



**FINANCIAL
MARKETS
ASSOCIATION
of SINGAPORE**
Affiliated to ACI FMA



**Good afternoon,
please test your mic and chatroom
and confirm that you can see and hear me clearly**

Thomas Poh

Treasury & Markets Trader and Sales Foundation Course

Module 3 Selling of Treasury Products I

Thomas Poh

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Review Module 1 & 2 - Learning Objectives

- 1. Understand the 3 aspects of trading**
- 2. Distinguish the different approaches to forming a market view for trading**
- 3. Learn the types of trading strategies**
- 4. Know the key components of trading strategies**
- 5. Identify characteristics that makes a good trader**
- 6. Gain an overview of trading within a bank**
- 7. Understand the role and responsibilities of a market maker**

Review – Module 1

What Is Trading?

Social Science



Maths

Art

Ways to Form a View

- Fundamental
- Technical
- Momentum
- Flow driven
- Mean Reversion
- Scalping
- Algorithm



Types of Trading Strategies



Directional



Relative Value



Carry



Basket



Model



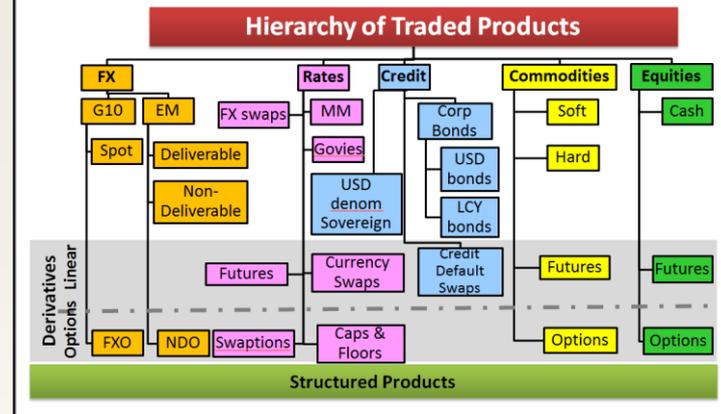
Arbitrage

Review – Module 2

Recap - Components in Any Trading Strategies



Types of Traded Products



Characteristics



Characteristics of a Good Trader



Review – Module 2



Discipline



Patience



Edge



Reflection



Resilience



Money Management

Review – Module 2

**Risk Taker /
Risk Manager**

**Client
Intermediary**

**What is a Good
Trader **in a Bank?****

**Functional
Coordinator**

**Franchise
Owner**

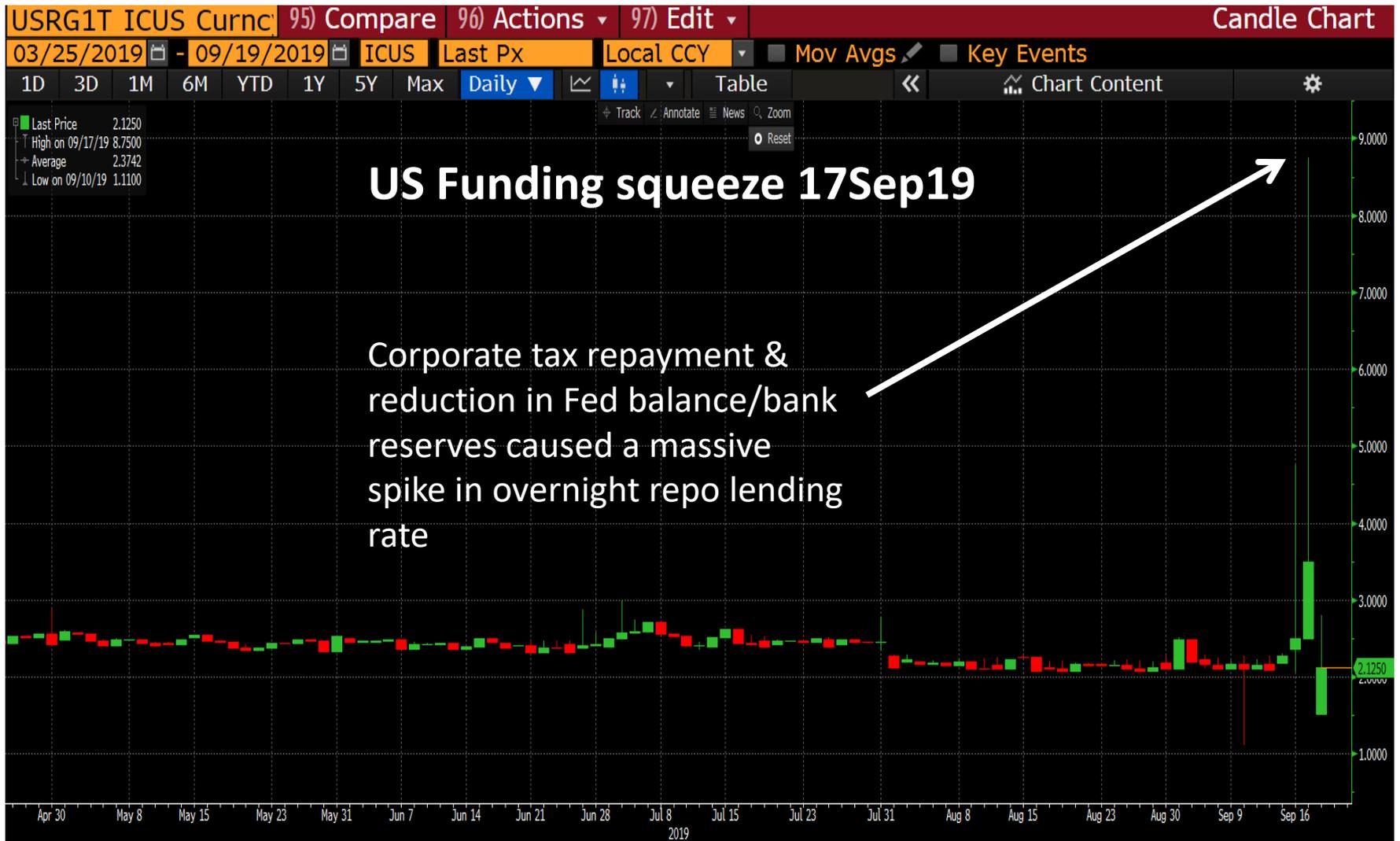
Market Making – What Makes a Good Price?

- Correct
- Competitive
- Reflects market conditions
- Reflects your view
- Consistent
- In line with client strategy
- Prompt

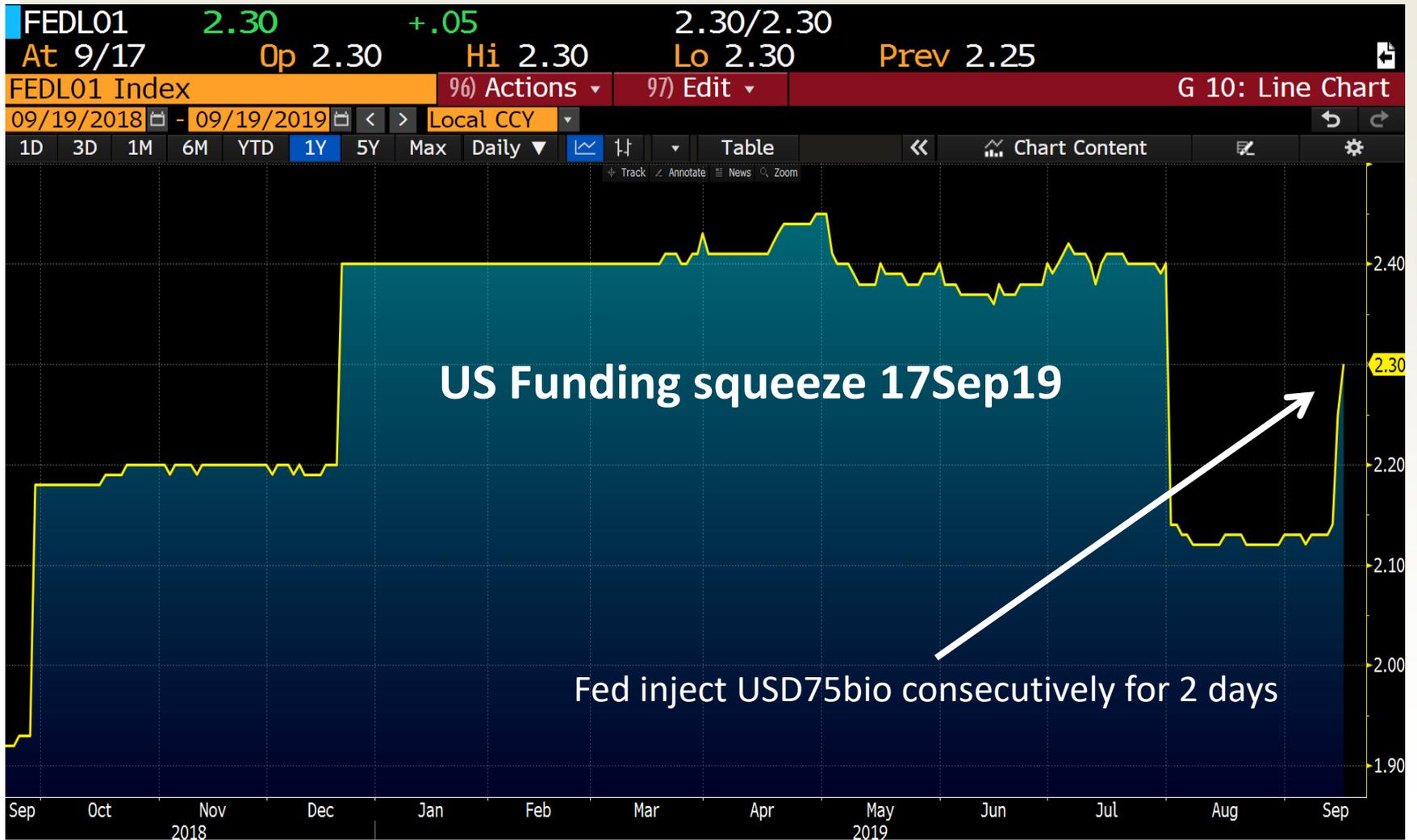
Reflection action points – to be discussed during next the session

1. From your past experience, pick one incident where a trade strategy component was not planned or executed properly, resulting in a poor performance of the trade. It can be from a trader, sales or even personal investment perspective

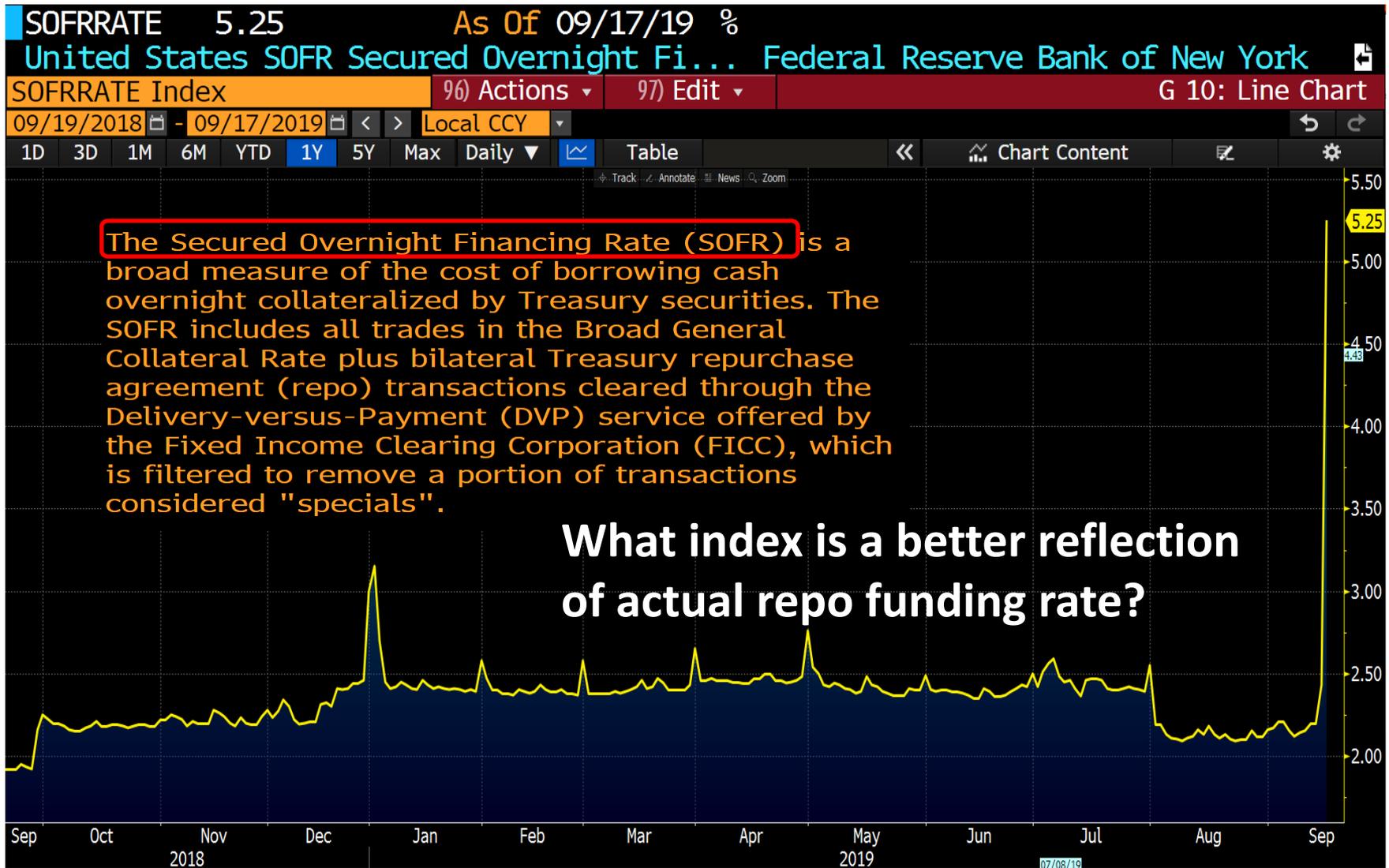
Review – Module 2



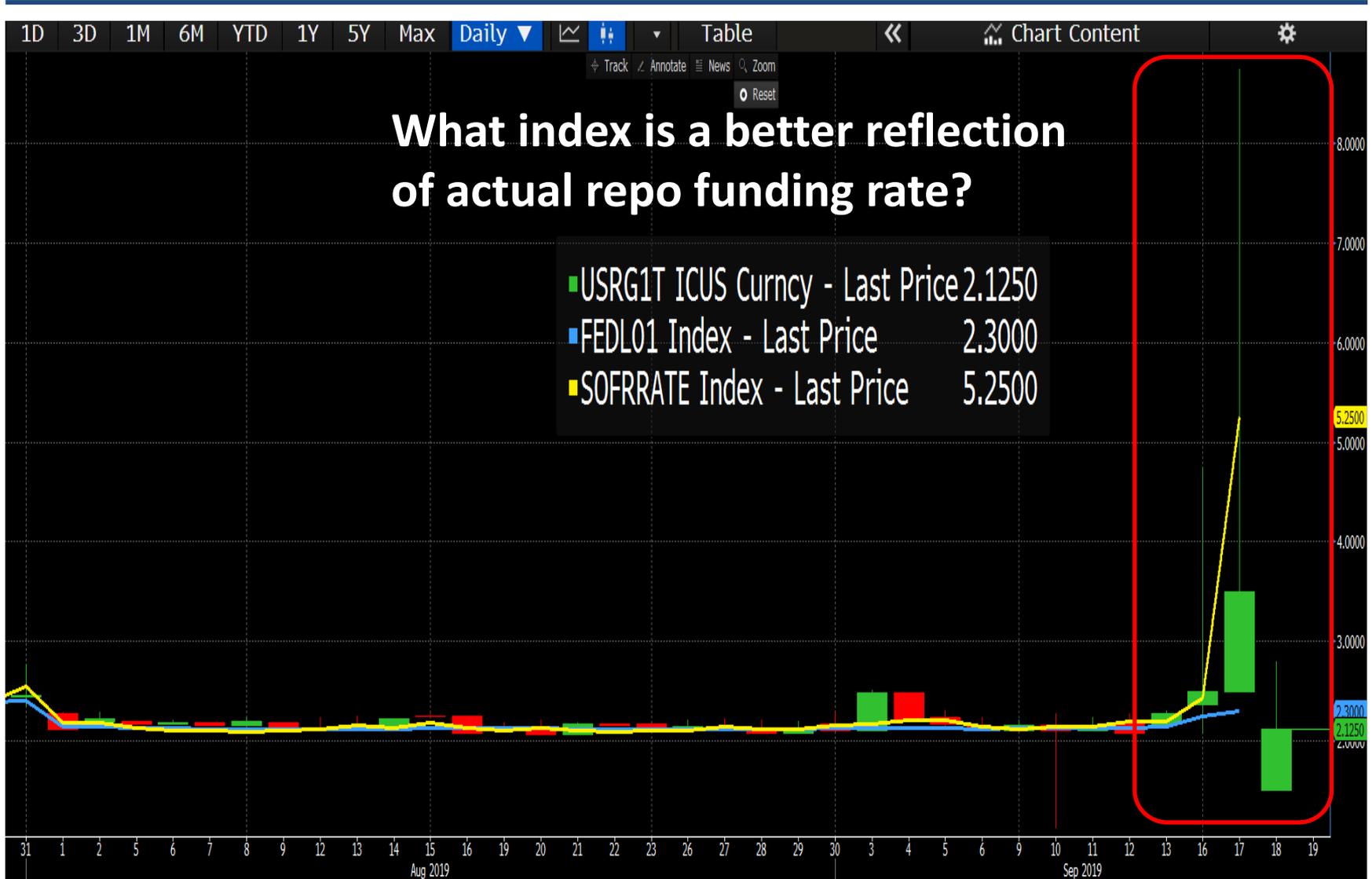
Review – Module 2



Review – Module 2



Review – Module 2



Review – Module 2



Review – Module 2



Review – Module 2



Review – Module 2



Reflection action points – to be discussed during next the session

1. From your past experience, pick one incident where a trade strategy component was not planned or executed properly, resulting in a poor performance of the trade. It can be from a trader, sales or even personal investment perspective
2. From your perspective, what is the most important characteristic when you assess or hire a trader? Why?

Reflection action points – to be discussed during next the session

1. From your past experience, pick one incident where a trade strategy component was not planned or executed properly, resulting in a poor performance of the trade. It can be from a trader, sales or even personal investment perspective
2. From your perspective, what is the most important characteristic when you assess or hire a trader? Why?
3. Within your own setup, reflect on how trading can play a bigger part to contribute to the business. Why and what are the constraints faced by your traders currently? How can you help in your current role in this process?

Course Overview – 6 Modules

Treasury & Markets Trader and Sales Foundation Course

Part 1 - Trading & Market Making (M1 & 2)

Part 2 - Selling of Treasury Products (M3 & 4)

Part 3 - Risk Management (M5)

Part 4 - Operational Control and Support to Trading & Sales (M6)

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	6. Closing the deal	127
	7. Selling as a team	146
	8. Case Study	159

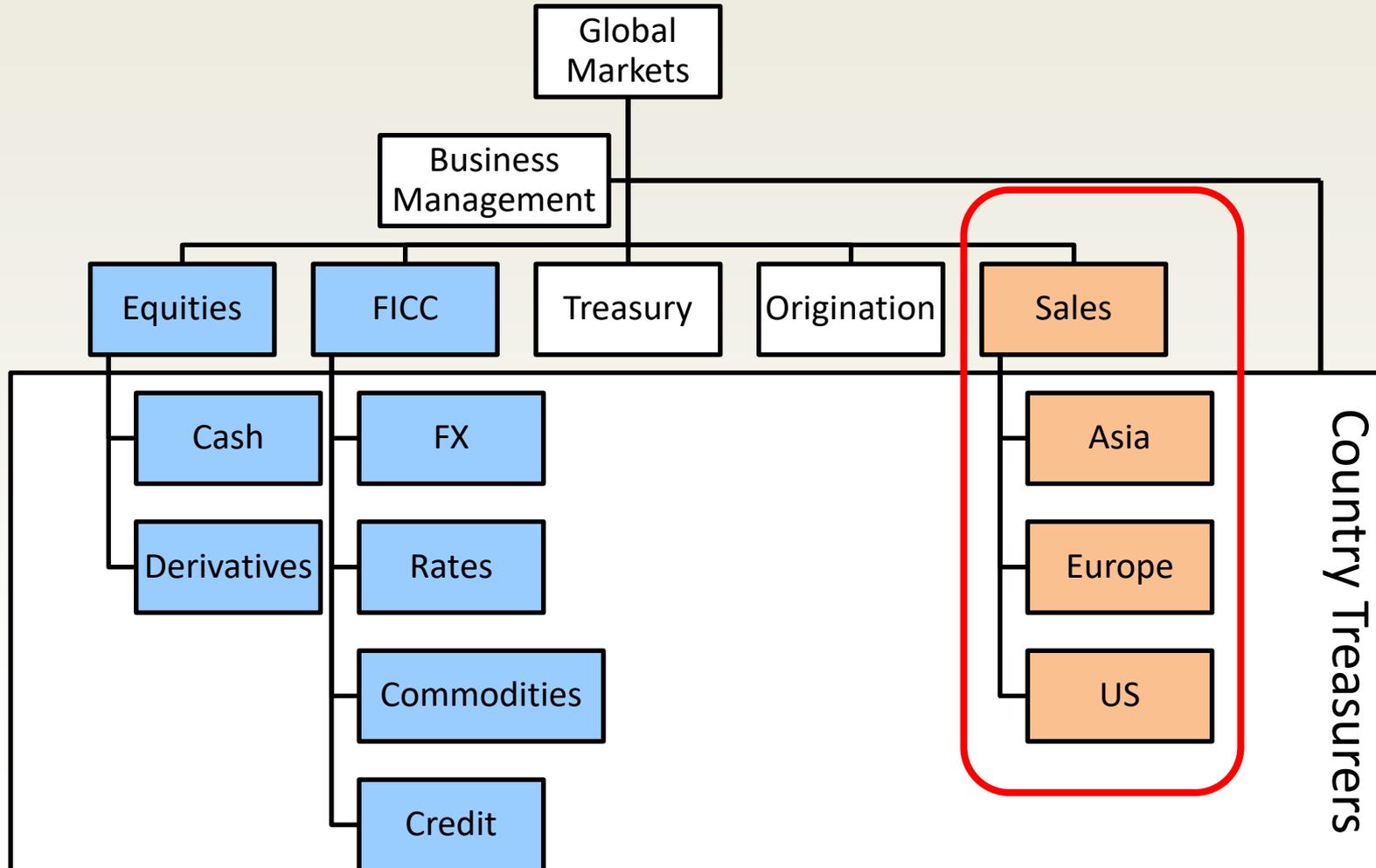
Module 3 - Learning Objectives

- 1. Understand the role of a Treasury Sales person**
- 2. Learn how to manage the clients' thought process**
- 3. Learn how to deep dive into a client's account**

Role of a Treasury Sales Person

Module 3 & 4 - Section 1

Sales within a Commercial Bank



What is a Treasury Sales Person?



Phone Jockey?

What should be my value add?

Parrot?



What is a Treasury Sales Person?



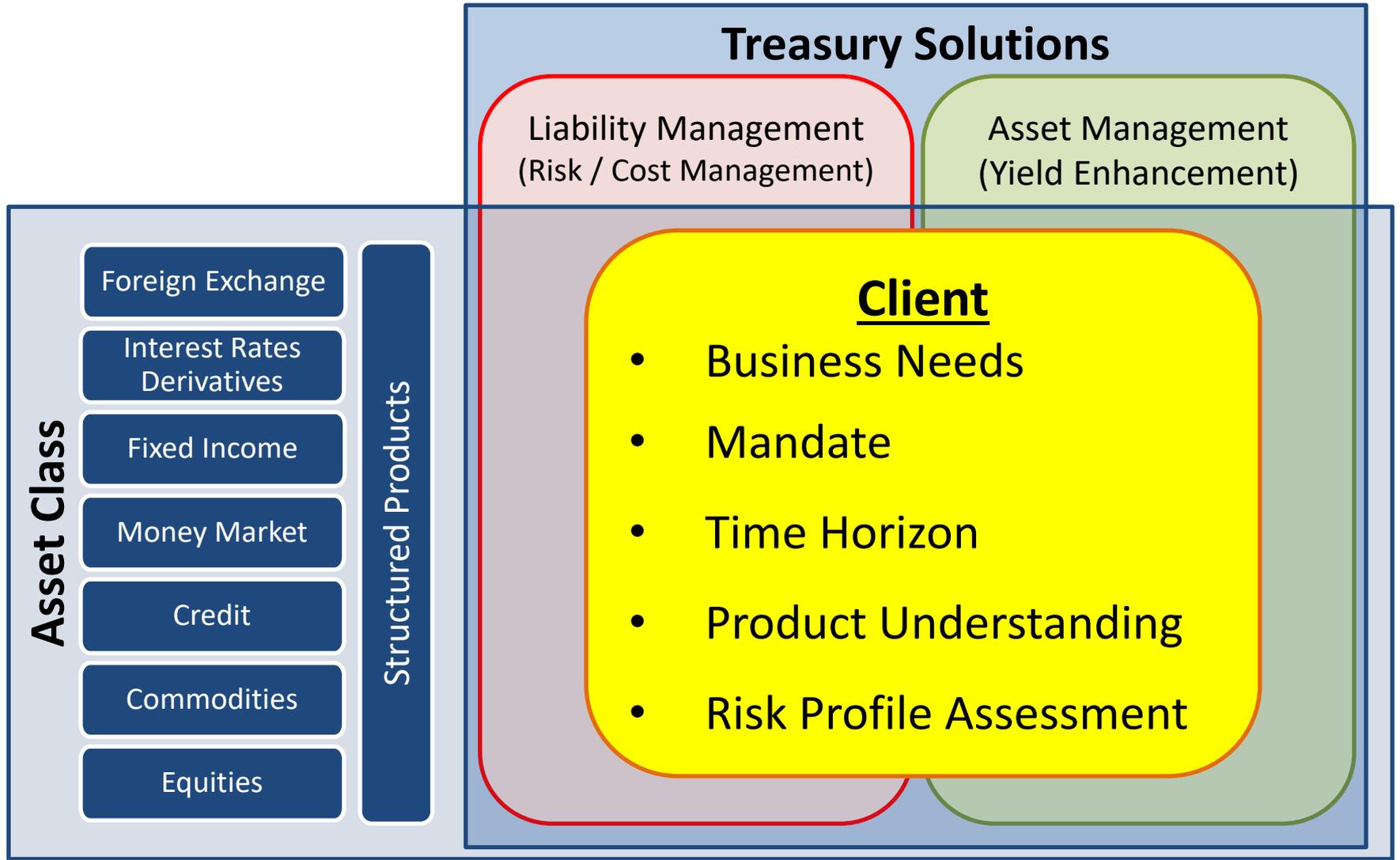
Am I just a relationship manager?

What kind of relationship should we aim for?

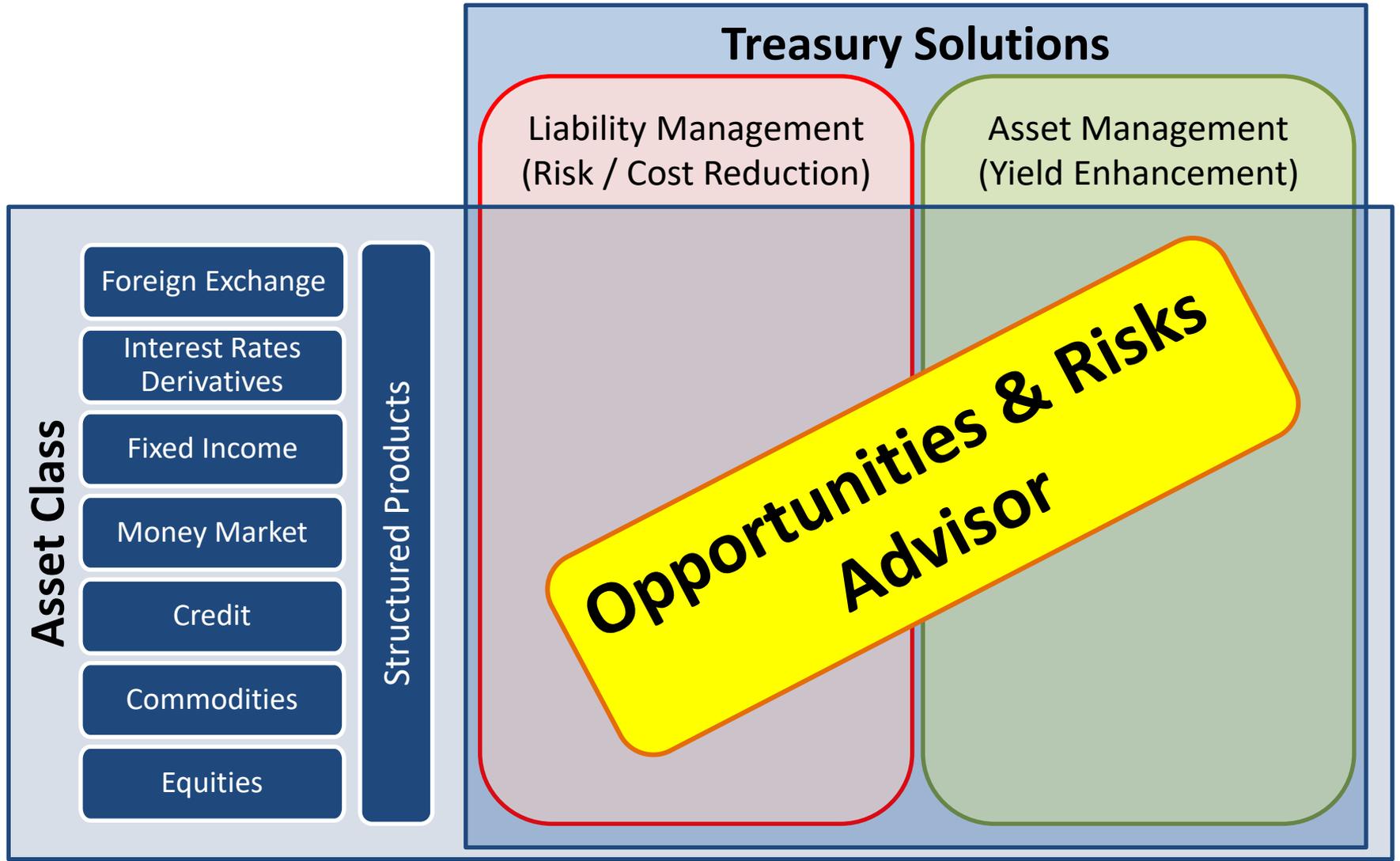
What is a Treasury Sales Person?



What is a Treasury Sales Person?



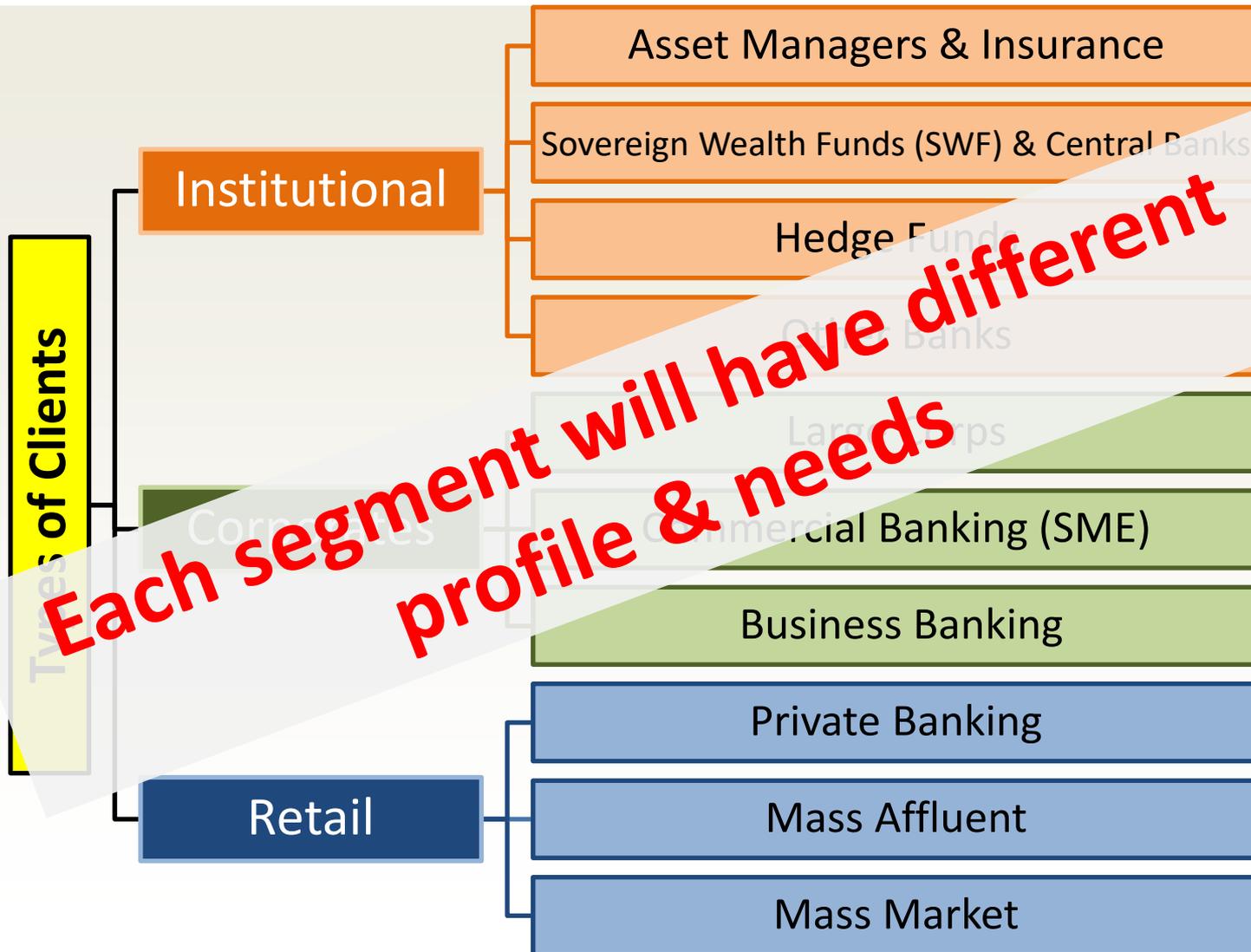
What is a Treasury Sales Person?



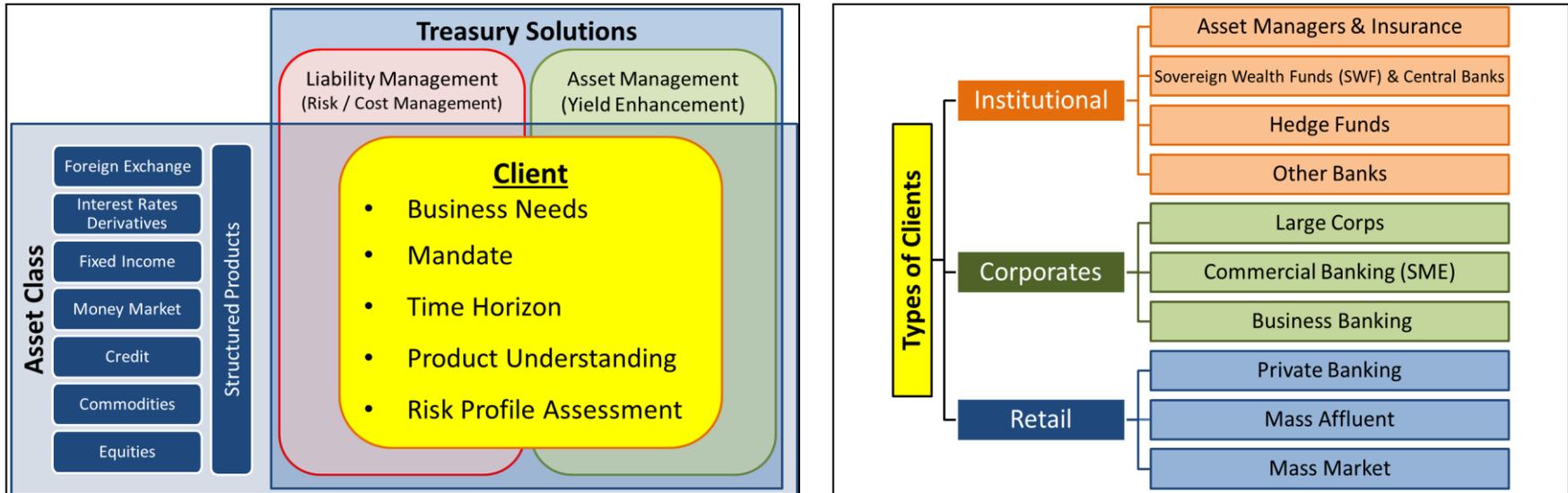
Know Your Client (KYC)

Module 3 & 4 - Section 2

Type of Clients



Type of Clients



One Size Does Not Suit All !

Do your KYC !



Client Mandates - Examples

Extract from Norway's SWF risk management framework



Key figures for the fund's risk and exposure

LIMITS SET BY THE MINISTRY OF FINANCE		2018
Allocation	Equity portfolio 50 - 80 percent of fund's market value ¹	66.2
	Unlisted real estate no more than 7 percent of fund's market value	3.0
	Fixed-income portfolio 20 - 50 percent of fund's market value ¹	32.2
Market risk	1.25 percentage points expected relative volatility for the fund's investments	0.3
Credit risk	Maximum 5 percent of fixed-income investments may be rated below BBB-	2.2
Ownership	Maximum 10 percent of voting shares in a listed company in the equity portfolio ²	9.6

¹ Derivatives are represented with their underlying economic exposure.

² Equity investments in listed and unlisted real estate companies are exempt from this restriction.

Client Mandates - Examples

Extract from Millennium's Hedge Fund's Investment approach

millennium

WHO WE ARE

WHAT WE DO

Our mission is to deliver the alternative investment industry's highest quality returns to our investors, and to maintain a commitment to our principles of integrity, discipline and excellence.

We empower our trading teams to independently focus on the specific opportunities and strategies in which they specialize, subject to our overall risk management, compliance, operational controls, and hedging of aggregate exposures where appropriate.

Our approach to the selection and oversight of trading teams is grounded in a philosophy of consistently seeking to generate incremental, positive returns against a limited amount of risk exposure (i.e., high Sharpe ratio), rather than outsized, but more volatile absolute returns.

We prefer trading teams that produce small gains on winning days and smaller losses on losing days. Our goal is to have more winning days than losing ones. We encourage our trading teams to pass on opportunities for outsized gains if they are accompanied by the risk of large losses.

In an effort to ensure that this philosophy is implemented in a consistent, disciplined manner, we calculate and set investment guidelines with each trading team.

Client Mandates - Examples

At least 50% hedge for both interest rate and foreign exchange exposure.



The logo for aitrust Ascendas India Trust, with "aitrust" in white lowercase letters on a teal background, and "Ascendas India Trust" in smaller white text below it.

Extract of hedging policy

To manage currency fluctuation .. put in place forward contracts to hedge a substantial portion of the forecast repatriation from India to Singapore. The hedging instruments deployed comprised plain vanilla currency forward contracts, .. deliver an agreed amount of INR in exchange for SGD. ... does not intend to take speculative position on the currency market & had, continued to hedge at least 6 months prior to the planned repatriation date

Client Mandates - Examples



Extract of hedging policy

The Group's overall risk management approach is to moderate the effects of such volatility on its financial performance through the use of derivatives to hedge specific exposures.

Jet fuel price risk

.. the fuel risk management programme allows for the judicious use of approved instruments such as swaps, options and collars with approved counterparties and within approved credit limits.

Foreign Exchange risk

.. a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, as soon as practicable, for USD and SGD.... also uses forward foreign currency contracts and foreign currency option contracts to hedge a portion of its future foreign exchange exposure. Such contracts provide for the Group to sell currencies at predetermined forward rates, buying either USD or SGD depending on forecast requirements, with settlement dates that range from one month up to one year. The Group uses these currency hedging contracts purely as a hedging tool. It does not take positions in currencies with a view to making speculative gains from currency movements.

Interest Rate Risk

..enters into interest rate swap contracts and interest rate cap contracts to manage interest rate costs on its financial assets and liabilities, with the prior approval of the BEC or Boards of subsidiary companies.

Client Mandates - Examples

Bank of China sold oil's May contract into a historic implosion in crude — and retail investors may have gotten crushed

Published: April 23, 2020 at 9:29 a.m. ET

By Sunny Oh

Retail investors may have lost \$85 million in Bank of China's oil-related funds, Bloomberg reports

15



Source : Bloomberg News

Client Mandates - Examples

Vatican used charity funds to bet on Hertz credit derivatives

'Gambling' bets placed under watch of Cardinal Becciu, who was forced to resign last month



Cardinal Giovanni Angelo Becciu was stripped of his rights as a cardinal by the Pope over what Cardinal Becciu described as an allegation of 'misappropriation' © REUTERS

Miles Johnson in Rome and Robert Smith in London 9 HOURS AGO



The Vatican invested some donations for the poor and needy in derivatives that bet on the creditworthiness of Hertz, the US car rental company that defaulted on its debts earlier this year, according to documents seen by the Financial Times.

In 2018, Pope Francis said credit default swaps “encouraged the growth of a finance of chance and of gambling on the failure of others, which is unacceptable from the ethical point of view”. The instruments, he said, were “a ticking time bomb”.

But three years earlier, part of a €528m Vatican portfolio “derived from donations” bought structured notes containing CDS as part of a bet that Hertz would not default on its debts by April 2020, the documents show. The company filed for bankruptcy the following month, giving the Holy See a narrow escape on the investment, which paid out in full.

Source : FT

How Clients see us

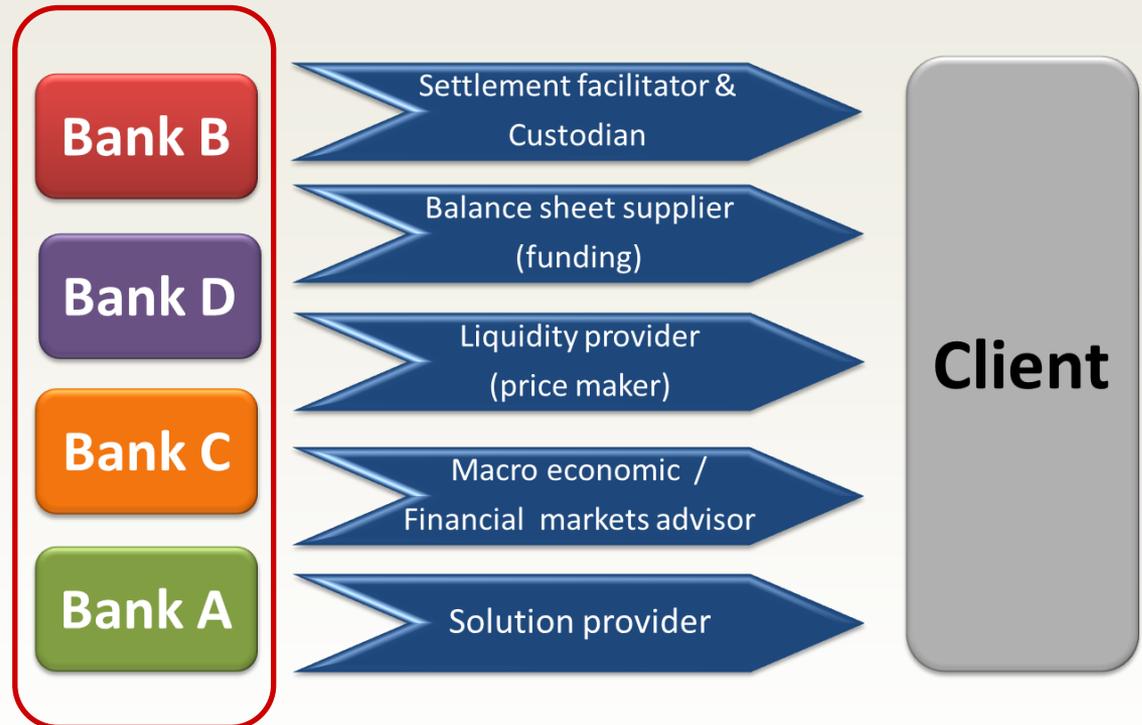


How Clients see us



How Clients Manage Relationships with Banks

- Clients rank banks based on our ability to serve these needs
- Transactions awarded follow 80 - 20 rule
- Usually seek 2-3 banks for transparency / competition



How should we manage this reality?

Challenges

Settlement facilitator &
Custodian

- High operational costs
- Not every bank has this facility

Balance sheet supplier
(funding)

- High capital costs
- Scarce resource

Liquidity provider
(price maker)

- Potential high risk
- Restricted markets open to only certain banks

Macro economic /
Financial markets advisor

- Research and market colour
- Coverage varies across banks

Solution provider

- Expertise varies across banks

How should we manage this reality?

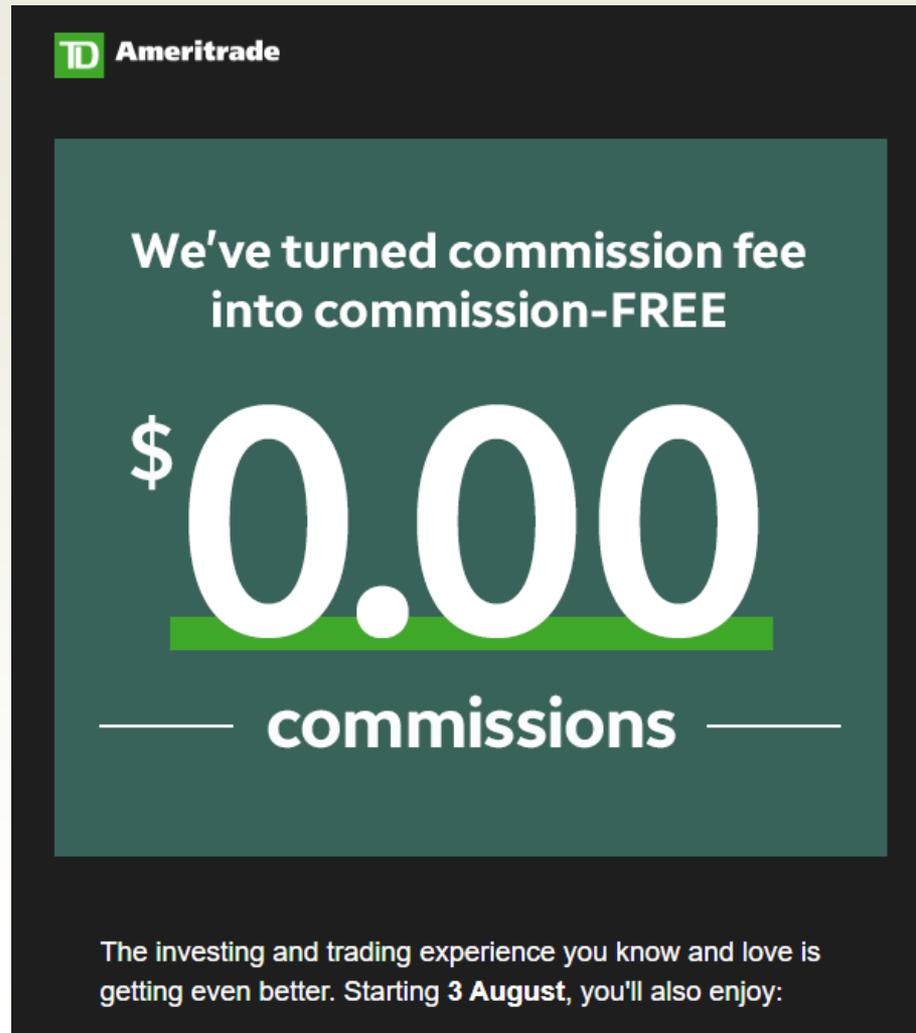
U.S. Markets

Securities Trading in USD	Current		With effect from 1 July 2020	
	Internet/Mobile	Phone	Internet/Mobile	Phone
Commission Rate (per Contract)	0.15%	0.50%	0.12%	0.50% (no change)
Minimum Commission (per contract)	USD 25	USD 50	USD 18	USD 50 (no change)
Custodian Fees	Custodian fees for US markets are waived.		Custodian fees apply at a rate of 0.0125% of your monthly average stockholding balance, payable every six months. Inclusive of GST.	

Hong Market Markets

Securities Trading in HKD	Current		With effect from 1 July 2020	
	Internet/Mobile	Phone	Internet/Mobile	Phone
Commission Rate (per Contract)	0.15%	0.50%	0.12%	0.50% (no change)
Minimum Commission (per contract)	HKD 120	HKD 180	HKD 80	HKD 180 (no change)
Custodian Fees	Custodian fees for HK markets are waived.		Custodian fees apply at a rate of 0.0125% of your monthly average stockholding balance, payable every six months. Inclusive of GST.	

How should we manage this reality?



TD Ameritrade

We've turned commission fee
into commission-FREE

\$0.00

— commissions —

The investing and trading experience you know and love is getting even better. Starting **3 August**, you'll also enjoy:

How should we manage this reality?

Strategy

Settlement facilitator &

Cu

Balance

(f

Liquid

(pri

Macro

Financial

Solution provider

- Door opener – as custodian, you see the flows



What is our edge?

for clients to
nk

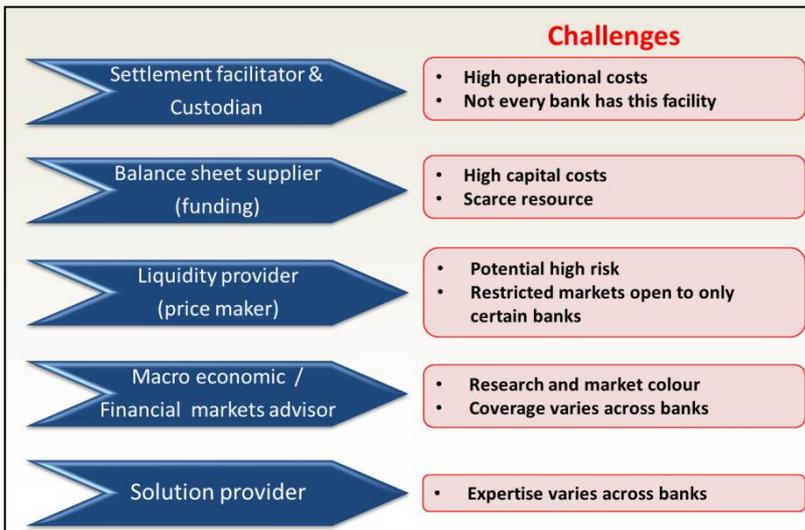
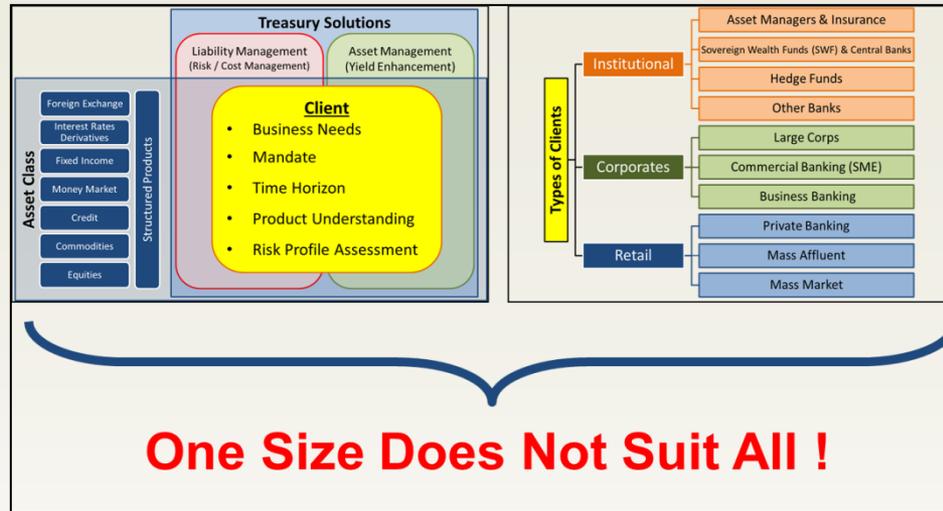
et away without

ice
ecomes a
for it

search
client's needs
rovide updated

- Your ability to tailor to client needs gives you pricing power

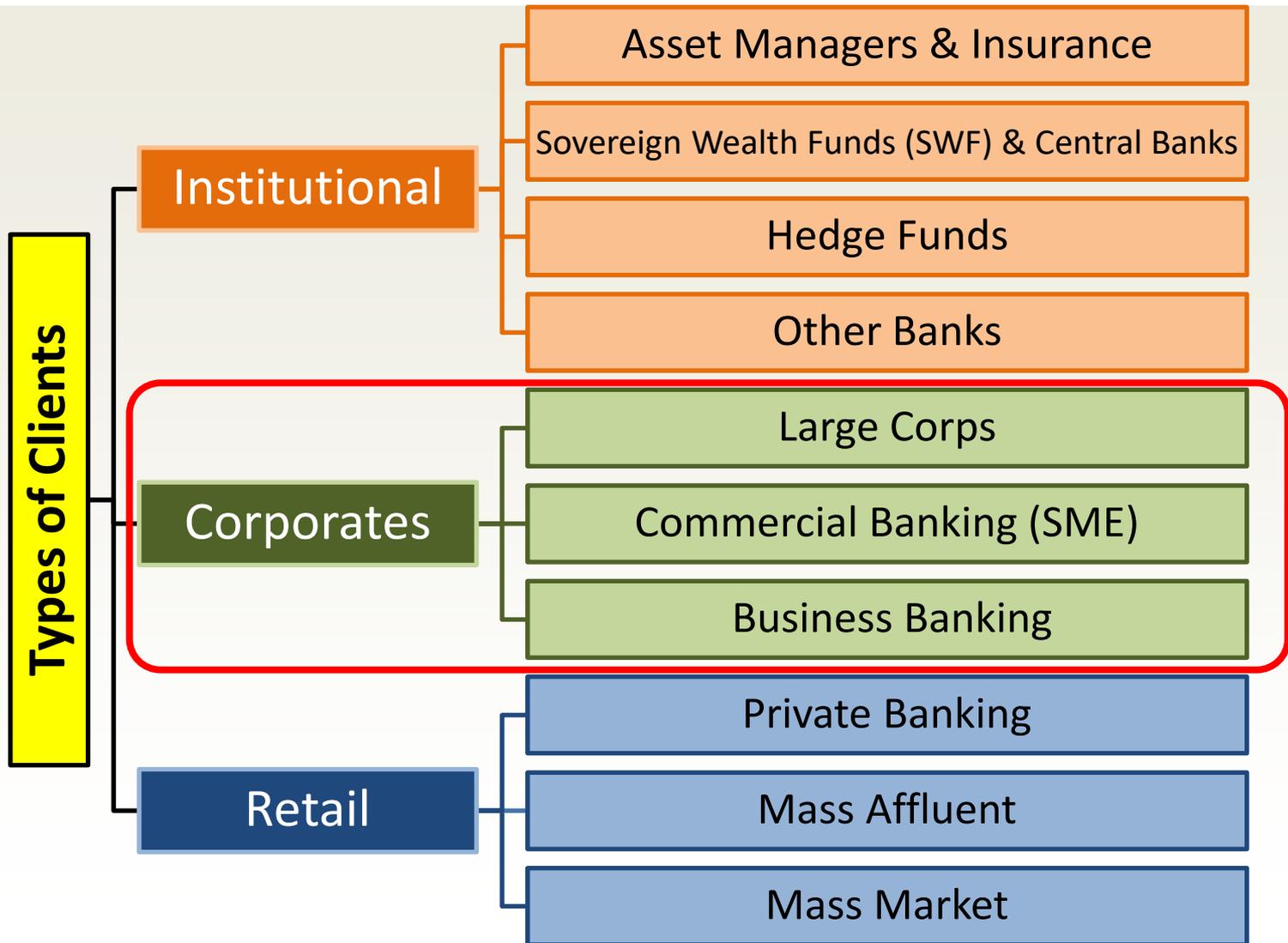
Recap – Know Your Client (KYC)



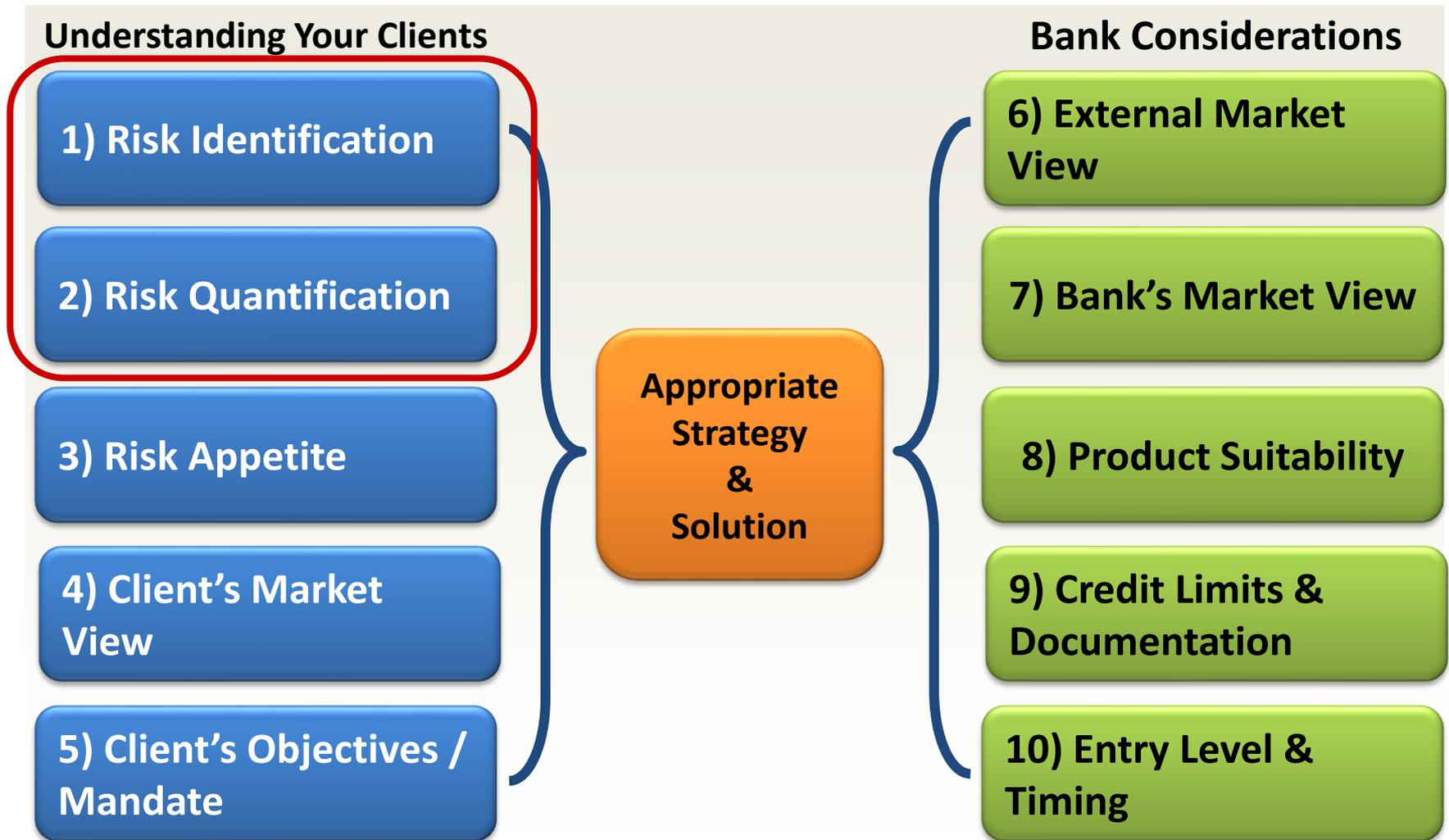
Client Account Deep Diving

Module 3 & 4 - Section 3

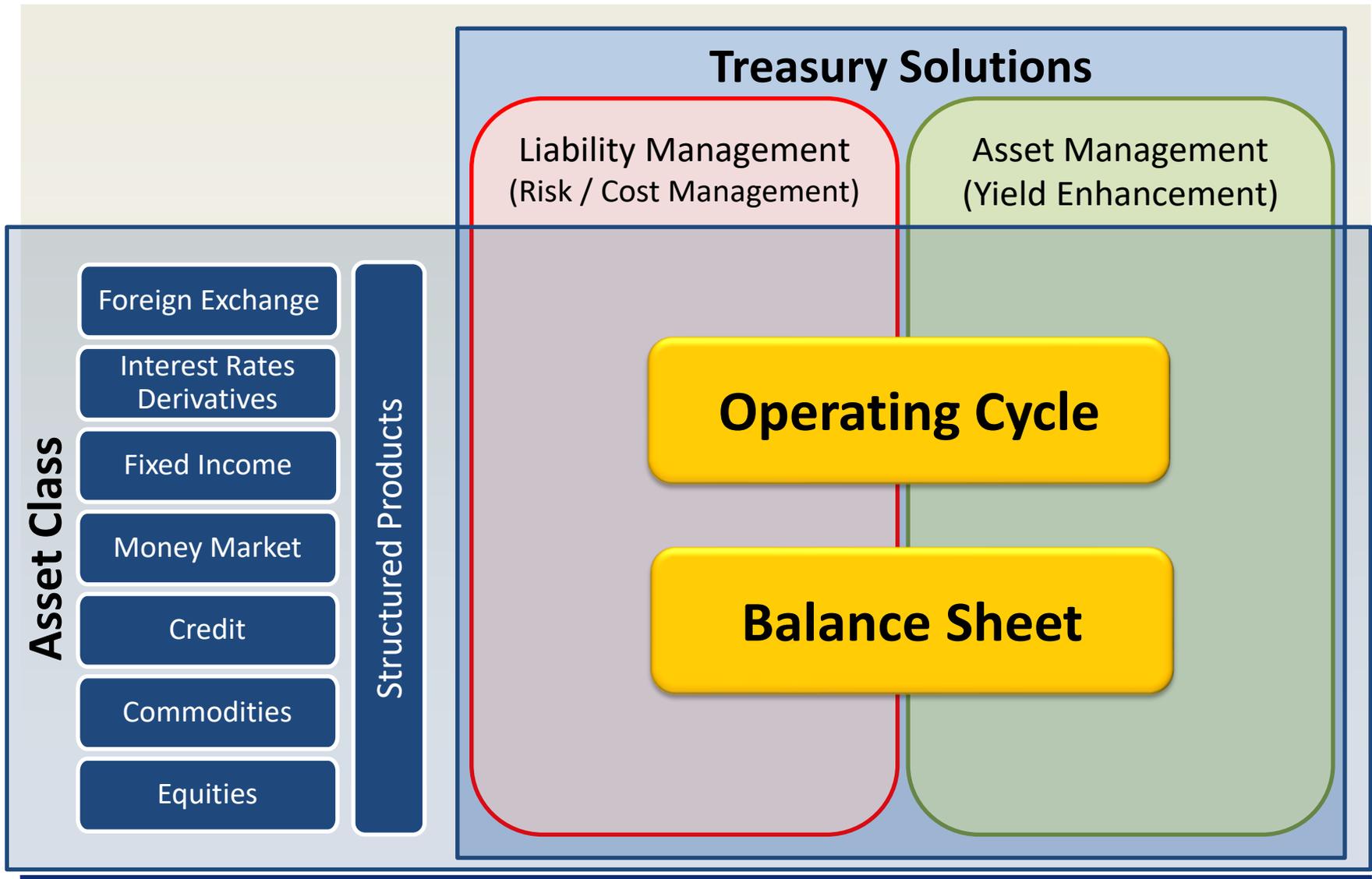
Focus on Corporates



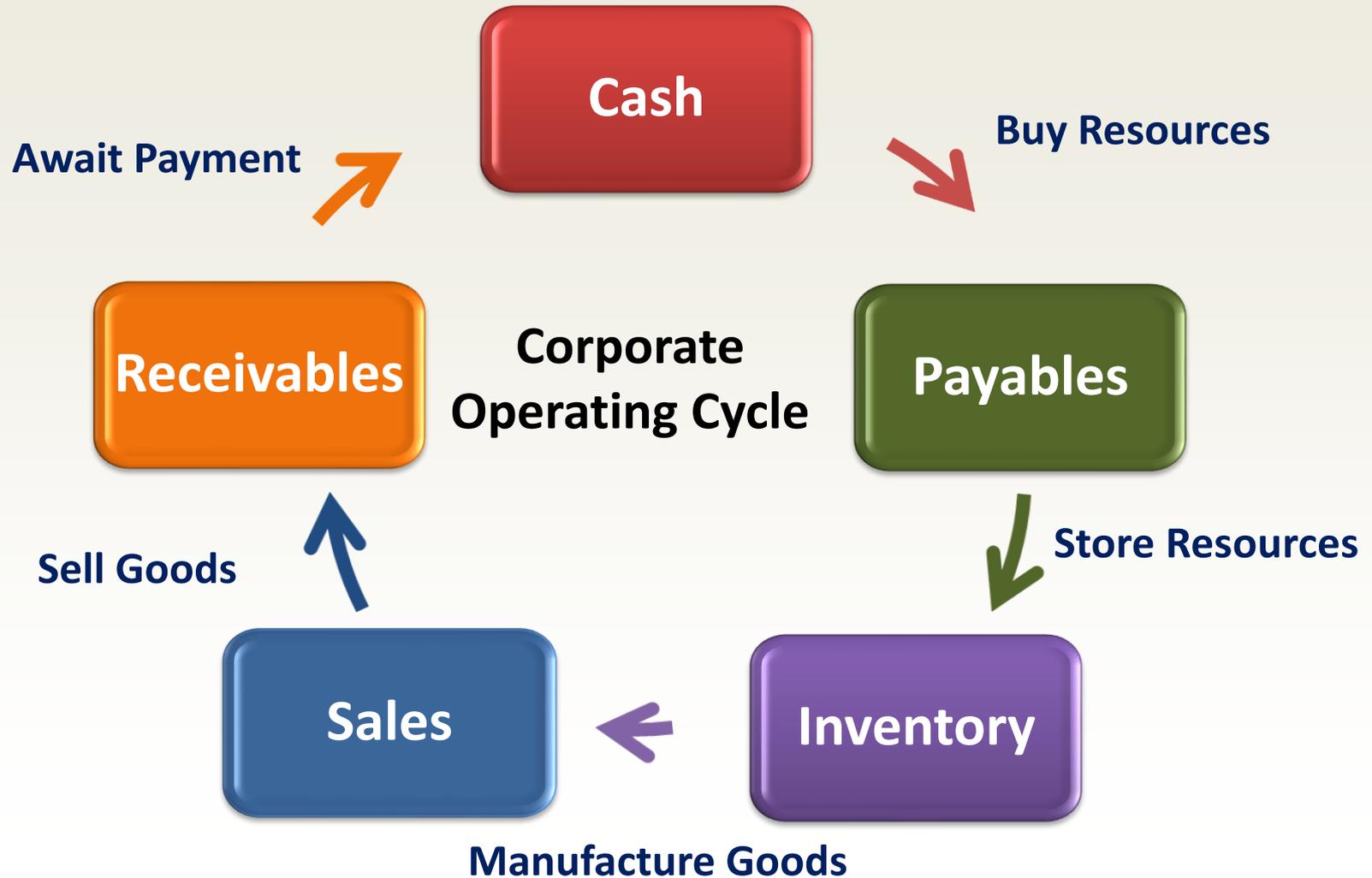
Formulating the Strategy



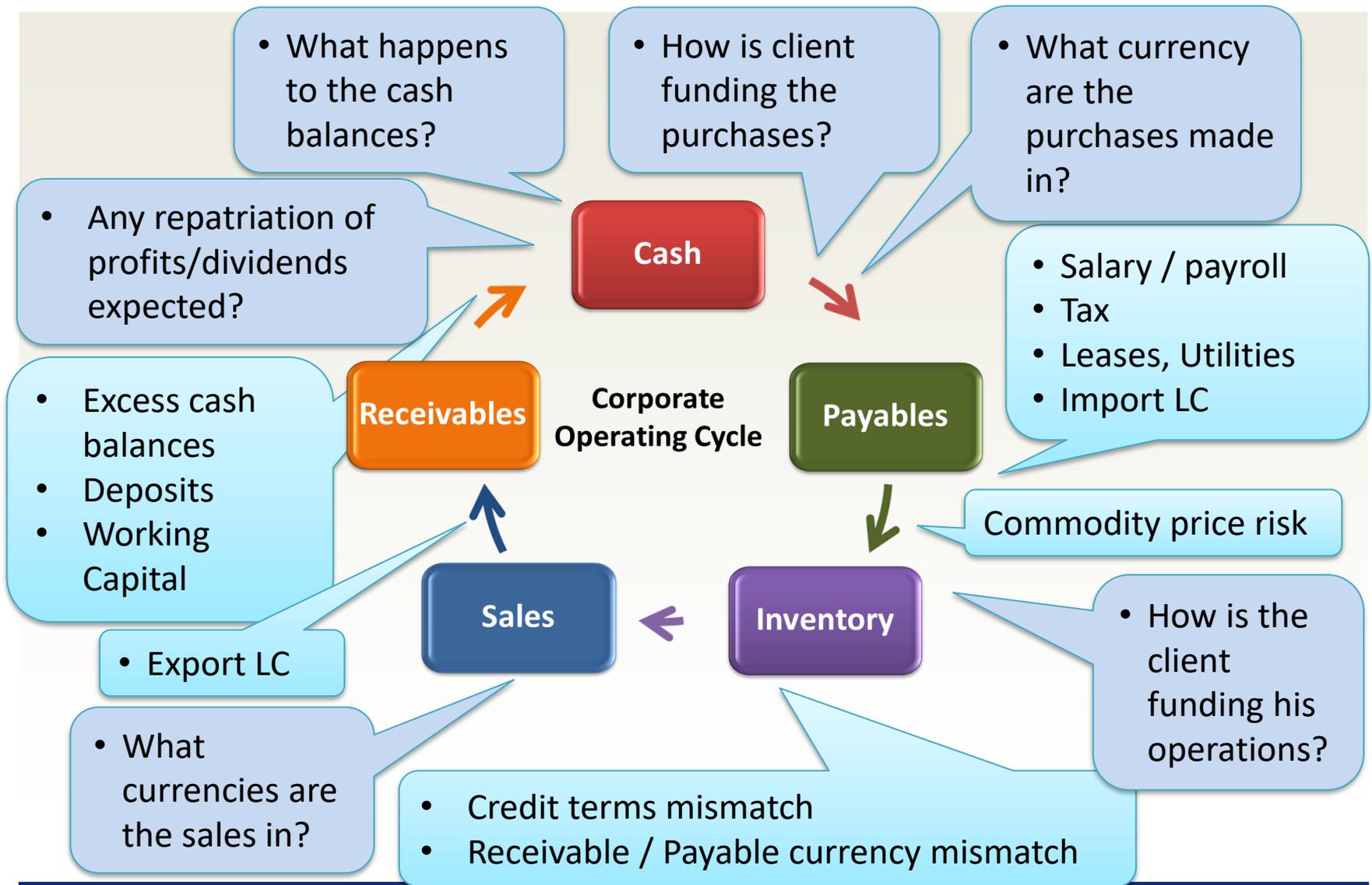
Deep Diving a Corporate Account



The Corporate Operating Cycle



Selling Opportunities within the Corporate Operating Cycle



Selling Opportunities within the Corporate Balance Sheet

XYZ COMPANY	
Balance Sheet	
12/31/2017	
<u>ASSETS</u>	
Current Assets:	
Cash	\$12,000
Accounts Receivable	35,000
Inventory	120,000
Prepaid Rent	8,000
Total Current Assets	\$175,000
Long-Term Assets	
Land	\$126,000
Buildings & Improvements	300,000
Furniture & Fixtures	50,000
General Equipment	125,000
Total Fixed Assets	\$601,000
TOTAL ASSETS	<u>\$776,000</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$60,000
Taxes Payable	25,000
Salaries/Wages Payable	30,000
Interest Payable	25,000
Total Current Liabilities	\$140,000
Long Term Liabilities:	
Loan 1	\$322,000
Total Long Term Liabilities	<u>\$322,000</u>
TOTAL LIABILITIES	<u>\$462,000</u>
<u>OWNER'S EQUITY</u>	
Paid in Capital	\$64,000
Retained Earnings	250,000
TOTAL OWNER'S EQUITY	<u>\$314,000</u>
TOTAL LIABILITIES & OWNER'S EQUITY	<u>\$776,000</u>

Returns on Liquid Assets

- Excess cash balances

FX Risk arising from

- Transactional risk
- Translation risks
- Capital hedge
- Dividend repayments

Interest Rate Risk

- Outstanding long term loans

Funding Requirements

- Obligation maturity schedules
- Bond Issuance
- Revolving credit

Hedge Accounting

Identifying FX selling opportunities

Currency	Country	Bank Buys Notes	Bank
US Dollar	USA	31.51	3
Singapore Dollar	Singapore	23.46	2
日本円 (: 100)	Japan	25.83	2
人民币	China		

Where to look:

- Cash
- Receivables / Payables
- Dividends repatriations
- Capital hedges
- Cross border activities
- M & A activities

What to look for:

Currency Mismatches in

- Asset vs Liability
- Revenue vs Expense
- Revenue vs Liability
- Revenue vs Equity

Identifying Interest Rate selling opportunities



Where to look:

- Outstanding LCY loans
- Outstanding LCY bonds
- Foreign currency loans
- Export bills

What to look for:

Mismatches in

- Asset vs liability Interest payments
- Revenue vs interest expense
- Liability maturity Schedule
- Floating rate benchmarks

Identifying Yield Enhancement selling opportunities



Where to look:

- Excess cash balances (CASA)
- Deposits
- Short term investments holdings
- Liabilities / receivables profile

What to look for:

- Average CASA balances
- Cash-flow patterns
- Days sales outstanding
- Days payable outstanding
- Cash flow requirement profile

Typical Questions to Ask – FX & Interest Rates Exposures

	FX exposures	Interest Rates exposures
Risk profile / risk management	<ul style="list-style-type: none"> • What is your risk management approach and appetite? • Do you have a risk management policy? • Do you hedge your risks (FX, I/R, Commodity) ? 	
	<ul style="list-style-type: none"> • Do you have a balanced hedging strategy between FX, spot and options? 	<ul style="list-style-type: none"> • Do you actively alter your debt maturity profile in line with interest rates views? • How do you manage your interest rate risks?
Market views	<ul style="list-style-type: none"> • On a scale of 1-10, how concern are you about FX volatility? 	<ul style="list-style-type: none"> • What is your view on IR movement?
Current exposures	<ul style="list-style-type: none"> • What risks keep you awake at night? 	
	<ul style="list-style-type: none"> • Do you pay in foreign currency? • Do you receive in foreign currency? • Do you deal with commodities? • Do you receive upfront amounts in cash? 	<ul style="list-style-type: none"> • What are your methods of borrowing? • Do you have access to debt markets (FRNs, MTNs)? • Are your loans on floating or fixed rates? • Do you have foreign currency loans?
Current setup / existing deals	<ul style="list-style-type: none"> • What deals do you have currently in your books? • Do you use derivatives in your hedging? 	
	<ul style="list-style-type: none"> • Where do you keep your cash? • What instruments do you use to hedge FX? • How do you repatriate your dividends? 	<ul style="list-style-type: none"> • What is your budget/target IR/expense and fixed/floating mix? • What types of derivatives have you done? How often?
Current banking partners	<ul style="list-style-type: none"> • What is our share of wallet for your trades? • Which bank do you currently deal with and why? 	
Future plans	<ul style="list-style-type: none"> • Do you plan to expand into new markets that will introduce FX exposures? 	<ul style="list-style-type: none"> • Do you have upcoming new capital requirements?

