

# INTRODUCTION TO DERIVATIVES

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## REGISTRATION FORM (Please do not remove label)

**Yes!** Please register the following delegate(s) for:  
 **Introduction to Derivatives – Fee US\$ 2,800**  
4-6 April 2001, Kuala Lumpur (HT2332)

### PLEASE USE BLOCK PRINT

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Position: .....  
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E-mail: .....  
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Position: .....  
Tel: .....Fax: .....  
E-mail: .....  
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**YES! PLEASE FAX ME EUROMONEY'S 2001 TRAINING CALENDAR**

### 4 EASY WAYS TO REGISTER



**FAX**  
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6 Duddell Street  
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**E-MAIL**  
enquiry@euromoneyasia.com

#### Registration Fee:

US\$2,800 per person for the 3-day course. Fee includes tuition, lunch, refreshments and teaching materials. Hotel accommodation is not included in the course fee, but special rates have been arranged for delegates. (See below)

#### Early Bird Discount:

Register and pay for the course before 28 February 2001 and benefit from a 5% discount

#### Team Discount:

When three or more colleagues from one institution attend the same course, there is a 5% discount available on the second and additional bookings.

#### Payment:

Crossed cheque payable to **Euromoney Publications (Jersey) Limited**  
Registration is confirmed only upon receipt of payment.

#### Cancellation and Transfer Policy:

Payments will be converted towards Euromoney course vouchers that can be applied for any Euromoney Training course in Asia for up to one full year. A course voucher for the full amount will be issued for cancellations received up to 21 days before this event. Cancellations must be made in writing (letter or fax) and reach this office before the 21 days deadline. A 25% charge will be deducted from the course voucher for cancellations received less than 21 days before this event. Of course a replacement is always welcome. A course voucher will not be issued in case of no attendance without cancellation

#### Course Venue and Accommodation Information:

**The Pan Pacific Hotel**, Jalan Putra, P. O. Box 11468, 50746 Kuala Lumpur, Malaysia  
Tel: (+6-03) 40425555, (+6-03) 40426555 Fax: (+6-03) 40417236  
Special corporate rates have been negotiated for course delegates. Please make your accommodation bookings direct with the hotel. To take advantage of the special rates for delegates, please indicate that you are attending **Euromoney's Introduction to Derivatives course**.

#### Incorrect Mailing Address?

Please accept our apologies for mail that is incorrectly addressed. Please send or fax us a copy of the label and we will update our records accordingly. We occasionally allow reputable companies to mail details of products that may be of interest to you. Please tick this box if you do not wish to be informed of these offers.

# INTRODUCTION TO DERIVATIVES

*A new 3-day course brings you sound knowledge of financial derivative products*

**Kuala Lumpur**

**4-6 April 2001, The Pan Pacific Hotel**

*This comprehensive 3-day course will cover:*

- **Hedging & Speculation with Options**
- **Derivatives: Product Innovations and Pricing Principles**
- **Equity Linked Forex Options**
- **Measuring and Managing Option Risks**
- **Overview of Interest Rate Instruments**
- **Uses of Credit Derivatives**

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# INTRODUCTION TO DERIVATIVES

## COURSE OBJECTIVES

Upon liberalisation of the financial markets, all local and foreign banks and financial institutions in Asia are upgrading their technical expertise in a wide range of financial products. On one hand, investors and end users realise the importance of derivatives in enabling them to attain a more flexible and versatile approach in managing their interest rate and FX risks. On the other hand, banks observe the need to use new innovative products available in the derivatives market to structure and offer new lines of products beyond traditional ones, in order to meet their clients' needs.

Euromoney Training's intensive **Introduction to Derivatives** course will provide delegates with a basic understanding for the commonly traded financial derivative products available in the Asian financial markets. Illustrative case studies of some real Asian products will provide delegates with a detailed explanation of the valuation and hedging methodologies.

## COURSE CONTENT

*This new 3-day course covers:*

- ❖ Hedging & Speculation with Options
- ❖ Derivatives: Product Innovations and Pricing Principles
- ❖ Equity Linked Forex Options
- ❖ Measuring and Managing Option Risks
- ❖ Overview of Interest Rate Instruments
- ❖ Uses of Credit Derivatives

## TEACHING METHODS

The course strikes a fine balance between lecture sessions, worked examples and exercises and case studies. One distinctive feature of the programme is the interactive real case studies of various Asian derivative instruments.

## PARTICIPANTS

This course is directed to market practitioners and investors/end-users with limited exposure to derivatives who want to acquire a good understanding of various aspects of pricing, hedging, valuation and risk management with derivative products. It is suitable for all individuals in financial institutions and who are involved in derivatives/risk management in their recent job functions. It is also suitable for those whose jobs are related to the trading and marketing of derivative instruments to gain acquaintance with the new generation of financial products.

