

An Introduction to Treasury, (Three Days)

This workshop is about Treasury. That means you will find out what goes on in a dealing room. You will learn about money markets, fixed income, foreign exchange and derivative products. This will include how the products work, what they are used for and the risks they generate.

The explanation is straight forward; you do not need prior knowledge only a desire to want to know more. Practical case studies show you what happens. Whether you work in the front office, operations, risk, audit or finance this course will make learning a lot easier and quicker.

Below is a summary of the workshop content. The content of each day has been placed in a logical sequence and addresses the things you need to know.

Cost and how to book: This course is in house, that means it is run at your firm or at a convenient location at a time of your choice. The minimum number is 4 people, the maximum 12. Special rates apply to 4 or less. To book contact BCL with the dates that you would like. If you have any questions contact William Webster. Below you can see the full course outline.

Day One

Inside the Treasury: Find out why banks have treasuries, how treasuries make money and what people do.

- What a Treasury does
- Main job functions
- Responsibilities

Key Terms: Learn what the following terms refer to:

- Long / short
- Spot / forward
- Cash / derivative
- Libid/Libor
- Yield curves
- Present value
- Money markets/Capital markets
- Primary/secondary market
- Over-the-counter
- Exchange traded
- Arbitrage
- Hedging
- Proprietary risk

Money markets: You will see how the following products work and how they are used by dealers to manage short term liquidity.

- Loans and deposits
- Certificates of deposit
- Commercial paper, (CP)
- Asset backed CP
- Treasury bills
- Floating rate notes

Repurchase Agreements: Repo is used to borrow collateral and to secure deposits. You will find out about how the trade works and the terms used including:

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

Forward Rate Agreements: FRAs are used to hedge short term interest rates. You will find out about forward rates, why they are important and how FRAs manage risk.

- Product mechanics
- Settlement
- Use in hedging/trading

Day Two

Interest rate futures: See how the contracts work and how they are used by dealers.

- Contract specifications
- Pricing
- Product usage

Foreign exchange: FX markets are used for trading, hedging and arbitrage. You will see how banks and customers do this and will learn about the following.

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

Bonds: These are used for the management of long term assets and liabilities. You will learn about:

- Issuers & investors
- Fixed income securities
- Market conventions
- How a new issue is done

Interest rate risk: Interest rate risks are measured using different techniques. You will find out how they work and the advantages & disadvantages of each including:

- Duration
- Basis Point Value
- Value at risk

Interest rate swaps: Interest rate swaps are used to hedge and trade interest rate risk. You will cover:

- How they are priced
- Spot, forward and amortising structures
- How they are valued
- How they are used in asset swaps and hedging liabilities

Currency swap structures: Currency swaps are used to convert assets and liabilities from one currency to another. You will find out how dealers use currency swaps, how they are valued and the problems with basis swaps.

Day Three

Interest rate options: You will learn about caps, floors and swaptions. What they are, how the prices work, what makes their prices change and how dealers use these instruments in structuring trades.

Credit Markets: Credit default swaps, (CDS), are the building block for this rapidly growing market. You will find out how a CDS works, what the price shows, what happens when there is a credit event and what banks do with these products.

Collateral Management:

Collateralisation is all about credit risk management for OTC derivatives. You will learn why this is important, find out how it works and understand the key terms used.

Valuation methodologies & limit structures: Find out how different trades are valued and the importance of having appropriate limits in place.

- How we value derivatives
- Market price
- Derived price
- Importance of independent valuation
- What a limit is
- How limits are designed
- Purpose of limits
- Observing & reporting limits

Operational Risks: Operational risk is not new. It has existed since banks started trading. Ignoring operational risks can lead to serious problems. You will find out how and why banks have experienced major losses through operational risk and the lessons that can be learnt from these mistakes.

End of workshop and review

