

# IFF

# MASTERING FINANCIAL PRODUCTS & DERIVATIVES

All you need to know about the practical applications  
of securities and derivatives

**Contact:**

[www.iff-training.com](http://www.iff-training.com)  
Tel: +44 (0)20 7017 7190  
Email: [cs@iff-training.com](mailto:cs@iff-training.com)



Learning partner of  
**QuantMinds**

During this course, you will examine the rationale, mechanics and risks/rewards for investors in the full range of financial instruments which provide direct and indirect exposure to different asset classes.

You'll focus on the way in which these instruments function, the financial engineering involved in the construction of derivatives, the markets and platforms upon which they trade and the motivations behind the selection of such instruments in trading, investment and hedging.

After three days of interactive knowledge transfer, you'll understand the essential nuances and characteristics of underlying financial products, the derivatives based upon them and their vital significance in today's volatile financial markets.

You'll have the opportunity to participate in collective exercises and analytics using the new techniques you've learned.

## YOU WILL LEARN ABOUT

- ★ The underlying financial asset classes – equities (including ETFs), bonds, currencies and commodities
- ★ Global markets and platforms where financial instruments are traded
- ★ Asset allocation and portfolio construction techniques
- ★ The essential characteristics of financial derivatives – swaps, futures, options and structured products
- ★ The mechanics and engineering principles behind the structuring of financial derivatives
- ★ The role of derivatives in hedging and risk management of a portfolio
- ★ The regulatory environment, compliance issues and best practice in the application of derivatives to investment and trading

## COURSE LEADER

### CLIVE CORCORAN



Clive Corcoran has been engaged in the finance and investment management sectors, on both sides of the Atlantic, for more than 25 years. After completing his education in the UK, Canada and the US, he co-founded and became the CEO of an investment management company based in the USA during the 1980's and 90's. The company

provided wealth management and fiduciary services to a variety of international clients. His own responsibilities included personalized business management, international tax planning and providing strategic financial advice to high net worth individuals.

Since re-locating to the UK he has continued, as an FCA registered investment adviser, to be engaged in providing strategic investment advice to private clients and pension funds.

During recent years he has written several books on international finance, focusing on asset allocation and risk management. He also has been very actively involved in executive education on a global basis for finance professionals. He conducts workshops and in-house courses on a variety of topics including risk management, Basel III and capital adequacy, central banking, systemic risk, asset allocation techniques, credit risk, market risk and derivatives.

Some of the clients for whom he has provided in house training include the European Central Bank in Frankfurt, the European Commission, three of Europe's G-SIB banks, three of China's G-SIB banks, Goldman Sachs Asset Management

in Singapore, Tokyo and Hong Kong, China's largest asset management company in Beijing, a public/private partnership in project finance based in Washington D.C., Oxford University Endowment Fund Management, the Moeller Institute at the University of Cambridge, a major European clearing organization and the European Investment Bank (EIB).

## ABOUT IFF

IFF has been delivering training courses to finance professionals since 1991. We are part of Informa PLC and the learning partner of the QuantMinds and RiskMinds series of events.

- We continually develop and improve our training to make it more effective for you
- You'll experience interactive and practical training - implement what you learn straight away
- You'll learn from practising, highly-experienced financial experts
- We limit class size so the trainer can adapt the content to suit you

## DATES & PRICE

Please contact a member of our team for more details

## CONTACT US

+44 (0)20 7017 7190

cs@iff-training.com

www.iff-training.com

## IN-COMPANY TRAINING

IFF's bespoke training solutions will help you address your specific key business challenges. The programme is designed for you, with content focusing on the issues you and your teams are facing. The course can then be delivered at your choice of location face-to-face, digitally or a combination of the two.

- ★ Tailored content - 100% targeted to cover your needs
- ★ No travel or time out of the office – we will come to you
- ★ Value for money – train teams of staff at the same time
- ★ Risk free – we've been doing this for over 30 years

For more information please contact Leigh Kendall on +44 (0)20 7017 7190 or email: Leigh.Kendall@informa.com



# COURSE AGENDA



## EQUITIES

### Characteristics of Equities

- Ordinary, bearer and registered shares
- Ranking for dividends and liquidation

### Issuing Equity Securities

- Structure and stages of an Initial Public Offering (IPO)

### Global Equity Markets

- Overview of major developed and EM equity markets

### Equity Markets and Trade Execution

- Alternative trading venues, dark pools

### Warrants and Covered Warrants

- Behaviour and relative risks of warrants and covered warrants

### Contracts for Difference (CFDS)

- Mechanics of a CFD
- Market, liquidation & counterparty risks



#### CASE STUDY

High Frequency Trading (HFT) and growth of alternative trading venues in US and Europe, dark pools

## FIXED INCOME SECURITIES

### Characteristics of Sovereign Bonds

- Nature of the US Treasury market - size, maturity structure, primary participants
- UK and principal EU government bond markets
- Index linked bond characteristics – TIP's, index linked gilts

### Characteristics of Corporate Debt

- Fixed coupon instruments and Floating Rate Notes (FRNs)
- Asset Backed Securities (ABS) – fixed charge, subordinated
- Convertible debt securities – conversion rights, valuation
- Covenants and legal features of debt contracts

### Issuance and Trading Practice with Fixed Income Securities

- Pricing and role of underwriters/ syndicates
- Inter-Dealer (IDB) price-driven electronic trading platforms

## Valuation and Risks of Fixed Income Securities

- Bond sensitivity to interest rates and time value of money
- Understanding duration - modified duration, Basis Point Value (BPV) and convexity
- Bond price quotations - clean and dirty prices – interest accrual
- Term structure of interest rates – yield curve, non-parallel shifts of the curve
- How to manage risk of investing in fixed income securities
- Fundamentals of hedging bond portfolios – using futures, using swaps

### Structured Debt Instruments

- Securitisation structures - Mortgage Backed Securities (MBS)
- Understanding and evaluating waterfall structures
- What is a Collateralised Debt Obligation (CDO)?



#### CASE STUDY

UK gilt market, types of gilts, index linked gilts, role of GEMM's, role of Debt Management Office, nature and trading of STRIPS

## MONEY MARKETS, FOREIGN EXCHANGE AND SETTLEMENT

### Cash Instruments and Markets

- Treasury bills, commercial paper, money market funds etc.
- Deposit insurance and default compensation schemes

### Foreign Exchange Instruments and Markets

- FX Spot contracts, FX Forwards, FX Futures
- Kinds of currency swaps
- Interest rate parity and pricing of forwards

### Clearing, Settlement and Safe Custody

- Prime brokerage and equity finance
- Details in share register, legal ownership/ beneficial ownership

### Purpose, Requirements and Implications of Securities Lending

- Benefits and risks for borrowers and lenders

- Function of SBLIs, market makers, intermediaries and custodians



#### CASE STUDY

The repo market and secured overnight financing rates

## COLLECTIVE INVESTMENT VEHICLES

### Characteristics of Collective Investment Schemes

- OEICs, unit trusts, investment trusts, Real Estate Investment Trusts (REITs)
- Life Assurance Investment Bonds, Endowment policies, Annuities
- Total expense and turnover ratios

### Exchange-Traded Funds

- Continuous trading, low expenses, tracking error, popularity
- Examination of MSCI geographical indices which many ETFs track
- Features of inverse ETFs, leveraged funds

### Structured Products

- Risks, valuation and yield characteristics of structured products hedge funds
- Capital protection
- Prospects for capital growth and income

### Hedge Funds and Private Equity

- Rationale and appeal of alternative investment opportunities
- Business model and strategies of hedge funds
- Business model and behaviour of private equity vehicles



#### CASE STUDY

Global Macro hedge fund strategy, macro-economic themes and analysis of asset class correlations

## FINANCIAL PRODUCTS ANALYSIS

### Financial Statement Analysis

- Purpose, structure and use of balance sheets, income statements and cashflow statements

### Financial Ratios

- Profitability, liquidity, asset turnover, gearing

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# COURSE AGENDA



## Key Investor Ratios

- Earnings per share, P/E ratios (historic and prospective), PEG ratio
- Dividend yield, dividend/interest cover

## Accounting for Corporate Actions

- Stock capitalisation or consolidation
- Rights issues, open offers, offers for subscription and offers for sale



### CASE STUDY

- Examination of P/E ratios for major US indices and corporations
- Contrast investor ratios for fast growing and mature companies

## DERIVATIVES: FUNDAMENTALS AND THE UNDERLYING MARKETS

### Contractual Assets

- Forward and futures contracts
- Options - puts and calls – perspectives of buyer and writer
- American, European, Asian style

### Risk Elements of Derivatives

- Counterparty risk, basis risk, liquidity risk
- Risks to buyer/writers of options

### Foreign Exchange Contracts

- Currency forward contract, non-deliverable forwards
- Effect of interest rates differentials

### Bond/Money Market Contracts

- US T Bond futures market, LIFFE gilt futures market
- Eurodollar futures market
- LIBOR, OIS, EURIBOR, EONIA etc.

