FUNDAMENTALS OF MARKET RISK MANAGEMENT

This practical course is an introduction to market risk. It explains the basic methods used by financial institutions. How the calculations are made and what they show. It will also explain the advantages and disadvantages of the techniques and why several risk measures are normally used together. This course gives participants an understanding of the frameworks that can be used by institutional investors, corporations, and financial institutions to identify, measure, and report market risks – including price risks (marked-to-market or model against spot prices/rates, yields, credit spreads, volatilities, and correlations), cash flow or yield risks, liquidity risks, counterparty performance risks, and operational risks in markets activities. Institutional investors, corporations, financial institutions, and central banks around the world are increasingly taking on more and more market risks in various aspects of their businesses to improve performance by generating higher returns or lowering costs. The course provides an understanding of the frameworks that can be used by institutional investors, corporations, and financial institutions to identify, measure, and report market risks – including price risks (marked-to-market or model against spot prices/rates, yields, credit spreads, volatilities, and correlations), cash flow or yield risks, liquidity risks, counterparty performance risks, and operational risks in markets activities. In addition, this course provides tools for establishing risk management policies and a summary of important risk management techniques.

Target Participants

- Portfolio managers at institutional investors
- Treasury, finance, and capital markets professionals
- Bank traders and sales professionals covering corporate and institutional investor clients.
- Professionals at banks, savings organizations, stock, and derivatives exchanges, inter alia
- Supervisory agencies and regulators who need to understand how various market participants.
- Legal, accounting, ratings, financial advisors, and other professionals in their clients risk analyses, reporting, and management activities.

Course Objectives

Understand the important types of risks in market activities, including various types of price risks; counterparty risks; credit market risks; liquidity risks; operations risks; and legal, regulatory, and accounting risks.

- Learn the types of limits and procedures necessary – and the reasons for these – in markets risk management.
- Understand the applications of market risk analyses and solutions in various types of financial institutions, institutional investors and corporations
- Understand how various market risk metrics (e.g., Value-at-Risk) are calculated and used.
- Be able to interpret suitability and appropriateness issues in taking markets risks and the use of markets risks management products, including various derivatives solutions.
- Understand how current and expected changes in accounting, regulations (including Basel II), and products will impact the future of market risk management.

COURSE CONTENTS

Market Risk

- What market risk is
- Why we measure market risk.

How market risk occurs

- Foreign exchange exposure
- Interest rate risk
- Day-to-day mismatches
- Trading
- Ineffective hedging

Measuring foreign exchange risk

- Spot equivalency
- Strengths & weaknesses

Measuring interest rate risk:

Gap reports
- What they are
- What they show
- Pipeline risk
- Use in balance sheet management
- Strengths & weaknesses

Duration
- Simple & modified duration
- How it is calculated
- What it shows
- How we can use it
- Use in the industry
- Strengths & weaknesses

Basis point value
- How it is calculated
- What it shows
- How we can use it
- Use in the industry
- Strengths & weaknesses

Futures equivalency
- Interest rate futures & bond futures
- How it is calculated
- What it shows
- How we can use it
- Use in the industry.
- Strengths & weaknesses

Value at risk
- What it is
- Some of the calculations involved
- Single position VAR
- Diversified & undiversified VAR
- Variance Covariance, what it is
- Why it is used
- Strengths & weaknesses
- Importance of validation & testing
- Importance of stress testing

"Normal" market conditions
- Why market risk measures do not capture all the risks we have
- Why it is important to use a combination of measures to report market risk
- Why consistency in the market risk reports produced is important

Where market risk reporting can go wrong
- Timeliness/availability
- Understanding
- Validity of data
- Accuracy
- Reporting of excesses and action
- Real life case study

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 *http://demvros.com/contact/*
Discount is available for class size above the minimum. Please visit *www.demvros.com* or call 08056154199 or e-mail for enquiries.			