

Using The Capital Markets For Client Funding Needs

Objectives:

During this programme participants will:

- Examine the inter-relationship between traditional lending and capital markets products
- Analyze the cash flow characteristics of these financial instruments
- Explore bond pricing and concept such as (modified) duration
- Define the internal and external parties who make a bond issue happen
- Look at a CFO's considerations when constructing a liability profile
- See how optionality can be introduced to satisfy investor-driven demand
- Cover the role of credit derivatives and asset securitisation

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:

- Client-facing staff
- Capital Markets
- Financial Market Sales
- Relationship Bankers
- Corporate Finance
- Corporate Treasurers

Course Pre-requisite

Attendees should ideally have a working knowledge of FX & Rates prior to attending this course.

Course Duration

3 Days

Using The Capital Markets For Client Funding Needs

0900 - 0915

Funding Alternatives

0915 - 1015

Credit Risk

1015 - 1045

Money Market Instruments

1100 - 1230

Fixed Income Overview

1330 – 1500

1515 - 1700

Day 2

Bond Pricing

0900 - 1015

Sensitivity Analysis of Fixed Income

1030 - 1130

Floating Rate Notes (FRNs)

1130 - 1230

Introduction from the Course Director

- Overview of key short, medium and long-term funding instruments
 - Day Count Conventions

- What is cash?
- What is credit risk?
- Why take security?
 - Key covenants
 - Settlement risk

- Deposits and certificates of deposit
- Treasury bills and eligible bills/bankers acceptances
- US and Euro-commercial paper
- Repos

Exercise: Calculating yield on a discounted instrument

- Yield curves
 - Par, zero and forward curves
- Government bond markets
 - The role of primary dealers
- Foreign bond markets
 - Eurobonds, Yankees, Samurai etc., Sukuks
 - Their position in Islamic funding markets
- Floating rate notes
- Medium term notes
 - The features and benefits of establishing an MTN programme
 - The role of reverse enquiry
- Asset-backed notes

Exercise: Understanding credit spreads

- Understanding the price / yield relationship
- Building blocks in fixed income pricing
- Understanding the IRR quality of yield-to-maturity

Exercise: Exercises with bond price and bond yield calculations

- Concept and applications of duration
- Calculating Macaulay duration and modified duration
 - The impact of convexity
- Using sensitivity as a risk management measure

Exercise: Using duration to assist in hedging a portfolio

- Who are the players?
- Pricing versus the credit spread
- How can we price up an FRN in our head?
 - Comparing loans to FRNs

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Interest Rate Swaps

1330 - 1415

- Interest rate swaps
 - Their role in capital markets issuance
- Swap spreads
 - Relevance to new issues / private placements and asset swaps

What Maturity Suits Your Borrower?

1415 - 1500

- Industry cycles
 - Avoiding a credit crunch
 - Tax implications
- The importance of diversification
- Using annual reports and Bloomberg to spot funding gaps

New Issues

1515 - 1630

- Coordination and information flows between Originations, the Relationship Banker and the Derivatives Desks (trading & sales)
 - Pre-hedging discussions prior to the issue
 - Relationship of swap spreads to spread to Libor
 - Issuance process
 - Post Issuance

Exercise: Price a new issue for a corporate client

Review of Days 1 & 2

1630 - 1700

Day 3

Overview of Option Products

0900 - 1030

- Fundamental interest rate and FX option products
 - Caps, floors, collars
- Use of exotic options to reduce funding costs and to provide value to investors
 - Vanilla versus binary
- Comparison with quanto / diff swaps
- Dual currency bonds with and without optionality

Exercise: Drawing pay-off diagrams based on cash flows

Hybrid Structures

1045 - 1230

- Incorporating equity derivatives into funding structures
 - Convertible / Exchangeable bonds and warrants
 - Uses in corporate finance to dispose of residual equity stakes
- Where is the value?
- What are the implications for both borrower and investor?

Credit Derivatives

1330 - 1500

- Credit derivative structures and their uses
 - Asset & liability management
 - Pricing relationship to bonds and asset swaps
 - Credit default swaps
 - Credit linked notes
 - Using Bloomberg CDSW

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Asset Securitisation

1515 - 1600

Knowledge Demonstration Opportunity

1600-1700

- Securitisation
 - Asset-backed securities
 - Overview
 - Investor perspective
 - Roles in securitisation
 - Master Trust structure
 - CDO structures
 - Cashflow versus synthetic CDOs