

Front Office FX/MM Trading System

A complete practical guide to the applications of foreign exchange and money market products

Attend this three-day programme and you will:

- Have a thorough understanding of money market and foreign exchange instruments
- Gain the skills to calculate and price the extensive array of money market instruments
- Unravel the complexities of the interfacing your in-house system with (FXAll, BrokerTec, Computershare etc)
- Understand the practical applications through the use of real-life case studies and detailed worked examples

Introduction

- Markets Origin
- Participants in the Foreign Exchange and Money Market
- Liquidity Providers/Markets Sources
- Credit Checking & Foreign Exchange Risk

Exercise

Delegates are given a credit balance (intraday and End of Day) of certain counterparties and are required to calculate their exposure

Case Study

Given details of an FX trade, delegates will be asked to identify the risks involved at each stage of its front office trading lifecycle

FX/MM Product Types: Overview of different types of FX/MM products and their basic calculation

- SPO, OUT & SWA
- Loans and deposits
- Certificate of deposits
- Repos
- T-Bills
- Bank bills
- Bankers' acceptances
- Commercial paper

Front Office Systems and Architecture

- Overview of a typical Investment Bank Front office system
- Industry initiatives driving change in the market

Interest Rate Arithmetic

- Time value of money
- Future value and present value
- Discount factors and compound factors
- Simple interest and compound interest

Exercise

Delegates are given a basic interest rate calculations to solve during the course

Pricing Engine (Bootstrapping algorithm)

- Spot Rate Calculation
- Calculating Crosses
- Inverse Currency Pairs

FX Swaps

- The swap mechanism
- Calculating swap points

Forward FX

- Calculating forward outright

Case Study: Covered Interest Arbitrage

A life scenarios is given as an exercise to delegates to work out the best way the client can increase his investment return using FX Swaps and other money market product types.

Price Calculation

Deal Pricing Server (Black-Scholes, Cox-Ross)

- Pricing an FX/MM Request
- Bid/Offer
- Traders Rate Calculation
- Customers Rate Calculation
- Value Date Calculation

Trade Management

- Price Confirmation
- RFQ and Price Streaming

FX Deal Workflow and Processing

- Dealers (Deal Entry)

Exercise

Delegates are required to execute some FX/MM trades via our in house system (FxGator and ConsulTrade)

- Overview of Deal Receiver process and functionality
- Risks around back office system generating invalid trade/system id

Case Study

There is a BAU change request around Trade failing settlements due to wrong deal number assigned to trades, delegates are asked to write a test scenario around how Deal Receiver functionality automatically assign system numbers to trades executed via the in-house system or 3rd party system

Interface with Brokers and Other trading systems

Deal receiver interface with FXAll

- Overview of FXAll capability (SPO/OUT/SWA)
- Process, connectivity and requirement to interface in-house front office trading system with FXAll

Case Study:

Our dealers wants to be able to trade FX via FXAll, delegates will be required to write out a functional specification or a test scenario to design and test the interface, connectivity and process based on business requirement

Deal receiver interface with Broker Tec (ICAP)

- Overview of Broker Tec capability (ICAP – trading RPO)
- Process, connectivity and requirement to interface in-house front office trading system with ICAP system

Case Study:

Our dealers wants to be able to trade RPO via BrokerTec, delegates will be required to write out a functional specification or a test scenario to design and test the interface, connectivity and process based on business requirement.

Deal receiver interface with Computershare

- Overview of Computershare capability (SEC)
- Process, connectivity and requirement to interface in-house front office trading system with Computershare

Case Study:

Our dealers want to be able to trade SEC via Computershare, delegates will be required to write out a functional specification or a test scenario to design and test the interface, connectivity and process based on business requirement.

Back Office Systems:

- Overview of Settlements processes (Trade Enrichment, Confirmations, Settlements Payments, etc)
- Overview of Clearing House/Custodians/Counterparties

Back Office FX trade and Securities Settlement.

Become familiar with systems, controls and processes to effectively manage FX & Securities settlement operations.

Attend this three-day programme and you will:

- Understand a typical Back Office Architecture
- The role of the settlements department
- Settlement conventions and how they differ by security class in major markets
- Pre-settlement and settlement processes
- Global custody - core services and value-added services
- Common types of corporate actions and the growing importance of proxy voting
- Industry trends and recommendations

Back Office Systems and Architecture

- Overview of a typical Investment Bank Back office system
- Industry initiatives driving change in the market

Introduction to settlement

- Describing the steps in a typical trade cycle
- Industry initiatives driving change in the market
- Overview of Counterparty Credit Exposure

Case study

Delegates are given a credit balance (intraday and End of Day) of certain counterparties and are required to calculate their exposure

The role of the exchanges and clearing houses (Crest, Euroclear, Clearstream, etc)

- What is the role of the exchanges
- What is the role and function of the clearing house

Exercise

Given details of a Investment bank need/requirement to connect their in house trading system to a clearing house, delegates will be asked to identify what is required to setup a connectivity to a clearing house and also define test scenarios to validate that the requirement defined satisfy business need.

Settlement conventions

- Product Types (that the settlements team are required to settled through the back office system)
 - Equities
 - Bonds
 - Derivatives
 - Forex

Life Cycle of a Trade

- Overview of Front Office Trading platform that generates Back office settlements

Exercise

Given details of a product type, delegates will be asked to complete the trade using our in house trading system called “ ConsulTrade”

- Trade workflow/processes (AR, AP, AE, R, S etc)
- input of settlement instructions
- Trade Release
- matching
- monitoring transactions
- changing transaction input before settlement dates

Exercise

Given details of a trade, delegates will be asked to identify each stage of its lifecycle

Confirmations

the ETC providers: Global, Swift etc. Matching utilities (TRAM, Recon etc). Why is it important? What are the benefits of Trade Matching?

Exercise

Based on the trade executed via the front office, delegates will be asked to use our in house matching tool to match the two trade data

Case Study – based on an ASIS trade life cycle of a product, without Trade Matching

Capability, delegates are required to design a new TOBE model suggesting trade flowing through matching software

Exercise

Given details of a Investment bank need/requirement to connect their in house trading system to a Matching software house, delegates will be asked to identify what is required to successfully setup a connectivity to a trade matching house(in order to send and receive Swift Message MT360/36) and also define test scenarios to validate that the requirement defined satisfy business need

Straight-Through Processing

STP defined: internal and external. Why is it important? What are the benefits?
Overview of initiatives.

Exercise

Based upon a series of trades, delegates will be asked to determine STP for each trade

Security Position Reconciliation

- Overview and benefit of security reconciliation
- The use of Swift MT535 (Security Statement of Holdings) to reconcile records of holdings against the records of the custodian

Exercise

*Given details of a Investment bank need/requirement **to reconcile** their Securities with multiple custodian, delegates will be asked to identify what is required to setup a Reconciliation process to a custodian and also define test scenarios to validate that the requirement defined satisfy business need*

Corporate actions

- What are they?
- Why do they occur?
- Common types of corporate actions and examples

Overview of operational risk

- Definition of settlement risk
- Examples of what can go wrong
- why STP (Straight Through Processing) reduces risk

Exercise

Given details of a trade, delegates will be asked to identify the risks involved at each stage of its lifecycle