

5 day course

The MIS TRAINING INSTITUTE CERTIFICATE in

# Auditing the Treasury Function

26-30 July 2010  
Hong Kong

What past delegates have said about this course:

"Insightful, practical and useful guidance from an experienced ex-dealer/auditor"

AGM, Internal Audit  
Seylan Bank

"Case studies were extremely useful and relevant. Course Director explained the definition of various complex products in 'simple English' "

Auditor,  
Credit Suisse

#### WHO SHOULD ATTEND?

- Central Bank banking Supervision personnel
- Financial, operational, business applications and external auditors
- Internal Audit and Risk Management personnel seeking to expand their understanding of the financial markets.

LEARNING LEVEL: Basic to Intermediate

CPEs: 37

## Demystifying foreign exchange and money market operations – monitoring and control

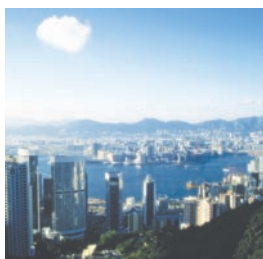
- Better understand the business transacted in your institution's dealing room
- Be more aware of the use and mis-use of foreign exchange, money and derivative markets
- Identify, evaluate and manage risk where it originates – on the dealing desk, using WINDEAL, the PC based dealing room simulator
- Identify early warning signals of potential problems *before* they adversely effect overall performance
- Interpret regulatory requirements, Central Bank codes of conduct, market conventions and the rationale behind in-house rule books and compliance control

### Course Director:

Phil Parker, ACIB

Over 40 years of international financial markets experience

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## FOCUS AND FEATURES

This five day course contains vital information for the financial institution's audit, compliance and risk management personnel. It addresses the overall environment of discipline so important to the control of trading activities and risks at every stage in the dealing, processing, settlement and accounting cycles.

Previous participants include many Central Bank auditors and regulators who have found the event an enjoyable and enlightening experience. The course is also popular with commercial banks' internal audit and risk management departments.

The course alerts participants to potential dangers in dealing, enabling prompt identification of risks and ensuring recommended management controls are in place, well understood and respected by all involved - from dealer through back-office personnel to the highest level of senior management. In particular the course looks at the problems which have befallen banks over the years - from Herstatt to Societe Generale - and the lessons to be learnt from each together with other frighteningly similar recurring dealing room problems. It covers a wide range of Treasury activities of which the internal auditor/risk manager must be fully aware when approaching the dealing room and risk management control functions audit.

## Day 1

Registration commences at 8:30  
Programme runs from 9:00 - 5:00 daily

### Auditing

- External and internal audit
- Departmental role and responsibilities
- The treasury audit
  - Issues of concern
- Preparing for the treasury audit
  - The audit report

### Structure of a typical bank's dealing operation

- An introduction to the financial markets
- Bank and business unit structures
  - Front, middle and back office structures
- Treasury objectives
- From the corporate perspective

### Risks in the dealing operation

- Interactive brainstorming session
  - Human
  - Operational
  - Market
  - Credit risks

### Dealing "nasties"...and lessons to be learnt

- The classics: Herstatt, LBI Lugano, Barings, Daiwa, NatWest, Allfirst, NAB, Societe Generale etc.
- Recurring problems highlighted
- Lesser known problems
- Prevention rather than cure
- Warning signs and what to look for

Case study:  
– Regular trading pattern or position parking?  
– Syndicate work, solution and debrief

## Day 2

### The treasury dealing room

- Structure
- Layout
- Personnel
- Reporting lines
- Communications systems
- Information systems
- Proprietary and in-house IT systems

### Money market

- Markets and interest rates
- Cash and cash settled financial instruments
  - Loans and deposits, T-Bills, CDs and CP
  - Including use of WINDEAL dealing simulation in presentation mode
  - Repos, as used by the money market dealers
- Funding and cashflow control
- Accounting considerations
- Management information reporting
- Warning signals and what to look for

Case study:  
– Repo market activities  
– Syndicate work, solution and debrief

### Asset and Liability Management (ALM)

- The ALM function
- Interest rate risk identification, interpretation and management
- Balance sheet constraints
- Return on equity
- Interest rates and market pointers
- Matching and mismatching
- Management information reporting
- Covering and hedging

Case study:  
– Matching and mismatching  
– Syndicate work, solution and debrief

## Day 3

### Short term treasury derivative products - I

- Forward Rate Agreements (FRAs)
- Uses in treasury risk management (hedging) and risk creation (trading)
- Risks arising and their control
- Trading and credit limits
- Accounting considerations
- Management information reporting including use of WINDEAL dealing simulation in presentation mode
- Warning signals and what to look for

Case studies:  
– FRA mark to market rates  
– Syndicate work, solutions and debrief

### Short term treasury derivative products - II

- Short term interest rate futures
- Uses in treasury risk management (hedging) and risk creation (trading)
- Risks arising and their control
- Trading and credit limits
- Accounting considerations
- Management information reporting including use of WINDEAL dealing simulation in presentation mode
- Warning signals and what to look for

Case study:  
– FRAs/Futures through a broker  
– Syndicate work, solutions and debrief

### The need for foreign exchange

- Transaction, translation and economic exposure
- FX services offered to corporates and how the bank manages the business

## Biography

Phil Parker, ACIB

Phil Parker, Managing Director of a consultancy company, has been personally involved in the international financial markets for over 40 years. Phil spent his 25 year banking career associated with the London and global dealing operations of the Lloyds Bank Group. Having actively traded for 10 years, Phil became the bank's first Treasury Auditor, afterwards going on to design and

develop Treasury IT systems. He then set up and managed Lloyds Bank's specialist financial markets training department and has been running his own highly successful commercial consulting company since 1992. Through a separate company Phil has developed and markets WINDEAL dealing simulation software and WinFOREX - the unique PC based study-aid for ACI candidates. Phil is author of the

FT Prentice Hall "Mastering the ACI Dealing Certificate" textbook, published in 2003 and "The ACI Dealing Certificate and How to Pass it" published by Riskmatrix in 2009.



## Day 5

### Case study:

- The need for foreign exchange in commerce
- Syndicate work, solutions and debrief

### Spot foreign exchange

- The dealing room – reprise
- Spot and forward operations
- FX swaps dealing and credit risk
- Accounting considerations
- Management information reporting including use of WINDEAL dealing simulation in presentation mode
- Warning signals and what to look for

### Case studies:

- London “points”
- Ex-pat dealers
- Private clients’ foreign exchange business
- Syndicate work, solutions and debrief

## Day 4

### A day in the life of a deal

- Operations / processing department
- The processing critical path
- Deal input / confirmations / settlement / CLS / bookkeeping / reconciliations
- Where things can go wrong and what to look for

### Forward foreign exchange

- Forward pricing
- Outrights and time options
- How commercial transactions are handled in the dealing room
- Interbank operations
  - FX swaps

- Market and credit risks
- Accounting considerations
- Management information requirements
- Auditors’ concerns
- Warning signals and what to look for

### Interest arbitrage

- FX swaps used in interest arbitrage for funding and liquidity management
- Synthetic asset and liability creation
- Accounting considerations
- Management information reporting
- Warning signals and what to look for

### Case study:

- Use and mis-use of interest arbitrage
- Syndicate work, solution and debrief

### Foreign exchange derivative products

- Margin trading
- Non-deliverable forwards (n-d-f)
- Currency futures
- Worked examples of usage
- Warning signals and what to look for

### Currency options

- Exchange traded and OTC
- Uses in exchange risk management (hedging) and risk creation (trading)
- Risks arising and their control
- Trading and credit limits
- Accounting considerations
- Management information reporting
- Where things can go wrong?
- Warning signals and what to look for

### Case study:

- Use and mis-use of currency options
- Syndicate work, solution and debrief

### Longer term derivatives

- Interest rate swaps
- Currency and interest rate swaps
- Hedging interest rate risk
- Interest rate options
  - Swaptions
  - Caps, floors and collars
  - Interest rate guarantees
- Accounting considerations
- Management information reportage
- Where things can go wrong
- Warning signals and what to look for

### Case study:

- Interest rate swaps
- Syndicate work, solution and debrief

### Rules, regulations and management controls

- The regulatory environment and Central Bank requirements
- The ACI Model code
- Bank of England NIP code
- Federal Reserve Bank of New York 60 best practices
- Compliance
- In-house rule books
- Risk management responsibilities
- What to look for

