

An Introduction to Money Markets & Foreign Exchange, (One Day)

This workshop will explain how money market & foreign exchange products work and what they are used for. The course will cover the following:

1. The role of Treasury in managing FX and liquidity risk
2. Money market instruments, the main products and why they are used
3. Foreign exchange, spot, forward, swap and option transactions, how they work and what they are used for

There will be a mixture of presentation and case study material.

The workshop is designed for up to ten staff who are new, or have limited exposure to financial markets and wish to build on their understanding of financial instruments.

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

Morning

Interest rates & discount factors

Market terminology

-Selected market terminology and what it means

The Treasury

-Explanation of the role of the treasury
-The main risks that are managed

Basic financial mathematics

-Discount factors, present / future value

Money market instruments

Money markets

-Loans and deposits
-Certificates of deposit
-Commercial paper
-Asset backed commercial paper
-Treasury bills
-Repo
-Funding & liquidity

Interest rate exposure

-What it is
-How it is quantified
-How it affects customers

Hedging short term interest rate exposure

-Forward rate agreements
-Hedging application
-Futures
-Use in hedging by financial institutions

Afternoon

Foreign exchange

Foreign exchange

-Identifying & quantifying FX exposure
-How & why customers get FX risk
-Hedging policies
-Spot exchange rates
-Forward rates & their calculation
-How customers can use forward transactions
-Agreeing outright forward prices
-FX swaps
-How FX swaps can be used

Currency swaps

-Fixed / fixed
-Fixed / floating
-Basis swaps
-Practical application

Currency options

-Option terminology
-How FX options work
-Simple option strategies for customers
-Zero cost and reduced premium strategies

End of workshop & review

