

# Financial Markets

## A Current and Long Term Explanation of the Financial Markets

Park Hyatt  
Rosebank  
Johannesburg

11th - 13th  
August 2003

“We must have courage to bet on our ideas,  
to take the **calculated risk**, and to act.”

Maxwell Maltz

Today's high risk, fast moving banking and financial sectors require institutions to have both the knowledge and skills to beat the benchmark. This can only be achieved if they are continuously improving their knowledge of the markets and finding new ways to better their competition.

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### Gain Extended Insight Into:

- The challenges in credit risk modelling
- The different types of interest rate derivatives
- Inflation linked derivatives
- Risk management and bank regulations
- Practical application of equity derivatives for fund managers and corporates
- VaR (Value at Risk) and other downside risk measures
- Single-stock futures

### Your Eminent Panel of Speakers:

#### Stephanus de Swardt

Special Projects: Financial Engineering  
RMB (RAND MERCHANT BANK)

#### Dale Crouch

Manager: Corporate Treasury Sales  
ABSA CORPORATE BANK

#### Kesete Tekie

Financial Engineering  
ALGORITHMICS

#### Deon Strydom

Derivatives Trader  
NEDCOR SECURITIES

#### Dr Thana Whitehead

Director  
IPS (INVESTMENT PSYCHOLOGY SOLUTIONS)

#### Peter Urbani

Head of Investment Strategy  
FAIRHEADS ASSET MANAGEMENT

#### Disebo Moephuli

Deputy Treasurer  
DBSA (DEVELOPMENT BANK OF SOUTHERN AFRICA)

### Excellent Case Studies Presented by:

#### Dr Antonie Kotzé

Quantitative Analyst: Treasury  
ABSA CORPORATE AND MERCHANT BANK

#### Giles Heeger

Manager: Treasury Sales and Structuring  
SCMB (STANDARD CORPORATE AND MERCHANT BANK)

#### Dr Rick Natt

Head of Derivatives  
ABN AMRO

#### Hilmarie Schulze

Regional Economist  
IFC (INTERNATIONAL FINANCE CORPORATION)

PRE-EVENT FULL-DAY INTERACTIVE WORKSHOP

### Overview of Financial Markets

Presented By:

#### Mike Schüssler

Economist  
TRADEK

HALF-DAY INTERACTIVE WORKSHOP INCLUDED IN CONFERENCE

### Market and Credit Risk Management and Operational Risk Management

International Presenter:

#### Izzy Nelken

President  
SUPER COMPUTER CONSULTING INC, USA

**marcus evans** is actively working towards accreditation. We have received confirmation in writing from the SETA that "companies who pay their levies to the services SETA can claim back on their levies for training provided by **marcus evans SA (Pty) Ltd.**"

## Workshop

Monday

**11th August 2003**

### FULL-DAY INTERACTIVE WORKSHOP

#### Overview of Financial Markets

- Introduction to Financial Markets
- Financial Market history
- Why do they exist?
- How big are they?
- Growth in Financial Markets
- Where to find out more
- Markets explained
  - forex market
  - bond market
  - derivatives market
  - equity market
  - money market
  - new and exotic markets
- The role of the participants in the Financial Markets
  - government
  - corporate
  - banks
  - insurance companies
  - individual investors
- How do Financial Markets affect you?
- What is the risk?
- What is the risk made up of?
- Trends
  - long term
  - short term
- An economist's view point

Presented By:

**Mike Schüssler**  
Economist  
**Tradek**

#### Workshop Times:

08:00 Early Morning Coffee and Registration  
08:30 Workshop Commences  
12:00 Luncheon  
15:45 Closing Remarks  
16:00 End of Workshop

Please Note: There will be time allocated during the course of the morning and afternoon for refreshments

## Conference Day 1

Tuesday

**12th August 2003**

08:00 Early Morning Coffee and Registration  
08:30 Opening Remarks from the Chair

#### 08:45 ALM's (Asset and Liability Management's) Place in Strategy

A volatile global Financial Market, the introduction of new financial solutions and innovation in the workplace have made the function of asset / liability management a critical task. It is becoming increasingly important to integrate ALM with the overall strategic direction and to consistently define, measure, monitor and manage all forms of financial exposure. The scope of ALM covered in this section will include:

- Articulation of strategies for overall balance sheet management
  - Risk measurement, management and control
  - Cash flow management, allocation of capital and efficient capital planning
  - Profitability and growth
- Disebo Moephuli**  
Deputy Treasurer  
**DBSA**

#### 09:30 Dissecting and Differentiating between the Different Types of Interest Rate Derivatives

- Yield curve analysis
  - zero coupon curve
  - forward curve
  - par bond yield curve
  - corporate curves and spreads
- Interest Rate Swaps explained
- FRA's (Forward Rate Agreements)
- RODS (Rand Overnight Deposit Swaps)
- **Dale Crouch**  
Manager: Corporate Treasury Sales  
**ABSA Corporate Bank**

10:15 Morning Tea

#### 10:30 CASE STUDY

##### The Practical Application of Equity Derivatives for Fund Managers and Corporates

- Collars and fences - up close and personal
  - How corporate engineering worked for Venfin
  - The risks and rewards of corporate warrants
- Dr Antonie Kotzé**  
Quantitative Analyst: Treasury  
**ABSA Corporate and Merchant Bank**

#### 11:15 Portfolio Credit Risk Modelling

This session will cover the importance of a portfolio approach to credit risk, the challenges in credit risk modelling and the reasons for the credit risk modelling explosion. It will also offer an in-depth look at different credit portfolio management methodologies as well as:

- The credit loss distribution
  - Portfolio optimisation using risk contribution
  - Marginal tail risk contribution
  - Risk-based capital allocation
- Stephanus de Swardt**  
Special Projects: Financial Engineering  
**RMB**

12:00 Luncheon

#### 13:15 Risk Management and Bank Regulation

- What is the function of risk management and what are its objectives?
  - What are the key categories of risk - market, credit, operational, ALM?
  - What is the motivation for a risk management function?
  - Why is it increasingly viewed as a key requirement for a financial institution's success?
  - What has been the impact of regulation on this field?
  - How has best practice evolved?
  - Enterprise risk management
- Kesete Tekie**  
Financial Engineer  
**Algorithmics**

**14:00 CASE STUDY**  
**Profitability of the Financial Markets in Africa**

- What instruments are available?
- What are the relevant issues?
- What are the options?
- What are the risks?
- Examples of good and bad choices

**Hilmarie Schulze**  
Regional Economist  
**IFC**

14:45 Afternoon Tea

**15:00 Financial Psychology - Working at a Healthy Money Self-Image**

- What is Financial Psychology?
- How do people make their money?
- What are your chances of reaching financial goals?
- How do you avoid falling into the trap of making wrong investment decisions?
- The investment world does not necessarily revolve around money and investment products
- Peoples' ideas about money

**Dr Thana Whitehead**  
Director  
**IPS**

15:45 Closing Remarks from the Chair

16:00 End of Day One

Conference Day 2

Wednesday

**13th August 2003**

08:00 Early Morning Coffee

08:30 Opening Remarks from the Chair

**08:45 CASE STUDY**  
**Derivatives Market - Potentially Profitable or Risky Business?**

- Case studies of successful operations
- What are the potential pitfalls?
- Investigating the pitfalls
  - interest rate and/or foreign exchange exposure
  - movement in the curve
  - twists and shifts
  - liquidity problems
- How can you measure, control and hedge these exposures?

**Dr Rick Natt**  
Head of Derivatives  
**ABN Amro**

**09:30 CASE STUDY**  
**In Pursuit of Real Returns with Inflation Linked Instruments**

- Mechanics of inflation linked assets
- Pricing inflation linked instruments
- Borrower products
- Structuring opportunities using inflation linked instruments
- Questions

**Giles Heeger**  
Manager: Treasury Sales and Structuring  
**SCMB**

10:15 Morning Tea

**10:30 Single-Stock Futures**

- Gearing up for the future! (Introduction)
- Market-making single stock futures
- Fair value
- The dividend effect
- Futures closeout and rollovers
- Correlation with spot market
- Costs involved
- Risks involved
- Conclusion

**Deon Strydom**  
Derivatives Trader  
**Nedcor Securities**

**11:15 VaR and Other Downside Risk Measures**

- What is VaR?
- How good a predictor of risk is it?
- Alternative risk measures

**Peter Urbani**  
Head of Investment Strategy  
**Fairheads Asset Management**

12:00 Closing Remarks from the Chair

12:15 Luncheon

HALF-DAY INTERACTIVE WORKSHOP INCLUDED IN CONFERENCE

**Market and Credit Risk Management and Operational Risk Management**

This half-day course discusses market and credit risk and also operational risk. Delegates will learn the key concepts and will retain them through the use of many illustrative examples. In particular, we use many spreadsheet examples as well as "stories from the field" to illustrate the relevant points.

- Introduction
- Case study: An interest rate swap, an equity swap a total return swap
- VaR management of a portfolio
- Market risk management for non-financial corporations
- Discussion: Should companies hedge?
- Overview of credit risks and their effects
- Credit risk modeling and data issues
- Evaluating the credit derivatives market and the rationale for its development
- Operational risk
- Factors effecting the importance of operational risk
- Discussion: Who should manage operational risk?
- Risks identified and defined
- Discussion: Operational risk qualitative vs. quantitative
- Specific risks
- Workshop: Identify all the risks in a derivative trade
- Policies and procedures
- Discussion: The changing landscape in the USA
- Firmwide risk management
- Discussion: The future of risk management

International Presenter:

**Izzy Nelken**  
President  
**Super Computer Consulting Inc, USA**

**Workshop Times:**

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14:45 Afternoon Tea

15:00 Workshop Continues

16:45 End of Workshop and Conference

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