



An Introduction to DERIVATIVES AND UCITS III

Lunchtime Learning Sessions

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Course Overview

This three-part series of presentations has been developed to provide an introduction to derivatives and the UCITS regulations governing derivatives usage, including the risk management process requirements and the exposure and cover limits. It is intended to be of broad interest to Fund Accounting, Administration, Risk and Compliance staff in Asset Managers, Administrators, Regulators and Trustees.

Time requirements: 1.5 hours for each presentation.

Cost: The cost of this three-part series of presentations is £1,800 plus VAT.

SESSION 1: An introduction to derivatives – forwards, futures, options and swaps

- **The key characteristics of forwards, futures, options and swaps:**
 - The cash flows involved in each of the instruments, including margin payments
 - The pricing and valuation of the instruments
 - Available markets and products
 - The exposures created
 - Identification of the risks involved with each of the instrument

Objectives:

From this session, attendees should achieve an understanding of the main types of derivatives and also gain an insight into the operational issues that can arise throughout the life cycle of a derivative transaction.

SESSION 2 An Introduction to UCITS III derivatives regulations

- **Overview of the current legal and regulatory environment for derivatives usage under UCITS III, to also take account of:**
 - National regulations/guidance
 - EC Recommendations on Derivatives Usage
 - Eligible Assets Directive
- **Covering:**
 - Eligible instruments and strategies
 - An introduction to Exposure Limits and Cover Requirements
 - Specific requirements in respect of OTCs
 - Sophisticated vs. Non-Sophisticated derivatives usage
 - The requirements for and contents of a risk management process
 - Regulatory reporting requirements

Objectives:

From this session, attendees should gain an understanding of the laws and regulations governing the usage of derivatives within UCITS including in respect of acceptable instruments and strategies, exposure limits, cover requirements and documentation / procedural requirements including in respect of the risk management process.

SESSION 3: Derivatives Exposures

In this session, we bring together the previous two sessions. We look at some practical examples of derivatives being used for both efficient portfolio management and hedging purposes and we attempt to calculate for a number of derivative instruments the regulatory exposures which arise. We consider for futures, options and swaps the calculations for:

- Position (issuer-concentration) exposure
- Market risk
- Counterparty exposure
- Global exposure and leverage
- Cover requirements

Objectives:

From this session attendees should gain a greater awareness of how to identify derivative positions and strategies from the fund accounting records and how to then perform the regulatory exposure calculations and monitor against the exposure limits.