



MONECO FINANCIAL TRAINING

INTEREST RATE RISK HEDGING WORKSHOP

December 5-6, 2019

Lecturer: Mark Taylor

Registration Deadline: November 19, 2019

MONECO
Financial Training

Upcoming Seminar

INTEREST RATE RISK HEDGING WORKSHOP

DATES: December 5–6, 2019 • PRICE: € 1,400 • LOCATION: Prague, NH Hotel Prague

NEW

Attend this 2-day training workshop and learn about:

- The nature and source of interest rate risk within companies and banks
- The hedging decision process including a look at how real companies decide how to hedge
- How to measure interest rate risk and quantify it using risk metrics and gap analysis
- Creating a risk management policy
- The spectrum of interest rate hedging products available to companies and their pros and cons
- The hedge lifecycle and the evolution of hedge valuation and break costs
- The futures of IBOR reference rates

This 2-day workshop offers a detailed analysis of the process of interest rate hedging, from the measurement of risk through to detail on the products used to hedge.

On day one, we start with the basics of interest rate risk. How does it arise? How do we measure it? The workshop will look at how to quantify interest rate risk and the different measures popular with companies. During this section we will talk about how companies make the hedging decision and how they create a risk management policy. We also discuss dealing with banks – what's in it for them and how do they manage the risk?

On day two we move our focus to the hedging products themselves with a detailed analysis of the different products available and what each one offers as a hedge. Participants will learn the products in an intuitive way but also be taught the important pricing and risk calculations for each one. The products will be assessed in aggregate and we will discuss the role of each one in a diversified hedging portfolio. Once the products have been understood, the next section deals with how the valuation of the trade evolves over time, looking at the importance of yield curve shape in the valuation and future break costs. Next we look at the future of IBOR reference rates and the nature of their replacements.

The workshop finishes with a session analysing some real company hedging decisions and policies, bringing together all the knowledge gained over the two days to critique the approach taken by these companies to the job of interest rate risk management.

Who should attend?

Bank traders, salespeople, structurers
Bank market risk managers, middle office and operations professionals
Investors – institutional investors, fund managers, private traders
Company treasury managers and staff, accountants, risk managers

Workshop methodology

The workshop consists of classroom-based training which combines formal teaching of concepts and technical content, with individual and group exercises to reinforce learning points.

THURSDAY, DECEMBER 5

09⁰⁰–09¹⁰

Welcome and Introduction

09¹⁰–12³⁰

Interest Rate Risk and the Hedging Decision

- How does interest rate risk arise within a company?
 - How are companies financed?
 - Equity versus debt
 - Why do commercial banks lend on a variable rate basis?
 - Why do companies usually want to pay a fixed rate?
- The market for fixed-rate loans
 - Why are fixed-rate loans so rare?
 - Is there still interest rate risk if you have a fixed rate loan?
- The corporate hedging decision – inside the mind of the corporate treasurer
 - How is risk identified and quantified?
 - What are the pros and cons of hedging?
 - How much risk do we hedge?
 - How does a typical company make the hedging decision?
 - Comparing to peers, does it matter what they do?
- Dealing with banks
 - What do banks get out of it?
 - What happens to the risk once the company has hedged?
 - Understanding how banks profitably seek and manage risk on hedging deals

Exercises:

- ♦ Corporate financing decisions
- ♦ Hedging discussion

12³⁰–13³⁰

Lunch

13³⁰–17⁰⁰

Interest Rate Measuring and Managing

- How do we measure interest rate risk?
 - Description of quantitative measures of interest rate risk
 - Duration and DV01
 - Duration gap analysis
- How can we forecast cash flows and expected debt requirements?
 - Cash flow statement forecasting
 - Stress-testing our cash flow forecasts
- Macro hedging
 - Creating a risk management policy
- Managing the structural impact of low/high interest rates

Exercises:

- ♦ Interest rate exposure calculation
- ♦ Building a simple cash flow statement forecast

Interest Rate Risk Hedging

- What are the hedging products available?
 - Pros and cons of different hedging choices
 - Plotting the future scenarios
 - Linear products versus option products, how do we strike the right balance?

– When is it a hedge and when is it not?

- Balancing the floating-rate and fixed-rate mix
- Using FRAs and swaps to hedge
 - Understanding the pricing and the settlement of the hedging product
 - Aligning dates and amounts

FRIDAY, DECEMBER 6

09⁰⁰–12³⁰

Interest Rate Risk Hedging (cont.)

- Using an option-based hedge
 - Paying a premium or constructing a zero-cost combination?
 - Using exotic options – how do we balance flexibility and complexity?
- Flexible hedges
 - How can we construct a hedge for a variable debt amount?
 - Using variable notional swaps – how are they constructed and priced?
- Bringing the products together
 - Examination of the full spectrum of interest rate hedges available
- Other hedging issues
 - Appropriateness and suitability rules
 - ♦ Analysis of previous bank mis-selling cases
 - Hedging accounting under IFRS9 – why does it matter?
 - ♦ Reporting of hedge P/L

Exercises:

- ♦ Liability hedging using derivatives
- ♦ Using full and partial hedges

Hedge Lifecycle

- How to deal with changing circumstances?
 - Using rolling hedges
 - Pre-hedging known future exposures
- Evolution of hedge P/L
 - What effect does the shape of the yield curve have?
 - Dealing with curve roll down and negative carry
- Breaking the hedge – what happens when the hedge is no longer needed?
 - How do banks compute break costs?

Exercise: effect of yield curve shape on carry and break costs

12³⁰–13³⁰

Lunch

13³⁰–17⁰⁰

The Future of IBOR Reference Rates

- What is the future of IBOR reference rates?
 - If they are being replaced, what are the replacement rates?
 - The new Risk-Free Rates (RFRs)
- How do the new RFR rates work?
 - How is interest calculated?
 - How do we create a term rate to replace IBOR?
- How will the replacement of IBOR effect corporate hedging?
 - Timing issues between loan and derivative hedging rates
 - Legal and accounting risks

Exercises:

- ♦ Interest rate calculations using RFRs
- ♦ Dealing with legacy IBOR contracts

Analysis of Real Company Hedging

Decisions

In this session, we analyse some real company interest rate hedging decisions and hedging policies. Participants will be given some company annual reports and asked to find evidence of interest rate risk calculations and risk management policies. Participants will be invited to draw conclusions on the logic behind the hedging policy and the hedging products chosen.

Termination and Evaluation of the Workshop

Lecturer: Mark Taylor

Mark spent 10 years as an FX and interest rate derivatives trader in London, HK and New York before moving into financial training, where he has spent the last 9 years. His trading experience spans vanilla and exotic products having run profitable businesses across the derivatives product spectrum.

Mark graduated from the University of Bristol with a first-class degree in Aeronautical Engineering. He had a brief stint as an aerodynamicist working on military aircraft design for BAe Systems, before moving into finance, first with Deutsche Bank and then RBS.

After leaving finance Mark bought, ran and subsequently sold a retail business; in the process developing a first-hand understanding of company valuation, accounting, as well as company financing and risk management.

Mark uses his experience in financial markets and the corporate world to run engaging training courses across both the markets and corporate finance disciplines.



Knowledge Leads the Way...

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Terms and Conditions of the MONECO Financial Training

MONECO Financial Training

MONECO Financial Training offers a comprehensive programme of English-language seminars, trainings and practical workshops lectured by qualified tutors. Our objective is to provide the industry professionals with advanced financial know-how and up-to-date analytical methods and skills.

Seminar Venue and Accommodation

The bulk of the MONECO seminars are traditionally held at the international four-star NH Prague Hotel in Prague, Czech Republic. Since we are expanding our training activities, we run some selected seminars also in other European destinations. Accommodation is not included in the seminar price, but upon request we are happy to offer you hotel reservations in every of our training destinations at special discounted prices for our valued clients.

Tuition Language

Seminar tuition is in English language, as are all manuals, training software etc. Therefore, in order to benefit from participation, at least a passive knowledge of English, including common financial phrases and related terminology, is required.

Registration

Clients who decided to participate, should submit us in advance a registration for a particular seminar (letter, fax, internet etc.). Subject to availability, the participant will then receive a confirmation of participation. The number of participants is always strictly limited in order to secure an effective and focused learning environment.

Seminar Prices

The quoted seminar prices are per person and include all the training manuals, lunches and refreshments, certification diploma in English and selected software solutions used at the seminar. The price does not include hotel accommodation. Quoted prices are exclusive of local VAT (21 %) "Bundle" prices represent the total fee for participation in mutually related seminars (i.e. "Bundles 3+2, 2+3, 2+2, 3+1, 1+3, 1+2+2 and 2+2+1"). "Bundle" prices are provided in the Calendar of the MONECO Financial Training seminars.

Discounts

Bulk discounts are offered when submitting an application for the participation of more than one person. A 10 % discount is offered when at least two participants from one company register for a seminar or one participant registers at once for two or more seminars. The discounts do not apply for "bundle" prices, as these already represent discounted prices.

Invoicing and Payment

An invoice for the seminar price will be sent to the participants no later than 10 working days prior to the beginning of the seminar. **Full payment of the invoice must be made before the start of the seminar as a precondition of participation.**

Terms of Cancellation

If for whatever reasons a registered participant is unable to attend, a substitute delegate may be appointed to participate instead. For cancellations received 20 days or more before the beginning of the seminar, a 10 % cancellation fee of the full price will be invoiced i.e. 90 % of the price is refunded. **For cancellations received less than 20 days prior to the beginning of the seminar, the full price is payable i.e. no refund will be provided. All cancellations must be in writing.** The organizers of the MONECO Financial Training courses reserve the right to cancel the individual participation or cancel the entire seminar or part of it for whatever unspecified reasons, including possible force majeure. In this case, the price paid will be refunded in full or in part, accordingly.

REGISTRATION FORM

**Registration Deadline:
November 19, 2019**

• Interest Rate Risk Hedging Workshop

December 5 – 6, 2019

€ 1,400

COMPANY

Name:

Approving Manager:

Person responsible for training:

Address:

Tax Registration No.: VAT Identification No.:

PARTICIPANTS

1. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

2. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

3. Title: Name: Phone:
Mr/Mrs/Ms

E-mail: Position:

Date: Signature: