

# 5 Day Banker Boot Camp



## Course Schedule: 5 Day Banker Boot Camp

### Objectives:

During this programme participants will:

- Identify where institutions run business, operational and financial risk
- Run through core financial mathematics
- Explore money market instruments
- See how the foreign exchange (FX) markets work
- Cover key funding and capital market alternatives
- Look at ways to manage interest rate and cross currency basis risk
- Get an introduction to options and structures
- Swaps ideas on how to manage client relationships effectively

### Training methodology:

The programme is highly interactive and it will encourage participation through exercises and case studies, which the delegates will solve individually or in small work-groups.

These activities are designed to allow delegates to practice and to consolidate the concepts that will be discussed during the lectured sessions of the program.

The program will focus on the practical realities of the market, rather than taking an excessively mathematical or academic approach.

### Who should attend:

The programme is designed for:

- Management Associates
- Graduate intake
- Relationship Bankers
- Finance and Treasury staff
- Credit Analysts
- Investment Managers

### Course times:

Each day of the course starts at 09.00 a.m. and finishes at 5 p.m.

## Day 1

### **Identifying Cross-Selling Opportunities**

**0900 - 1100**

- How can the banker move from price giver to strategic partner with the client?
  - Where are the macro opportunities to cross-sell value-added solutions?
  - What do we need to know from a client to offer relevant solutions?
  - Eliciting client views on a market
  - Identifying business exposures
  - Working with risk parameters
  - Suitability and appropriateness
  - Risk management policy
    - Public versus private companies
- How to differentiate the bank from the competition

**Exercise:** Developing a client information checklist

What are the day-to-day risks in the working capital cycle?

**Exercise:** Draw out and identify risks in the working capital cycle and ways to mitigate these issues

**Exercise:** Line by analysis to identify cross-selling opportunities to mitigate business, operational and financial risk

**Exercise:** Risk identification – a set of mini case studies

### **Understanding Financial, Business and operational Exposure**

**1115 - 1300**

### **Review of Financial Mathematics**

**1400 - 1530**

- Compounding & discounting - basic financial mathematics
  - Valuing cash flows
  - Present and future values
  - Annuities
  - Nominal and effective rates
  - Day count conventions
  - NPV and the use of internal rate of return (IRR)
  - Using a financial calculator

**Exercise:** Exercises on financial mathematics

### **Money Market Instruments**

**1545 - 1700**

- Deposits and Certificates of Deposit (CDs)
- Treasury bills and eligible bills / Bankers Acceptances (BAs)
- US Commercial Paper (USCP) and Euro-Commercial Paper (ECP)
- Repos

**Exercise:** Choosing the highest yielding asset

## Day 2

### **Spot & Forwards Foreign Exchange (FX) Markets**

0900 – 1030

1045 - 1300

- What is FX exposure?
- Where do corporates client face currency risk?
- How do they handle it?
- Identifying and quantifying transaction risk

**Exercise:** Creating a checklist to identify FX exposure

- Spot pricing and quoting conventions
  - Deriving cross rates
- Forward foreign exchange
- Applications in hedging commercial contracts
- Deriving the forward rate
- Understanding the role of interest rate differentials
- Calculating forward points using the cash flows

**Exercise:** Calculating forward foreign exchange rates

**Exercise:** Mini case studies involving FX exposure

### **FX Swaps and Interest Rate Arbitrage**

1400 - 1515

- FX Swap conventions
  - Cash flows in an FX swap
- Creating arbitrage opportunities with FX swaps
  - Covered interest arbitrage

**Exercise:** Arbitraging FX markets for investment opportunities

### **Forward/Forward Interest Rates**

1530 -1700

- Where do corporate clients face short-term interest rate risk?
  - o Hedging funding facilities
- Managing upfront project finance contractual payments
- Financial Futures
- Forward Rate Agreements (FRAs)
- Comparison to the use of financial futures

**Exercise:** Hedging short term interest rate risk

## Day 3

0900 - 1015

### Long Term Funding Instruments

1030 - 1230

Review of Days 1 and 2

– Overview of key medium and long term funding instruments  
Fixed rate bonds, Medium Term Notes, Floating Rate Notes, private placements

