

Banking & Finance

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Corporate Financial Risk Analysis

Course Description:

The area of risk management is now the most pressing in many financial institutions. This covers a variety of aspects of risk of which credit risk is one of the most important. The competition for good business in all areas is intense which makes the assessment of risk and the subsequent management of risk of paramount importance for the future profitability and development of the financial institution involved.

This has become more acute in recent years as competition has become more intense. Many financial institutions now face a severe skills gap in this area that requires substantial training and development, both internal and external, in order to ensure success in the future.

Learning Objectives:

This program is designed to improve the quality of your risk analysis and decision making. It will provide you with a thorough Framework for risk assessment and evaluation. It is a practical workshop which make extensive use of examples and case studies to allow you to develop your risk management skills.

This program is also designed to bridge this gap. It is taught by an experienced risk management trainer who has worked with financial institutions throughout the world on risk management

Who Should Attend:

This program is suitable for a wide range of personnel involved in risk evaluation and risk management. It will appeal to credit officers, account officers, credit underwriters, credit managers, corporate finance personnel, leasing executives, bank marketing personnel, lawyers, accountants and corporate staff who wish to understand how to evaluate risk. Ideally participants should have a fundamental understanding of company accounts and some exposure to the area of risk management prior to attending the program.

Daily Course Contents:

First Day:

The Practicalities of Credit Risk, Assessment and Management

- Fundamental canons of lending
- Going and gone concern approaches to credit
- Viewing risk from the business perspective
- Understanding the wider risk issues for a business
- Combining company business and financial risk
- Review of subjects

Second Day:

Understanding Market Risk

- Understanding the banking risks and culture risk
- Assessing repayment ability
- Credit scoring techniques and computerized solutions to risk evaluation
- Financing solutions including factoring, leasing, letters of credit
- Understanding volatility and risk
- Review of subjects

Third Day:

Managing the Risks

- Statistical measurement of risk
- Use of Beta as a risk measurement
- CAMP and other models to measure risk adjusted returns
- Using value at risk techniques
- Portfolio risk management techniques
- Corporate investment risk appraisal
- Review of subjects

Fourth Day:

- Risk mitigation, covenants, guarantees, and aspects of security
- DCF, NPV and IRR
- Using option pricing to appraise risk
- Treasury risk
- Managing currency and interest rate risk
- Bank balance sheet management- ALM
- Review of subjects

Fifth Day:

- Capital adequacy and solvency
- GAP management
- Pricing risk in the context of risk adjusted return on capital (RAROC)
- Alternative RAPM models of risk management
- Case Studies
- Group Discussions
- Course Evaluation
- Course Summary

Derivatives: Strategies, Trading and Valuation

Course Description:

In this program, delegates develop their expertise in one of the most rapidly growing areas in international finance. The program first describes the basics of swaps, caps, floors, collars, forward rate agreements, captions and swaptions. Other topics include hedging from both a micro and macro perspective, sophisticated off-balance sheet activities and their effect on back capital standards, and master pricing and direct vs. synthetic pricing.

Day 1:

- I. Futures and forwards
 - A. Define futures and forwards
 - B. What are the mechanics of futures including margins and settlement
 - C. Examine the pricing of both contracts
 - D. What are the differences between the two contracts
 - II. Forward rate agreements
 - A. Define a forward rate agreement
 - B. How they are priced
 - C. Applications of forward rate agreements
 - D. Review the beginnings of the forward curve
 - III. Eurodollar futures
 - A. Show applications of Eurodollar futures
 1. The strip and its relations to swaps
 2. Stacking
 - B. What is the basis of a futures contract
 - IV. Bond and note futures
 - A. Explain the settlement differences between these contracts and the Eurodollar future
 - B. What is meant by cheapest to deliver
 - C. Examine pricing
 - V. Stock index futures
 - A. Look at the settlement procedures
 - B. Evaluate the pricing of stock index futures
 - C. Show some applications
 - D. What is meant by program trading

Day 2:

- I. Fundamentals of options
 - A. Call and put options
 - 1. What is the definition of a put option
 - 2. Payoff and value profiles
 - 3. What is meant by in, at and out of the money
 - 4. Intrinsic and time value demonstrated using an equity option
 - 5. Exercises using Magellan software to reinforce premiums and payoff profiles
 - B. Put call parity
 - 1. Show relationships between puts and calls
 - 2. Use software to demonstrate synthetic positions
- II. Introduction to option pricing
 - A. Option valuation using the binomial model
 - 1. Explore the pricing of an option using the binomial model
 - 2. What is meant by risk neutral
 - 3. What are the key assumptions
 - 4. Exercise demonstrating option pricing using Magellan software
 - B. Volatility
 - 1. Define volatility
 - 2. Annualizing both returns and volatility
 - 3. Reviewing a calculation of historical volatility
 - C. Black Scholes model
 - 1. What are the assumptions
 - 2. Historical and implied volatility
 - 3. Volatility smiles, skews and curves
 - 4. What are price relatives
 - 5. The Black Scholes formula

Day 3:

- I. The Greeks (the following are all explained using extensive exercises with Magellan software)
 - A. Delta
 - B. Gamma
 - C. Theta
 - D. Vega
 - E. Rho
 - F. Psi
- II. Option trading strategies
 - A. What are spreads

- B. Demonstrate volatility plays
 - C. How to increase yields
 - D. Portfolio strategies
 - 1. Protecting a position with huge profits in it
 - 2. Develop costless strategy to protect profits
 - 3. Review common option strategies using Magellan software

Day 4:

- I. Exotic options
 - A. Define path dependent and multi-factor options
 - B. Analyze the pricing for exotic options
 - C. Show how different pricing components impact exotic option through extensive exercises using Magellan software
- II. Monte Carlo simulations
 - A. Explain the Monte Carlo technique
 - B. Look at pricing exotic options using this method

Day 5:

- I. Interest rate swaps
 - A. Characteristics and features of interest rate swaps
 - B. Why enter into a swap
 - C. Interest rate swap pricing
- II. Yield curves
 - A. What is the par swap curve
 - B. How is the spot curve derived
 - C. Where does the forward curve fit into the pricing of swaps
 - D. How has the reduction of treasury debt impacted the swaps markets
- III. Running a USD interest rate swap book
 - A. Mapping cash flows to appropriate buckets
 - B. Measuring cash flows by DV01
- IV. Currency swaps
 - A. Define a currency swap
 - B. How are they priced
 - C. Application of swaps
- V. Equity and credit swaps
 - A. Define both instruments
 - B. Explore applications

Financial Country Risk

Course Description:

This comprehensive program offers an overview of the factors and techniques used in bank and country risk analysis. Subjects to be covered include analyzing a bank's balance sheet, the concepts and mechanics of evaluating country risk, capital, and advanced indicators and solutions. The program includes group workshops where delegates analyze a new bank in an emerging market country, critically analyze the report and econometric data available for an emerging market country, and choose from a group of similar banks operating in the same geographical area, as to which bank they would advance credit to in order of preference.

DAY 1 - COUNTRY RISK ANALYSIS

- What are the real problems?
- Why do countries fail?
- **CASE STUDY 1: ANALYSIS OF ARGENTINA**
- **CASE STUDY 2: GUANDONG (CHINA) GITIC FAILURE**
- House of Cards effect
- The role of currency (MEXICO)The reality of management incompetence
- **CASE STUDY - THE MACROBANKING SYSTEM**
- Country v. Bank Risk Analysis
- CONTEMPORARY COUNTRY RISK MODELS
- "Expert" approach
- "Mercenary" and "Realist" models
- Value of Econometric data

THE 10 STEP GUIDE TO ANALYZING A BANK'S BALANCE SHEET

1. CAPITAL - What it really is
2. CAPITAL/ASSETS - How to step in and out of ratios
3. ASSETS - A look at loan growth and diversification
4. LOAN LOSSES - An historic perspective challenged
5. LOAN PROVISIONS - Looking behind the figures
6. LIQUIDITY RATIOS
7. LIQUIDITY MANAGEMENT POLICY - How much does it cost them to fund themselves and are they adopting the correct criteria
8. NET INCOME and RETURN ON ASSETS (as a starting point)
9. COSTS/COST CONTROL SYSTEMS
10. "SPECIAL ITEMS"

