Interest, FX, Equity, Commodity and Exotic Options: Mechanics and Use, Valuation, Risks and Strategies

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WHY attend this programme?

Options are a versatile, yet complex and risky security. Bank managers who work with options whether internally or with clients need a deep understanding of how they function, the risks involved, how to value them, and how to devise appropriate options strategies.

This workshop gives senior managers in the banking industry who deal with options a deep understanding of these securities, and tools and methods to manage them.

Who is this programme for?

This workshop is of high relevance to senior bank managers who are directly or indirectly involved with options. Typically, participants come from these roles:

- Officers of the treasury department and treasury sales desks
- Relationship bankers
- Analysts
- Risk officers
- Middle-office, back-office and financial department officers

Senior Managers

Leaders with at least 15 years of experience, with P&L responsibility or leading group support functions. Generally, they lead groups of more than 100 people at business unit, division, country, regional and international levels.

HOW will you benefit?

This practical hands-on course will help you understand the mechanics and the practical usage of options. As a result of participating in this workshop, you will be better able to:

- Develop hedging strategies based on options
- Select the appropriate option strategy for a variety of situations
- Build deeper relationships with your clients and discover cross-sell opportunities.

You will have a solid understanding of:

- Basic options: put /call
- Pricing components - pricing models – valuation – hedging and risk management of options
- Volatility
- Options in different asset classes : foreign exchange /interest rate options /equity options/ commodity options
- Option strategies with plain vanilla options (straddles, strangles , butterfly spreads, vertical spreads)
- Exotic options : Barrier options/ Average rate options/Digital options/ Rainbow options
- Option strategies with exotic options

WHAT will you learn and practice?

Module 1: Introduction, plain vanilla options, models

- Foreign exchange options – put and call options
  - Pricing components
  - Strike, underlying price, volatility, term, interest rates, dividend
  - The Greeks : delta, gamma, theta, vega, rho
- Put-call parity
- Option model (Black & Scholes)

Module 2: Option strategies with plain vanilla options

- Directional hedging/trading strategies – bullish or bearish
  - Non-directional strategies
  - Yield enhancement strategies

- Build zero cost- structures with plain vanilla options
- Analysis of an annual report : discover

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opportunities to hedge FX-risks with options

Module 3: Interest options
- Basics of forward rate agreements and interest rate swaps
- Steepness of the yield curve
- Caps
- Floors + strategies – swaptions
- Combination of caps and floors: collars, butterflies.
- Swaptions
- Bermudan and European swaps

Module 4: Exercises on interest rate options
- Analysis of an annual report: discover opportunities to hedge interest risks with interest rate options
- Restructuring of existing positions

Module 5: Exotic options
- Barrier options
- Knock-out, knock-in, reverse knock-out, reverse knock-in
- European and American barriers
- Average rate options
- Digital options
- Strategies with exotic options (in combination with plain vanilla options)
  - Forward extra
  - Contingent premium options
- Average rate options
- Pay-off profile of option structures

Module 6: Exercises on exotic options made by the participants
- Exercise: explain the rationale and the pay-out profile of different strategies
- Action planning – what will you do with the knowledge/skills you have gained in this workshop
- Deal(s) of the week
- Hall of Fame

Summary and closing

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