

## Retail Foreign Exchange



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<b>Objectives:</b>	<p>During this certification-based programme participants will:</p> <ul style="list-style-type: none"><li>▪ Cover basic interest rate calculations<ul style="list-style-type: none"><li>– See how to calculate rates at different parts of the yield curve and look at various indices</li></ul></li><li>▪ Understand the spot FX markets, terminology quoting conventions and ISO codes</li><li>▪ Look at how forward FX can protect cash flows and understand how the rates are calculated</li><li>▪ See how to calculate cross rates</li><li>▪ Identify (pre-) settlement risk and timelines</li><li>▪ Discuss the importance of strong compliance checks</li></ul>
<b>Training Methodology:</b>	<p>The programme is highly interactive and it will encourage participation through exercises and group work that the delegates will solve individually or in small workgroups.</p>
<b>Who Should Attend?</b>	<p>The programme is designed for:</p> <p>Retail Foreign Exchange staff</p>
<b>Course Duration</b>	<p>One Day</p>

**Understanding Spot  
Foreign Exchange  
(FX)**

- Spot FX conventions
  - ISO conventions
  - Identify the base currency and quoted currency
  - Select which currency should be the base currency in the quoted pair
  - Distinguish between “big figures” and the “points / pips”
- Quoting
  - Apply a bid//offer spot exchange rate as the price maker
  - Select the best of several spot rates for the buyer or seller of an amount of base or quoted currency
  - Understand basic spot FX dealing terminology

**Foreign Exchange**

- Where do we get foreign exchange rates?
  - The drivers of supply and demand
    - Inflation
    - Interest rates
    - Perception of risk
    - Commercial needs
    - Retail needs

**Exercise: FX price reaction**

**Forward Foreign  
Exchange**

- Calculate a forward FX rate from a spot FX rate and interest rates
- Calculate an outright forward FX rate from a spot rate and the forward points, and vice versa
- Non-Deliverable Forwards
  - Their use in certain jurisdictions
  - The cash flow mechanics
- Time Options
  - Uses in hedging forward transactions

### **Calculating Cross Rates**

- Calculate cross-rates from pairs of exchange rates where the common currency is
  - the base currency in both rates, where the common currency is the base currency
  - in only one rate and where the common currency is the base currency in neither rate
- Calculate and explain the reciprocal of an exchange rate

**Exercise:** Cross rate quiz

### **Practical Aspects of Foreign Exchange**

- Nostro / Vostro accounts
- Settlement conventions
  - (Pre) Settlement risk
  - Delivery risk
  - Value dates

**Exercise:** Review Quiz

- Calculating profit & loss

### **Compliance**

- The importance of compliance and AML checks