A NEW APPROACH

- The objectives of Country Risk
 - TRANSACTIONAL
 - OPERATIONAL
 - STRATEGIC

GROUP WORKSHOP ONE: A Transactional analysis of a new bank in an emerging market country

- How to analyse NEW BANKS

DAY 2 - THE CONCEPT AND MECHANICS OF EVALUATING COUNTRY RISK

- Establishing Country Limits
- Failure/Low limit repercussions
- Short-Termism and the Sovereign alternatives
- THE ECONOMETRIC VARIABLES
- Sources of Debt
- Bond Markets/Syndicated loans
- Debt Service
- Calculating Balance of Payments Accounts
- External Currencies and Debt Service
- Currencies in Metamorphosis
- REVALUATION
- GNP and GDP
- CALCULATIONS OF NATIONAL INCOME
- GRID CONSTRUCTION METHODOLOGY
- Financial Factors
- Structural/Economic Factors
- Political/Strategic Factors
- Systemic Risk
- Scoring Political Points
- Risk weighting the Matrix
- The selection of Probabilities
- CALCULATING CURRENT ACCOUNT DEFICIT AS % OF GNP
- LIQUIDITY GAP RATIOS
- SELECTED RATIOS FOR COUNTRY RISK ANALYSIS

COUNTRY/BANK RISK ANALYSIS

- The link between risk differentials
- Country and Bank as Corporate
- De-mystifying the Banking Industry
- Banks in Transition - CARIBBEAN/BOLIVIA
- CAPITAL as an inadequate performance indicator

CREATING REAL BANK RISK ANALYSIS

- Bank annual reports as barriers (with case examples)
- Achieving transparency
- Garbage in - Garbage out theory
- Quantitative and qualitative analysis

GROUP WORKSHOP TWO: Delegates critically analyse the report and econometric data available for an emerging market country in relation to risk entry points.

COMMERCIAL BANK LENDING TO EMERGING MARKETS (With guest speaker Gene Rotberg)

- Who has the leverage, e.g., banks? borrowers?
- Why did the banks get in the business?
- Role of SEC, Fed, Comptroller of the Currency
- Moratorium on Debt Implications
- Accounting Conventions
- Political Considerations
- Role of Multi-Nationals

CREDITWORTHINESS ASSESSMENT: DO ECONOMIC POLICIES MATTER?

- Role of Globalization
- Domino Effect
- Contagion
- Predictability
- Implication of Short-Term Borrowing Policy by Emerging Markets

DAY 3 - CONTINUED STRUCTURAL BANK RISK - THE CROCODILE SYSTEM

- COUNTRY OF INCORPORATION
- REPUTATION (A STRUCTURAL APPROACH TO MARKET "RUMOUR")
- ORGANIZATION STRUCTURE
- CURRENCY
- ORGANISATIONAL STRUCTURE
- DUE DILIGENCE
- INTERNATIONAL NETWORK OF BRANCHES/SUBSIDIARIES
- LOCATION OF BRANCH
- EARNINGS POTENTIAL OF DEAL

ADVANCED RISK MANAGEMENT ANALYSIS

- Generic Types - GO/GO

GO/SLOW
NO/GO

- Risk Ratios - DEVELOPING

COST/INCOME
PER CAPITA
INCOME
STRUCTURE
LIQUIDITY TESTS

- Hearing a Warning Bell

LINE/PORTFOLIO DESIGN

- How much do we give them?
- How much do they want?
- How liquid are they?
- Targeting Bank
- Pinball Line Management

GROUP WORKSHOP THREE: The core group workshop of the Course - PEER BANK GROUPING.

Delegates, in Groups, are presented with 3 similar banks operating in the same geographical area and decide who they would advance credit to in order of preference.

