

This 2-day course is specifically designed to expand participants' knowledge of, and skills with respect to swaps, swap trading, swap valuation, settlement of swaps contracts, usage of swaps for cash management, and treasury management issues, such as allocation of working capital and currency exchange rate risk.

### Learning objectives

Acquiring insight and knowledge of:

- Swap contracts and their applications
- Swap types (fixed-for-floating, fixed-for-fixed, floating-for-floating)
- Energy swaps
- FX swaps
- Swap valuation
- Currency exchange rates and risks
- FX trading

### Target group

This program is specifically developed for Treasurers, Finance managers and Risk Managers, but more in general it is also very suitable for:

- Front, Mid & Back office staff
- Staff of the Finance department & Treasury management department
- Controllers & Accountants
- ICT experts & Project managers
- Legal staff & Compliance officers

# 2-DAYS ENERGY & FX SWAPS

## DAY 1 & 2

### Session 1

#### Introduction to swaps

- Introduction
- The concept of swaps
- Exchange
  - Cash flows
  - Physical goods
    - Commodities
- Swap types
  - Payers swap
  - Receivers swap
- Comparison swaps versus forwards/futures
  - Leverage
  - Margining
  - Synthetics
    - A swap is a combination of a long and short forward

### Session 2

#### Contract specifications of swap contracts

- Specs
  - Leg descriptions
  - Maturity
  - Notional amount
  - Reference rates
  - Calculation method
  - Payment/Settlement frequency of long term interest rate
- Types of swaps
  - Fixed-for-Floating, same currency
  - Fixed-for-Floating, different currencies
  - Floating-for-Floating, same currency
  - Floating-for-Floating, different currencies
  - Fixed-for-Fixed, same currency
  - Fixed-for-Fixed, different currencies
- Other variations
- ISDA
  - Master agreements
- Settlement of swaps
  - Unwinding of positions
- Liquidity & liquidity risk with swap trading & swap positions
  - Brokerage services for swap trading
    - The role of brokers
    - Execution only brokers
    - Brokers trading on their own account

### Session 3

#### Gas swaps

- Physical gas swaps
  - Fixed-for-fixed gas swap
- Financial gas swaps
  - Fixed-for-floating gas swap
  - Financial settlement vs. physical position
  - Physical position untouched
  - Mismatch between settlement of swap and payment on physical position

### Session 4

#### Valuation of interest rate swaps

- Money market
  - LIBOR
  - EURIBOR
  - EONIA
- Buyers & sellers
- Exchange of cash flows or risk
- Legs
  - Long forward
  - Short forward
  - Discounting cash flows
  - Discount factors
- Reference rate
  - Benchmark
- Formulas

### Session 5

#### Currency trading & Currency risk

- Introduction
- Market quotations
- International Standardization Organization (ISO)
- ISO codes
- Quotes
  - Base currency
  - Quoted currency
- Currency exposures in energy trading
  - Oil & coal in US dollars
  - UK gas in GBP (pound sterling)
  - Continental power in euros
- Foreign exchange
- Foreign exchange rates
- Rates
  - Bid rate
  - Ask rate
    - Bid-ask spread
  - Two-way prices

# 2-DAYS ENERGY & FX SWAPS

- Cross-rates
  - Illiquid currency pairs
  - Indirect trading
  - Indirect calculation
    - Base currency of traded pairs is equal
    - Quoted currency of traded pairs is equal

## Session 6

### FX forwards & swaps

- FX spot versus FX forward
  - Currency ratio
  - Contracts
    - Time option forward contract
    - Delivery option contract
  - Contra-closing of a FX forward
  - Valuation of a FX forward contract
  - NPV of the two future cash flows
- FX Swaps
  - Definition
  - OTC trading
  - Brokerage services
  - The role of banks
- Legs
  - First leg
    - Short leg
  - Second leg
    - Long leg
  - Spot leg
  - Forward leg
- Pricing
  - FX forward point
  - Points quotation
- Forward forward FX swap
  - Forward forward bid rate
  - Forward forward ask rate

## Session 7

### Application of FX swaps

- FX swaps
  - Out of today
  - Out of tomorrow
  - Overnight swaps
  - Tom/next swaps
    - Agio
  - Regulating liquidity positions by using FX swaps
  - Hedging a FX forward contract by FX spot & a FX swap
  - Rolling over FX forward with the help of FX swaps

- Cross-currency interest rate swaps
- CCIRS
- Opposite loans in different currencies
- Two interest rates
  - Differential

## Session 8

### Cross-border trading

- Cross-border trading activity
- Currency hedging
- Currency swap execution
- Task of Treasury Management department or Trading department?
- Risks for the corporate
- Risks for departments
- Book structure