- How to spot issuance opportunities
  - Considerations for a CFO
  - Avoiding refinancing risk
  - Assessing the potential investor base
  - Understanding the “swap window”
  - Capital structure
- Weighted average cost of capital
- Debt distribution
- What type of debt should the client issue?
  - Fixed Rate
  - Callable / Puttable
  - Convertible / Exchangeable
  - Private placements

### Interest Rate Swaps

1330 - 1500

- Interest rate swaps
- Uses by both corporates and financial institutions
- Identifying the required market information to price a swap
- Using a client’s view on a forward curve to see if a swap or option is more suitable
- Swap spreads
- Relevance to new issues, private placements and asset swaps
- Mark to market

**Exercise:** Calculating the termination value of a swap

### Case Study

1515 - 1700

A case study will bring together the areas we have covered so far

## Day 4

### **New Issues**

**0900 - 1100**

- How does primary bond issuance actually work??
  - Who is involved in bringing a new issue to market?
  - What roles are played within Debt Capital Markets?
- How is a new issued priced back to Libor?
- How does arbitrage work and why do certain markets offer comparative funding advantages?

#### **Exercise:** New issue pricing

- Single currency vs. cross currency basis swaps
- Screen snapshot
- What affects price (supply / demand)
- Importance of principal exchange in cross currency basis swaps
- Applications in hedging translation exposure
  - Cash flows
  - Reasons for hedging translation risk on assets
- Basis Point Conversion Factors
  - Calculation and importance

#### **Exercise:** Hedging translation exposure with cross currency basis swaps

### **Basis Swaps**

**1100 - 1230**

### **Cross Currency Swaps**

**1330 - 153**

- Why and when are cross currency swaps used?
- Identifying opportunities to deliver a lower cost of funds  
Opportunities to manage translation risk on assets and liabilities  
Uses in raising funding in foreign capital markets
- Importance of principal exchange (both spot & forward starts)
    - Motivation for exchange of principal
  - What is forward foreign exchange and how does it relate to cross currency swaps?
  - Buyout pricing
    - Impacts of FX and interest moves

#### **Exercise:** Cross currency swap revaluation

### **ISDA Documentation**

**1545 - 1700**

- ISDA documentation
- Key parts of the ISDA schedule
- Mitigating credit risk through collateral agreements
- Credit Support Annexe (CSA)
- Mark to market agreements



## Day 5

### Overview of Option Products

0900 – 1030

1045 - 1300

- Fundamental option products
  - Caps, floors, collars
  - Basic calls and puts
  - Dual currency deposits
  - Dual currency loans

**Exercise:** Analyse a dual currency deposit

- Features of interest rate and FX options
  - Clarifying the benefits of options versus forward contracts
  - Pay-off diagrams
  - Applications in principal protected deposits

**Exercise:** Analyse some structured swaps and generate the associated payoff diagram

- Ways to reduce option cost
- Risk Reversals
- Call / Put spreads
- Straddles and strangles
- Butterflies
  
- Suitability and appropriateness

**Exercise:** Drawing pay-off diagrams based on cash flows

- Overview of option pricing models

**Exercise:** FX option pricing simulation

## Effective Client Management

1400 - 1500

- Client meeting preparation
  - Best practice for dealing with our clients
- Understanding regulatory issues
- Optimal use of internal and external resources for client intelligence
- Listening skills
- Handling client objections

**Exercise:** Identify and pre-empt client objections

## Corporate Case Study

1515 - 1700

A Multinational Corporation will be chosen for analysis

### Identify Opportunities

- Identify the target's key business, financial and operational risks:
  - Interest rate,
  - FX,
  - Commodity,
  - Credit,
  - Equity,
  - Other (Power, weather, insurance, tax)

Review all of the problem areas / information uncovered

### Source Solutions

- Propose relevant value-added solutions
- Identify what needs to be done **internally** to deliver these solutions
- Review the solutions to the problems identified by the groups
- Each team will “visit” the Treasurer / CFO of the target company and will discuss the market risks and the proposed solution.
- Exercise Debrief
  - What have we covered
  - Where were our strengths & weaknesses?
  - How can we improve our ability to deliver?

## Course Review and Close

