

Derivatives Trading, Pricing and Risk Management Training



"Leading International Expert"
Dr Izzy Nelken

The Complete Derivatives Boot Camp

This is a complete immersion course designed to give participants a comprehensive and thorough understanding of Derivative Products. Two events over two weeks. A complete solution.

10 - 14 February 2003
17 - 21 February 2003
Centurion Lake Hotel
Centurion

Book and pay by 1 November 2002
and qualify for the Early Bird Discount

Group bookings of three
or more delegates qualify
for a 10% discount

Priority: _____

Date: _____

To: _____

Company: _____

E-mail: _____

Fax No: _____

Tel: _____

From: _____

Reference: _____

Number of Pages: _____

Notes: _____

Course Leader Profile: Dr. Izzy Nelken

General Information

Dr Izzy Nelken is President of Super Computer Consulting, Inc. in Mundelein, Illinois. Super Computer Consulting Inc. specialises in Exotic Options, Convertible Bonds and other complex Derivatives. Izzy holds a Ph.D. in Computer Science from Rutgers University and served on the same faculty at the University of Toronto. Izzy teaches numerous courses and seminars around the world on a variety of topics including: Credit Risk Management, Credit Derivatives, Exotic Options, Financial Engineering, Volatility Correlation and Hybrid Securities. He is also a lecturer at the prestigious Mathematics Department of the University of Chicago. Izzy's seminars are known for being non mathematical. Instead they combine cutting edge analytics with real world applications and intuitive examples.

Books Published

Izzy is editor and co-author of

- *"The Handbook of Exotic Options"*, Irwin, 1996, ISBN 1-55738-904-7
- *"Option Embedded Bonds"*, Irwin, 1997, ISBN 0-7863-0818-4
- *"Volatility in the Capital Markets"*, Glenlake, 1997, ISBN 1-884964-73-7
- *"Handbook of Hybrid Securities"*, Wiley, 2000, ISBN 0-471-89114-2.

He is author of

- *"Implementing Credit Derivatives"*, McGraw Hill, 1999, ISBN 0-07-047237-8
- *"Pricing, Hedging and Trading Exotic Options"*, McGraw Hill, 1999, ISBN 0-07-047236-X.

Software Products

Super Computer Consulting Inc. currently has three software products:

- **ExoticOp!** The exotic options portfolio manager
- **ConvB++** The convertible bond and hybrid instrument software package
- **WeatherBox** for weather derivatives

Academic Information

B.Sc. in Mathematics and Computer Science, Tel Aviv University 1984

M.Sc. in Computer Science, Rutgers University, 1986

Ph.D. in Computer Science, Rutgers University, 1989

Post Doctoral Fellowship at the University of Toronto, 1989-1991

1997-Current : Lecturer, Graduate program on Mathematical Finance, Mathematics Department, University of Chicago.

Work Experience

- 1991-2 Consultant, Algorithmics Inc. Toronto, Canada
- 1992-4 Consultant, Burns Fry Analytics and First Marathon both in Toronto, Canada
- 1994-7 Consultant, Harris Investment Management, Chicago
- 1997 Incorporated Super Computer Consulting Inc.

The research head at the Monetary Authority of Singapore, Khor Hoe Ee, says:

"We must not confuse the instruments of speculation with the underlying causes of [a] financial crisis. Derivatives by themselves cannot cause currencies to depreciate or firms to go bankrupt. Financial crises occur because of fundamental imbalances in the economy... The growth in derivatives markets in Asia will yield substantial benefits for the regional economies by improving economic efficiency and robustness."

Who should attend:

- Derivative Traders and Sales Consultants
- Treasury staff
- Risk Management personnel
- Fund, Portfolio and Asset managers
- Corporate and Structured Finance practitioners
- Systems Developers
- Financial Management Consultants

Why you should attend this event:

- You will learn the structure of all the types of Derivatives including Forwards, Swaps, Futures, Traded Options, OTC Options, Warrants and Convertibles
- Understand the Central Pricing Methods for all kinds of Future Contracts, Swaps and Forwards
- Learn how to evaluate the alternative models for pricing Exotic and Standard Options
- Principles for using Derivatives for Trading Direction and Volatility
- How to Hedge all types of Cash Positions
- Understand how Derivatives are used in Investment Management
- Take an in depth look at new types of Derivative Instruments

Brit Profile

The South African financial and banking sector has experienced dramatic changes in the last twenty years developing into the most competitive industry in the economic environment. Today's high risk, fast moving banking and financial sectors require institutions to have both the knowledge and skills to perform beyond the norm. Financial margins are decreasing and competitor activities increasing. Competitive edge is a short-lived commodity and institutions have to establish the means and methods to stay ahead of the rest.