### Risk management

- Cashflow
- Liquidity
- Mismatch (Gap) reporting
- Accounting considerations
- P&L and other reports
- Risk assessment techniques
- What to look for
- Introduction to Basel II and the Central Banks / Capital adequacy

### The audit of treasury

- The role of the auditor
- Discussion
- Warning signals and what to look for

### Course summary and close



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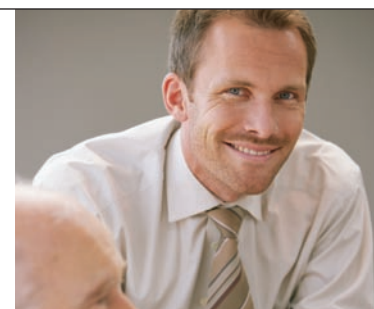
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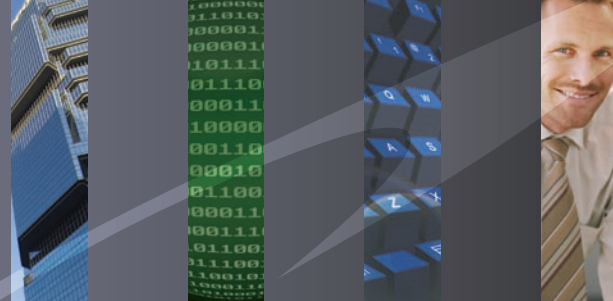


Book by 28 June 2010 to secure your place.

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Please fax back to +852 2866 7340 or email your details to [update@euromoneyasia.com](mailto:update@euromoneyasia.com).

Please include the code that appears on top of the address label above in your email.

## Registration form Yes, please register me for:

### Auditing the Treasury Function (MH4545)

on 26-30 July 2010, Hong Kong

*Can't make this date? We schedule our courses throughout the year. Please contact us to check for alternative dates and locations.*

#### Delegate details (all of the following is required to process your registration)

Surname \_\_\_\_\_ Mr/Mrs/Ms

First name \_\_\_\_\_

Position \_\_\_\_\_ Department \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Telephone \_\_\_\_\_ Fax \_\_\_\_\_

Email \_\_\_\_\_

IIA Membership No.: \_\_\_\_\_

ISACA Membership No.: \_\_\_\_\_

How did you hear about the course? \_\_\_\_\_

Please tick which best describes your company:

- Accountancy - 0005       Energy Company - 0193
- Bank and Financial Institution - 0020       Other \_\_\_\_\_
- Corporate - 0149

#### Course fee: US\$4,125

All fees are net of withholding, business and local taxes.

Seat is confirmed only upon receipt of payment.

#### Payment details (please tick as appropriate)

- Cheque       Invoice       Credit card<sup>#</sup>

<sup>#</sup>To make this payment by credit card, please call +852 2520 1481.

I have read and understood the booking terms and conditions

Signature \_\_\_\_\_ Date \_\_\_\_\_

#### Membership discount

IIA Hong Kong members save 15%      ISACA Hong Kong members save 15%  
Other IIA members save 10%      Other ISACA members save 10%  
This discount cannot be used in conjunction with any other offer.

#### Group booking discount

When two colleagues from one institution book together on the same course, there is a 5% discount on the second booking. Further discounts are available for larger groups.

#### Venue

All of our courses are held in 4 – 5 star hotels, chosen for their location, facilities and level of service. You can be assured of a comfortable, convenient learning environment throughout the duration of the course. Due to the variation in delegate numbers, we will send confirmation of the venue to you approximately 2 weeks before the start of the course.

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Fee includes tuition, documentation, lunch and refreshments. Delegates are responsible for their own flights and accommodation. An invoice will be sent upon receipt of registration form.

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#### Cancellation policy

If any registered delegate cannot attend our course, a replacement is always welcome for the course. Cancellations must be made in writing (letter or fax) with MIS Training's acknowledgement. Written cancellations must reach this office 30 days before the programme commences. A full refund less an administration charge of US\$150 will be given. For any written cancellation requests that reach us less than 30 days before the event, no refunds will be given. However, if you wish to attend another MIS Training course in the Asia-Pacific region, a 75% discount voucher which values not more than 75% of the initial payment will be issued. Please note that the subsequent course must take place within 1 year of the

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