![FIMMDA logo] *Nurturing Markets, Widening Horizons*

Regd. Office: 2nd 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

FIMCIR/2018-19/010

09th July 2018

To All FIMMDA Members/ Non Members

Dear Sir / Madam,

Training Program – Hedging tools for Interest rate risk, 27th-28th August 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 **27th-28th August 2018.**

As a part of the schedule, we dwell upon Interest Rate Future and <u>starting from this programme we intend to cover Interest Rate Options.</u>

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

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   : **27th-28th August 2018 (Monday & Tuesday)**

Timing   : 10.00 am to 5.00 pm including lunch break

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Venue : **FIMMDA**
2nd 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**

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 (27th-28th August 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.

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(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 derivatives 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 – Overview

- Evolution and growth
- Risk and Uncertainty in Interest rate
- Understanding Interest rates, policy rates, market rates and their dynamics
- Understanding benchmark interest rates – MIBOR, LIBOR, MIFOR
- Understanding Interest rate risks – Repricing Risk, Basis Risk, Options related risks
- Macroeconomic factors impacting interest rate
- Asset Liability management and interest rates
- Use of derivatives in hedging the ALM related interest rate risk

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Tools for interest rate risk management

- Money market instruments and Government Securities
- Derivatives – FRAs, Swaps, Options, IRFs
- Understanding the interest rate derivative products and their utility
- RBI guidelines and overall valuation framework by FIMMDA

Interest Rate Futures (IRF)

- Concept and terminologies
- Contract Specifications
- Trading, clearing and settlement of IRF
- Cost of Carry and pricing of IRFs
- Interest rate risk management using IRF - strategies
  - o Arbitrage opportunity in IRF
  - o IRF – hedging and risk management
- Overview of RBI guidelines

Forward Rate Agreements (FRAs)

- Why are they entered into?
- Benchmark FRAs in Indian markets
- Structuring an FRA
- Trading in FRA
- Valuation of FRA
  - o Generating forward curves
  - o Valuing FRA – arriving at FRA rate
  - o Valuing FRA – MTM 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?
- Factors affecting valuation of Interest Rate Swaps
- Understanding Swap Curve

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- Comparative Advantage
- Structuring interest rate swaps to lower borrowing costs
- Valuation of Interest Rate Swap
  - Arriving at Swap rate
  - MTM of Swaps

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.

- Hedging strategies with Interest Rate Swaps
- Overview of RBI regulations

Overnight index swaps (OIS)

- Concept, need and benefits
- Determination of OIS rate
- Operational mechanism of OIS
- OIS and risk management
- Overview of regulation

Interest Rate Options

- Concept and terminologies
- Contract Specifications
- Calls vs Puts
- Caps, Floor, Collars
- European vs American Options
- Intrinsic Value and Time Value
- Moneyness – ITM, OTM, ATM
- Trading, clearing and settlement of Interest Rate Options
- Factors impacting valuation of interest rate options
- Options strategies for hedging on a portfolio

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