

# COLLATERAL MANAGEMENT

## Overview

Collateral management is recognized as an important method of credit enhancement and risk mitigation. Many firms now require trades to be collateralized. Whilst helping to reduce credit risk, collateral management exposes the firm to operational, legal, liquidity and price risks. Understanding and managing these risks is essential. This course covers introduction to the topic and considers the problems that can arise and is concluded with a case study requiring the building of a collateral statement. Whether participants are responsible for setting up the collateral process or involved with handling collateral, this workshop will help them understand more.

## Target Participants

The course is suitable for collateral management personnel who would benefit from understanding the 'big-picture', those who have had limited exposure to collateral but who require a greater understanding of the relationships between their work and collateral and those who have recently been transferred to the collateral management department.

## Course Objectives

Using a mixture of presentation and case study material the workshop will address the following:

- Why firms seek to collateralize relationships with counterparties.
- How collateral management works
- The terminology & mechanics of the collateral market
- The risks that collateral management generates and how they can be controlled.
- What is normal market practice?
- The documentation used.
- The role of the collateral manager

## COURSE CONTENTS

### Purpose of collateral

- Main advantages of collateral
- Market growth
- Types of collateral

### Credit exposures

- Current credit exposure
- Potential future exposure
- Default probability
- Expected loss

### Entering collateralized transactions

- Credit mitigation techniques
- Single products
- Multiple products
- Establishing a policy
- Internal procedures
- Deciding on appropriated collateral
- Types of transactions covered
- Revaluation methodology

### Collateral terminology

- Collateral requirement
- Independent amounts, (initial margin)
- Haircuts, (valuation percentage)
- Threshold amounts
- Minimum transfer amounts
- Interest on collateral

### Collateral workflow

- Timing
- Margin call notice
- Non delivery
- Default
- Escalation processes

### Problems & risks with collateral

- Credit risk
- Operational risk
- Valuation of trades
- Valuation of collateral

### Dispute resolution

- Why disputes arise

- How to avoid disputes
- How to resolve disputes

**Documentation**

- Credit support documents
- What is used and what you negotiate
- Enforceability

**Regulatory relief**

- What it is
- The conditions that are needed
- Why it is important to banks

- Implications to third parties

**The collateral team**

- Purpose
- Cost versus benefits
- Skills required
- Operational effectiveness

**Final case study**

- Establishing the collateral relationship
- Building a collateral statement
- Calling collateral

**End of Course & Closure.**

COURSE DURATION	DELIVERY MODE	DELEGATE CLASS SIZE	COURSE FEE/PARTICIPANT
3 DAYS	In-Plant	8 (Guaranteed Minimum)	For quote, please click <a href="http://demvros.com/contact/">http://demvros.com/contact/</a>
Discount is available for class size above the minimum. Please visit <a href="http://www.demvros.com">www.demvros.com</a> or call 08056154199 or e-mail for enquiries.			