

COURSE OUTLINE:

Introduction to Fixed Income Derivatives

2 days
16 CPE Credits

Overview

This programme is designed to provide participants with a thorough grounding in the major classes of fixed income derivatives.

Learning Objectives

Upon completion of this seminar delegates will be able to:

- » Create basic hedge structures using fixed income derivatives to hedge interest rate and currency risks
- » Estimate mark to market valuations of non-contingent derivatives
- » Understand the impact of valuation on margin flows
- » Contrast OTC vs ET derivatives and cleared vs. non-cleared derivatives
- » Discuss the legal and accounting environment for derivatives

Who Should Attend

This course is useful for:

- » Portfolio/asset/fund managers
- » Credit/lending officers
- » Investment and commercial bankers
- » Fixed income professionals
- » Risk managers
- » Banking supervisors

Program Level

Program Level: Introductory

Prerequisites: Not Applicable

Delivery Method: Group-Live

Accreditation

Moody's Analytics is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.nasbaregistry.org.

WHY MOODY'S ANALYTICS?

Current and Consultative

Our seminars are created and updated utilizing the extensive experience, skills and research of Moody's Analytics. For in-house training, we work with you to understand the distinct needs of your organization and design, implement, and track the performance of your learning programs from end-to-end, including skills assessment, program design, implementation, evaluation, and enhancement.

Comprehensive Coverage

We offer a broad set of technical and soft skills programs that can be combined and adapted to the needs of your staff. Our areas of expertise include banking, finance, sales negotiation and leadership development:

Unparalleled Expertise

Our training solutions leverage over a century of experience in risk assessment and the comprehensive tools, data, and analysis of Moody's Analytics to deliver timely, in-depth, and comprehensive knowledge. In delivery, our people make the difference – they combine deep experiences as financial practitioners, intellectual passion for the content, and superior academic credentials with a commitment to delivering outstanding quality.

Introduction to Fixed Income Derivatives – Agenda

DAY ONE

Session 1: Introduction

- » Defining a derivative contract and how they differ from cash contracts
- » Review of the major derivative products: forwards/futures, swaps and options
- » Cash settled (contract for difference) vs. physical delivery
- » ISDA and the legal environment
- » A primer on the accounting of derivative contracts

Session 2: FRAs and Futures

- » Review of yield curves
- » Understanding the forward interest rate
- » Using a forward rate agreement to manage an interest fixing
- » FRA mark to market and counterparty credit exposure
- » **Case Study:** application and valuation of a FRA contract
- » Short term interest rate futures and their comparison to FRAs
- » **Case Study:** using STIR futures to hedge interest rate risk

Session 3: Interest Rate Swaps

- » Using interest rate swaps to manage rate risk
- » Understanding the swap cash flows and NPV construction
- » Swap market to market
- » Collateral in OTC interest rate derivatives
- » **Case Study:** application and valuation of an IRS
- » Overnight index (OIS) swaps
- » Market agreed coupon (MAC) swaps
- » Cleared swaps
- » Currency (basis) swaps
- » **Case Study:** using a currency swap with a bond issue

DAY TWO

Session 4: Bond futures

- » Concept of a notional bond
- » Conversion factors & CTD
- » Using bond futures to hedge
- » **Exercise:** hedging with bond futures

Session 5: Option primer

- » The basic terminology and cash flows
- » Moneyness and payoff profiles
- » Time & intrinsic values and put-call parity
- » The basics of pricing
- » **Exercise:** option cash flows and put-call parity

Session 5: Caps and Floors

- » Options on an interest rate index
- » Caps and floors as a series of options
- » Interpreting the price
- » Comparison to an IRS as a hedge
- » Application of caps, floors and collars
- » **Exercise:** using caps and floors in hedging
- » Cap and floor volatility

Session 6: Swaptions and options on Bonds

- » Swaption mechanics
- » European vs. American style swaptions
- » **Case study:** hedging using swaptions
- » Operation of a bond option
- » Bond options and swaptions compared

Tailor Any Seminar for Your Organization

Moody's Analytics offers customized training and eLearning solutions to help you maximize your training investment. Our hands-on approach benefits companies of all sizes and requirements – from those with just a few local employees to those with staff dispersed around the globe. Contact us to learn more and to work with one of our training consultants to design the right program for your organization.

Multiple Bookings

Special rates may be available for multiple seminar or group bookings. Please contact us for details.

Fees & Cancellations

The fee listed is per participant and includes refreshments, lunches and seminar materials. Seminar fees do not include tax, transportation or hotel accommodations. Payment must be received in full prior to the start of the seminar. Registrations may be cancelled in writing via letter or email at least 30 days before the first date of the training for a full refund. Cancellations received less than 30 days in advance are eligible for substitution with another seminar, but fees will not be refunded. We reserve the right to cancel or reschedule seminars at any time. For further information on our refund and complaint policy, please contact us.

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