

Repo & Collateral Workshop, (One Day)

The course will cover the following:

- A full explanation of the mechanics of buy/sell backs & classic repo
- An introduction to the terminology used in repo markets
- An explanation of the risks associated with repo transactions
- Defining collateral
- Risk mitigating techniques
- Problems associated with collateral management
- Practical structures

Training will be in a workshop format. This will include a mixture of presentation and case study material. The course is designed for up to ten staff.

Below is a summary of the workshop. The content has been placed in a logical sequence and addresses the products, mechanics, methodologies, practical uses and risks.

Morning

Buy/Sell transactions

- Review of mechanics
- Cash flows
- Calculations

Classic repo

- Market size growth
- Participants
- Review of mechanics
- Market conventions
- Cash flows
- Calculations

Repo calculations

- Interest basis & conventions
- Accrued interest
- General collateral
- Special collateral
- Haircuts
- Margin calls
- Acceptable collateral & substitution
- Early termination & close out

Securities lending

- Comparison with repo
- Application

Legal and documentational issues

- Legal framework
- PSA-ISMA Master Agreement

Afternoon

Market users & motives

- Securities dealers
- Bank treasuries
- Corporate treasuries
- Fund & money managers
- Central banks

Collateralisation

- Definition of collateral
- The relative merits of collateral
- The types of trade that can be collateralised
- Why there is growth in collateralisation

The advantages & risks of collateralised trades

- Mitigation of credit risk
- Correlation risk
- Tracking, valuation & calling collateral
- Return on capital
- Influence on bid/offer spreads

Practical structures

- Revaluation method
- Break clauses
- Add-ons
- Third party credit support

End of workshop & review

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