Cross-Selling and Opportunity Spotting

Objectives

During this programme participants will:

- Understand the concept of RAROC and the importance of cross-selling multlple suitable revenue streams
- See how to effectively identify threats to shareholder value and business, operational and financial risks;
- Develop a strategy to help the client manage market risks in the working capital cycle;
- Focus on increasing share of wallet and develop a core strategy to cross-sell more intuitively;
- Appreciate the importance of cross-selling to increase Return on Capital on the client relationship
- Participate in mini case studies to out into practice the concepts covered during the day.
- See how interest rate swaps can be used to manage longer term market risk.
- Understand how to protect yourself against counterparty risk for Treasury transactions
- Undertake a case study that includes all of the concepts covered in the course.

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.

Who should attend:

The programme is designed for:

- Relationship Managers,
- Treasury Sales
- Credit Officers
- Risk Managers

Introduction

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

Understanding Risk-Adjusted Return On Capital (RAROC)

A helicopter view of the bank's balance sheet to highlight the importance of cross-selling

Identifying Risk In The Working Capital Cycle

We will look at a typical working capital cycle and identify where currency, rate, commodity cash and trade exposure may be involved.

This will involve identifying the following:

- Transaction versus translation risk
- Trade finance (funding / LCs)
- Working capital management
- Foreign asset values and income streams

We will look at recent market volatility and quantify the consequence of doing nothing.

- Where do our clients have exposure to currency, commodity prices and interest rates?
- Where are opportunities to cross sell cash and trade solutions?
- What is the product suite most likely to be used by our client base?

Exercise: Identify risks and opportunities around the working capital cycle

Discussing Market Risk	▪ What is meant by "market risk" and how can it be quantified? ▪ Risk Management Policy ▪ 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 **Exercise:** Client information checklist
Risk Identification	**Exercise:** Series of market situations – Identify the risk situation for the client and generate suitable solutions **Exercise:** Opportunities in today's yield market for corporates and financial institutions – Identify and compare Treasury strategies based on current market rates and a client's view
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) ▪ Forward FX and its relationship to interest rates – Settlement risk **Exercise**: Developing a specific FX risk checklist for both asset and liability-side clients. **Exercise:** Mini cases involving forward FX hedging

Short Term Interest Rate Risk Management

- Short term interest rate risk
  - Forward/forward interest rate calculation
- Identifying exposure in corporates and financial institutions
- Forward Rate Agreements (FRAs)
  - Using FRAs for hedging and trading

Exercise: Short term interest rate case study

Day 2

Review of Day 1

Interest Rate Swaps

- Interest rate swaps (IRS)
  - Applications for corporate and financial clients
- Managing rate risk on your loans
- Strategies to counter client hedging objections
  - Step up coupons
  - Forward starting swaps

- Mark to market

Exercise: Calculating secondary swap value

The exercise will be conducted in teams.

Introduction To Options

- 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

Exercise: Mini case studies to identify opportunities and suggest suitable client strategies

Counterparty Risk	▪ Protecting the bank and the client with appropriate documentation – Swap documentation – Potential Future Exposure (PFE) – The difference between loan and Treasury exposure
Case Study	A case study will underpin the opportunity-spotting and cross-selling skills we have covered in the past two days. ▪ Analyzing business, financial and operational risks of a corporate client ▪ Generating derivative-led solutions ▪ Prioritize the needs of both the client and the bank ▪ Delivering advice and solutions to the client
Course Review & Close	