Effective Client Management And Treasury Solutions

<u>Day 1</u>

Introduction

The Programme Director will introduce the course and what it will achieve over the following two days.

Mining for information

- Where do our clients have exposure to currency, commodity prices and interest rates?
- What is the product suite most likely to be used by our client base?
- What jargon are you likely to encounter when dealing with Treasury?
- Apart from reported financial statements, what additional information do we need to know from a client at the beginning?

Exercise: Identify risk in the working capital cycle

- What is meant by "market risk" and how can it be quantified?
- Where are the market exposures for our clients?
    - How can we incorporate this into account planning?
- How does Treasury know where the market will move?
    - Internal and external resources available to the Relationship Bankers
    - Understanding the concept of forward pricing

Exercise: Create a core client information checklist

Identifying Opportunities

- Taking a balance sheet and income statement, we will do a line by line analysis of where our client is running a market risk.
- We will identify and discuss off balance sheet items which may affect our client's future, e.g. expansion plans, where Treasury may be able to play a role
- The role of loan covenants and how hedging can protect both the client and the bank
- Ascertain mutual priorities to engage the client as a partner

Managing Currency Exposure

- Identify different types of currency exposure: transaction, translation and economic risk
  - Trade finance
  - Foreign currency loans
  - Cash balances

- Spot Foreign Exchange (FX)
  - How is it quoted?
  - Terminology

- Forward FX and its relationship to interest rates
  - Understanding and managing Settlement Risk
  - Non-Deliverable Forwards (NDFs)

Exercise: Developing a specific FX risk checklist for both asset and liability-side clients

Mini cases involving forward FX hedging

Medium Term Foreign Exchange (MTFX)

- Calculating MTFX rates intuitively
  - Applicability to long term commercial contracts
  - Opportunities in the current market

Interest Rate Risk

- Where and why does a client run short-term interest rate risk?
  - Working capital facilities
  - Cash balances (Current Account / Savings Account)
  - What questions should we ask?

- Instruments to hedge short term risk
  - Forward Rate Agreement (FRA)
  - Forward-Forwards

Exercise: Using Forward Rate Agreements

Day 2

Identifying Long Term Market Risk

- Where do the bank's clients face long-term market risk?
  - Domestic and foreign currency loans
  - Leasing property, plant and equipment
- When and why should the client hedge?

Interest Rate Swaps

- Interest rate swaps
  - Uses by both corporate clients 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
  - What is the market and credit risk to the bank?

Exercise: Calculating the termination value of a swap intuitively

Basis Swaps	• Screen snapshot
	    – What affects price (supply / demand)
	• Applications in hedging translation exposure
	    – Reasons for hedging translation risk on assets
	
	Exercise: Hedging translation exposure with cross currency basis swaps

Cross Currency Swaps	• Why and when are cross currency swaps used?
	    – How do the cash flows move?
	    – What is the risk to the bank if the client defaults?
	
	• Buyout pricing
	    – Impacts of FX and interest moves
	    – Applications in re-aligning foreign debt
	
	Exercise: Cross currency swap revaluation

Fundamental Options and Structures	• What is an option?
	    – Why use options instead of forward contracts?
	    – What should we charge for an option?
	    – How can we reduce this premium?
	
	• Suitability and Appropriateness
	    – Do we need credit limits for our client?
	    – Reputation risk
	
	• FX-linked deposits
	    – Principal protected structures
	    – Dual currency deposits and loans
	
	• Payoff diagrams
	
	Exercise: Mini case studies to identify opportunities and suggest suitable client strategies

Day 3

Effective Client Management

- When to use open questions
  - Who, why, when, where, what, how?
  - “Tell me more about….”
- When to use closed questions
  - Summarizing so far
  - “Are you telling me that….?
- The importance of taking notes (with permission)

Exercise: Identify closed / open questions

Background and context of the need or problem
  - Completely understand the problem
  - Why and for whom is it a problem?
  - How big is the problem to the client?
  - How has it been tackled so far?

Confirming the decision-making tree
- Internal and external political constraints
- Placing your contacts
  - Moving up, down, sideways
  - Sphere of influence

Discussing The Solution

- Clarifying features versus benefits
  - How does the solution satisfy the client’s need?
  - Aligning solutions to the client’s business, operational and financial objectives
  - Qualitative versus quantitative benefits
  - Developing critical thinking to discuss the strengths and weaknesses of individual solutions
  - Client decision criteria to do the business
    - Price, quality, response speed, flexibility, performance, value, reputation
    - Which are most / least important?

Exercise: List features versus benefits of key Treasury products

Finishing The Meeting

Creating a follow-up action plan

- Clarifying individual responsibilities
- Using timelines and milestones
- Dealing with the client
  - Managing channels of communication

Closing The Deal

- Are you in a position to deliver?
- Risk limits, documentation, facilities in place etc.

- Controlling the client to closure
- Using positive language
- Creating mutual satisfaction
- Paving the way for future business

Role Plays

- A set of role plays will bring together the concepts covered during the training.

- Small case studies based upon a regional company will test the banker's ability to intuitively spot opportunities to cross-sell hedging solutions.

- Equally important is the banker's ability to ask probing, relevant questions to elicit "hidden" information known only to the Treasurer.

- Groups of 3 or 4
  - Individuals allocated to the role of Banker / Client / Observer
  - 10-15 minutes to discuss a specific client situation and identify the course of action to take
  - Post-meeting review to discuss what went well or could have gone better
  - Replay, in different groups, to incorporate lessons learnt from the first round

Summary to agree on what makes a client meeting successful

Course Review and Close