



Managing corporate interest rate risk

Course description

Aim

To provide an overview of the main applications of interest rate derivatives within a corporate context

Topics

Risk reduction solutions

- Identifying risk within a set of financial records
- Features of interest options
 - Caps, floors, swaptions
- Prehedging bond issues
 - Forward starting swaps
 - Swaptions

View driven solutions

- Binary options
- Structured solutions
 - Collar with a knock in floor
 - Discounted swaps
 - Participating swaps
 - Cancellable / extendible swaps

Hybrid solutions

- Cross asset class structures
- Diversified solutions
- Referencing interest rate solutions to alternative prices
 - Long term swap rates
 - Commodity prices
 - FX rates

Objective

By the end of the session the participant will be able to:

Risk reduction solutions

- Identify the nature of the interest rate risk within a set of financial records
- Describe the main features of caps, floors and swaptions
- Design a variety of vanilla hedging strategies using caps, floors and swaptions
- Outline how a corporate could prehedge a bond issue

View driven solutions

- Describe the main features of interest rate binary options
- Outline a variety of structured interest rate solutions for corporate entities

Diversified/ hybrid solutions

- Describe the main risk features of pricing hybrid structures (e.g. correlation)
- Outline a variety of structured interest rate solutions for corporates where the interest cost is driven by a view on an alternative asset class

Duration

One day