

Derivatives Products for Corporate Relationship Managers

2 Days

COURSE OVERVIEW

In a world where plain vanilla FX and interest rate products have increasingly been commoditized, offering structured products to corporate customers present one of the greatest opportunities for banks to pursue growth and opportunities.

This course is designed to give the participants a comprehensive overview of various advanced derivatives products available in the financial markets. The course will teach participants how to use these products effectively so as to add values to their corporate clients.

The course focuses on the needs of the corporate clients, defines their product needs and discusses efficient hedges or trading efficiency whereby these products might be uniquely suited depending on the needs of the clients and the market environment they operate in.

The course will also give hands-on examples of how to create values by knowing the unique features of each products and how they might or might not work in various market situations. Through examples the course shows how qualitative and quantitative factors might be important in pricing the products and the way they behave prior to product expiry.

Finally, participants will learn to appreciate the hedging and risk management issues whereby their colleagues (structures and dealers) might face by making the products available to their clients.

LEVEL

Intermediate

WHO'S IT FOR?

The course applies to relationship managers working in a corporate banking environment. It is also suitable for junior structurers who have just joined the product structuring desk of the bank.

WHAT WILL I GET OUT OF IT?

For all the products listed in the course outlines below, the 2-day workshop will place heavy emphasis on the following issues and angles:

1. Description of the products and features.

2. Situations whereby the corporate customers will use the products (to hedge or speculate on market outlooks).
3. How the products work.
4. Examples to illustrate how the products might work real-time from inception to expiry.
5. Schemes and scenario analysis of the risk and returns of the products.
6. Merits & demerits of the products which RMs need to be aware of.
7. Key pricing variables of the products.
8. How key pricing variables might behave in real-time and their impacts on the performance of the products.
9. Hedging & risk management issues of the products.
10. Techniques to uncover and identify the needs of the corporate clients.

COURSE CONTENT

Derivatives – Revision

- Types of derivatives
- Forward claims derivatives
- Contingent claims derivatives
- Put-call parity
- Options Greeks
- Option combinations
- Common exotic options
 - Barrier options
 - Digital options
 - Asian options

Foreign Exchange Derivatives

- FX forward products
 - Outright forwards
 - FX swaps
 - NDF
- Pricing variables of forwards
- FX options
 - Principles of option pricing
 - Factors that affect option premiums
 - Option skews
- Common market products
 - FX call/put
 - Knock-in option
 - Knock-out option
 - Double-barrier option
 - Flat forward
 - Average strike forward
 - Range forward
 - Ratio forward

Interest Rate Derivatives

- Yield curves
 - Importance of yield curve in pricing interest rate derivatives
- Interest rate options
 - Using interest rate options to manage clients' assets and liabilities

- Interest rate swaps
- Principles of swap pricing
- Swap pricing variables
- Using swaps
 - Swapping floating liability to fixed
 - Swapping fixed liability to floating
- Common market products
 - Cap/floor
 - Corridor cap
 - Swaption
 - Extendable swaps
 - Cancellable swap
 - Swap + cap combination

Credit Derivatives

- What are credit derivatives?
- Using credit derivatives to manage clients' balance sheet
- Credit default swaps
 - Main terms of CDS
 - Reference obligation
 - Notional value
 - Premium
 - Credit events
 - ISDA's credit events
- Valuation of a CDS

ISDA Agreement

- Legal impact of master agreement
- Key features of the ISDA Master Agreement