Brit Training is firmly established as the preferred supplier of financial training for the African banking and financial sector. Brit Training has assisted numerous financial organizations to improve operational performance by increasing staff competency levels.

Our programs are designed to provide up to date and consistent financial training, focusing primarily on four key areas namely:

- Banking Practice
- Risk Management
- Financial Instruments
- Treasury

Programs boast the latest developments in international best practice, regulatory updates and practices, legal, tax and accounting laws and standards as well as cutting edge strategies and techniques. Presented by leading professionals, practitioners and academics, Brit Training's programs provide both theoretical and practical exercises catering for all skill levels through our Beginner, Intermediate and Advanced level courses. Brits' programs encourage both individual and group based training and can thus be tailored to meet an organizations specific needs.

Brit Training is committed to the improvement of the African banking and financial services sector training levels and aims to be the leader in training and development programmes for the banking and financial services sectors throughout Africa

Week One(10 - 14 February 2003)

We cover the usage of Derivatives: the Derivative Market and its development. What are the Products, Pricing and Hedging "Intuition", Risk Management essentials, common pitfalls etc. This week will contain many "stories from the field". Where appropriate, we will also discuss issues relating to the specific market the delegate is in.

By the end of the week, a participant will have gained sound working knowledge of the different types of derivatives and how they are used.

This week is intended for Board Members, Senior Management, Fund Managers, Sales Consultants and others.

Monday: 10 February 2003 Overview of the Derivatives Markets: Profits and Pitfalls

An Overview of the Products

- Spot
- Forwards
- Futures
- Options and other derivatives.
- What is the difference between an Underlying Instrument (Spot) and a Derivative Instrument (Forwards).

Introduction to Options

- The Option Premium.
- Hedging - why is it important?
- Hedging - how is it done?
- Risk Management
- Market Risk vs. Credit Risk
- European, American and Exotic Options
- How are new products approved?

Volatility

- What is Volatility?
- Historical vs. Implied Volatility

Where are the potential profits in Derivatives

- Case studies of successful operations
- How can we reproduce them in South Africa?

What are the potential pitfalls

- Case studies of "Blowups".
- Interest Rate Exposure
- Parallel move in the curve
- Twists and Shifts
- Foreign Exchange Exposure
- How to Measure, Control and Hedge these Exposures
- Risk Buckets
- The concepts of Duration and Convexity
- Key-Rate Duration and Key-Rate Convexity

Liquidity Problems

- Structured Notes as "Story Bonds"
- Difficulties experienced in getting out of a Structure in the Secondary Market
- Special Liquidity problems for Single Market Makers

Tuesday: 11 February 2003 Exotic Options on Foreign Currencies and Equities

Motivation for using Exotics

After all the negative publicity, why use Exotics at all?

- Customised Hedging Tools
- Investors taking a specific view
- Executive bonuses
- Swiss (and American) Life Insurance products
- As a part of a total solution (e.g. Contingent Premium Options)
- Structured Notes
- Volatility Insensitive Structure
- The impact of the Exotic Options Market on the Spot Market (e.g. Double Barrier Foreign Exchange Options)

How companies Hedge

Real life examples from the field

- Zero or low-cost Hedging Strategies for corporations
- Risk Management to reduce a corporation's own Risk vs. an Insurance Program to protect against a competitive disadvantage
- Credit enhancement using Derivatives
- We look at companies such as Gillette, RJR Nabisco, Abitibi-Price and more

Bermudan Options - Pricing and Hedging Techniques

Between American and European Options

- Applications for Bermudan Options for Bonds (e.g. Callable Bonds)
- Cancellable Swaps
- Pricing and Hedging of Bermudan options a review

Digital / Binary Options

All or nothing Options

- Distinction between
 - CASH or NOTHING
 - ASSET or NOTHING
- Gap Options
 - Adaptations of Black-Scholes
 - Cash or Nothing Options
 - Asset or Nothing Options
- Applications and Hedging of Digital / Binary Options.
- What is the Delta of a Binary Option
- How to value Digital Options
- The "dog leg" forwards

