

Collateral Workshop, (One Day)

Collateral management is recognised as an important method of credit enhancement and risk mitigation. Many firms now require trades to be collateralised. Whilst helping to reduce credit risk, collateral management exposes the firm to operational, legal, liquidity and price risks. Understanding and managing these risks is essential.

This one-day workshop is split into two. The morning is an introduction to the topic. The afternoon considers the problems that can arise and is concluded with a case study requiring the building of a collateral statement. Whether you are responsible for setting up the collateral process or whether you are involved with handling collateral this workshop will help you understand more. Using a mixture of presentation and case study material the workshop will address the following:

- Why firms seek to collateralise relationships with counterparties
- How collateral management works
- The terminology & mechanics of the collateral market
- The risks that collateral management generates and how they can be controlled
- What is normal market practice
- The documentation used
- The role of the collateral manager

Morning Part 1

Purpose of collateral

- Main advantages of collateral
- Market growth
- Types of collateral

Credit exposures

- Current credit exposure
- Potential future exposure
- Default probability
- Expected loss

Entering collateralised transactions

- Credit mitigation techniques
- Single products
- Multiple products
- Establishing a policy
- Internal procedures
- Deciding on appropriated collateral
- Types of transactions covered
- Revaluation methodology

Collateral terminology

- Collateral requirement
- Independent amounts, (initial margin)
- Haircuts, (valuation percentage)
- Threshold amounts
- Minimum transfer amounts
- Interest on collateral

Collateral workflow

- Timing
- Margin call notice
- Non delivery
- Default
- Escalation processes

Afternoon Part 2

Problems & risks with collateral

- Credit risk
- Operational risk
- Valuation of trades
- Valuation of collateral

Dispute resolution

- Why disputes arise
- How to avoid disputes
- How to resolve disputes

Documentation

- Credit support documents
- What is used and what you negotiate
- Enforceability

Regulatory relief

- What it is
- The conditions that are needed
- Why it is important to banks
- Implications to third parties

The collateral team

- Purpose
- Cost versus benefits
- Skills required
- Operational effectiveness

Final case study

- Establishing the collateral relationship
- Building a collateral statement
- Calling collateral

End of workshop and review

