Market Risk and VaR

Course Outline – One-day

***Date:* 27 April 2007 Sydney**

***Duration:* One-day (0900-1700)**

***Level:* Intermediate**

***Pre-Requisites:* Overview knowledge of Capital Markets and Derivatives.**
Delegates would be advised to have a calculator along for the course.

***Fee:* AUD 995**

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

***Enrolment Deadline:* Monday April 2nd 2007**

***Venue:* Details to be forwarded upon receipt of enrolment. Central Sydney CBD location.**

Course Description:

With the expansion of banking into traded markets and the proliferation of product types of the recent two decades, identification, measurement, and control of market risks have become the responsibility of financial staff very much across front-, middle-, and back-office departmental areas. It is no longer the exclusive domain of a handful of quantitatively trained risk managers, but increasingly an organisational imperative that all financial staff know the types, nature, and sources of market risk, and more importantly where they fit in regarding risk control.

This one-day workshop is designed to provide delegates with general understanding of market risk concepts. Price and market liquidity risks are explored from a practical point of view across the various asset classes of foreign exchange, interest rates, equities, and commodities. Price risk is examined in its linear and non-linear forms, arising from instrument types in both the cash and derivatives markets.

Course Objectives:

At the end of this course, participants will be able to

- Discern between risk categories and among their sub-classes arising in the various markets product contexts
- Know how specific market risks are managed by VAR methodologies
- Understand common complementary methods for controlling price and liquidity risk

Course Outline:

Session 1: Overview of Trading Risks

- Bi-lateral Performance Risk
- Funding Liquidity Risk
- Price-directional Risk and Volatility
- Market Liquidity Risk
- Mark-to-market

Exercise: Risk Classification

Session 2: Price Risk and Instrument Types

- Linear and Convex Cash Instruments
- Linear and Convex Derivatives (Forwards and Options)
- Convex and Discontinuous (Exotic Options)

Exercise: Bond Delta (Duration)

Session 3: Examination of Market Risks

- Factor Sensitivity ("the Greeks")
- Market Liquidity Risk Control
- Model Valuation Risk
- Micro-limits at Trader- and Desk-level

Exercise: Risk Limits

Session 4: Value-at-Risk Management

- Price Risk and the Normal Distribution
- Probability and Volatility
- Correlation

Exercise: Risk Diversification

- Simulation VAR Management of FX Book
- Planning and Managing with VAR
- Managing with VAR in Practice
- Alternative VAR Methodologies

Summary Conclusion and Question and Answer Session