DAY 4: CAPITAL, ADVANCED INDICATORS AND SOLUTIONS

- POST-BASLE RISK CRITERIA
- Why Capital is no longer fashionable as a risk item
- The Quality of Liquidity

POST-LEARNING

GROUP WORKSHOP FOUR: Delegates, having already been given a country risk analysis and a completed bank risk analysis book at where their future lies in a line decision using all the previous criteria.

Do they lend to the Country?

Do they land to the Bank?

Do they lend to both or neither?

Financial Investment Markets

Course Objectives:

- Introduction to global financial investment markets
- Broad overview of the available range of investment products
- Analysis of investment needs
- How to select the most appropriate generic product to meet needs
- Measurement of investment performance
- Maximizing return on investment
- Common investment pitfalls

Course Duration: Three Days

Who Should Attend:

Non-financial and financial managers alike will benefit from this course, which addresses many topical issues relating to the successful investment of surplus cash

Course Contents:

- Introduction - the need to manage surplus capital
- The need for a balanced approach to investment *at all times*
- Identifying the investment need
- Terminologies and Jargon
- Investment Analysis
- Money Markets
- Currencies
- Securities, Bonds
- Stock Markets
- The conflicting roles of the stockbroker and the investment manager. Who do you listen to?
- Derivatives
- Portfolio structuring
- Markets in the USA / Europe / Far East
- Emerging markets
- Market Trends and Performance

- Return on Investments
- Performance Measurement and Analysis
- New trends in investment
- How to mismanage investments

- **Discussion periods**

- **Course Evaluation and Summary**

INTERNATIONAL & FINANCIAL TRADE MANAGEMENT TRAINING

Background

- ◆ TRADE FINANCE
- ◆ FINANCIAL RISKS MANAGEMENT
- ◆ CREDIT CONTROL PROCEDURES
- ◆ CREDIT INSURANCE FACILITIES
- ◆ PROJECT FINANCE
- ◆ ASSET TRADING & DEBT CONVERSION
- ◆ TECHNIQUES FOR EXPORT SALES

Who Should Attend:

The following courses of training are aimed at Financial Directors, Sales Directors, Chief Executive Officers of World Trading Companies, Export Directors & Salesmen, Credit Managers and Controllers. Can also include Company Secretaries and Company Asset Managers & Controllers.

EXPORT TRADE FINANCE

- Introduction
- Payment Terms
- Open Account – Invoices
- Bills of Exchange
- Promissory Notes
- Cash with Order – CAD – D.S.D.
- Letters of Credit
- Discounting Letters of Credit
- Silent Letter of Credit Confirmation
- Tenor Letters of Credit
- Acceptance Credits
- Export Merchanting
- Export Confirming Houses
- Countertrade
- Barter
- Export Factors
- Export Finance Houses
- “Managed” Export Credit Insurance Policies
- Small Exporters Finance Schemes
- Short Term – CAD to 180 days
- Medium Term 180 days to 2 years
- Extended term 2 to 5 years
- Buyer Credit Facilities
- Financial Guarantees
- Government Lines of Credit
- World Bank Loan Facilities
- International Aid Lines – ADB – EIB – EEC
- Currency Borrowing Facilities
- Currency Placements
- Exchange Rate Options
- Inter-company Sales
- Subsidiary Company Invoicing

DOMESTIC TRADE FINANCE

- Introduction
- Payment terms
- Negotiable Instruments
- With recourse Facilities
- Without Recourse
- Overdraft
- Confirming House
- Merchants
- Factors
- Acceptance Credits
- Banks
- Bill Discounting
- Field Warehousing
- Assignment of Credit Insurance Policy
- Discounting of Credit Insured Transaction

FINANCIAL RISK MANGEMENT

- Introduction
- Cost of Credit
- Measurement of Debt
- Quality of Debtors
- Effect on current Asset Receivables
- Effect on Balance Sheet
- Cost Effect on Profits
- Insured Receivables
- Bad Debt Provisions
- Pre Delivery Finance
- Sales Ledger Format
- Operation of Sales Ledger
- Documentary & L/C Collections
- Computer Systems
- Credit Manuals
- Check List for Sales Ledger
- Cash Targets for Collection
- Days Sales Outstanding Report
- Cash Discounts for Prompt Payers
- Direct Debiting
- Settlement Rebates
- Penalty Interest
- Field Warehousing
- Stock Financing
- Factoring
- Telephone Call Collections
- Protest Action
- Time Bar
- Re-acceptance in Blank – P/N and B/E's
- Collection Agencies and use
- Currency Facilities
- Currency Options – SWAPS – PUTS
- Liaison with Finance Houses and Banks
- Kidnap & Ransom Risks
- Burglary – Theft – Copyright
- Bad Debt to Profit Sales Ratio

