" - Franck J. Fabozzi (2012) "The Handbook of Fixed Income Securities".

### ORGANIZATION

24 hours of lecturers (4 x 6 hours) including practical cases and a group exercise (construction of an investment portfolio).

### COURSE LANGUAGE

French  English

### MANDATORY PREREQUISITES

Basic knowledge of finance theory - Basic maths, in particular matrix calculus - Basic skills in Excel.

### KEYWORDS

Equity, Fixed Income - Portfolio optimization - Investment process

*Updated on January 2021*

## CORPORATE FINANCE I - 24H

### TEACHER

- Gaël LEBOEUF - [gael.leboeuf@univ-amu.fr](mailto:gael.leboeuf@univ-amu.fr)

### CONTENT

Understand tools and techniques used in Corporate Finance. (from financial statement analysis and investment decision to financial structure and M&A).

#### Course outline:

- Chapter 1: The Corporation
- Chapter 2: Introduction to Financial Statements Analysis
- Chapter 3: Financial Decision Making and the Law of One Price
- Chapter 4: The Time Value of Money
- Chapter 5: Investment Decision Rules
- Chapter 6: Fundamentals of Capital Budgeting
- Chapter 7: Capital Markets and The Pricing of Risk
- Chapter 8: Optimal Portfolio Choice and the Capital Asset Pricing Model
- Chapter 9: Estimating the cost of capital
- Chapter 10: Capital Structure in a Perfect Market
- Chapter 11: Mergers and Acquisitions

### PROFESSIONAL SKILLS

- Financial statement reading and analysis
- Capital budgeting
- Understanding capital structure

### BIBLIOGRAPHY AND TEXTBOOKS

- J. Berk & P. DeMarzo, « Corporate finance », Prentice Hall; 5th edition, 2019
- Useful websites:
  - o Aswath Damodaran at NYU: Course and video materials, formulas, spreadsheets, Estimated risk premium, Cost of capital by sector and more: <http://pages.stern.nyu.edu/~adamodar/>
  - o Annual reports and legal informations on French listed companies: <http://www.amf-france.org/Recherche-avancee?formId=BDIF>
  - o Financial data on listed companies: <https://fr.finance.yahoo.com/>

### ORGANIZATION

This course is given through 24 hours of lecture at Ecole Centrale Marseille.

- Group work (50% max. 4 students): Financial analysis and basic DCF valuation of a listed firm.
- Individual work (50%): Final exam.

### COURSE LANGUAGE

French  English

### RECOMMENDED PREREQUISITES

Previous knowledge of accounting, financial analysis and discounting/capitalizing.

### KEYWORDS

Corporate finance, capital budgeting, capital structure.

*Updated on January 2022*

## ECONOMICS OF RISK AND INSURANCE - 24H

### TEACHERS

- Sofia RUIZ - [sofia.ruiz-palazuelos@univ-amu.fr](mailto:sofia.ruiz-palazuelos@univ-amu.fr)
- AXA (professional)
- Professional

### CONTENT

The aim of this course is - in a first part - to present decision and contract theories in a risky context. In the second part, we apply it to insurance demand and show how individual behaviours aggregate in the insurance market and how prices form.

#### Course outline:

Chapter 1 - Risk and measures of risk (Dominique Henriot, 9h)

1. Assumptions on risk
2. Risk Analysis
  - 2.1 Cumulative Distribution function
  - 2.2 Stochastic dominance of degree 1
  - 2.3 Quantile Function and Value at Risk
3. Spread Analysis
  - 3.1 Expected Shortfall, Lorenz function
  - 3.2 Mean Preserving Concentration
  - 3.3 Measures based on the quantile function.
  - 3.4 Coherent risk measures
4. Second degree Stochastic dominance
  - 4.1 Mean preserving spread
5. Expected utility hypothesis
6. Dual criterion
7. Ambiguity

Chapter 2 - Insurance economics (Renaud Bourlès, 12h)

1. The single risk model
  - 1.1 Mossin's model
  - 1.2 Wealth effect
  - 1.3 Price effect
2. Product differentiation
  - 2.1 Introducing heterogeneity in Mossin's model
  - 2.2 Measuring the probability of damage: scoring methods
  - 2.3 Estimating scoring models
3. Unobservable criteria
  - 3.1 The adverse selection problem
  - 3.2 Self-selection: the Rothschild-Stiglitz model
  - 3.3 Equilibrium existence
4. Moral hazard
  - 4.1 Self-insurance and its consequences
  - 4.2 Self-protection and moral hazard
  - 4.3 Ex-post moral hazard: the case of insurance fraud
5. Extensions and exercises
  - 5.1 Extensions of Mossin's model
  - 5.2 Insurance demand and exogenous risk
  - 5.3 On the value of genetic information
  - 5.4 Genetic information and self-insurance
  - 5.5 Health risks and bidimensional utility
  - 5.6 Life insurance and savings

### Chapter 3 - Market & Counterparty Risk Management

1. Risk Management in Banks
2. Markets Risks
  - 2.1 Sensitivities
  - 2.2 Value at Risk (VaR)
  - 2.3 Limitations of the VaR
  - 2.4 Case Study
3. Counterparty Risks
  - 3.1 Definition and key elements
  - 3.2 Potential Future Expose (PFE) and Expected Positive Exposure (EPE)
  - 3.3 Credit Valuation Adjustment (CVA)

#### PROFESSIONAL SKILLS

- Know various measure of risk, their properties, advantages and limitations
- Know how to model behaviour under risk
- Understand how insurance products are priced

#### BIBLIOGRAPHY AND TEXTBOOKS

- Eeckhoudt L., C. Gollier and H. Schlesinger, 2005, Economic and Financial. Decisions under Risk, Princeton University Press.
- Henriot, D. and Rochet, J.-C., "Microéconomie de l'assurance", Economica, 1990.
- Picard, P., "Economic Analysis of Insurance Fraud", Handbook of Insurance, 2nd edition, G.
- Schlessinger, H., "The Theory of Insurance Demand", Handbook of Insurance, G. Dionne. (ed), Kluwer, 2000.

#### ORGANIZATION

The course is organized in 24h of lectures at Ecole Centrale Marseille and separated in three part.

The first part on risk and risk measures, from a theoretical point of view. The second, on insurance economics. Finally, the last part on practical risk management in banks. Handouts are provided.

#### COURSE LANGUAGE

French       English

#### FUNDAMENTAL PREREQUISITES

Knowledge in probability and decision theories.

*Updated on April 2021*

## STOCHASTIC FINANCE - 24H

### TEACHER

- Sébastien DARSES - [sebastien.darses@univ-amu.fr](mailto:sebastien.darses@univ-amu.fr)

### CONTENT

The aim of the course is to provide students with mathematical methods that allow valuating financial assets.

#### Course outline:

1. Gaussian variables and stochastic processes
  - 1.1 Unidimensional Gaussian variable
  - 1.2 Gaussian vectors
  - 1.3 Stochastic processes
2. Brownian motion
  - 2.1 Construction as a Gaussian process
  - 2.2 Expansion, Markov property and martingale
  - 2.3 Invariance property
  - 2.4 Trajectorial property
  - 2.5 Complement on Brownian bridge
3. Stochastic integration and semimartingale
  - 3.1 Integrating with respect to a Brownian motion
  - 3.2 Introduction to the general theory of stochastic integration
  - 3.3 Itô formula and first applications
4. Stochastic differential equation
  - 4.1 Elements of motivation
  - 4.2 Strong solutions
  - 4.3 Some examples
5. Parabolic SDE, brownian diffusion and semigroups
  - 5.1 Brownian motion and linear parabolic SDE
  - 5.2 The general Feynman-Kac formula
  - 5.3 Semigroups
6. Change of measure
  - 6.1 Wiener space
  - 6.2 Change of measure and Girsanov theorem
7. Introduction to financial mathematics
  - 7.1 Black and Scholes model
  - 7.2 Portfolio and option replication

### PROFESSIONAL SKILLS

Understand the mathematical framework and assumptions of the classical stochastic finance models.

### BIBLIOGRAPHY AND TEXTBOOKS

- Lamberton, D. et Lapeyre, B. Introduction au calcul stochastique appliqué à la finance, Paris : Ellipses, 1997.
- El Karoui, N. et Gobet. E. Les Outils Stochastiques des Marchés Financiers : Une Visite Guidée de Einstein à Black-Scholes. Palaiseau : Les Editions de l'Ecole Polytechnique, 2011.
- Pardoux, E. Processus de Markov et Applications : Algorithmes, Réseaux, Génome et Finance. Dunod, 2007.

### ORGANIZATION

This course is given through 24 hours of lecture at Ecole Centrale Marseille.

### COURSE LANGUAGE

French  English

### FUNDAMENTAL PREREQUISITES

Knowledge in probability (including conditional expectation).

*Updated on April 2021*



## ECONOMETRICS OF BANKING AND FINANCE - 24H

### TEACHERS

- Sullivan HUÉ - [sullivan.hue@univ-amu.fr](mailto:sullivan.hue@univ-amu.fr)
- Deloitte (professional)

### CONTENT

This course presents the econometric methods used to measure and forecast financial risks. Different models will be studied. These models make it possible to model the dynamics of prices (or returns), ie. the conditional mean, the conditional variance, but also the higher moments (asymmetry, thickness of the distribution tails). Part of this course will also deal with the dependence between the returns of several assets.

### Course outline:

- Conditional mean
- Conditional variance
- Estimation
- Specification tests
- Forecast
- Value-at-risk
- Multivariate models

### PROFESSIONAL SKILLS

- Understanding time series models specific to financial market data
- Application to real data
- Risk prediction
- Use of specific econometric tools (OxMetrics) and programming (R, matlab, python, ox, etc)

### BIBLIOGRAPHY AND TEXTBOOKS

Laurent S. (2018). G@RCH 8, Estimating and Forecasting ARCH Models, London: Timberlake Consultants Press.

### ORGANIZATION

Lecture.

### COURSE LANGUAGE

French  English

### FUNDAMENTAL PREREQUISITES

- Advanced statistics
- Introduction to econometrics
- Maximum likelihood
- Econometrics of time series

### RECOMMENDED PREREQUISITES

- Programmation (R, matlab, python, ox, etc)

*Updated on April 2021*

## BIG DATA AND FINANCE - 24H

### TEACHERS

- Crédit Agricole CACIB (professional)
- WeeFin (professional)

### CONTENT

This lecture exposes some recent developments of “big data analytics” in market finance. It is formalized and proposes some practical examples. There will be five sections. The first reminds some stochastic calculus definitions. The second aims at to present the link between integrated variance, quadratic variation and realized variance. Then, we present several estimators for high frequency realized volatility/correlation and we explain why it is crucial for a option market maker to use this information to adjust his option prices with respect to a schedule of future events (example FX market). The next section presents an engine to select optimal government bonds to hedge a portfolio. It is based on a relative value analysis with respect to a cubic spline theoretical yield curve. For corporate bonds, the dimension increases severely. We then have to use some clustering methods (section four) to reduce the dimension. A method for optimal bond index replication in high dimension is proposed in section 5.

### Course outline:

1. Update of Stochastic Calculus
  - a. Brownian motion and random walk
  - b. Quadratic variation and integrated variance for a geometric Brownian motion
  - c. Link between integrated variance and realized volatility
2. Realized volatility/correlation
  - a. Estimators for intraday and non-synchronous data
  - b. Realized correlation and quadratic covariation, estimator
  - c. Epps effect
  - d. Application to FX market to evaluate the impact of some periodic events
3. Bonds portfolio, automatic engine
  - a. Definitions, pricing (yield, bond, duration)
  - b. Use of a reference yield curve to detect the best bond to select for hedging purpose
  - c. Cubic spline for the reference curve
  - d. Comparison metrics
  - e. Application to government bonds
4. Unsupervised clustering methods
  - a. K-means
  - b. K-means++
  - c. Model based (optimal K, penalization)
  - d. EM algorithm
5. Problem of dimension for corporate bond index replication
  - a. Bloomberg-Barclays indexes
  - b. Ill conditioned correlation matrix
  - c. Deep Embedded Clustering
  - d. Optimal replication in high dimension

### PROFESSIONAL SKILLS

- Financial markets big data analytics.
- Quantitative analysis, Strat.

### BIBLIOGRAPHY AND TEXTBOOKS

- Brigo, D. and Mercurio, F., 'Interest Rate Models - Theory and Practice', 1998, 981p, Springer.
- Gareth James, Daniela Witten, Trevor Hastie and Robert Tibshirani, 'An Introduction to Statistical Learning with Applications in R', 2013, Springer.

### ORGANIZATION

The whole lecture last for 12h. Slides available.

### COURSE LANGUAGE

- French  English

### RECOMMENDED PREREQUISITES

Financial econometrics, options, numerical optimization.

**KEYWORDS**

Realized variance, intraday implied volatility, factorial analysis, clustering, bonds, bias/variance decomposition.

*Updated on October 2020*

## ACTUARIAL SCIENCE I - 24H

### TEACHERS

- AXA (professional)
- Professional

### CONTENT

The aim of the course is to present the main issues related to the pricing of insurance products as well as the fundamental differences between life and non-life insurance.

#### Course outline:

Chapter 1 - Introduction to actuarial science (R. Burlès, 6h)

1. Life insurance model
  - 1.1 Mortality risk and pricing errors
  - 1.2 Main insurance products: fair premiums and prudent pricing
  - 1.3 Actuarial Present Value and Notations
  - 1.4 Exercises
2. Non-life specificities
  - 2.1 Provisioning
  - 2.2 The variability of non-life risks
  - 2.3 The role of financial markets

Chapter 2 - Life Insurance, saving products, and accounting (X. Guerrault, 9h)

1. Introduction on Mathematical Reserves
2. Saving contracts and performance distribution mechanisms
3. Performance indicators for an insurance company

Chapter 3 - Non-Life Insurance (F. Derbez and R. Mouyrin, 9h)

1. Introduction (definition and example of claims)
2. Mechanisms of Non-Life Insurance
  - 2.1. Generalities
  - 2.2 Technical indicators
3. Pricing (modeling and examples)
4. Loss experience and reserving
  - 4.1 Definitions
  - 4.2 Deterministic methods

### PROFESSIONAL SKILLS

- How to price simple life insurance products
- Understand the accounting specificities of insurance companies
- Know the current issues and the current regulations of the insurance market.

### BIBLIOGRAPHY AND TEXTBOOKS

- Tosetti A., Weiss F. et Poncelin T., Les outils de l'actuariat vie, Economica
- Charpentier A. et Dutang C., L'Actuariat avec R

### ORGANIZATION

This course is given through 24 hours of lecture at Ecole Centrale Marseille. The first six hours are taught by Renaud Burlès, the remaining being instructed by practitioners from AXA.

### COURSE LANGUAGE

- French       English

### FUNDAMENTAL PREREQUISITES

Knowledge in probability (in particular conditional expectation).

Updated on April 2021

## ECONOMICS, FINANCE AND CRISES - 24H

### TEACHER

- Marco FONGONI - [marco.fongoni@univ-amu.fr](mailto:marco.fongoni@univ-amu.fr)

### CONTENT

Using both empirical evidences and theoretical concepts, this course aims at explaining how economic and financial issues are closely related, and how shocks and crises can propagate. It also explains the interactions between financial markets and economic cycles (in light of the recent crises).

### Course outline:

- Empirical Evidence on Financial Crises
- Financial frictions
- The financial crisis of 2006-2009
- Unconventional monetary policy
- European Sovereign Debt Crisis Discussion

### PROFESSIONAL SKILLS

Good knowledge of the effects of financial frictions on the economy.

### BIBLIOGRAPHY AND TEXTBOOKS

- Bernanke, B. S., Gertler, M., and Gilchrist, S. (1999). The financial accelerator in a quantitative business cycle framework. In Taylor, J. B. and Woodford, M., editors, Handbook of Macroeconomics, volume 1, chapter 21, pages 134-1393.
- Bernanke B. (2013). The Federal Reserve and the Financial Crisis. Princeton University Press.

### ORGANIZATION

This course covers several topics, each topic being used as a support to introduce key theoretical concepts.

### COURSE LANGUAGE

French  English

### FUNDAMENTAL PREREQUISITES

Good knowledge in macroeconomics and econometrics.

*Updated on April 2021*

## INNOVATION AND FINANCE - 24H

### TEACHERS

- 2SN (professional)
- WeeFin (professional)

### CONTENT

This course presents recent financial innovations and their impact on financial markets.

#### Course outline:

Chapter 1 - Blockchain and applications (Jérôme Gonzalez, 12h)

1. Introduction (history, properties and use case)
2. Applications in finance and insurance
3. Focus on ICOs
4. Perspectives

Chapter 2 - Green finance and sustainable finance (Grégoire Hug, 6h)

1. Sustainable Finance
  - 1.1. Socially Responsible Investment (SRI) history
  - 1.2. ESG (Environmental Social & Governance) data
  - 1.3. Investment strategies
  - 1.4. Financial innovation
2. Green finance
  - 2.1 COP21 implications on Finance
  - 2.2 Carbon Footprint measurement applied to finance: Principle & bias
  - 2.3 Case study

Chapter 3 - Crowdfinance and its impact on banking (François Fromaget, 6h)

1. Introduction: crowdlending and crowdfunding
2. How to measure and present default risk?
3. Fintech and crowdfinance

### PROFESSIONAL SKILLS

Know recent innovations in finance and their impact for business.

### ORGANIZATION

This course is given through 24 hours of lecture at Ecole Centrale Marseille and is entirely taught by practitioners.

### COURSE LANGUAGE

- French       English

### FUNDAMENTAL PREREQUISITES

Knowledge in portfolio management and corporate finance.

*Updated on April 2021*

## NUMERICAL METHODS FOR FINANCE - 24H

### TEACHER

- Costin PROTOPOPESCU - [costin.protopopescu@univ-amu.fr](mailto:costin.protopopescu@univ-amu.fr)

### CONTENT

### PROFESSIONAL SKILL(S)

### BIBLIOGRAPHY AND TEXTBOOKS

### ORGANIZATION

### COURSE LANGUAGE

French  English

### RECOMMENDED/FUNDAMENTAL PREREQUISITES

*Update in progress*

## ACTUARIAL SCIENCE II - 24H

### TEACHERS

- AXA (professional)

### CONTENT

The aim of this course is to present the recent developments in actuarial sciences, notably those related to prudential regulation.

#### Course outline:

1. Valuing an insurance portfolio
2. Introduction to reinsurance
3. Asset-liability management in insurance
4. Accounting and financial communication of insurance companies
5. The current regulation: Solvency 2
6. Long term care

### PROFESSIONAL SKILLS

- Know the current issues and the current regulation of the insurance market.
- Know how to value an insurance company and understand the impact of this valuation on decisions.

### ORGANIZATION

This course is given through 24 hours of lecture at Ecole Centrale Marseille and is entirely taught by practitioners from AXA.

### COURSE LANGUAGE

French  English

### FUNDAMENTAL PREREQUISITES

Knowledge in probability (in particular conditional expectation). Basic knowledge in actuarial science and corporate accounting.

*Updated on April 2021*



## CORPORATE FINANCE II - 24H

### TEACHER

- Caisse d'Épargne CEPAC (professional)

### CONTENT

The aim is to present the main tools of structured finance, for both project and corporate financing.

### Course outline:

Chapter 1 - Corporate financing (Johannes Lock, 6h)

1. Leasing
2. LBO

Chapter 2 - Introduction to project financing (Medhi El Alaoui, 6h)

Chapter 3 - Financing of sustainable energy infrastructures (Philippe Genre et Amaury Schoenauer, 12h)

### PROFESSIONAL SKILLS

Know the main tools of structuring that allow complex financings.

### ORGANIZATION

This course is given through 24 hours of lecture at Ecole Centrale Marseille and is entirely taught by practitioners.

### COURSE LANGUAGE

French  English

### FUNDAMENTAL PREREQUISITES

Knowledge in corporate finance.

*Updated on April 2021*

## CREDIT RISK - 24H

### TEACHER

- BNP Paribas (professional)

### CONTENT

To explain the evolution of banking regulation on credit risk since the financial crisis (Basel II, Basel III & future regulations)  
To understand the notion of credit risk (theoretical models, measurement, pricing, management, etc...)

### Course outline:

1. Introduction: bonds and OTC transactions
2. Modelling defaults: structural models and ratings
3. Structured financing: plain-vanilla, asset financing, securitization etc.
4. Banking regulation on credit risk

### PROFESSIONAL SKILLS

- A panorama on banking regulation
- An understanding of most basic financial instruments (loans, securitization, bonds etc.)

### BIBLIOGRAPHY AND TEXTBOOKS

- GOURIEROUX C. et TIOMO, A. (2007) : Risque de crédit : une approche avancée, Economica.
- MERTON R. (1998), Continuous time finance, Blackwell Publishers.
- BRUYERE R., CONT R., FERY L., JAECK C. and SPITZ T. (2005): Credit derivatives, Wiley.
- RONCALLI T. (2016): Risk Management & Financial Regulation (<http://thierry-roncalli.com>).
- Xavier Freixas and Jean-Charles Rochet, Microeconomics of Banking, MIT Press, 2008.
- International Convergence of Capital Measurement and Capital Standards (Basel Committee).
- Arrêté du 20 février 2007 relatif aux exigences de fonds propres applicables aux établissements de crédit et aux entreprises d'investissement.
- DIRECTIVE 2006/48/CE DU PARLEMENT EUROPÉEN ET DU CONSEIL du 14 juin 2006 concernant l'accès à l'activité des établissements de crédit et son exercice (refonte).
- [www.defaultrisk.com](http://www.defaultrisk.com) : permet l'accès à un grand nombre d'articles consacrés aux dérivés de crédit.

### ORGANIZATION

This course is given through 24 hours of lecture at Ecole Centrale Marseille.

### COURSE LANGUAGE

French  English

### FUNDAMENTAL PREREQUISITES

Knowledge in corporate accounting and financial modelling.

*Updated on April 2021*

**Aix-Marseille School of Economics**

AMU-AMSE

5-9 boulevard Maurice Bourdet - CS 50498  
13205 Marseille cedex 1

Tél.: +33.(0)4.13.55.25.23  
[infoecole@amse-aixmarseille.fr](mailto:infoecole@amse-aixmarseille.fr)

[amse-feg.univ-amu.fr](http://amse-feg.univ-amu.fr)  
[www.amse-aixmarseille.fr](http://www.amse-aixmarseille.fr)