

IN-HOUSE WORKSHOP: UCITS III & DERIVATIVES

9.00 AM: An Introduction to Derivatives

We start with an introduction to futures, options and swaps. We examine the key features of these products, their differences, valuation, risks and cash flows.

We complete the session by completing some basic calculations of the exposures arising from different derivative positions.

10.40 AM: Break

11.00 AM: Overview of UCITS III derivative rules

In this session, we have an introductory overview of the UCITS III derivative rules, exposure limits and cover requirement as well as the criteria for assessing whether derivatives usage is sophisticated or non-sophisticated and the implications which follow from this assessment.

This session also covers the UCITS provisions as regards embedded derivative and provisions in respect of OTC derivatives valuation.

12.00 AM: Workshop Case Study

With reference to a real UCITS portfolios, we here attempt to consider and calculate the various derivatives exposures arising in each case. We commence by looking at position (issuer-concentration) exposure and global exposure.

Our example portfolio includes a range of futures, options and swaps used for both hedging and investment purposes and both long and short transactions. We also have structured products and derivatives on indices / baskets.

1.00PM: Lunch

2.00 PM Workshop Case Study (cont'd)

We continue our case study by considering the counterparty exposure and the UCITS cover provisions as they apply to our example portfolio.

For counterparty exposure, we consider the 3 step calculation process referred to in the European Commission Recommendations on UCITS Derivatives Usage and how it has been applied differently in different Member States. We also consider the impact of netting and collateralisation.

We complete our case study by trying to make an assessment of whether the portfolio is indeed a sophisticated or non-sophisticated derivatives portfolio.

3.30 PM: Break

3.50 PM: VaR Analysis, Stress Testing and Back Testing

“Sophisticated” UCITS should be using advanced measurement techniques such as Value-at-Risk when considering the global exposure and leverage of the UCITS.

Here we reflect on the distinction between sophisticated and non-sophisticated UCITS and consider, with regard to Regulation, Guidance and Industry Best Practice:

- The choice between VaR models
- Setting of confidence intervals, time horizons and loss-levels
- Selection of stress testing scenarios
- Meeting back-testing challenges
- Management and Regulatory reporting

Booking Details

The cost of this in-house training course is £3,000 plus VAT. Recommended maximum attendance is 8 persons.

If you would like any further details, or to reserve a place at the event, please email events@funds-axis.com