

FX OPTIONS TRADING AND THEIR STRUCTURED APPLICATIONS

**THE MOST IN-DEPTH FX OPTIONS TRADING AND APPLICATIONS
PROGRAMME EVER PRESENTED IN ASIA. AN INVESTMENT
OPPORTUNITY FOR EVERY SELL SIDE AS WELL AS
BUY SIDE FX PROFESSIONALS**

YOU WILL LEARN:

- ABOUT THE LATEST RISK MANAGEMENT/HEDGING INSTRUMENTS
- ABOUT THE LATEST FX OPTIONS TRADING STRATEGIES
- ABOUT THE ADVANCED EXOTIC OPTIONS BUSINESS
- HOW TO OFFER VALUE-ADDED SERVICES TO YOUR TREASURY CUSTOMERS
- HOW TO BUILD AND RUN A SUCCESSFUL FX OPTIONS TRADING DESK
- HOW TO BUILD AND RUN A PROFITABLE FX OPTIONS SALES DESK
- HOW TO CONTROL RISKS IN FX OPTIONS TRADING
- ABOUT THE MANAGERIAL ISSUES IN RUNNING AN FX OPTIONS BUSINESS
- HOW TO APPLY THE LATEST FX OPTIONS PRODUCTS TO ASIAN CURRENCIES

Date : 3 to 5 April 1995

Venue : Mercury Room, Level 4

The Westin Stamford and Westin Plaza Hotel, Singapore

Time : 09:00 to 18:00 hours

Special emphasis on: PRACTICAL APPLICATIONS AND BUILDING THE BUSINESS

Organised by:

REUTERS

Presented by :

Advanced Risk Management Solutions Pte Ltd

In conjunction with :



FX OPTIONS TRADING AND THEIR STRUCTURED APPLICATIONS

COURSE OBJECTIVES

The aim of the programme is to expose participants to the basic FX Options products and strategies, the latest developments in Exotic Options, FX derivatives trading/hedging application cases and structured derivative products to help the end users better manage their treasury exposures. Participants will also learn how to build a successful FX Options trading business from the banks' perspective with many hands-on pricing, trading and strategizing exercises.

WHO SHOULD ATTEND

Treasury Managers, FX Managers, Chief Dealers, FX Traders, Heads of FX Sales Desk, FX Sales People, Derivatives Traders, Derivatives Risk Managers, Investment Bankers, Corporate Bankers, Investment Advisors, Fund Managers, Corporate Treasurers, and Brokers.

THE COURSE DIRECTOR

Ralph Yiehmin Liu - MChE, MSE, Ph.D. Cand., MBA (Wharton Business School), is the Managing Director of Advanced Risk Management Solutions Pte Ltd, a Singapore-based consulting and financial training business in the area of treasury, capital markets and derivatives. Previously he served as the Managing Director of Chase Manhattan Asia Limited in Hong Kong, where he set up an FX and interest rate structured derivatives business for its Asian operations. He also built a structured FX options and derivatives business in Asia for the Union Bank of Switzerland headquartered in Singapore. Prior to moving back to Asia, Ralph had many years of experience running FX options and the interest rate derivatives business with major investment and money center banks on Wall Street.

A G E N D A

3 April 1995 (Day 1): General Background of Options Concepts

8:30 am - 9:00 am

Coffee and Registration

9:00 am - 10:30 am

Options Overview

1. Introductions to basic option concepts
 - a. Spot, forward relationship, interest rate parity
 - b. Contingent claims concept
 - c. From daily experience to financial applications
2. The language of options
 - a. Options types, styles and other specifications
 - b. Put-call parity
 - c. Moneyness: OTM, ATM, ITM
 - d. The exercise of an option, maturity date and settlement procedures
 - e. Exchange-traded contracts vs OTC options

3. Who, when, why and how to use FX, interest rate and equity options
 - a. Market participants: speculators vs hedgers
 - b. Typical corporate risk exposures: FX, interest rate and equity
 - c. The benefits of using options to hedge
 - d. Characteristics of different underlying markets
 - e. Risk management objectives
4. The determinants of option pricing
 - a. The six independent variables of option pricing
 - b. Distribution assumptions: normal, lognormal and others
 - c. Historical vs Implied volatilities
 - d. Volatility smile

10:30 am - 10:45 am

Coffee and tea break

10:45 am - 12:30 pm

Option Strategies

1. Combination of basic options
 - a. Call spread, put spread, bull spread and bear spread
 - b. Calendar spread
 - c. Why using spread?
2. Advanced option strategies
 - a. Range forward, participating forward
 - b. Combo, zeros, cylinder, risk reversal, call ratio back spread

- c. Straddle, strangle, condor and butterfly
- d. TTC, EXTRA, SCOUT FOX, break forward
3. The building blocks approach to strategies
 - a. How to use basic elements to build new strategies
4. Case studies
 - a. Hedging of transactional exposure
 - b. Hedging of translational exposure
 - c. Hedging of economic exposure

12:30 pm - 2:30 pm

Lunch

2:30 pm - 3:45 pm

Introduction to Theoretical Pricing Models

1. Evolution of option pricing models
 - a. Louis Bachelier's thesis on contingent claim
 - b. The analytical models
 - c. The numerical models
 - d. The analytical approximation models

2. Holes in Black/Scholes pricing model
 - a. Transaction cost, tax and margin effects
 - b. The assumption of constant interest rates and volatility
 - c. The assumption of trading continuity
3. Binomial option pricing model
 - a. The derivation of option prices

2:30 pm - 3:45 pm (continued)

- b. Path-dependent option pricing
- 4. Differences between FX, interest rates and equity options
 - a. Term structures assumptions
 - b. The generalization of Black/Scholes model
- c. The extension of Black/Scholes model
- 5. More advanced option pricing models
 - a. Ho/Lee model
 - b. Black, Derman, Toy model
 - c. Future directions

3:45 pm - 4:00 pm **Coffee and tea break**

4:00 pm - 5:30 pm

Exotic Options

- 1. What are the latest exotic options?
 - a. Barrier options, knock-out, knock-in options
 - b. Step, shout, clique options
 - c. Lookback options
 - d. Compound options
 - e. Average rate options (Asian options)
 - f. Average strike options
 - g. Digital options, supershares
 - h. Wishy-washy options
 - i. Contingent premium options
 - j. Quanto options
 - k. Correlation option products
 - l. Basket options
 - m. Rainbow options
- n. Future directions
- 2. Exotic options pricing and hedging
 - a. Binomial models
 - b. Finite difference methodology
 - c. Monte Carlo simulations
- 3. Why the exotic options?
 - a. Exotic options applications
 - b. Building new exotic options
- 4. How and when to use the exotic options?
 - a. Cases revisited
 - b. Hedging transactional exposure
 - c. Hedging translational exposure
 - d. Hedging economic exposure

4 April 1995 (Day 2): Applications of FX Options and Structured Products

8:30 am - 9:00 am **Morning coffee and tea**

9:00 am - 10:30 am

Accounting and Control Issues for Options Products

- 1. Qualifying for hedge accounting
- 2. Risk management control procedures
- 3. The option Greeks
 - a. Delta, Gamma, Vega and Theta
 - b. Rho, Phi
 - c. Speed, Charm, Color
 - d. Omega, Epsilon

10:30 am - 10:45 am **Coffee and tea break**

10:45 am - 12:30 pm

Option Pricing Computer Simulation

- 1. How to correctly set market parameters
 - a. Spot and forward prices
 - b. Interest rate term structure
- c. Volatility term structure
- 2. Basic pricing exercise
- 3. Advanced strategies pricing exercise
- 4. Exotic option pricing exercise

12:30 pm - 2:30 pm **Lunch**

2:30 pm - 3:45 pm

FX Options Hedging and Trading Cases

- 1. FX options hedging strategies cases
- 2. FX options trading strategies cases

3:45 pm - 4:00 pm

Coffee and tea break

4:00 pm - 5:30 pm

Structured Products and Other High Margin Derivatives Products

- 1. ABC's of structured products
- 2. SCUD, VIP Deposits, Notes
- 3. VIP Loans
- 4. How to run a successful FX option trading desk
- 5. How to run a profitable FX option sales desk

5 April 1995 (Day 3): FX Options Trading Bourse Game

8:30 am - 9:00 am **Morning coffee and tea**

9:00 am - 10:30 am

Overview of Option Trading Bourse Game

- 1. Operating procedures
- 2. Rules of the game
- 3. Using strategies

12:30 pm - 2:30 pm

Lunch

2:30 pm - 3:45 pm

Trading Session II

10:45 am - 12:30 pm

Trading Session I

4:00 pm - 5:30 pm

Trading Session III and Conclusions

FAX REGISTRATION FORM

APPLICATION CAN BE FAXED TO (65) 227-8113

Please register me/us for the **FX Options Trading and Their Structured Applications** programme,
3 to 5 April 1995, Singapore

Name of Applicant(s) (Mr/Mrs/Ms/Dr)

1 _____ Position _____

2 _____ Position _____

Company _____

Telephone _____ Facsimile _____

Company Address _____

Approving Manager's Name _____ **Position** _____

Telephone _____ Facsimile _____

Signature _____ Cheque/Draft amount _____ Cheque/Draft no. _____

Member of: Forex Club Indonesia Forex Club of Malaysia Forex Club Philippines
 Forex Association of Singapore Thai Forex Club
 Non-member Please tick appropriate box

TO REGISTER

Please fax and mail the completed registration slip together with cheque/draft made payable to Reuters Singapore Pte Ltd, by 10 March, 1995 to:

Event Secretariat
c/o Hexa-Team Planners Pte Ltd
26 Duxton Hill, Singapore 0208
Facsimile: (65) 227-8113

REGISTRATION FEE

US\$1200/S\$1740 (inclusive GST) Members of Forex Association/Clubs of Indonesia, Malaysia, Philippines, Singapore and Thailand
US\$1500/S\$2180 (inclusive GST) Non-members

Please note that:

- Fees will cover full tuition, course materials, lunch and refreshments.
- Payment must be included with registration and should be made *before* 10 March 1995.
- Attendance is limited and only pre-paid participants will be guaranteed a place.

FOR REGISTRATION ENQUIRY

Please contact Chiam Ai-Ling, Event Secretariat, Telephone: (65) 227-8110 or Facsimile (65) 227-8113

FOR FINANCIAL TRAINING PROGRAMMES ENQUIRY

Please contact Tay Liam Hwee, Corporate Communications Manager, Reuters Singapore Pte Ltd at Telephone: (65) 870-3028

CANCELLATION

There will be no refunds for cancellations. Substitutions from the same company will be accepted but notification must be given *before* 30 March 1995.

HOTEL ACCOMMODATION

Special room rates have been arranged at The Westin Stamford Hotel at S\$190+++ per night for participants of the course. For room reservation, please contact The Westin Stamford at Telephone (65) 339-6633 or Facsimile (65) 336-5117

All hotel bills are to be settled directly by participants with the hotel.