CREDIT CONTROL & MANGEMENT PROCEDURES

- Introduction
- Credit Management Functions
- Growth of Consumer Credit
- Credit Centre
- The Credit Function
- Credit & Liquidity
- Credit Policy
- Position of Credit Manager in Management
- Functions of Credit Department
- Communication and Information
- The Sales Credit Relationship
- Communication and Information
- Training and Recruitment
- Definition of Credit Terms
- Sales Ledger Administration
- Conditions of Sale
- Payment Terms
- Payment Methods
- Progress Payments
- Open Account
- Use of Domestic Credit Insurance
- Vetting Customers
- Establishing Credit Worthiness
- Risk Categories
- Trade Risk Assessment
- Sources of Credit Information
- Terms of Trade and Payment Definition
- Interpretation of Accounts
- Customer Visits
- Z Scoring
- Insolvency Sign Posts
- Buyer Credit Limit Controls
- Cash Collection Policies
- Cash Collection Methods
- Computer Aids
- Direct Debiting
- Collection of Overdues
- Protect Period Machinery
- Associated Credit Management Organisations – including International

EXPORT CREDIT INSURANCE

- Introduction, History, Berne Union, Paris Club
- Government Credit Insurance Schemes – ECGD – Coface – FCIA
- Lloyds of London & Private Markets
- Commercial Risks – Del Credere
- Default & Insolvency
- Political Risks
- Government Default
- Transfer – Exchange Control – Currency Restrictions/Delays
- Import/Export Licence Embargoes
- War & Force Majeur
- Whole Turnover
- Selected Markets
- Single Market
- Single Buyer – Specific Transaction
- Special Guarantee
- Foreign Goods
- Services and Royalties
- External Trade
- Barter – Compensation Trading
- Overseas Investment Insurance
- Policy Indemnities
- Risks Excluded/not covered
- Payment terms
- Extension of due dates of Payment
- Cover for Fairs
- Consignment Stocks Cover
- Local Currency Release in CAD transactions
- Distributor Floor Plan Schemes
- Premium Rates and Schedules
- Deductibles
- Schedules of Markets Covered
- Market Conditions – Restrictions - Exclusions
- Buyer Credit limits
- Status Information
- Trading Experience
- Discretionary Limits
- Overdue Notifications
- Reporting Procedures
- Claims Procedures
- Litigation and Apportion of Costs
- Non Disclosure
- Policy Assignment to 3rd Parties
- Assignments to Banks

PROJECT FINANCE

- Introduction
- Definition of Major Projects
- General Export Lines of Credit
- Inc Raw Materials – Consumer Goods – Chemicals/Pharmaceuticals – Engineering – Armaments – Agriculture – Construction
- Individual Projects
- Buyer Credits
- Work in Progress and Manufacturing Finance
- Pre-delivery Finance
- Leasing
- Tax Implications
- Peppercorn Rents
- Lease Purchase Options
- Shipping Finance
- Mortgages
- Aircraft Finance
- Hotel and Building Finance
- Oil and Gas
- Tourism and Infrastructure
- Aid Finance – World Bank – EAB – ADB etc
- Overseas Investment Insurance
- Political Risks Contingency Cover
- Resident Certificates
- Repatriation of Funds
- Debt Asset and Equity Finance
- Use of Local Blocked Funds
- Bonding Facilities including unfair call – bid bonds – advance payment bond – performance bonds – labour and material bonds and retention bonds
- Arbitration award refusal
- Contract non-ratification
- Commitment Fees
- Negotiation Fees
- Pre-Shipment Inspection
- Insurance Premiums
- Mixed Credits
- Euro Dollar and Syndicated Loans
- Barter – Counter Purchase and Switch Trading

