

Learning goals ESMA Derivatives

1. The candidate can describe the main pillars of the treasury policy and of the cash management policy.
2. The candidate knows which factors generally determine the interest mismatch, the liquidity mismatch and the currency mismatch of a company
3. The candidate can describe which risks are managed by the treasury department of a company
4. The candidate is able to calculate the countervalue of an amount in a foreign currency given the exchange rate
5. The candidate can explain the difference between a contract exposure and a cash flow exposure
6. The candidate can describe the FX risk in the different stadia of a commercial transaction
7. The candidate knows the three different ways in which a company can treat its FX risk
8. The candidate can describe how an FX forward works and how an NDF works
9. The candidate can explain the consequences for the FX position of a company if an export order does not go through which has already been hedged by an FX Forward
10. The candidate can explain what kind of option a company can use to hedge against an increase in an FX rate and what kind of option a company can use to hedge against a decrease in an FX rate
11. The candidate can indicate under what scenario an option will be exercised on the expiry date
12. The candidate can explain how a cylinder strategy is working
13. The candidate knows the advantages and disadvantages of a cylinder strategie compared to buying a single option
14. The candidate can explain how a company can hedge its interest rate risk by using interest rate swaps
15. The candidate can calculate the effective interest rate if it has hedged a floating rate loan with an interest rate swap
16. The candidate can explain how a cap works
17. The candidate knows the advantages and disadvantages of a cap compared to an interest rate swap
18. The candidate can explain the working of a collar
19. The candidate knows the advantages and disadvantages of a collar compared to buying a cap
20. The candidate knows how an FX swap can be used in case of a temporary deficit in one currency and a surplus in another currency
21. The candidate knows how an FX swap can be used to create a synthetic loan or investment
22. The candidate can explain how an FX swap can be used to roll-over an FX Forward
23. The candidate can explain the relationship between swap points and interest rate differentials.