Compound Options

Options-on-Options which allow the holder to buy or sell an "Underlying" Option

- EUROPEAN on EUROPEAN, EUROPEAN on AMERICAN
- CALL on a CALL
- CALL on a PUT
- PUT on a CALL
- PUT on a PUT
- Pricing Compound Options - An overview
- Applications of Compound Options (e.g. the Banker's Trust Installment Warrants)
- Which Volatility should be used
- Hedging of Compound Options
 - Hedging with the Underlying Option
 - Hedging with the Underlying Asset

Barrier Options

These Options become Activated/Extinguished when an Underlying Price Crosses a Barrier

- Dealing with:
 - DOWN and OUT
 - DOWN and IN
 - UP and OUT
 - UP and IN
 - CALLS and PUTS
- Is it true that a Knock-Out plus a Knock-In equals a European?
- "Nice" Barriers vs. "Nasty" Barriers
- Discreetly monitored Barriers
- Pricing of Barrier Options - An overview
- Legal Issues: How can an investor be sure whether a Barrier was touched?
- Discreetly monitored Barriers
- Partial Barriers
- Hedging Barrier Options
 - Construction of Equivalent Portfolios
 - Long a Normal Call and Short a Special Put
 - When does it work and when does it fail
 - Arbitrage Relationships
 - Risks of Hedged Positions
- Static Hedging vs. Dynamic Hedging
 - A detailed example
 - When do they work and when do they fail

Asian Options (Average Price)

Options on the Average

- The 'Asian' Style Options: What are they?
- Why they make sense
- How come their price is so low - reduced volatility of the average
- Geometric vs. Arithmetic Average
- Importance of the "Average so far"
- Pricing of the Asian Options - A review
- Continuous Averaging and Discrete Averaging
- Hedging Asian Options with Normal Options
- Hedging Asian Options with the Underlying (an example)

Average Strike Options

The strike of the option is determined by the Average Price

- Applications of Average Strike Options
- Pricing and Hedging of Average Strike Options
- Comparison of Average Price and Average Strike Options

Wednesday: 12 February 2003 Bonds and Options on Bonds

The Term Structure of Interest Rates

We discuss many types of Interest Rates and how they are derived from each other

- Par Bond Yield Curve
 - Construction with Benchmark Bonds and Linear Interpolation
 - Construction with a Universe and Exponential Cubic Splines
- The Zero Coupon Curve
- Corporate Curves and Spreads
- What does the Spread really measure?
- Forward Curve
- The Libor Interest Rate Curve
- Does Volatility Affect the Curve?
- Commercial p

Paper Rates

- Derivation of one Curve from another
 - Bond Stripping and Reconstitution
 - Gap and Multigap Analysis

Fixed and Floating Rate Instruments

Fixed and Floating Rate Instruments are discussed and compared in this section

- Some popular indices
 - Libor
 - Constant Maturity Treasuries (CMT)
 - Fed Funds
 - Other indices
- Inverse Floating Rate Notes. How Fixed Foupon Bonds are related to Interest Rates
- How are Floating Rate Notes related to Interest Rates

Duration and Convexity

Duration and Convexity Analysis for Structured Notes

- Duration
- Convexity
- Key Rate Duration
- Duration with respect to the Discounting Rate
- Duration with respect to the Index
- Determination of the Relevant Index

Callable Bonds - Pricing and Hedging Techniques

Between American and European Options

- Applications for Bermudan Options for Bonds (e.g. callable bonds)
- Cancelable Swaps
- Pricing and Hedging of Bermudan Options -

Derivatives - Risky Business?

Edward Sunderland Norton Rose 3 Jan 2001

The growth in the use of derivatives over the past decade has been phenomenal. In statistics released by the Bank for International Settlements in May 2000 relating to the major banks and dealers in the G10 countries, the total estimated notional value of outstanding OTC contracts as of the end of December 1999 (after adjustments for double counting) was \$88.2 trillion (and \$13.5 trillion for exchange traded contracts). This is an increase of over 20% from the end-June 1998 figures, with the largest increase being in relation to interest rate contracts (up \$18 trillion).

Thursday: 13 February 2003 Convertible Bonds and other Hybrid Products

Hybrid Instruments

Introduction to Convertible Bonds and other Hybrid Instruments

- Introduction to Hybrid Instruments.
- The market and its size.
- Convertibles, Preferred Shares, Elks, Decs, Percs etc.
- The Issuers: who issues them and why
- The Investors: advantages/disadvantages to the Investor.
- The Brokerage House: A study of the Underwriting Process.
- The secondary Market.
- Convertible Bonds in the US.
- Hybrid Instruments in Emerging Markets.
- Overnight Financing or Bought deals.
- The Japanese "Reset Convertibles".
- Reverse Convertibles in Germany.
- Exchangeable Bonds in Canada.
- Dual Currency Convertibles.
- Convertible Bonds with Sinking Funds.
- Other embedded features.
- A catalogue of Hybrid Instruments: The precise definitions of all the different acronyms.

Convertible Bonds in Detail

We look under the hood of a Convertible Bond

- Why use them.
- The different regions of a Convertible: Equity Equivalent, Hybrid, Bond Equivalent and the Bankruptcy Region.
- The different types of Convertibles.
- Convertible = a Bond + a Warrant ???
- What are their special features and how do they effect the Convertible.
- Zero Coupon Bonds (Lyons).
- Call and Put Options.
- The Credit Spread.
- The special risks of Convertible Bonds.
- Dilution.
- The "waterfall" effect.
- Hedging.

The Convertible Bond Investor and Speculator

Several groups invest in Convertibles Bonds, each looking for different qualities

- Investment Managers
 - Risk averse Equity Managers
 - Income oriented Equity Managers
 - Risk averse Equity Managers- Income oriented Equity Managers
 - Convertible Specialists
 - Bond Managers seeking Equity "kickers"
- Hedge Funds
 - What do they do
 - How to Delta Hedge
 - Special concerns for Illiquid Bonds
 - Are hedge funds useful to the market or are they detrimental

- What is important to Investors in different regions of the world?
 - The US
 - The UK
 - Euro Convertible Bonds
 - Hong Kong and other regions
- How to design and market Convertibles to each type of investor?
- What happens in case of Issuer Default

The Issuer

What type of Issuer issues Convertibles

- Examining the Convertible Bond Market by type of Issuer
- What is the size of a typical Convertible Issue?
- What kind of credit ratings does a typical Convertible carry?
- How to arrange for an attractive deal without giving too much
- What other embedded features can we put in a convertible?
- Is it eligible for 144(A) or not?
- Who issues the other types of Hybrid Securities and why?
- What types of Convertibles tend to be issued in different economies?

Relative Value

What are the measures of Value for Convertibles

- Conversion Value
- Conversion Premium
- The concept of Payback and Cash Payback
- YTM - Yield to Maturity
- YTC - Yield to Call
- YTW - Yield to Worst
- Premium
- Investment Premium
- What is the expected maturity, how to compute it and how to use it.

Building a portfolio of Convertibles

Basic Risk Management techniques for Convertibles

- Duration
 - Understanding the intuition behind Duration
 - Macaulay Duration
 - Modified Duration
 - What are they used for?
- Convexity
 - Key Rate Duration and Convexity
 - How to use Duration and Convexity
 - For Investment Management purposes
 - For Risk Management
- Delta and Gamma
 - How are Delta and Gamma used?
 - How are Equity movements Hedged?
- Volatility Exposure
- Correlation worries

Hedging

Long a Convertible Bond and Short Shares

- How to construct a Delta Hedge
- Bullish, Bearish and Neutral Hedges
- The "Carry" Trade and how it works
- Being long a Convertible Bond while being Short the Shares or vice versa
- What is the "Haircut"
- The hate / love relationship between issuers and Hedge Funds
- Computation of the return on Capital
- What can go wrong
- The Long Term Capital Management (LTCM) example

Friday: 14 February 2003
Credit Derivatives

Evaluating the Credit Derivatives Market and the Rationale for its Development

- Current and future potential of Credit Derivatives Market
- Assessing the size of the market in terms of Capacity and Liquidity
- The size of the market and the distribution among product lines and underlying instruments.
- Difficulties in developing a true "two way" market.
- Evaluating the potential for a Secondary Market in Credit Derivatives.
- How the Euro has impacted on the Credit Derivatives Market.
- Credit Derivatives: The US experience.
- The recent credit crunch and its implications on the market.

Different Structures and Assessing their Risks to Ensure Successful Implementation

- Default Swaps & Options
- Total Return Swaps
- Credit Linked Notes
- Put Credit Spreads on Asset Swaps
- Credit Spread Notes
- Demystifying the Risks: Cross, Equity, Term Structure, Settlement, Legal and Basis Risk
- Collateralized Debt Obligations (CDO's)
- Collateralized Bond Obligations (CBOs) and Collateralized Loan Obligations (CLOs)
- Downgrade Options and their uses

How many corporate treasurers, chief executives and senior managers can place their hand over their heart in the belief they have a complete grip over their derivatives activities? I wonder.

Brian Kettell is senior lecturer in finance at London Guildhall University, and is author of six books and over 70 articles on financial markets.

Examples of Sample Terms Sheets

- Examining specific Terms Sheets
- What is the use of each structure?
- Why is someone purchasing the structure?
- How is it created?
- What are the benefits to the issuer?

Convertibility Products

- Suitable for Hedging Cross Border Risks
- The Currency Repatriation Hedge
- Is this a Credit Derivative or is it a Foreign Exchange Structure?

New Products

- News from the field
- What are some of the most recent deals being done
- The role of the exchanges: the CME experience with the QBI index
- Credit enhanced Convertible Bonds

The Credit Spread

- Comparison: Credit Spread vs. Corporate Spread
- The Credit Spread Curve and its meaning
- Connecting the Credit Spread, the recovery value and the probability of default
- What is the "Current Spread" as opposed to the "Forward Spread"
- The Credit Rating Agencies and their role
- The Credit Transition Matrix and its implications

Connecting Between Credit Derivatives and the Repo Markets

- Is it a Credit Derivative or is it a Repo Trade?
- Similarities and differences
- When to use each instrument

Where should the CD desk be placed within the bank

- We examine several possibilities
- Possible solutions arrived by different banks
- Advantages and disadvantages of the various approaches

"It is really up to the individual practitioner to ensure that they have adequate management of their derivatives risk," says Les Hosking, Chief Executive of the Sydney Futures Exchange. "The regulator should be there to oversee fair and proper conduct of the market and ensure that there are fair practices occurring, but I don't see the regulator being responsible for whether a customer knows what they are doing when they are dealing in derivatives."

Week Two (17 - 21 February 2003)

During this week, we learn how to structure and price the products. Spreadsheet models will be developed that delegates can take back to their offices and implement. This week will introduce a more mathematical approach and will include a variety of workshops.

By the end of the week, each delegate will accumulate a collection of spreadsheets to take with them. This week will be PC Based and a reasonable Excel knowledge is assumed

This week is intended for people in charge of Pricing and Structuring.

Monday: 17 February 2003 Forwards and Options

Warm-up session on Pricing and Valuing Derivatives

- The Price of any instrument is the present value of the expected value of its cash flows
- The Risk Neutrality Assumption
- Normal and Log Normal Distributions
- The Stochastic Model for the Underlying Instrument
- Special cases: Commodities, Interest Rates, Weather and Catastrophe Derivatives
- The time value of money
- Net present value of Cash Flows
- Converting between Yield Curves:
 - the Par Bond Curve
 - the Zero Coupon Curve
 - the Forward Curve
 - Discount factors
- When should each curve be used?

Workshop: Building a spreadsheet to convert from the Par Bond Yield Curve to the Spot Curve and vice versa. Using Boot Strapping and other methods.

Mastering the theory and practice behind Option Pricing Models

- Discovering where you can find the underlying data for your calculations
- Reuters, Bloomberg, and other data feeds
- Learning how to price European Options using:
 - Closed Form Formulas
 - Tree Building
 - Numerical Quadrature
 - Monte Carlo Techniques
 - Finite Difference Methods
- A comparison between different types of Trees:
 - Equal Probability Trees and other Trees
 - When should each one be used?
- Explaining what the assumptions behind the different models are
- Fully understanding the differences that develop between the various models
- Sanity Check: "Is it the price reasonable?"

Workshop: Building a spreadsheet to price European Options using the methods described above.

Historical Volatility

An in-depth review of Historical Volatility Estimation Techniques

- Which historical period should you use?
- What data frequency should you look at?
- Using various Estimators: Close Close, Open High Low Close etc.

- When should each Estimator be used?
- What type of data is suitable for which Estimator?
- Parkinson Rules
- Exponential Smoothing Techniques
- A short introduction to Arch and Garch

Workshop: Calculate Historical Volatility

Implied Volatility

Estimation and application of Implied Volatility

- How to gauge Implied Volatility?
- Real life difficulties: The Synchronization Problem
- The Volatility Skew and Smile
- Is implied Volatility a good predictor of Future Volatility?

Workshop: Modifying your Option Pricing Spreadsheet to Compute Implied Volatility

Understanding the importance of the Greeks

- The meaning of Delta, Gamma, Vega, Rho and Theta
- Examining what the implications are when their value changes
- What do Traders look for?

Workshop: Modifying your Option Pricing Spreadsheet to Compute Delta, Gamma and the other Greeks.

Developing a Framework for Accurate Risk Measurement

Sensitivity analysis ("Greeks"), Scenario analysis and Value-at-Risk

- How to quantify the Risk of an Option
- Delta: Sensitivity to the Asset Price
- Gamma: Sensitivity of Delta to the Asset Price
- Vega: Sensitivity to Volatility
- Theta: Time Premium
- Rho: Sensitivity to Interest Rates
- Scenario Analysis
- Which scenarios should you look at
- Visualization and Graphics
- The Group of Thirty (G30) recommendations
- Value at Risk (VAR)
- Introduction
- Several methods used (e.g. RiskMetrics)
- Advantages and critiques

Workshop: Develop a spreadsheet for finding the VAR of a portfolio of options. Compare with the Greeks.

Week Two (17 - 21 February 2003)

Tuesday: 18 February 2003 Exotic Options on Foreign Currencies and Equities

Getting to grips with the Pricing and Valuing of Exotic Options

- Learn how to price Exotic Options using: a Tree to handle American and Short Options
- Monte Carlo to handle Asian Options and Barrier Options
- Quadrature to handle Compound Options and Chooser Options
- Techniques to improve and Speed up the Monte Carlo Algorithm

Workshop: Creating the model to price several Exotic Options of your choice and find Hedge Ratios.

Workshop: Design Monte Carlo Algorithm, add Antithetic Variables. Improve using the Control Variate

Wednesday: 19 February 2003 Bonds and Options on Bonds

Options on Interest Rates: Applying them in practice

- Examining how Yield Curves are Modeled
- Applying the different Interest Rates models:
 - Cox Ingersoll Ross,
 - Black, Derman and Toy
 - Ho and Lee
 - Vasicek, Hull and White
 - Longstaff and Schwartz
 - Black-Karasinski
 - Brace and Musiela
- Explaining the advantages and disadvantages of each model
- How to choose the right model for your particular needs
- How to successfully overcome the problem of calibrating your model to current market conditions
- Using Binomial and Trinomial Interest Rate Trees
- Incorporating Volatility into your tree calculations
- Learning how to deal with the different length of time in Interest Rates when building your tree

Workshop: Building a Binomial Tree and Pricing a Callable Bond

Understanding Duration and Convexity

- Describing the concepts of Duration, Convexity and Option Adjusted Spread (OAS)
- Learning what their uses are:
 - Adjusted Duration and MacAulay Duration the case of the "Century" Bond
 - using Duration as a Hedge Ratio
- How to use OAS as a measure of Relative Value

Workshop: Modifying your spreadsheet to compute Duration, Convexity and OAS

Thursday: 20 February 2003 Convertible Bonds and other Hybrid Products

Pricing Methodologies for Convertible Bonds

An introduction to Pricing Theory

- Two ideas
 - the no Arbitrage Condition
 - the Reverse Engineering Principle

- The interest rate Tree
 - how to construct a Tree
 - construct the Forward Curve
 - Nodes and Probabilities
 - the role of Volatility
 - why are Trees so powerful
- The stock Price Tree: Risk Neutral Valuation
- Why is a Convertible not a Bond plus a Warrant
- The Goldman Sachs model
- Two factor models and beyond
- Models on the Share Price vs. models on the Firm Value
- How to model credit spreads
- Adapting the models to cope with the special features of Convertibles

Workshop: Price a Convertible as a Bond + a call Option on the stock. Note cases where the method fails.

Workshop: Develop a simple two factor model for Convertible Bonds

Examples

In this workshop we cover examples of Hybrid Instruments and see how they are analyzed Some of the products to be covered include:

- Decs
- Percs
- Convertible Bonds
- Mandatory Convertibles
- Preferred Shares

Workshop: Convert your model to deal with these instruments.

Friday: 21 February 2003 Credit Derivatives

Working in small teams delegates will be presented with term sheets of various deals using different products, such as Credit Derivatives, CBO's etc. We will analyze each deal in terms of the following:

- Motivation - why would a someone sell the product and why would another party purchase it?
- What is the view expressed by entering into the deal?
- Assessing the major Risks and Rewards associated with each deal
- Pricing - How is this structure priced
- Sensitivity - How will the structure perform under various scenarios (Parallel shifts, Flattening or Steepening of the Yield Curve etc.)
- Credit Spread Changes? What about Volatility Swings?
- Hedging - how can the parties entering the deal Hedge their exposure?
- Alternatives - what other structures are there which offer similar behavior under various. Possible market conditions?

Some of the products covered

Put Credit Spread
Asset Swap Put Credit Spread
Binary Credit Linked Note
Credit Spread Collar
Dual Currency Credit Spread Note
Forward Spread Note
Coupon Enhanced Credit Linked Note
Basket Credit Linked Note
Total Return Swap

Workshop: As part of the pricing exercise above, we will develop various pricing spreadsheets.

Brit Training - Delegate Registration Form

T118: The Complete Derivative Boot Camp

For further information contact:
Charles Winton or Tyrone Naik
Tel: (012) 665 3555 • Fax: (012) 665 3140

Physical Address: 9 Highgrove Office Park Tegel Road Highveld Techno Park Centurion	Postal Address: PO Box 12620 Clubview 0014
---	---

Workshop Venue and Date

Code: T 118

Location: Centurion Lake Hotel Centurion Tel: (012) 663 1825	Dates: 10 - 14 February 2003 17 - 21 February 2003
---	--

Please complete Registration Form and fax back to:

Account Executive: **Charles Winton / Tyrone Naik**
On Fax: (012) 665 3140

Organisation: _____

Delegate1:
Name: _____

Position: _____

Cell/Contact No: _____

Delegate2:
Name: _____

Position: _____

Cell/Contact No: _____

Delegate3:
Name: _____

Position: _____

Cell/Contact No: _____

Postal Address: _____

Code: _____

Physical Address: _____

Code: _____

Tel: (____) _____

Fax: (____) _____

E-mail: _____

Signature: _____

Authorising Manager: _____

Accounts Manager: _____

Methods of Payment:

Please note payment must be received before the event. Payment is required within 5 working days from receipt of invoice.

Cheques to be made payable to:

Brit Training

Bank Transfer / Deposit:

Paradisco (Pty) Ltd t/a Brit Training
Bank: FNB
Branch: Centurion 261 550
A/C Number: 62029849786

Please quote delegate name and event codes as reference

Credit Card:

Please debit my Visa/Master/Diners Club Card

Card Holder's Name: _____

Card No: _____

Expiry Date: ____/____/____

CVC No: _____

Signature: _____

Group Discount:

A 10% group discount applies if three or more delegates register from the same organisation.

Confirmation Details:

If you do not receive a letter outlining participation details one week prior to the event, please contact the event coordinator on (012) 665 3555.

Cancellations and Transfers:

Delegates unable to attend the event may send a substitute to the event. Cancellations received in writing two weeks before the event qualify for the event documentation and a 50% refund. Cancellations received with less than two weeks notice of the event carry full liability for payment.

Programme and speakers are confirmed at time of going to press. However, Brit Training reserves the right to alter this programme without notice.

Event Fees Per Delegate

REGISTRATIONS WILL BE CONFIRMED ON RECEIPT ON FEES PAID:

(PRICE INCLUSIVE OF 14% VAT)

R16473 (incl. VAT) per delegate per week (Full Event - R30084.60)

Delegate options: (Full Event includes a 10% discount)

Week 1 x _____ no of delegates = R _____

Week 2 x _____ no of delegates = R _____

Full Event x _____ no of delegates = R _____

R13965 (incl. VAT) per delegate per week (Full Event - R25068.60)

Delegate options: (Full Event includes a 10% discount)

Week 1 x _____ no of delegates = R _____

Week 2 x _____ no of delegates = R _____

Full Event x _____ no of delegates = R _____



Copyright:
Paradisco (Pty) Ltd
Reg No: 1997/012655/07
VAT No: 4570197154
T/A: Brit Training