

Overview of Financial Derivatives

Course Outline – One-day

Date: 20 April 2007 Sydney

Duration: One-day (0900-1700)

Level: Foundation

Pre-Requisites: No pre-course requirements

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:

Since the early 1980s, the range of end-user products available for financial risk profile management has expanded vastly. Certain conditions have evolved to allow for this product proliferation. From the supply side it is the greatly improved power and portability of computing, the migration of mathematical talent to the financial sector, and the improved capitalisation of the banking industry. From the demand side, the globalisation of financial markets and commerce has led to much wider and deeper need for instruments that efficiently allow for risk management and transfer by commercial entities, financial institutions, governmental bodies, and investors.

This one-day course gives an overview of the main product types, in terms of their contractual features, the value proposition they pose to end-users, and how they trade in the derivatives markets. Examples used are from the main asset classes of interest rates, FX, equities, and commodities. It is led by a former practitioner who is now a technical L+D specialist.

Course Objectives:

Successfully attending this course, participants will develop

- Understanding of the need for risk transfer products and the traded instruments arising there from
- Awareness of end-user rationale for applying derivatives
- Knowledge regarding pricing and price-discovery in the markets
- Familiarity with trading routines in financial derivatives

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Session 1: Forward Contracts

- Spot market price and the cost of carry
- Mark to Market
- Settling forwards
- Non-deliverable FX forwards

Exercise – Cash-and-carry pricing of an FX forward

Session 2: Options Contracts

- Features
- Terminology and Conventions
- End-user applications
- Value Concepts
- Pricing and Price Discovery

Exercise and Settlement

Exercise – hedging with options

Session 3: Exchange listed Instruments

- Advantage of Exchange-traded Instruments
- Futures → exchange-listed forwards
- Warrants → Exchange-traded options
- Options Exchanges

Exercise - Margin calculation on futures position

Session 4: Long-term Derivatives

- Interest Rate Swaps
- Cross-currency Swaps
- Commodity Swaps
- Options on Interest Rates
- Options on Swaps
- Credit Derivatives

Summary Conclusion and Question and Answer Session