



4-Days Workshop

Recommended to students of ACI Diploma in Foreign Exchange

# Dealings in Foreign Exchange and Money Markets



**21 - 24 AUGUST 2017**

09:00 - 16:00

CPD 22 hours

**REGISTER NOW**



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## **OVERVIEW OF THE WORKSHOP**

ACI –The Financial Markets Association is a leading global association of financial markets professionals with over 15000 members in over 60 countries.

Over the years ACI has become a standard in international financial markets and its dealing certificate has become an internationally recognised qualification.

In order to be awarded the ACI Diploma a candidate must pass one Diploma examination and meet the eligibility criteria

## **OBJECTIVE AND TARGET GROUP**

The new ACI Suite of Diplomas builds on the ACI Dealing Certificate and the ACI Operations Certificate as well as on the ACI Model Code exam. It is designed to ensure that candidates acquire a deep theoretical and practical knowledge of financial markets with emphasis on currency, interest rate and credit derivative instruments, and the linkages that exist between those markets and risk management. It stresses the importance of best practice and market conduct in addition to technical skills.

Candidates are expected to have acquired a solid grounding in the core subject areas and have the requisite skills in financial mathematics prior to matriculating for the Diploma.

## **TARGET AUDIENCE**

- Senior foreign exchange and money market dealers
- Currency, interest rate and credit derivatives traders and risk managers  
Corporate, institutional and bank treasurers Senior operations staff  
(middle & back office) Professional investors and hedge fund managers
- Risk controllers (market risk and model validation) Portfolio managers
- Asset-liability managers

## **ELIGIBILITY**

In order to become eligible for one of the new ACI Diplomas you either need to be a holder of the ACI Dealing Certificate or the ACI Operations Certificate or the ACI Model Code Certificate.

## **EXAMINATION**

On completion of the workshop delegates will be in a position to register with the ACI to take the ACI Dealing exam. The exam is excluded and is payable directly to ACI by delegates who wish to take the exam – for full cost and registration details please refer to the ACI website.

## DAY 1

### GLOBAL CURRENCY MARKET STRUCTURE

Spot Rates

USD as primary trade currency,

Quote Hierarchy and Conventions

Calculating Cross Rates

Spot Rate Triangulation

Alternative Measures of Currency Liquidity

Currency collusion in the Rand

Price Resilience in Foreign Exchange Markets

Currency pair and reference to GMT timing during the day

### FORWARD FOREIGN EXCHANGE MARKETS

Calculating Prices for Outright Forward Exchange Contracts

Cost of Carry Methodology

Mark-to-Market Valuation of Outright Forwards Quotation

Conventions (Outright / Pips) Foreign Exchange Carry Trades

Construction and Risks

Foreign Exchange Swaps

Financing of Foreign Exchange Trades

Short Date Funding Trades

Practical Funding of Residual FX Cash Flows

Foreign Exchange Swap Applications Matched and Unmatched

Principal FX Swaps Mark-to-Market Valuation of FX Swaps

Forward-Forward Swaps

Mark-to-Market Valuation of Forward-Forward Swaps

Interest Rate FRA's

Synthetic Interest Rate FRA Positions

Non-Deliverable Forwards

Markets and Rationale (Off/On-Shore Markets – Capital Controls)

Quotation, Profit Calculation and Risks



## DAY 2

### FUNDAMENTALS OF FOREIGN EXCHANGE OPTIONS

Terminology

Option Payoff Profiles

Settlement Conventions and Exercise Rights American, European, Bermudan and Asian Options Using Options as a source of

Leverage and Tailoring

Hedging Strategies

Option Moneyness, Intrinsic and Time Value

Centrality of Put-Call Parity in Option Valuation

### OPTION MODELS

Black-Scholes

Assumptions and Restrictions Black-Scholes Formulae

Garman-Kolhagen

Adjustments for the Foreign Exchange Market

Assumptions and Restrictions

Garman-Kolhagen Formulae

Asset Price Evolution and Dynamics “Risk Neutrality”

### OPTION RISK MANAGEMENT

Option Greeks

Delta

Gamma

Theta

Vega

Rho (Local / Foreign)

Additivity of Option Greeks Option Portfolio Management

Delta, Gamma, Vega Hedging and Risk Neutrality

### FOREIGN EXCHANGE PRICE QUOTATION

Implied Volatility for the Inter-Bank Market

Price in Pips or Percentage for End-User Clients

Option Premium conversion between Local and Foreign Currencies

## DAY 3

### OPTION VOLATILITY

Realised Volatility

Calculation Techniques and Relevance

Implied Volatility

Estimation and Significance in Pricing

Term Structure of Implied Volatility (What does it mean)

Constructing the Implied Volatility Surface

Volatility Smile and Skew (Informational Content and Drivers)

Forward Volatility

Calculation and Relationship with Spot Volatility

Applications in Pricing Structured Products

### SECOND ORDER OPTION GREEKS

Vanna

Volga

### OPTION STRATEGIES

Straddles

Strangles

Butterflies

Risk Reversals

### CLIENT PRODUCTS

Participation Forwards

Collars

Geared Forwards

Dual Currency Deposits

Conditional Forwards

## DAY 4

### FIRST GENERATION EXOTIC OPTIONS

Barrier Options

Standard and Reverse Barriers

Payoff Profiles

Delta, Gamma and Vega Implications

Hedging Barrier Options

Applications of Barrier Options for Leverage and Clients

### DIGITAL OPTIONS

Pricing

Delta, Gamma and Vega Implications

Hedging

Applications

### VOLATILITY AND VARIANCE SWAPS

Pricing

Delta, Gamma and Vega

Implications

Hedging

Applications

# THE TRAINER

## ANDREW KINSEY

Your presenter has a Master's Degree in Financial Economics from the University of Johannesburg. Andrew has been active in the South African Financial Markets for 25 years.

He has practical and operational experience in the following areas:

10 years' experience trading and marketing currency options and long-term forwards with major South African banks;

5 years proprietary trading in South African fixed income, equity index and single stock option arena;

10 years management of cash money market and foreign exchange trading rooms;

7 years as Head of Risk Management at an online trading company, coupled with the responsibility of coding and implementing vanilla and binary option, and bond future trading and risk management suites for retail and small fund clients; and

Concurrently with these activities I have delivered financial market training for the last decade in New York, London, Kuala Lumpur, Hong Kong, Shanghai, Beijing, Accra and Johannesburg.

Mr. Kinsey has delivered training in the following market and asset groups:

Money Market functionality, purpose and conventions in major emerging and developed markets;

Foreign Exchange operations, structure and mechanics; Fixed Income mechanics and the operationality and consequences of Central Bank Quantitative Easing;

Interest Rate and Currency Basis Swaps, operationality and applications;

Vanilla and Exotic options in the currency, equity and commodities environments;

Equity and Foreign Exchange structured products; Credit and Credit Derivatives;

Risk Management activities and applications in the financial markets including VaR modeling and risk management policy development;

Implications of contemporary financial market regulation and Basel III and CVA implementation; and

Excel modeling and time series analysis