

Fundamentals of Derivatives

Course Outline – One-day

Date: 12 April 2007 Hong Kong

Duration: One-day (0900-1700)

Level: Foundation

Pre-Requisites: No pre-course requirements

Fee: USD 750 + taxes if applicable

Learning in Teams: For every 4 delegates you enroll onto this course, the 5th person attends **FREE**

Enrolment Deadline: Friday March 23rd 2007

Course Description:

This course is designed for operations personnel interested in understanding the history, characteristics and application of key financial derivatives. This interactive course comprised of lecture, exercises, and articles about topical derivatives issues, will introduce participants to forwards, futures, swaps, and options.

Course Objectives:

- Identify market participants who currently use derivative products.
- Identify characteristics of derivative products (forwards, futures, options swaps) and on which underlying assets these derivatives are based
- Evaluate how various market participants use derivative products
- Compare and contrast advantages and risks of derivatives

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Session 1: Introduction to Derivatives

- Overview of risk management and derivatives
- History of derivatives
- Mechanics and purpose of derivatives
- Introduction to basic types of derivatives
- Market players
 - Corporations, banks, insurance companies, institutional investors, high net worth individuals and hedge funds
- Regulations and regulatory oversight

Session 2: Forwards

- What is a forward?
 - Mechanics
 - Market dynamics
 - Risks with forwards

Exercise

Session 3: Futures

- What is a future?
 - Market dynamics
 - Products that underlie futures
 - Role of the clearinghouse
 - Margin
 - Risks with futures

Article

Session 4: Swaps

- What are swaps?
- Market dynamics
- Motivations for swap use
 - Foreign exchange and interest rate markets
- Swaps to minimize market risk
 - Interest Rate Swaps
 - Currency Swaps
 - Equity Swaps
 - Commodity Swaps

Exercise

- Swaps to minimize credit risk
 - Overview of credit derivatives family
 - Credit Default Swaps
 - Total Return Swaps

Exercise

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Session 4: Swaps Cont.

- Risks Involved in Swaps
 - Market Risk
 - Credit Risk
 - Operations Risk
 - Liquidity Risk
 - Legal Risk

Article

Session 5: Options

- What is an Option?
 - Terminology
 - Characteristics
 - Types of options
 - Trading locations
- Different forms of options
- Options payoffs
- Factors affecting option price
- Put-call parity

Exercise

Summary Conclusion and Question and Answer Session