



Foreign Exchange Options

Development for Finance Professionals™

A Blended-Learning Program from ACF Consultants



Welcome to ACF Academy's Open Enrollment Programs

ACF Consultants have a solid reputation for delivering innovative, top-quality training for some of the largest and most demanding financial institutions in the world. ACF Consultants are global leaders in the creation of cutting-edge financial simulations and interactive eLearning for the global financial markets.

We are the first premier financial training company to offer open seminars using our uniquely blended learning techniques.

Blended learning is a fundamental principle of the ACF approach to training. Our seminars offer a fully integrated, multi-faceted learning experience which ensures that knowledge is applied in practice and retained effectively. We limit the numbers attending each program to maximise the benefit for each delegate. Passive learning is kept to a minimum, and the emphasis is on delegates achieving a true understanding of the key concepts, and how they are applied in the real world.



Blended Learning

Blended learning is at the heart of our training philosophy. A dynamic blend of highly interactive **eLearning** using **Acumen**, top quality **instructor-led training**, and realistic and exciting **simulations** creates the most effective and motivating training methodology available anywhere.

Firm foundations are laid with highly interactive eLearning and dynamic instructor-led training. Hands-on workshops and simulation are then used throughout the programs allowing delegates to put theory into immediate and realistic practice.



Instructor Led Training

Our instructor-led training is of the highest quality, and we invest heavily in research and development. Our professional written materials complement trainers with first-rate communications skills, an excellent academic background and sound markets knowledge.

Our expert instructors are skilled in the art of transferring knowledge, and we make use of a variety of creative training techniques to maintain energy and focus.

We are committed to achieving exceptional results.



Foreign Exchange Options

This is an intensive hands-on seminar taking delegates from the essentials of options through to exotics, showing the practical use of options, as well as the risk management of an options book by the bank.

The principal objectives of this intensive two-day seminar are to:

- Give delegates a **clear understanding** of the **behaviour** and **characteristics** of **options**, and how options differ from other financial products like forwards.
- Explore the **practical use** of **exotic**, non-standard, and second generation options.
- Demonstrate how vanilla and exotic options can be combined to build **targeted hedges**, or to **exploit specific views** of the market.
- Reconcile the **risk-reduction needs of clients** buying option products with the **risk-management needs of banks** selling option products.
- Demonstrate the principles used in the active hedging of derivative instruments and portfolios, and the **practical problems** faced by traders in managing a book of options.
- Develop within delegates an **innovative** and **pro-active approach** to the handling of their own or their clients' **FX risk management** needs.
- Consolidate delegates' understanding by providing **extensive first-hand experience** with computer-based strategy evaluation, graphics, analytics, option pricing, and simulation.

Hot Topic FX options in a volatile environment.


After attending the program, delegates will have mastered the concepts and practices of FX options, be confident in handling products ranging from vanilla options to exotics, and will return able to make an immediate and effective contribution to the management and control of currency risk through the use of FX options.




Course Outline

Day One



Principles and Characteristics of FX Options

- FX option trading conventions
- An **intuitive** insight into option pricing
-  FX options pricing workshop
- FX options: American vs. European style
- Call-put parity
- Significance of volatility
- Historic, implied, experienced volatility
- Volatility smiles and skews
- Measures of option price sensitivity – delta, theta, vega, gamma
-  “Greeks” workshop
- Quoting FX options using volatility
- Risk reversals
- Implications from risk reversal prices


Building Option Portfolios

- Horizontal, vertical, and diagonal spreads
- Straddles and strangles
- Ratio spreads and backspreads
-  Designing your own structure – a fluent transition between payoff diagrams and component parts

Hedging and Financial Engineering with FX Options

- Comparison of using in-, at- and out-of-the-money options
- True cost of options hedging – time value
- Hedging techniques using short option positions
- Creating and using collars or risk reversals
- Creating and using spreads
- Zero-premium hedges
- Creating and using zero-cost collars
- Creating and using participating forwards
- Deferred and embedded premiums
- Creating and using break-forwards
- The “continuum” from in-the-money to out-of-the-money options
-  Hedging FX risk
-  Financial Engineering with Currency Options


Option Trading Strategies

- Directional vs. volatility trading
- Directional trading strategies
- Near vs. far dates
- Out-of-the-money vs. in-the-money
- Options vs. cash
- Volatility trading strategies
-  Directional and volatility trading with currency options



Day Two




Delta Hedging – Theory and Practice

- Exactly how delta-hedging works
- Why be delta-neutral?
- Buying high and selling low to achieve delta-neutrality
- The link between delta and gamma
- The cost of being negative gamma
- The benefit of being positive theta
- The link between gamma and theta
- The trade-off between implied volatility and experienced volatility
- The link between theta and vega
- “Easy” and “difficult” options to hedge
- Gamma hedging
- Transactions costs
- How often do we re-hedge?
- Market gapping problems
- P&L risks while running an options book
- The cost of hedging and running an options book
-  Delta-hedging simulation

Overview of Exotic FX Options

- Introduction to exotic options
- Path-dependent options
- Options with step-like (singular) payouts
- Correlation products
- Other exotics: compound and forward-start




Barrier Options

- Up, down, knock-in, and knock-out – variations on a theme
- Barriers with rebates
- Normal and partial (window) barriers
- Single, double, and multiple barriers
- Outside barriers
- Curvilinear barriers
- Practical issues in monitoring the barrier
- Practical applications for barrier options in hedging financial risk
-  Barrier Option Pricing Workshop
-  Using FX barrier options
-  Risk characteristics of barrier options


Digital Options and the “Digital Cookbook”

- One-touch, all-or-nothing – variations on a theme
- Cash-or-nothing and asset-or-nothing
- Digital options as a basic building block
- Creating a pay-later option
- Creating a reverse contingent option
- Creating a “money back” option
- Creating a stepped-premium option
- Creating enhanced-rate synthetic forwards



-  Digital Options Pricing Exercises
-  Using Pay Later Options
-  Risk characteristics of digitals

Putting it All Together

- Review of structures, barriers, and digitals
- Combining exotics with vanilla options
- Embedding options within a package
- Designing innovative solutions
- Reducing the cost of client hedges
-  Exotic options structuring exercise

NB All practical sessions are highlighted like this:

 means a *Workshop or Simulation*

 means a *Case study*

Foreign Exchange Options



www.ACFacademy.com

Registration Form

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If you are interested in any financial training seminars, please visit our website(s) at:

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Fees: The fee for each seminar is per participant, inclusive of refreshments, lunches and seminar materials.

Course fees do not include applicable tax, transportation, or hotel accommodation, unless otherwise indicated.

Preferential rates may be available; please mention our seminar when booking with the hotel.

Payment must be received in full at least 30 days prior to the start of the seminar.

Special prices

(participants are only eligible for one of the following):

- 5% reduction when an individual registers 60 days or more prior to the commencement of a seminar
- 10% reduction when 2 or more individuals from an organization register for the same seminar
- 10% reduction when an individual registers for more than one seminar at a time

Cancellation Policy:

Cancellations may be made up to 30 days in advance of the seminar, after which date refunds cannot be given.

Notification must be received in writing by letter, fax, or email. In the event of a participant not being able to attend, a substitution may be made at no extra cost. We reserve the right to amend the prices, or cancel a seminar at any time.

Refund Policy: For further information on our refund and complaint policy, please contact us.

I WISH TO ATTEND THE FOLLOWING PROGRAM

- London Chicago
 New York Toronto

Dates: _____

Course Schedule - Classes run from 9am - 5pm. Lunch, and morning and afternoon refreshments are provided daily. Venue details will be provided on receipt of registration form.

HOW DID YOUR HEAR ABOUT THE PROGRAM?

- Colleague Client's Company Email Google
 ACF's Event ACF's Rep ACFacademy.com
 NASBA Advertising Financial Times

DELEGATE DETAILS

Name: _____
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Department: _____
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Address: _____
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Country: _____
Telephone: _____ Fax: _____
E-mail: _____

ADDITIONAL DELEGATE DETAILS

Name: _____
Title: _____
Department: _____
Company: _____
Address: _____
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Country: _____

PAYMENT DETAILS

Payment Method: VISA Master Card Invoice me at the address listed above

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CVC: _____

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(signature required)