ASSET TRADING & DEBT CONVERSION

- Introduction
- Definition of Assets
- Listing of Conversions
- Foreign Currencies
- Swaps and Puts
- Debt of Governments
- Creditor Banks
- Distressed Debt – Trade and Government
- Debt for Equity
- Debt for Release/use of Local Currency
- Debt for Exports
- Debt for Asset
- Debt for Investment
- Debt for New Project Development and Infrastructure
- Cross Border Finance
- Captive Off Shore Insurance
- Rent –a-captives
- Subsidiary Invoicing
- Inter Company Invoicing
- Compensation – Buy Back – Switch Trading – Kidnap and Ransom Facilities
- Key Man Insurance
- Product Extortion
- Asset Trading in Project Leasing – Ship and Aircraft Finance
- Settlement for Release of World Bank – IMF Funding

TECHNIQUES FOR EXPORT SALES

- Introduction
- Product Model
- Liaison with Credit Control
- Payment |Term Range
- PROFORMA Invoices
- Import Licence Requirements
- Export Licence Requirements
- Pre-Shipment Inspection – SGS
- WTO – Uruguay Agreements
- Gatt
- Exchange Control Approvals
- Contract Law
- Arbitration
- Interest Clauses
- Order Taking/Checking
- Field Discretion
- Local Representation
- Distributor Stocking/Floor Plan Assistance
- Local Agency Requirements/Representation
- Local Duties
- Local Commissions
- Buyer Credit Checks
- Company Credit Policy
- Customer Contact
- Goods Pricing
- Documentation
- Staff Expertise
- Costs – Ex Works – FOB – C&F – CIF
- Cost of Credit
- Transfer & Foreign Exchange Delays
- Credit Insurance Consideration – Claims Waiting Periods
- Pre-Shipment & Pre-Delivery Acceptance
- Currency Valuations and Fluctuations
- Profit Margins
- Contract Documentation
- Credit Approvals
- Credit Checks Prior to Despatch
- Consideration of Finance Facilities
- Country Risks

Mergers & Acquisitions

Course Description:

The overall aim of this seminar is to introduce delegates to the financial and business issues that need consideration and evaluation as part of the analysis required in making a decision to acquire or merge with another business. It is not intended to replace the expert financial, legal and business advice that will be required to specifically assess an individual scenario but rather to act as an introductory overview of the main aspects of the process. To acquire or merge with another business can make; it therefore requires careful planning, Evaluation and risk assessment if it is to prove an effective and successful strategic move.

By the end of this seminar delegates should be able to understand the main issues involved and the financial analysis required to assist the merger and acquisition decision-makers in their assessment of potential targets and case studies.

Learning Objectives:

- On completion of this seminar, delegates will be able to:
- Understand the rationale behind mergers and acquisitions
- Understand the financial techniques used to try to arrives at valuations of companies
- Understand the issues relating to sources of finance
- Incorporating risk/uncertainty into the analysis

Who Should Attend:

The seminar is suitable for management at all levels who have no specific mergers and acquisitions expertise or experience but wish to gain an understanding of the financial and business issues of the decision.

Daily Course Contents:

First Day:

- Introduction – Growth, Return and Shareholders Expectations
- An overview of the financial motives and objectives which drive business and measure its success
- The motives of Mergers and Acquisitions
- An examination of the most important aspects form the basis of rationalizing mergers and acquisitions

- The part played by mergers and acquisitions in strategy development



- Company Valuations
- An examination of the key approaches used in attempting to value a business
- Sensitivity analysis and risk management in mergers and acquisitions

Second Day:

- Sources of Finance
- An overview of the different types of finance available to fund an acquisition and their impacts upon the financial structure and health of the business
- Accounting for Mergers and Acquisitions
- An examination of the different treatment of mergers and acquisitions in the company accounts
- Other Considerations
- Tactics
- Advisors
- Regulatory bodies

Third Day:

Fourth Day:

Fifth Day:

Course Speaker: