GARP | FRM

2016 FRM® EXAM
Study Guide Changes

Part I Changes

Foundations of Risk Management

Additions:

1. René Stulz, "Governance, Risk Management and Risk-Taking in Banks," Finance Working Paper 427/2014, June 2014.
2. John Hull, *Risk Management and Financial Institutions, 4th Edition* (New York: John Wiley & Sons, 2015).
   • Chapter 6. The Credit Crisis of 2007

Deletions:

1. "Implementing Robust Risk Appetite Frameworks to Strengthen Financial Institutions," Institute of International Finance, June 2011. (Executive Summary—Section 4, pages 10–40).

2. John Hull, *Risk Management and Financial Institutions, 3rd Edition* (New York: John Wiley & Sons, 2012).
   • Chapter 6. The Credit Crisis of 2007

On the following pages, an asterisk after a reading title indicates that the reading is freely available on the GARP website.

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Part I Changes

Quantitative Analysis

Additions:

1. Chris Brooks, *Introductory Econometrics for Finance, 3rd Edition* (Cambridge, UK: Cambridge University Press, 2014).
   • Chapter 13. Simulation Methods (Note: EViews and other programming references are not required).

2. John Hull, *Risk Management and Financial Institutions, 4th Edition* (New York: John Wiley & Sons, 2015).
   • Chapter 11. Correlations and Copulas

Deletions:

1. John Hull, *Risk Management and Financial Institutions, 3rd Edition* (New York: John Wiley & Sons, 2012).
   • Chapter 11. Correlations and Copulas

2. Dessislava Pachamanova and Frank Fabozzi, *Simulation and Optimization in Finance* (Hoboken, NJ: John Wiley & Sons, 2010).
   • Chapter 4. Simulation Modeling

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Part I Changes

Financial Markets and Products

Additions:

1. Jon Gregory, *Central Counterparties: Mandatory Clearing and Bilateral Margin Requirements for OTC Derivatives* (West Sussex, UK: John Wiley & Sons, 2014).
   - Chapter 1. Introduction
   - Chapter 2. Exchanges, OTC Derivatives, DPCs and SPVs
   - Chapter 3. Basic Principles of Central Clearing
   - Chapter 14 (section 14.4 only). Risks Caused by CCPs: Risks Faced by CCPs

Deletions:

1. *The Institute for Financial Markets, Futures and Options* (Washington, DC: The Institute for Financial Markets, 2011).
   - Chapter 1. Introduction: Futures and Options Markets
   - Chapter 2. Futures Industry Institutions and Professionals
   - Chapter 7. Hedging with Futures and Options

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Part I Changes

Valuation and Risk Models

Additions:

1. Aswath Damodaran, *Country Risk: Determinants, Measures and Implications - The 2015 Edition* (July 14, 2015), (pages 1-45 only).

2. John Hull, *Risk Management and Financial Institutions, 4th Edition* (Hoboken, NJ: John Wiley & Sons, 2015).
   • Chapter 23. Operational Risk

Deletions:

1. John Hull, *Risk Management and Financial Institutions, 3rd Edition* (Boston, Pearson Prentice Hall, 2012).
   • Chapter 20. Operational Risk

2. Daniel Wagner, *Managing Country Risk: A Practitioner's Guide to Effective Cross-Border Risk Analysis* (Boca Raton, FL: Taylor & Francis Group, 2012).
   • Chapter 3. Assessing Country Risk
   • Chapter 4. Country Risk Assessment in Practice

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Part II Changes

Market risk Measurement and Management

Additions:

None

Deletions:

None

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Part II Changes

Credit Risk Measurement and Management

Additions:

1. Jon Gregory, *Counterparty Credit Risk and Credit Value Adjustment: A Continuing Challenge for Global Financial Markets, 2nd Edition* (West Sussex, UK: John Wiley & Sons, 2012).
   • Chapter 7. Central Counterparties

2. Michel Crouhy, Dan Galai and Robert Mark, *The Essentials of Risk Management, 2nd Edition* (New York: McGraw-Hill, 2014).
   • Chapter 9. Credit Scoring and Retail Credit Risk Management
   • Chapter 12. The Credit Transfer Markets-and Their Implications

3. Moorad Choudhry, *Structured Credit Products: Credit Derivatives & Synthetic Securitisation, 2nd Edition* (New York: John Wiley & Sons, 2010).
   • Chapter 12. An Introduction to Securitisation

Deletions:

1. Christopher Culp, *Structured Finance and Insurance: The Art of Managing Capital and Risk* (Hoboken, NJ: John Wiley & Sons, 2006).
   • Chapter 12. Credit Derivatives and Credit-Linked Notes
   • Chapter 13. The Structuring Process
   • Chapter 16. Securitization
   • Chapter 17. Cash Collateralized Debt Obligations

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Part II Changes

Operational and Integrated Risk Management

Additions:

1. Marcelo G. Cruz, Gareth W. Peters, and Pavel V. Shevchenko, *Fundamental Aspects of Operational Risk and Insurance Analytics: A Handbook of Operational Risk* (New York: John Wiley & Sons, 2015)
   • Chapter 2: OpRisk Data and Governance

2. Michel Crouhy, Dan Galai and Robert Mark, *The Essentials of Risk Management, 2nd Edition* (New York: McGraw-Hill, 2014).
   • Chapter 15. Model Risk
   • Chapter 17. Risk Capital Attribution and Risk-Adjusted Performance Measurement

3. Kevin Dowd, *Measuring Market Risk, 2nd Edition* (West Sussex, England: John Wiley & Sons, 2005).
   • Chapter 14. Estimating Liquidity Risks

4. John Hull, *Risk Management and Financial Institutions, 4th Edition* (Hoboken, NJ: John Wiley & Sons, 2015).
   • Chapter 15. Basel I, Basel II, and Solvency II
   • Chapter 16. Basel II.5, Basel III, and Other Post-Crisis Changes
   • Chapter 17. Fundamental Review of the Trading Book

Deletions:

1. Philippa X. Girling, *Operational Risk Management: A Complete Guide to a Successful Operational Risk Framework* (Hoboken: John Wiley & Sons, 2013).
   • Chapter 7. Internal Loss Data

2. Michel Crouhy, Dan Galai and Robert Mark, *The Essentials of Risk Management, 2nd Edition* (New York: McGraw-Hill, 2001).
   • Chapter 14. Capital Allocation and Performance Measurement

3. Kevin Dowd, *Measuring Market Risk, 2nd Edition*.
   • Chapter 16. Model Risk

4. John Hull, *Risk Management and Financial Institutions, 4th Edition* (New York: John Wiley & Sons, 2015).
   • Chapter 12. Basel I, Basel II and Solvency II
   • Chapter 13. Basel 2.5, Basel III, and Dodd-Frank

Optional Regulatory Readings for Reference

Additions:

1. "Basel III: the net stable funding ratio." (Basel Committee on Banking Supervision Publication, October 2014).*

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Part II Changes

Risk Management and Investment Management

Additions:

1. Zvi Bodie, Alex Kane, and Alan J. Marcus, *Investments, 10th Edition* (New York: McGraw-Hill, 2013).
   • Chapter 24. Portfolio Performance Evaluation

Deletions:

1. Zvi Bodie, Alex Kane, and Alan J. Marcus, *Investments, 9th Edition* (New York: McGraw-Hill, 2010).
   • Chapter 24. Portfolio Performance Evaluation

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Part II Changes

Current Issues in Financial Markets

Additions:

1. Glasserman, Paul. (2012). *Forging Best Practices in Risk Management* (Note: Only Section 2: Firm-Level Issues in Risk Measurement). Office of Financial Research Working Paper #0002.*

2. Yorulmazer, Tanju. (2014). "Case Studies on Disruptions During the Crisis". FRBNY Economic Policy Review.*

3. "Why do we need both liquidity regulations and a lender of last resort? A perspective from Federal Reserve lending during the 2007-09 U.S. financial crisis". Federal Reserve Board. February 2015.*

4. *Global financial markets liquidity study* (Note: Sections 1, 2, and 4 only). PwC. August 2015.*

5. Duffie, Darrell and Stein, C. Jeremy. (2015). "Reforming LIBOR and Other Financial Market Benchmarks." *Journal of Economic Perspectives—Volume 29, Number 2.* Spring 2015. pp 191–212.*

6. Froukelien Wendt. (2015). "Central Counterparties: Addressing their Too Important to Fail Nature". IMF Working Paper.*

7. German Gutierrez Gallardo (NYU), Til Schuermann (Oliver Wyman), Michael Duane (Oliver Wyman). 2015. "Stress Testing Convergence".*

8. "Cybersecurity 101: A Resource Guide for Bank Executives". Conference of State Banking Supervisors. December 2014.*

Deletions:

All of previous readings should be deleted.

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