

FIMCIR/2018-19/005

14<sup>th</sup> May 2018

To All FIMMDA Members/ Non Members

Dear Sir / Madam,

**Training Program – Hedging tools for Interest rate risk, 21st-22nd June 2018**

All assets and liabilities are prone to interest rate risk and the training program gives an idea of the risks involved and the products to address the same.

FIMMDA in co-ordination with Dun & Bradstreet Information Services (India) Pvt. Ltd. is conducting a two-day training program on “**Hedging tools for Interest rate risk**” on **21st-22nd June 2018**.

As a part of the schedule, we intend to dwell upon Interest Rate Future and Inflation Indexed Bond. Presently there are many single bond futures being traded.

We are also arranging for a brief talk on Trading Strategies/ infrastructure from market participant/ stock exchange for interest rate futures.

The brief details of the program are as under:

**Program title: Hedging tools for Interest rate risk**

**Course handled by :** Faculty from D&B

**Course Fee** : Members : Rs. 17000 + 18% (GST) Rs 3,060=Rs 20,060  
: Non Members : Rs. 18000 + 18% (GST) Rs 3,240=Rs 21,240

**Period** : **21st-22nd June 2018 (Thursday & Friday)**

**Timing** : 10.00 am to 5.00 pm including lunch break



Nurturing Markets,  
Widening Horizons

Regd. Office: 2<sup>nd</sup> Floor, United India Building  
Next to RBI Amar Building – Monetary Museum  
Sir Phirozshah Mehta Road, Fort, Mumbai – 400001  
Ph No: 022-22690321-26  
Fax: 022-22626454  
E-mail: [training@fimmda.org](mailto:training@fimmda.org)

**Venue** : FIMMDA  
2<sup>nd</sup> Floor, United India Building,  
Next to RBI Amar Building – Monetary Museum,  
P.M. Road, Fort,  
Mumbai – 400 001.

**Ph. No** : **022-22690326**

**Training coordinator:** Akash Surana

**E-mail Id** : [training@fimmda.org](mailto:training@fimmda.org)

Laptops will be provided by FIMMDA

A tentative time - table (Annexure I) of the course is enclosed for your perusal. This is a non-residential course.

The registration will be confirmed only on receipt of the payment along with the registration form.

Please send your registration forms by mail/fax, mentioning number of candidates you are sponsoring followed by your letter with payment details.

**Due to logistic reasons, we can accept up to maximum of 20 candidates on a first come first served basis.**

Yours faithfully,

D.V.S.S.V Prasad  
Chief Executive Officer

Enclose: Registration Form

Annexure I (Program Schedule for Course)



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## REGISTRATION FORM

### Hedging tools for Interest rate risk (21st-22nd June 2018)

Organization:

Office Address:

Telephone Number:

Fax Number:

Name of Participant/Designation	Department	Mobile No	E-mail ID

AUTHORISED SIGNATORY: \_\_\_\_\_

Date:

UTR NO:

Date:

Offline	Online	
Cheque /Demand Draft in Favor of "FIMMDA"	Account No	30782076282
	Name of Bank & Address	State Bank of India Gresham House, Sir P.M. Road Mumbai-400001
	IFSC CODE	SBIN0060113

Payment to be made along with registration form.

**(Annexure 1)**

**Hedging tools for Interest rate risk**

**Course Structure (Duration – 2 days)**

**Objective:**

The objective of the program is to enable participants to understand various interest rate products used in hedging the interest rate risk management.

**Methodology:**

Power point presentation slides, excel based numerical examples and case lets wherever applicable using real life data and examples.

**Key takeaways:**

At the end of the training the participants are expected to understand the products, operational issues, trading and regulatory requirements.

**Contents:**

**Interest rate risk management – Use of Derivatives**

- Evolution and growth
- Risk and Uncertainty in Interest rate
- Policy rates and market interest rates
- Short-term and long-term interest rates
- Understanding benchmark interest rates
- Macro economic factors impacting interest rate
- Relationship among interest rate, inflation and exchange rate
- Asset Liability management and interest rates
- Understanding the interest rate derivative products and their utility
- Tools for interest rate risk management
  - Money market instruments and Government Securities Markets
  - Inflation indexed bonds, CPI , WPI and their relevance
  - Derivatives – FRAs, Swaps, Options, IRFs

## Forward Rate Agreements (FRAs)

- Why are they entered into?
- Benchmark FRAs in Indian markets
- Structuring an FRA
- Trading in FRA
- Factors affecting valuation of FRA
- Valuation of FRA
- Understanding hedging with FRA
- Overview of RBI guidelines

**Example:** Participants need to value a FRA sometime after it has been entered into. For this, relevant data will be provided to them.

## Interest Rate Swaps (IRS)

- Why are they entered into?
- Structuring interest rate swaps to lower borrowing costs
- Case let: Participants will be given a Case let which will have two borrowers with different credit ratings. They are expected to structure an Interest Rate Swap.
- Factors affecting valuation of Interest Rate Swaps
- Understanding Swap Curve
- Valuation of Interest Rate Swap
- Overview of RBI regulations

**Example:** Participants need to value an interest rate swap sometime after it has been entered into. For this, relevant data will be provided to them.

## Repo

- Concept of Repo and eligible instruments
- Types of Repo
- Use of Repo
- Cash flow of Repo transaction
- M-T-M in Repo transaction
- Regulatory overview



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## Interest Rate Futures (IRF)

- Concept and terminologies
- Underlying products
- Cost of Carry and Cheapest to deliver bonds
- Arbitrage opportunity in IRF
- Trading, clearing and settlement of IRF
  
- IRF – hedging and risk management
- Overview of RBI guidelines

Case let /example – IRF trades at Exchanges

- Trading strategies from a market participant.

## Overnight index swaps (OIS)

- Concept and need
- Determination of OIS rate
- Benefits
- Operational mechanism of OIS
- Hedging strategies
- OIS and risk management
- Overview of regulations