

# Financial Products, Markets & Risk Workshop, (Three Days)

This workshop will cover the purpose and function of a bank treasury, the mechanics of money market, fixed income & derivative products, how financial markets are closely linked together and the key factors that influence the behaviour of market participants. The workshop will include:

1. The role of the Treasury
2. The generic products available in the market
3. The cash flow structure and appropriate use of these products
4. The risks associated with the products
5. The objectives of customers using these instruments

The course will be presented in a workshop format. This will include a mixture of presentation and case study material. At the end of the workshop participants should have a clear understanding of the treasury function, the financial products used, and the risks related to those products. The workshop is designed for up to ten staff who are new or have limited exposure to financial markets and wish to build a framework of understanding relating to the Treasury and financial instruments

Below is a summary of the workshop content. The content of each day has been placed in a logical sequence and addresses the main products, pricing, and application.

## Day One

### Inside the Treasury

#### **The Role of the Treasury**

- The current competitive environment: why it is getting harder to cover costs
- Key jobs & functions
- An introduction to terminology
- Yield curves
- Capital markets / money markets
- Libid / Libor
- Present value
- Long / short
- Accrual
- Mark-to-market
- Trading book / banking book
- Duration / basis point value
- Arbitrage
- Risk arbitrage
- Primary / secondary market
- Over -the-counter
- Exchange traded
- Hedging
- Spread differentials

### Money Markets & Foreign Exchange

#### **Financial mathematics & products**

- Discount factors, present / future value
- Construction of the zero coupon model
- Yield curves and market conventions
- Swap spreads / government debt markets

#### **Term structure of interest rates**

- Credit differentials
- Government debt
- Corporate debt

#### **Money markets**

- Loans and deposits
- Certificates of deposit
- Commercial paper

#### **Foreign exchange**

- Spot exchange rates
- Interest rate differentials
- Outright forwards
- Forward points
- FX Swaps

## Day Two

### Bonds

#### **Floating rate notes**

- Pricing
- Issuance by financial institutions
- Perpetuals
- Embedded options

#### **Fixed income securities**

- Cash flow structure
- Interest conventions
- Price behaviour
- Interest rate risk
- Credit spreads
- New issues & pricing

#### **Zero coupons**

- Cash flow structure
- Risk characteristics

### Repo

- Classic repo
- Repo rate
- GC & special
- Haircuts
- Use by traders & investors

### Derivatives

#### **FRAs**

- Product mechanics
- Settlement
- Use in hedging / trading

#### **Interest rate swaps**

- Structure
- Pricing screens

#### **Generic interest rate swaps**

- Who uses interest rate swaps
- Comparison with other instruments
- Spot starts
- Forward starts
- Amortising structures
- Rollercoaster structures

#### **Liability swaps**

- New issues
- Hedging debt

## Day Three

### **Swap valuation**

- Mark-to-market
- Basis point value

### **Currency swap structures**

- Fixed / fixed
- Fixed / floating
- FX swaps
- Basis swaps

### **Using currency swaps**

- With new issues
- With assets

### **Interest rate futures**

- Contracts
- Pricing
- Product mechanics & use

### **OTC interest rate options**

- Caps/floors
- Swaptions
- Product mechanics & use

### Investors

- What are their motivations?
- Importance of customer franchise to the bank
- What influences investor behaviour & what do they focus on?

### Collateral & Credit Support

- The purpose of collateral & credit support
- Typical trades covered
- Mechanics
- Documentation
- Alternatives: break clauses, mark-to-market, add-ons, third party guarantees

### Capital/Measuring capital

- Purpose of capital
- Regulatory capital
- Influence on markets

### **End of workshop & review**

