

Introduction To Options

Objectives

During this programme, participants will

- Learn the difference between call options and put options
- Differentiate the various option types
- Explore fundamental structures to manage interest rate risks
- See how to embed options into structured investments
- Use a currency option simulation model to put theory into practice

Training Methodology

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.

Who Should Attend?

This programme is designed for

- Financial Markets Sales
- Relationship Managers
- Credit Officers
- Corporate Treasury staff

Course Duration

1 Day: 0900 - 1700

Introduction To Options

Options and Structures

- Features of interest rate and currency options
 - Clarifying the benefits of options versus forward contracts
- Checklist for structured product investments

Exercise: Create client checklist for structured products

- Options types
 - European / American / Bermudan / Asian / Path Dependent
 - Features: (Dis)advantages
- Building blocks
 - Understanding payoff diagrams
 - Put / call parity
 - Creating synthetic long or short positions
- Fundamental structures
 - Basic Calls and Puts
 - Risk reversals
 - Call spreads
 - Straddles / strangles

Exercise: Analysis of suitable hedging structures through mini case studies

Interest Rate Options

- Applications for hedging corporate exposures
- Fundamental structures
 - Caps, floors, collars
 - Option-linked funding
 - Flexi swaps
 - Swaptions
 - Uses in project finance
 - Extendible swaps
 - Callable bonds
 - Bermudan options and their applications
- Ways to reduce premium outlay
 - Cap spreads
 - Contingent Premium Options
 - Step-up strikes
 - Limiting caplet exercise

Exercise: Dual currency deposit structure

Introduction To Options

Structured Deposits / Loans

- Dual currency loans
 - How do they work?
 - In what circumstances do they make sense for the client?
 - Analyse the risk and opportunity
- Digital options
 - Applications in principal-protected deposits and funding structures
 - (Dual) range accruals
 - Semi-fixed swaps
 - Range reducer swap

Exercise: Analyse a structured deposit

Suitability and Appropriateness

- Delivering solutions properly
 - Suitability and appropriateness
 - Reputation risk

Currency Option Simulation

Using an excel-based hands-on pricing model where we will learn to price up:

- Vanilla currency options
- Call spreads
- Risk Reversals
- Straddles / strangles
- Butterflies

The practical simulation will reinforce the theoretical part of the currency options course.

The objective of the module is to show how a client's specific market view can be translated into a suitable solution for his hedging requirement.

Course Review And Close