*This course would be of particular benefit to:*

- ❖ Institutional and private investors
- ❖ Derivatives traders
- ❖ Research analysts
- ❖ Portfolio managers
- ❖ Equity fund managers
- ❖ Fixed income fund managers
- ❖ Dedicated fund managers
- ❖ Hedge fund managers
- ❖ Bank and corporate treasury managers
- ❖ Arbitrage managers
- ❖ Chief financial officers
- ❖ Risk managers and internal auditors

**Notes:** A good financial calculator is essential to enable you to undertake the financial calculations encountered in the course. The Hewlett-Packard HP-B series calculators are recommended.

## DAY ONE

### Options: Hedging or Speculation

- Protection puts: hedging/speculation
- Speculation: directional bets
- Power of leverage: fever of warrants
- Trading strategies for hedging and speculation

### Product Innovations – Investors' and Writers' Perspectives

- Bermudan options
- Barrier options
- Forward start options
- Ladder options and shout options
- Averaging options
- Correlation and rainbow options

### Pricing Principles: The Power of Tree and Simulations

- Stories with one-period trees
- Factors affecting option pricing
- Replication and risk neutral valuation
- Continuous time version: Black-Scholes Theory
- Dynamic programming for decision making
- Monte-Carlo simulations

### Case Studies

Black-Scholes and binomial tree models for the Hang Seng Index options

## DAY TWO

### Equity Linked Forex Options (Quantos)

- Quantos in variety: go against the exchange rate risk
- Pricing and hedging: a matter of correlation
- Quanto-pretwashing techniques
- Forex index notes and dual currency bonds
- Breaking the barrier of a market: equity swaps

### Imperfections in Option Pricing Models

- Volatility smile
- Implied versus historical volatility
- Stochastic volatility
- Jump diffusion
- Pricing under incomplete markets
- Trading volatility: volatility swap

### Measuring and Managing Option Risks

- Delta as a measure of risk
- Gamma and Vega risks
- Theta risks: time premium
- Exposure of market risks

### Case Studies

Pacific Century Cyberworks (1186.HK) warrants: value and Greeks

## DAY THREE

### Interest Rate Instruments

- Floating rate notes
- Interest rate futures: interest rate swaps
- Treasury bond options
- Treasury bond and Eurodollar futures options
- Caps, floor and swaptions

### Option Embedded Debts

- Convertible bonds: call terms and premium protection
- Callable bonds
- Exchangeable convertibles
- Pricing methodologies for option embedded bonds
  - Scheme adjustment for soft call and forced conversion

### Credit Derivatives

- Product structures
  - Total return swaps
  - Credit default swaps
  - Credit spread options and swaps
- Uses of credit derivatives
  - Bank/financial institutions applications
  - Investors applications
  - Corporate applications

### Case Studies

Valuation of PCCW convertible bond

### Course Conclusion & Summary

### Documentation & Course Texts

*All delegates will receive comprehensive course documentation for use during and after the course, enabling them to return to their organisations with an extensive and valuable source of information for future reference.*

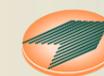
Register is on the first day of the course at 8:30am. The course begins at 9:00am and concludes at 5:00pm daily

## COURSE DIRECTOR

Dr Yue Kuen Kwok, is an Associate Professor in the Department of Mathematics, The Hong Kong University of Science and Technology. He was awarded his PhD degree in Applied Mathematics from Brown University in 1985. Dr Kwok's research interests concentrate on pricing and risk management of equity and fixed income derivatives. He has published research articles in major research journals in financial engineering and presented invited lectures at various international finance conferences. In addition, he is the author of a widely adopted textbook titled "Mathematical Models of Financial Derivatives" (published by Springer) and a popular book on the Hong Kong derivative markets. He has provided extensive consulting services to W. I. Carr Indosuez, HSBC, Peregrine and other financial houses on various aspects of derivative trading.

Dr. Lixin Wu, is an Assistant Professor in the Department of Mathematics, The Hong Kong University of Science and Technology. Dr. Wu received his PhD degree in Applied Mathematics from UCLA. His current research interests are quantitative modelling of equity and fixed income derivatives. He has published numerous articles on financial engineering in major journals. Between 1998 and 1999, Dr Wu was a consultant to Morgan Stanley Dean Witter (New York) on credit risk modelling of the Brady debt markets. In addition, he has acted as a consultant to local firms on exotic derivative modelling. Dr. Wu is an experienced trader of equity options.

Both instructors are columnists in the Hong Kong Economic Journal, and write on financial derivatives trading.



## EUROMONEY TRAINING

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### Pre-Course Delegate Questionnaire

To help us effectively establish your individual training needs, we will send you a short questionnaire upon receipt of your registration. This will allow us to gain a thorough understanding of your job duties, experience and desired objectives from attending this course. Please therefore register early to allow sufficient time for this to take place



### The Euromoney Certificate

Delegates who successfully complete this course will receive the prestigious **Euromoney Training Certificate**; a statement of excellence recognised worldwide

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