

Treasury for Management, (One Day)

This workshop is for senior managers who would like to know more about Treasury. The main topics that will be covered are:

- How the Treasury facilitates core business
- The risks and how they can be measured and controlled
- Derivatives and how they are used
- The bond issuance process & all in costs
- How mortgage hedging works and some of the problems encountered
- How credit derivatives and collateralised debt obligations work & what they are used for
- Structured investment vehicles & asset backed commercial paper
- Current problems in the industry

Training will be in a workshop format. This will include a mixture of presentation and case study material. There will be time allocated for questions and answers.

Prior knowledge of Treasury is not required. Pre-course reading will be provided, it is anticipated this will take no longer than 1 hour. Course documentation will comprise the presentation.

Below is a summary of the workshop content. The day has been placed in a logical sequence.

Morning

Inside the Treasury: Why banks and Societies have treasuries, how treasuries make money and add value to the core business.

- What a Treasury does
- Key terminology
- Main functions

Risks in Treasury including measurement and limits

- Interest rate risk
- Foreign exchange risk
- Liquidity risk
- Operational risk

Derivatives

- What they are
- Over-the counter markets and exchange traded products
- Restrictions placed on the Society

Interest rate swaps

- How they work
- A case study example of pricing

Bonds

- Fixed and floating rate instruments
- Why they are issued and purchased
- How the Society does a new issue including the swap hedging process
- A case study example of calculating issuance cost

Mortgage hedging

- How swaps are used
- Basis risk

Pipeline hedging

- What this risk is
- The problem with pricing it
- How you could manage this risk

Afternoon

Pre-payment risk

- What this risk is, (optionality)
- The problem with pricing it
- How you could manage this risk

Credit default swaps, (CDS)

- How a CDS trade works
- Default probability, recovery rates & credit spreads

Collateralised debt obligations

- How these transactions work including
- Collateral, ramping, issuing vehicle, (SPV), tranches, (senior, mezzanine, equity), ratings, attachment points and subordination, waterfalls, diversification, role of the manager and rating agency

Current concerns with structured products

- Complexity
- Rating agency assessment
- Liquidity
- Valuation

Covered bonds & securitisation

- What these products are
- How they work
- Why they have been used by financial institutions to secure funding

Structured investment vehicles & Asset backed commercial paper programmes

- How the structure works
- The assets and liabilities
- Objectives of originator
- Main risks for the investor & originator
- Current problems

End of workshop & review

