

DERIVATIVES, EMBEDDED DERIVATIVES AND HEDGING OF MARKET RISKS COURSE.

Date: June 9 – 11, 2021

Time: 9.00am – 1.30pm daily

Cost: N365,500.00 per participant

Venue: Virtual Class

Course Description

This course has been designed to provide you with an in-depth and hands-on understanding of the market risks, hedging strategies, and hedge accounting framework under IFRS. This course covers the most frequently used hedging strategies and addresses the most challenging issues which finance, and treasury professionals face today. This course will also cover the new hedge accounting framework under IFRS 9.

Who should attend?

The course will be extremely valuable to the following people:

- Treasurers
- Chief Risk Officers
- Accounting and Finance Managers
- Fund Managers
- Liquidity Managers
- Risk Managers and Risk Controllers
- Risk Officers
- Auditors and Bank Regulators

COURSE OUTLINE

INTRODUCTION

- Scope of hedge accounting under IAS 39 / IFRS 9
- Recognition and Classification of financial instruments
- Definition of a derivative
- Structured derivative
- Derivatives in the emerging markets

EMBEDDED DERIVATIVES

- Derivative instruments and Practical challenges
 - o Fx Forwards
 - o Interest rate swaps
 - o Cross-currency swaps
 - o Standard Vanilla options
- Bifurcation criteria for financial assets and financial liabilities
- Bifurcation criteria for non-financial instruments
- Examples and case studies

HEDGE QUALIFYING CRITERIA AND DOCUMENTATION

- Risk management strategy and risk management objectives
- Changes in internal risk management objectives
- Challenges and opportunities
- Case Studies

HEDGING INSTRUMENTS

- Hedging instruments under IFRS 9
- Enhanced scope of instruments
- Derivatives or a proportion of them
- Non-derivative or a portion of them
- How to benefit from changes
- Case studies and Practical challenges

TYPES OF HEDGES

- Cash flow hedges
- Fair Value hedges
- Net investment hedges
- Accounting of hedges
- Accounting of time value options
- Accounting for the forward element of forward contracts
- Impact on current period earnings
- Hedges of a group of items
- Designation of a component of a nominal amount
- Nil net position
- Examples with accounting entries

End of Day 1

HEDGING TRANSACTION

- Covering financial and non-financial instruments and risk exposures

- Examples and group case studies

FOREIGN EXCHANGE RISK

- Hedging a highly probable foreign sale transaction with a forward contract
- Hedging foreign sale with a structured collar

HEDGING INTEREST RATE RISK

- Hedging floating/fixed interest rate risks with interest rate swap
- Hedging floating/fixed rate risk with a structured collar/zero-cost collar
- Practical issues to consider

HEDGING FOREIGN SUBSIDIARY

- Net investment hedge using a forward contract
- Net investment hedge using a cross-currency swap
- Net investment hedge using foreign currency debt
- Hedging dividend from a foreign intragroup entity
- Practical challenges

HEDGING FOREIGN CURRENCY DEBT INSTRUMENTS

- Hedging floating rate foreign currency debt with a CCIRS
- Hedging fixed-rate foreign currency debt with a CCIRS
- Issue of basis spread and solutions
- Issues to consider

HEDGING COMMODITY RISK

- IAS 39 vs IFRS 9 frameworks
- Hedging firm commitment of a commodity with a forward contract
- Hedging a highly probable forecasted transaction with a forward contract
- Hedging inventory with a Future
- Examples and case studies

End of Day 2

HEDGE EFFECTIVENESS TESTING

- Qualitative criteria
- Quantitative criteria
- Use of Dollar offset method
- Use of Regression method
- Examples and effectiveness simulation exercise

HOW TO REBALANCE A HEDGE

- Effectiveness assessment and rebalancing
- Proposed criteria under IFRS 9
- Examples and Case studies
- Challenges and managing existing hedges
- Discontinuation of hedges that cannot be rebalanced

HEDGING CREDIT RISK

- Existing credit risk hedging methodologies
- Option to designate a credit exposure as measured at fair value through profit or loss
- Credit risk hedging under IFRS 9
- Examples and case studies

DISCLOSURES AND TRANSITION

- New disclosure and presentation requirements under IFRS 7
- Unresolved issues
- Latest update and developments
- Effective date and transition
- Planning and impact assessment

End of Day 3

End of Course.

Kindly forward your nomination(s) to mmanhq@fmda.com.ng and payment can be made to the following account before the commencement date of training:

Account Name: Financial Markets Dealers Association

Bank: GTBank

Account Number: 0001272210

Branch: Adeola Odeku, Victoria Island, Lagos.

Sort Code: 058152010.

For further information/Registration, please call Chris on 08023548999 or 08079779911.