### Base and Precious Metals

- Copper, nickel, aluminium, zinc, tin, lead, gold and silver

### Energy

- Changes in demand, production, marginal costs of exploration



### CASE STUDY

- The Chicago Mercantile Exchange and the IMM
- History and development of the financial futures markets in 1970s
- SPAN technique for modelling maximum probable intraday risk

## EXCHANGE-TRADED FUTURES

### Exchanges/Platforms

- CME, LME, ICE Futures, Eurex™, CCBOE
- Membership structures – capacity as broker/dealer/clearing member

### Principal Futures Contracts

- Eurodollar, treasury bond futures,
- Index futures on S&P 500, FTSE 100, DAX, Nikkei
- FX futures at IMM, WTI Crude Oil, Brent Crude

### Contract Specifications

- Calculation of fair value

### Role of Central Counterparties

- Counterparty credit risk – implications for banking regulation
- Novation and the role of Central Counterparty (CCP)
- Cash settlement/physical delivery

## EXCHANGE-TRADED OPTIONS

### Key Futures Contracts Characteristics

- Options on equities, FX, options on futures

### Contrast with OTC Options

- Counterparty risk, liquidity

### Factors of Options Pricing

- Fundamentals of the Black Scholes Merton model
- Understanding of main characteristics of the “greeks”
- Time value
- Intrinsic value

### Hedging with Options

- Dynamic delta hedging



### CASE STUDY

- Hedging an equity portfolio with option

## KEY ELEMENTS OF SWAPS

### Principles/Mechanics in the Development of Swaps

- Hedging interest rate risk
- Off balance sheet
- OTC vs. exchange cleared instruments

## ISDA Documentation

- Master agreements & protocols

## Interest Rate Swaps

- Plain vanilla and more complex
- Fixed/floating interest rate swaps

## Currency Swaps

- Foreign exchange swaps, currency basis swaps



### CASE STUDY

- Credit Default Swaps, how they work and how they are quoted

## TRADING DERIVATIVES, HEDGING AND INVESTMENT STRATEGIES

### Derivatives Users

- Roles of hedgers, speculators, arbitrageurs

### Spread Trading

- Intra-market spreads and inter-market spreads
- Option spreads – butterfly spreads, strangles and straddles

### Basics of Hedging

- Overview of the “greeks” – delta and gamma, volatility
- Options pricing theory – Black Scholes, binomial tree methods

### Motivations for Strategies

- Motivation for the writer of a covered call
- Motivation for the buyer of a protective put
- Hedging: covered calls and protective puts



### CASE STUDY

- Modern Portfolio Theory (MPT), Capital Asset Pricing Model (CAPM)
- Systemic risk, sovereign risk, credit risk
- Market risk – asset price volatility, currency, interest rates etc.

### Contact:

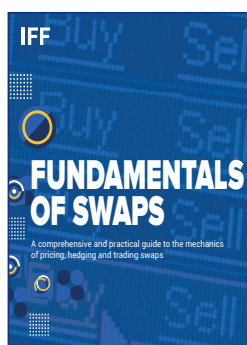
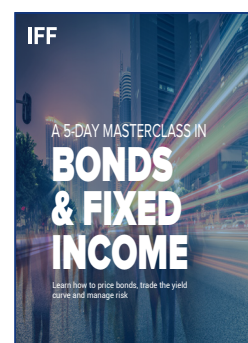
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#### CPD Certified:

IFF is recognised by the CPD Certification Service and have been approved to award CPD points towards professional development certifications. Attendance at this course will earn you 40 CPD points.

## A SELECTION OF COURSES FROM THE DERIVATIVES & TRADING PORTFOLIO



See the website for full details [www.iff-training.com](http://www.iff-training.com)

IFF is the learning partner of

**QuantMinds** **RiskMinds**