



Background

Foreign exchange is a product like none other in financial services and so is its Trade Lifecycle quite unique. This program combines both the product as well as the trade dimensions providing seamless flow and coverage of the topics.

Methods:

- Gaming
- Quizzing
- End of program assessment

Program Duration: 12 sessions of 1.5 hours each

Scheduling: per convenience over 3 days (min) to 12 days (1 session a day - max).

PART 1 The Product: 6 hours

1. Foreign Exchange Overview: ½ hour

- What is Foreign Exchange
- Daily usage of Fx
- Major Currencies of the World
 - Principal Currencies
 - Reasons for their status
 - Emerging currencies
 - Data on currency invoicing and transactions: which pairs are important

2. Key Participants and Players in the FX Market: 45 mins

- Role of Central Banks
- FX Dealers and Brokers (Market Makers)
- Money Changers
- Buyers and Sellers of FX (Market Users)
- The Role of Commercial Banks
- Interbank Markets
- Offshore Markets for Currencies
 - What is onshore
 - What is offshore
 - Which currency where offshored!

3. Foreign Exchange Basics: 1 ½ hours

- Bid/Ask mechanics
- Currency Pair
- Base Currency and Quoting Currency
- Hierarchy in the Currency Pair

4. Fx Calculations: 1 ½ hours

- Direct Rates
- Concept of Numeraire
- Cross Currency Rates

5. The FX Market: 1 hour

- Cash, Tom, Spot & Forwards
- Factors affecting Spot FX rates

6. FX Derivatives by Use Case / Examples in brief: 45 min

- Forward
- Non - deliverable forwards (incl. principal currencies and settlement currency)
- Currency Future
- Currency Options
- Fx Swap - a funding solution
- Currency Swap

7. Risk & Compliance: 10 m

- Regulatory reporting

PART 2 ~12 hours

1. The Trading Ecosystem / Environment: 30 m

- The Banks are Market Makers
- Customers are Market Users
- Banks ALSO use the Market
- Trades are essentially OTC
- Risks in OTC Markets
- Vis-a-vis customers
- Vis-a-vis interbank markets

2. One Position, Many trades: 30 m

- The number of trades that result from bank's risk management
- Each additional trade has its own TLC
- Recognising the 'life' of a trade

3. Client-onboarding and Contracting: 1 h

- Who do we agree to trade with
 - Customers
 - Interbank
- What documentation does it need (given the risks discussed earlier)
- Globally Accepted Documentation Standards
- Basic Structure of Documentation

- Standard Settlement Instructions
- Authorisations to trade and commit
- KYC, AML

4. Pre-Trade: 30 m

- Pre-Trade Compliance in Exchange Trades
- Pre-Trade Compliance in Other Trades (compare and contrast)
- Pre-Trade Compliance / Trade Limits
- Pre-Trade Compliance / Margin Trades
- Pre-Trade Compliance / Delivery Based Trades
- Pre-Trade Compliance / Price Verification

5. Orders & Trades: 30 m

- What is an Order
- Market Makers exist to make orders into trades
- How the banks make money doing that
- Revisit the 'Life' behind a single trade

6. Post Trade Pre-settlement: 1 h

- The Outcome of an OTC Trade
- Trade Capture / Typical Input Data
- Trade Capture / Criticality of timeliness, accuracy
- How STP facilitates Trade Capture and other Back Office requirements
- Sample of an STP for Fx/ Reuters Dealing 3000

7. Confirmations: 1 h

- The Need for Confirmations
- Confirmation / Standard Practices
- Confirmation / Transmission
- Confirmation / Use of SWIFT
- Confirmation / SWIFT / BIC
- Confirmation / Checking
- Confirmation / Amendments
- Confirmation / Escalation Procedures
- Confirmation / Timing

8. Preventing Failed Trades: 1 h

- Margins and Margin Management
- Funding for settlement
- Currencies by risk
 - Easier to fund
 - Tougher to fund
- Consequences of funding failures
- CHF case study

9. Settlements: 1 h

- Settlement / Trade Validation
- Settlement Instructions
- Standard Settlement Instructions (SSI)
- Standard Settlement Instructions/ Advantages & Disadvantages
- Settlements /Value Date
- Settlements /Netting Off Obligations
- Netting
- Amendments
- Novation

10. CHIPS, CLS Bank: 1.5 h

- Currency pairs settled through CLS Bank
- Regulation mandated status of CLS Bank
- Alignment of Fedwire, Target2, UK BACS, RITS and other payment systems with CLS Bank
- US dollar settlements via CHIPS

11. Cash Management & Funding: 1 h

- Managing liquidity in overseas markets
- Central Bank Borrowing
- Fx Swaps
- Cost and profitability implications of funding

12. Post Trade Accounting and Reconciliations: 1 h

- Nostro Accounts
- Debits and Credits in Nostros
- Accounting for transactions
- Resolving reconciliation outstanding items

13. Risk & Reporting: 30 m

- Why is it not required externally in Fx
- Internal reports and position tracking
- Risk issues