Typical Questions to Ask – Yield Enhancement Opportunities

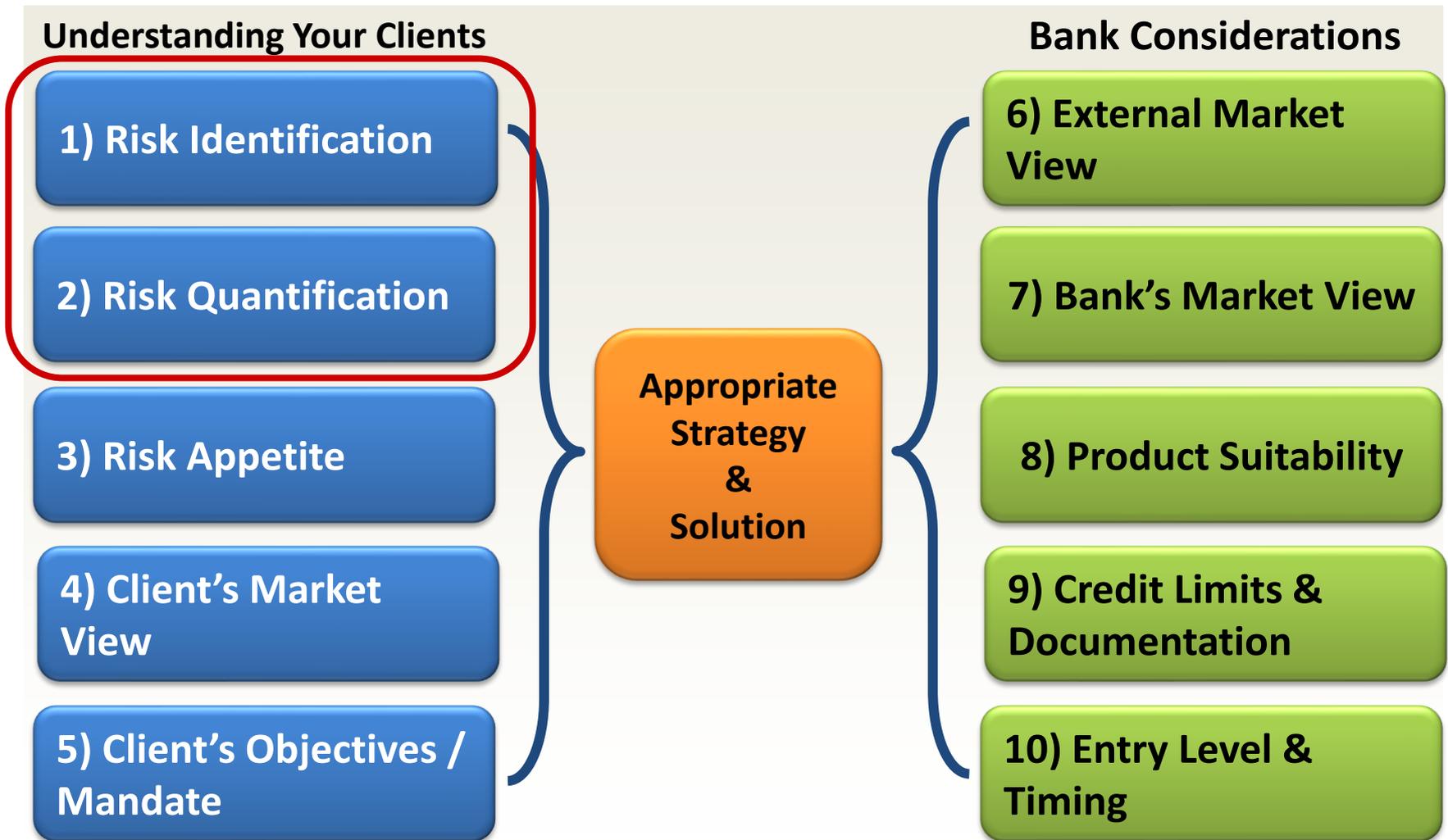
Examples of questions to ask

- What is the current idle cash amount?
- What is the usual CASA float?
- Do you have regular dividend receipts or inwards profits repatriation expected?
- What is your investment return hurdle rate?
- What is the time horizon for investments?
- What is the tenor of bonds that you are mandated to buy?
- What are you currently invested in?
- What grade of bonds are you mandated to invest in?
- Must it be principled guaranteed?
- Are you mandated to sell options?

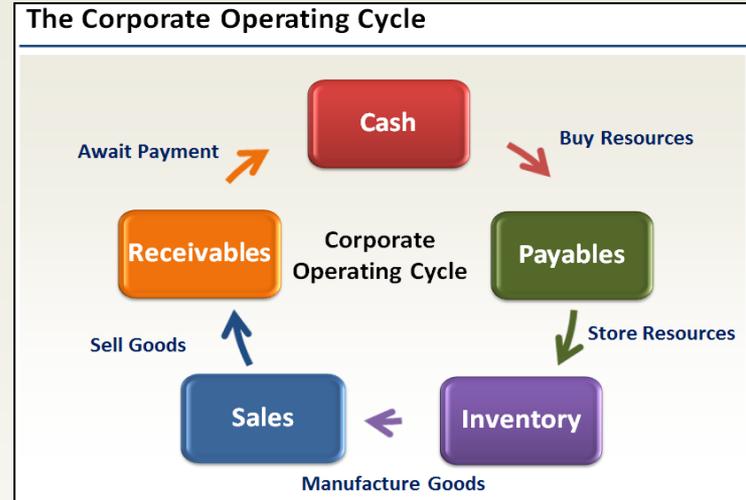
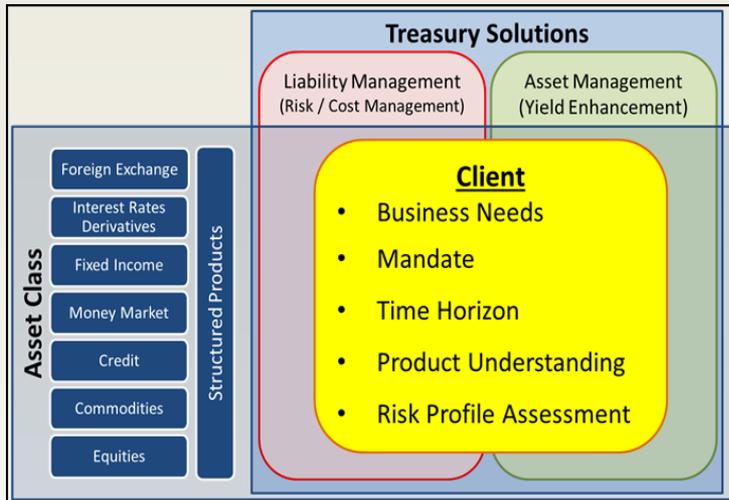
Example : Matching Opportunities to Exposures for a Singapore Timber Import/Export Merchant

Question	Possible Answer	Potential Opportunities
What currencies do you make your purchases in ?	<ul style="list-style-type: none"> Buy raw timber from Indonesia denominated in IDR 	Sell USD buy IDR <ul style="list-style-type: none"> Spot with onshore Hedge USD/IDR NDF/NDO offshore
What is the invoicing currency for your sales?	<ul style="list-style-type: none"> Mainly in USD 	Sell USD buy SGD <ul style="list-style-type: none"> Spot, forwards, par forwards, FXO
How do you fund your payables and receivables mismatches?	<ul style="list-style-type: none"> Trade finance, ST revolving credit facilities (RCF) 	Buy IR caps against relevant floating benchmarks
Where in your business is exposed to commodity price risk?	Transport <ul style="list-style-type: none"> Ships : Bunker fuel, Trucks : Diesel fuel Raw materials <ul style="list-style-type: none"> Timber : Timber prices 	Buy <ul style="list-style-type: none"> Lumber futures HSFO 380 (bunker) swaps Sing Gas Oil (diesel) swaps
What are your long term obligations?	<ul style="list-style-type: none"> SGD floating rate loans USD floating rate bonds 	<ul style="list-style-type: none"> Pay SGD IRS to lock in interest rate Receive USD/SGD CCS to convert into SGD floating risk
Do you have LC discounting?	<ul style="list-style-type: none"> High LCs volume > 180 days 	Cross currency LC discounting
Do you have warehouses overseas? How do you fund their purchase/lease?	<ul style="list-style-type: none"> Mix of equity and SGD loan 	<ul style="list-style-type: none"> Sell SGD buy FCY spot / FX swap for conversion Buy SGD sell FCY forward for existing unhedged exposures
How often does your overseas offices repatriate funds back to Singapore HQ?	<ul style="list-style-type: none"> Regular earnings repatriations HQ loan repayments 	<ul style="list-style-type: none"> Buy SGD Sell FCY spot, forwards, par forwards, FXO

Recap - Formulating the Strategy



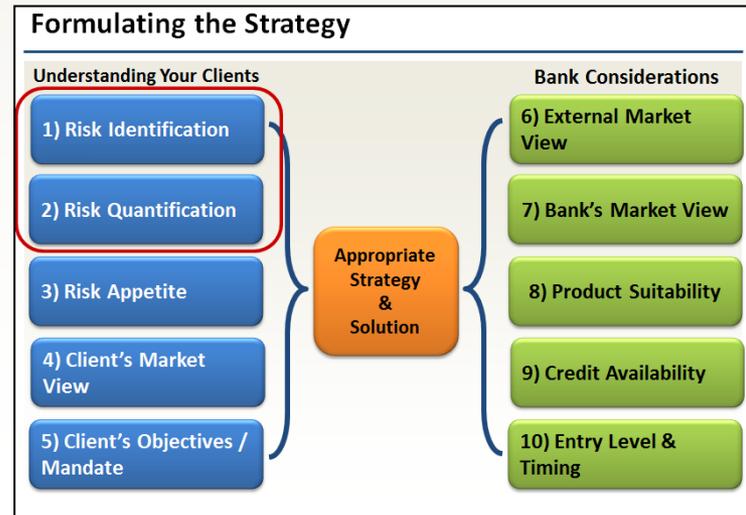
Recap - Deep Diving a Corporate Account



Selling Opportunities within the Corporate Balance Sheet

XYZ COMPANY Balance Sheet 12/31/2017	
ASSETS	
Current Assets:	
Cash	\$12,000
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Long-Term Assets	
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Buildings & Improvements	300,000
Furniture & Fixtures	50,000
General Equipment	125,000
Total Fixed Assets	\$600,000
TOTAL ASSETS	\$775,000
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$60,000
Taxes Payable	25,000
Salaries/Wages Payable	30,000
Interest Payable	20,000
Total Current Liabilities	\$140,000
Long Term Liabilities:	
Loan 1	\$320,000
Total Long Term Liabilities	\$320,000
TOTAL LIABILITIES	\$460,000
OWNER'S EQUITY	
Paid in Capital	\$84,000
Retained Earnings	250,000
TOTAL OWNER'S EQUITY	\$314,000
TOTAL LIABILITIES & OWNER'S EQUITY	\$775,000

- Returns on Liquid Assets**
 - Excess cash balances
- FX Risk arising from**
 - Transactional risk
 - Translation risks
 - Capital hedge
 - Dividend repayments
- Interest Rate Risk**
 - Outstanding long term loans
- Funding Requirements**
 - Obligation maturity schedules
 - Bond Issuance
 - Revolving credit
- Hedge Accounting**



Case Study

Module 3 & 4 - Section 4

Example : Selling Opportunities within the Corporate Balance Sheet

Statements of Financial Position

As At 31 March 2017 (in \$ million)

	Notes	The Group		The Company	
		2017	2016	2017	2016
Equity attributable to owners of the parent					
Share capital				1,856.1	1,856.1
Treasury shares				(194.7)	(381.5)
Other reserves				10,852.2	10,533.6
				12,513.6	12,008.2
Non-controlling interests				-	-
Total equity				12,513.6	12,008.2
Deferred account				214.9	222.4
Deferred taxation				1,482.1	1,346.5
Long-term liabilities				1,689.4	1,110.1
Provisions				648.0	647.2
Defined benefit plans	19	910.3	877.1	122.3	121.4
		131.2	129.3	122.3	121.4
		18,431.4	17,359.4	16,670.3	15,455.8
Represented by:					
Property, plant and equipment	20	16,433.3	14,143.5	12,050.8	10,241.2
Intangible assets	21	423.5	515.8	169.5	167.0
Subsidiary companies	22	-	-	4,610.1	4,460.9
Associated companies	23	1,056.9	901.9	756.8	531.5
Joint venture companies	24	150.2	156.2	-	-
Long-term investments	25	-	-	-	754.4
Other long-term assets	26, 37	-	-	-	398.7
Deferred account	16	-	-	-	50.5
Current assets					
Inventories	27	-	-	-	108.2
Trade debtors	28	-	-	-	799.4
Deposits and other debtors	29	-	-	-	43.5
Prepayments		-	-	-	104.8
Deferred account	16	-	-	-	15.0
Amounts owing by subsidiary companies	28	-	-	-	318.0
Loan receivable from an associated company	28	-	-	-	62.0
Derivative assets	37	85.0	24.9	82.1	22.3
Investments	30	539.9	668.1	469.9	601.9
Cash and bank balances	31	-	-	-	3,239.2
Other short-term assets		-	-	-	-
Assets held for sale	20, 25	-	-	-	5,314.3
Less: Current liabilities					
Sales in advance of carriage		-	-	-	1,460.1
Deferred revenue		-	-	-	669.4
Deferred account	16	-	-	-	40.6
Current tax payable		-	-	-	131.0
Trade and other creditors	32	-	-	-	2,194.9
Amounts owing to subsidiary companies	32	-	-	-	1,191.1
Borrowings	18	-	-	-	-
Provisions	19	322.4	218.5	298.8	180.5
Derivative liabilities	37	119.7	623.1	119.7	595.1
		6,288.6	6,487.2	6,305.2	6,462.7
		(588.6)	306.8	(1,759.2)	(1,148.4)
		18,431.4	17,359.4	16,670.3	15,455.8
Net current (liabilities)/assets					

- Yield enhancement products (deferred a/c)
- Interest rates hedging – IRS, CCS, I/R caps

- Yield enhancement products
- FX hedging (trade debtors)
- Restructure existing derivative hedges

- Interest rates hedges (borrowings)
- FX hedges (trade creditors & amount owed to subsidiaries)

Example : Selling Opportunities within the Corporate Balance Sheet

Consolidated Profit and Loss Account

For The Financial Year Ended 31 March 2017 (in \$ million)

	Notes	The Group	
		FY2016/17	FY2015/16
Revenue	4	14,868.5	15,238.7
Expenditure			
Staff costs	5	2,616.2	2,451.8
Fuel costs		3,747.5	4,527.0
Depreciation	20	1,552.1	1,543.0
Impairment of property, plant and equipment	20	3.9	10.6
Amortisation of intangible assets	21	39.8	32.7
Aircraft maintenance and overhaul costs		898.3	804.9
Commission and incentives		387.1	365.0
Landing, parking and overflying charges		809.3	765.8
Handling charges		1,197.1	1,138.9
Rentals on leased aircraft		895.9	924.7
Material costs		63.8	67.2
Inflight meals		543.7	547.2
Advertising and sales costs		304.3	289.8
Insurance expenses		44.7	44.1
Company accommodation and utilities		115.4	119.1
Other passenger costs		176.3	180.5
Crew expenses		156.8	148.5
Other operating expenses		693.5	596.7
		14,245.7	14,557.5
Operating profit	6	622.8	681.2
Finance charges	7	(46.1)	(50.3)
Interest income		73.9	70.7
Loss/Surplus on disposal of aircraft, spares and spare engines		(31.7)	52.7
Dividends from long-term investments		5.5	115.3
Dividends from asset held for sale		39.5	-
Other non-operating items		(103.2)	91.1
Share of profits of joint venture companies		20.9	22.8
Share of losses of associated companies		(63.0)	(11.1)
Profit before taxation		518.6	972.4

- FX hedges – Par forward
- Commodities hedges – swaps, futures & options (not just unhedged amount but also MTM of existing hedges)

- Aircraft lease financing
- FX hedges

- Yield enhancement

- FX hedges
- FX spot (repatriation)

Example : Selling Opportunities within the Corporate Balance Sheet

Consolidated Statement of Comprehensive Income

For The Financial Year Ended 31 March 2017 (in \$ million)

	The Group	
	FY2016/17	FY2015/16
Profit for the financial year	441.9	851.8
Other comprehensive income:		
<u>Items that are or may be reclassified subsequently to profit or loss:</u>		
Currency translation differences	27.5	(21.9)
Net fair value changes on cash flow hedges	369.5	124.3
Loss on dilution of interest in an associated company due to share options exercised		
Share of other comprehensive income of associated and joint venture companies		
Net changes in fair value of cash flow hedges reclassified to carrying amount of an associated company	-	(0.8)
Realisation of foreign currency translation reserves on liquidation of an associated company	-	4.3
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Net fair value changes on financial assets measured at fair value through other comprehensive income ("FVOCI")	(133.2)	140.7
Actuarial loss on revaluation of defined benefit plans	(5.1)	(1.3)
Other comprehensive income for the financial year, net of tax	288.3	232.9
Total comprehensive income for the financial year	730.2	1,084.7
Total comprehensive income attributable to:		
Owners of the parent	676.3	1,004.6
Non-controlling interests	53.9	80.1
	730.2	1,084.7

• FX hedges

Example : Selling Opportunities within the Corporate Balance Sheet

Consolidated Statement of Cash Flows For The Financial Year Ended 31 March 2017 (in \$ million)

	Notes	The Group FY2016/17	FY2015/16
Cash flow from investing activities			
Capital expenditure	33	(3,944.7)	(2,909.0)
Purchase of intangible assets	33	(43.6)	(45.5)
Proceeds from disposal of aircraft and other property, plant and equipment		45.4	492.9
Purchase of long-term investments		(0.6)	(259.5)
Proceeds from disposal of long-term investments		20.2	-
Purchase of short-term investments		(1,038.0)	(275.5)
Proceeds from disposal of short-term investments		1,570.4	166.1
Dividends received from associated and joint venture companies		78.4	78.6
Dividends received from investments		6.4	116.2
Dividends received from asset held for sale		39.5	-
Interest received from investments and deposits		76.9	77.8
Proceeds from disposal of asset held for sale		405.5	-
Proceeds from disposal of a subsidiary company, net of cash disposed		-	0.1
Loan to an associated company		-	-
Proceeds from repayment of loan from an associated company		-	-
Investments in associated companies		-	-
Proceeds from partial disposal of an associated company		-	-
Net cash used in investing activities		(2,842.9)	(2,727.2)
Cash flow from financing activities			
Dividends paid	12	(37.6)	(43.6)
Dividends paid by subsidiary companies to non-controlling interests		301.2	-
Proceeds from exercise of share options pursuant to the VGO of Tiger Airways		(51.2)	(458.5)
Acquisition of non-controlling interests without a change in control		8.2	1.5
Issuance of share capital by a subsidiary company		(41.1)	(53.8)
Interest paid		1.8	4.9
Proceeds from borrowings		(192.0)	(41.4)
Repayment of borrowings		(21.5)	(54.1)
Repayment of long-term lease liabilities		33.2	24.4
Proceeds from exercise of share options		430.0	-
Proceeds from issuance of bonds		-	(300.0)
Repayment of bonds		-	-
Purchase of treasury shares	14	(134.3)	(85.4)
Net cash used in financing activities		(224.6)	(1,321.4)

- Spot FX (repatriation)
- FX hedges
- Yield enhancement
- Asset swaps

Example : Selling Opportunities within the Corporate Balance Sheet

Notes to the Financial Statements

For The Financial Year Ended 31 March 2017

2 Summary of Significant Accounting Policies (continued)

(g) Foreign currencies

Foreign currency transactions

Foreign currency transactions are translated into SGD at the rates prevailing at the dates of those transactions.

All foreign currency monetary assets and liabilities are translated into SGD at rates prevailing at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The foreign currency gain or loss on monetary assets and liabilities is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency re-translated at the exchange rate at the end of the year.

Foreign currency differences are recognised in the profit and loss account, except for qualifying cash flow hedges which are deferred to equity.

Foreign operations

For the purpose of the consolidated financial statements, the net assets of foreign subsidiary, associated and joint venture companies are translated into SGD at rates prevailing at the reporting date. The financial results of foreign subsidiary, associated and joint venture companies are translated monthly into SGD at prevailing exchange rates. The resulting gains or losses on exchange are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations, and translated into SGD at the closing rate at the end of the reporting period.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity, except to the extent that the foreign currency differences are allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary company while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associated or a joint venture company while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

- FX hedges (transactional & translational)

Example : Selling Opportunities within the Corporate Balance Sheet

2 Summary of Significant Accounting Policies (continued)

(k) Financial instruments - policy applicable under FRS 109 (continued)

(vi) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts, foreign currency option contracts, cross currency swap contracts, interest rate swap contracts, interest rate cap contracts, jet fuel option contracts, jet fuel, Brent and crack swap contracts and jet fuel collar contracts to hedge its risks associated with foreign currency, interest rate and jet fuel price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair values.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit and loss account.

Designation of hedges

The Group designates certain derivatives as well as non-derivative hedging relationships. On initial designation of the hedge, the Group identifies the hedge instrument and the hedged item, including the risk management objective and the economic relationship between the hedge instrument and the hedged item, the effects of credit risk on the hedge, the hedge ratio and the hedge type (cash flow or fair value).

- Restructuring of existing hedges that does not qualify for hedge accounting

Example : Selling Opportunities within the Corporate Balance Sheet

Business

Singapore Airlines to report Q4 loss on fuel hedges

08 May 2020 11:10AM

(Updated: 08 May 2020 11:21PM)



Singapore Airlines said on Friday (May 8) that it would report a material operating loss in the quarter ended Mar 31 partly because of a collapse in fuel prices that led to major hedging losses and that it would push back aircraft deliveries. Brandon Tanoto with more.

SINGAPORE: Singapore Airlines said on Friday (May 8) that it would report a material operating loss in the quarter ended Mar 31 partly because of a collapse in fuel prices that led to major hedging losses and that it would push back aircraft deliveries.

Source : CNA

ANY
QUESTIONS
?

Reflection action points – to be discussed during next the session

1. Think of one major market event that had occurred which had significant impact for your client. What can we do to add-value there?
2. From a sales perspective, what is your biggest challenge when you pitch to your clients?
3. From a sales perspective, what is your bank's edge when you pitch to your clients?
4. Video - The top sales person ???





Review Module 3 - Learning Objectives

- 1. Understand the role of a Treasury Sales person**
- 2. Learn how to manage the clients' thought process**
- 3. Learn how to deep dive into a client's account**



**FINANCIAL
MARKETS
ASSOCIATION
of SINGAPORE**
Affiliated to ACI FMA



**Good afternoon,
please test your mic and chatroom
and confirm that you can see and hear me clearly**

Thomas Poh

Treasury & Markets Trader and Sales Foundation Course

Module 4 Selling of Treasury Products II

Thomas Poh

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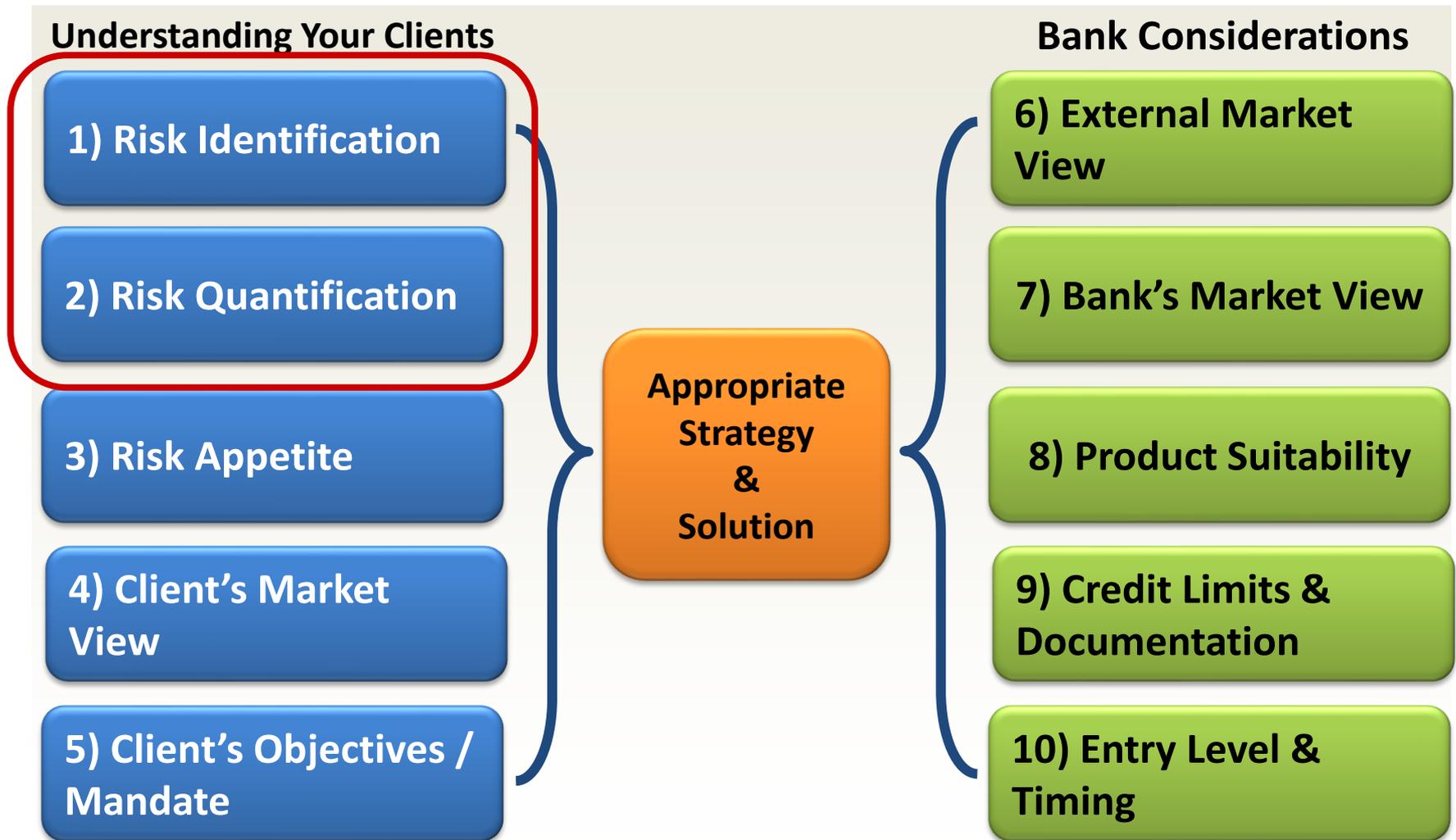
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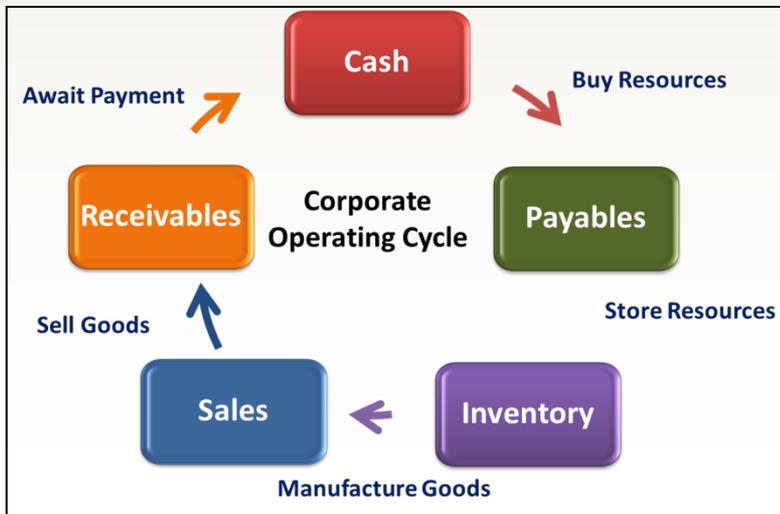
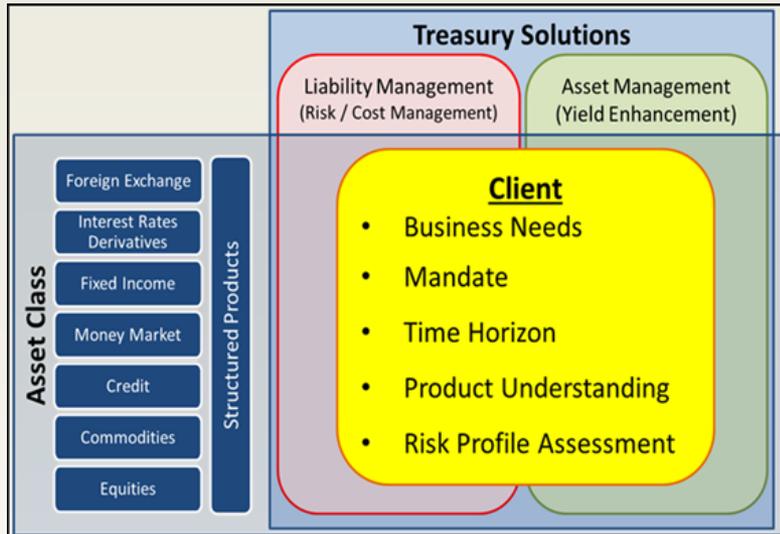
Review Module 3 - Learning Objectives

- 1. Understand the role of a Treasury Sales person**
- 2. Learn how to manage the clients' thought process**
- 3. Learn how to deep dive into a client's account**

Recap - Formulating the Strategy



Recap - Deep Diving a Corporate Account



XYZ COMPANY
Balance Sheet
12/31/2017

<u>ASSETS</u>	
Current Assets:	
Cash	\$12,000
Accounts Receivable	35,000
Inventory	120,000
Prepaid Rent	8,000
Total Current Assets	\$175,000
Long-Term Assets	
Land	\$126,000
Buildings & Improvements	300,000
Furniture & Fixtures	50,000
General Equipment	125,000
Total Fixed Assets	\$601,000
TOTAL ASSETS	\$776,000
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$60,000
Taxes Payable	25,000
Salaries/Wages Payable	30,000
Interest Payable	25,000
Total Current Liabilities	\$140,000
Long Term Liabilities:	
Loan 1	\$322,000
Total Long Term Liabilities	\$322,000
TOTAL LIABILITIES	\$462,000
<u>OWNER'S EQUITY</u>	
Paid in Capital	\$64,000
Retained Earnings	250,000
TOTAL OWNER'S EQUITY	\$314,000
TOTAL LIABILITIES & OWNER'S EQUITY	\$776,000

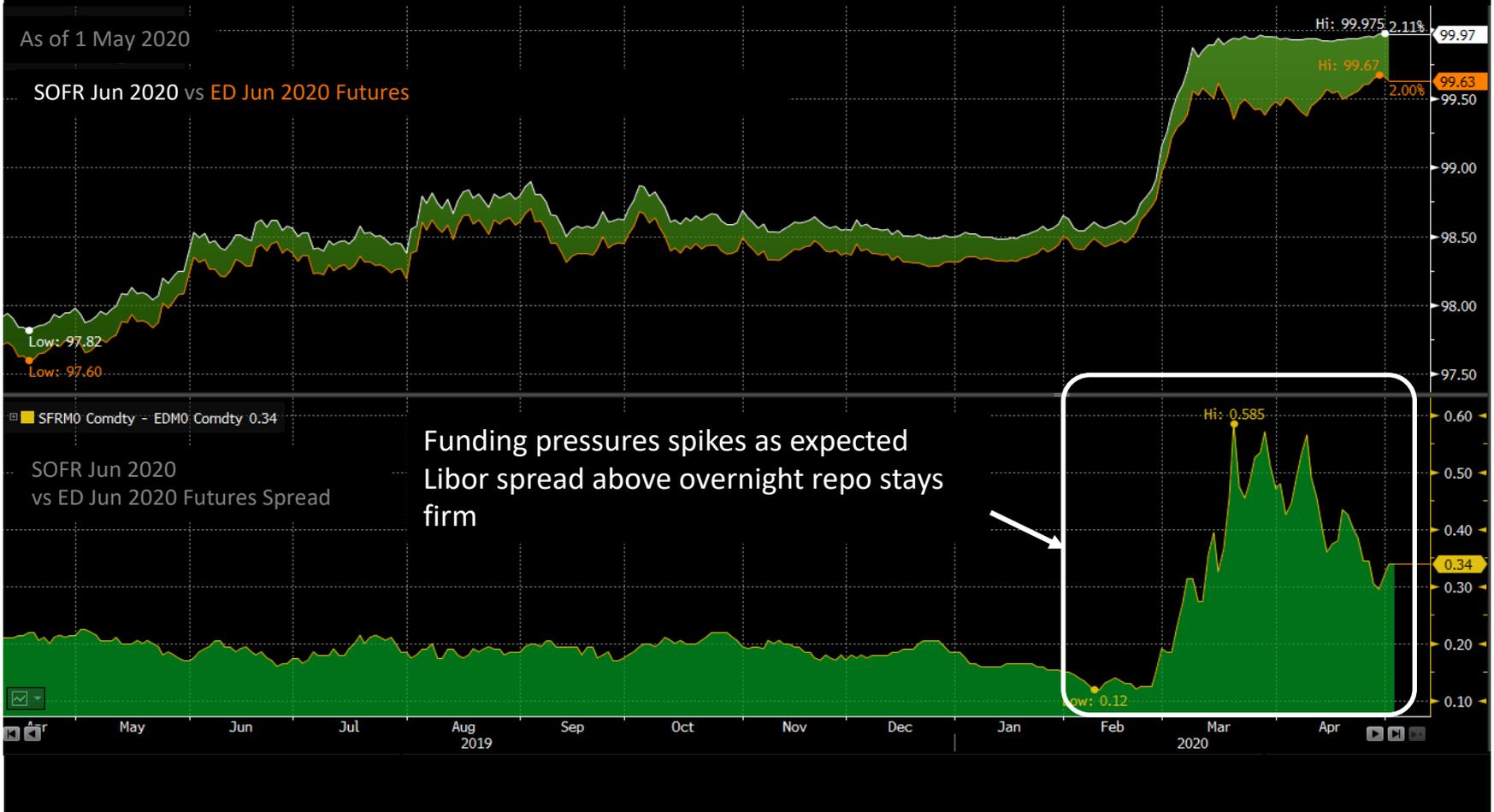
- Returns on Liquid Assets**
 - Excess cash balances
- FX Risk arising from**
 - Transactional risk
 - Translation risks
 - Capital hedge
 - Dividend repayments
- Interest Rate Risk**
 - Outstanding long term loans
- Funding Requirements**
 - Obligation maturity schedules
 - Bond Issuance
 - Revolving credit
- Hedge Accounting**

Reflection action points – to be discussed during next the session

1. Think of one major market event that had occurred which had significant impact for your client. What can we do to add-value there?

Review – Module 2

Funding Stress – Libor vs Overnight Repos



Source :Bloomberg

Review – Module 2

Cash is King... .. (and USD is preferred)

As of 1 May 2020

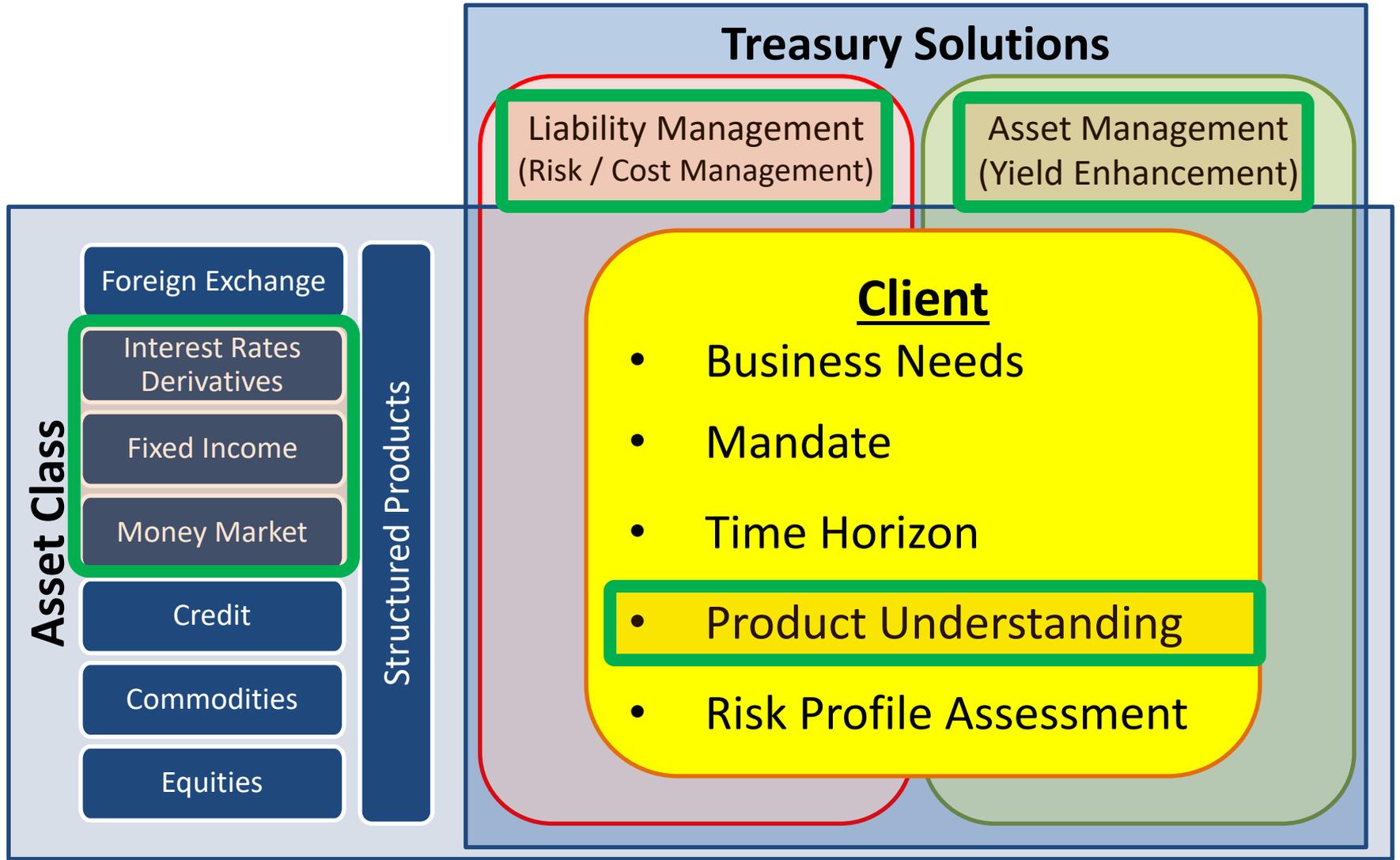
USD DXY index

The global USD funding liquidity squeeze caused a jump in the USD DXY index by almost 9%



Source :Bloomberg

Review – Module 3



Reflection action points – to be discussed during next the session

1. Think of one major market event that had occurred which had significant impact for your client. What can we do to add-value there?
2. From a sales perspective, what is your biggest challenge when you pitch to your clients?

Review – Module 3

Challenges

Settlement facilitator &
Custodian

- High operational costs
- Not every bank has this facility

Balance sheet supplier
(funding)

- High capital costs
- Scarce resource

Liquidity provider
(price maker)

- Potential high risk
- Restricted markets open to only certain banks

Macro economic /
Financial markets advisor

- Research and market colour
- Coverage varies across banks

Solution provider

- Expertise varies across banks

Reflection action points – to be discussed during next the session

1. Think of one major market event that had occurred which had significant impact for your client. What can we do to add-value there?
2. From a sales perspective, what is your biggest challenge when you pitch to your clients?
3. From a sales perspective, what is your bank's edge when you pitch to your clients?

How should we manage this reality?

Strategy

Settlement facilitator &
Custodian

- Door opener – as custodian, you see the flows
- Path of least resistance for clients to deal with custodian bank

Balance sheet supplier
(funding)

- Never give balance sheet away without cross selling

Liquidity provider
(price maker)

- Avoid competing on price
- When market access becomes a valuable asset – charge for it

Macro economic /
Financial markets advisor

- Know your in-house research
- Distribute according to client's needs
- Work with traders to provide updated market colour

Solution provider

- Your ability to tailor to client needs gives you pricing power

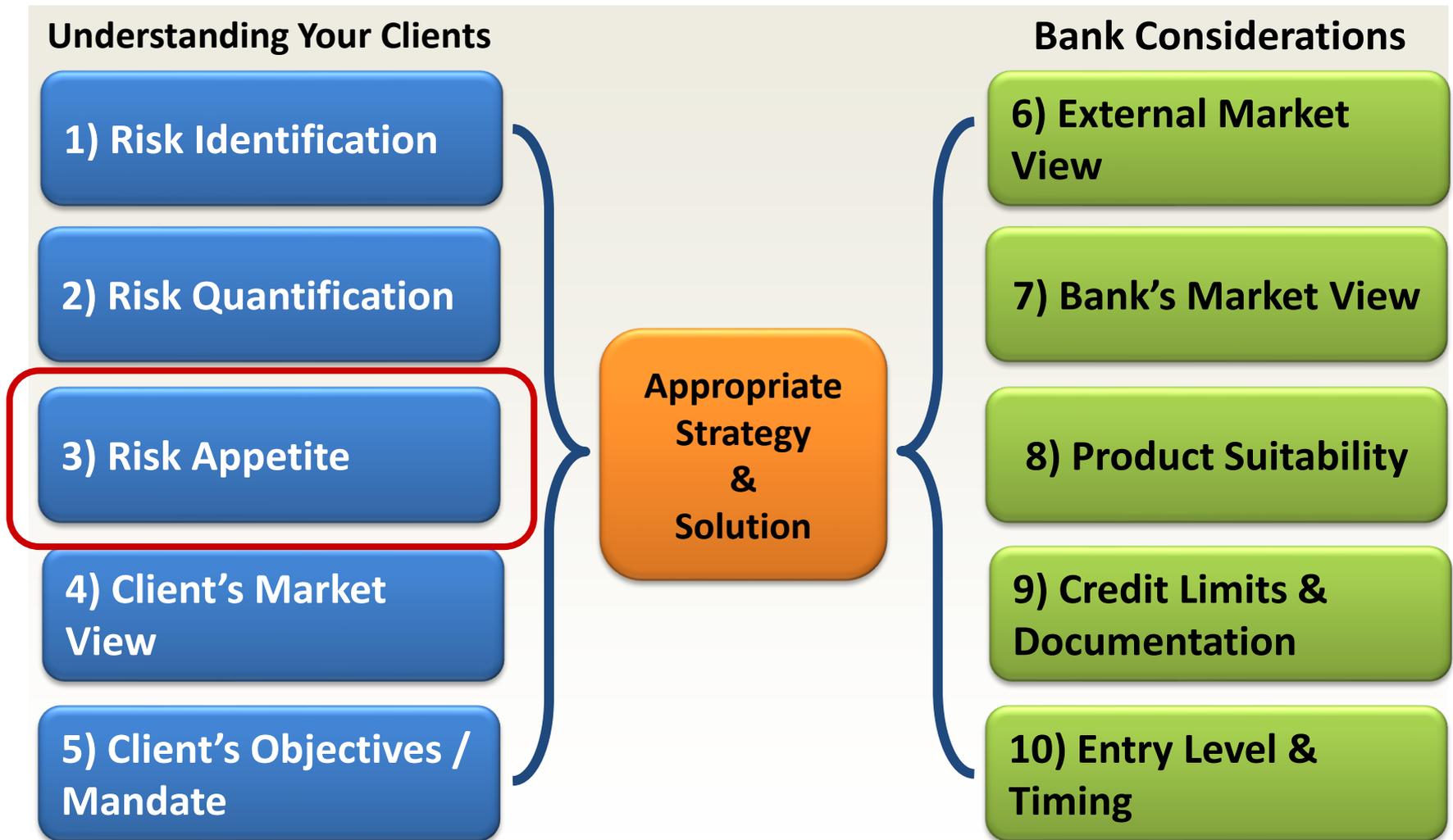
Module 4 - Learning Objectives

- 1. Learn how to formulate appropriate solutions for your client**
- 2. Learn the techniques to close a deal**
- 3. Understand how to sell as a team**

Formulating the Strategy

Module 3 & 4 - Section 5

Formulating the Strategy



Understanding Client's Risk Appetite

Conservative Risk Taker

- Hedger
- Do not entertain any risks

Calculative Risk Taker

- Proactive risk manager
- Willing to some risks

Very Aggressive Risk Taker

- Punter
- Willing to more risks for higher returns



KYC !

Rogue Oil Trader's Hidden Bets Lose \$320 Million at Mitsubishi

Friday, September 20, 2019 07:20 PM

By Bloomberg News

Unauthorized trades disguised as transactions for customers
Mitsubishi still assessing if trades will impact earnings
(Bloomberg) --Mitsubishi Corp. said a rogue oil trader at its
Singapore unit lost \$320 million in unauthorized transactions
disguised as legitimate hedges for customers.

The employee, a Chinese national working at Petro-Diamond
Singapore Pte, has been fired and reported to police, Mitsubishi said
in a statement, declining to name him. The trader, hired in November
2018 to handle oil business with China, "repeatedly" engaged in the
unauthorized deals since January, disguising them to "look like hedge
transactions," the parent company said.

Claims mount against Singapore's Hin Leong

Japanese bank SMBC joins ABN and SocGen in moving to limit losses linked to scandal-hit oil trader



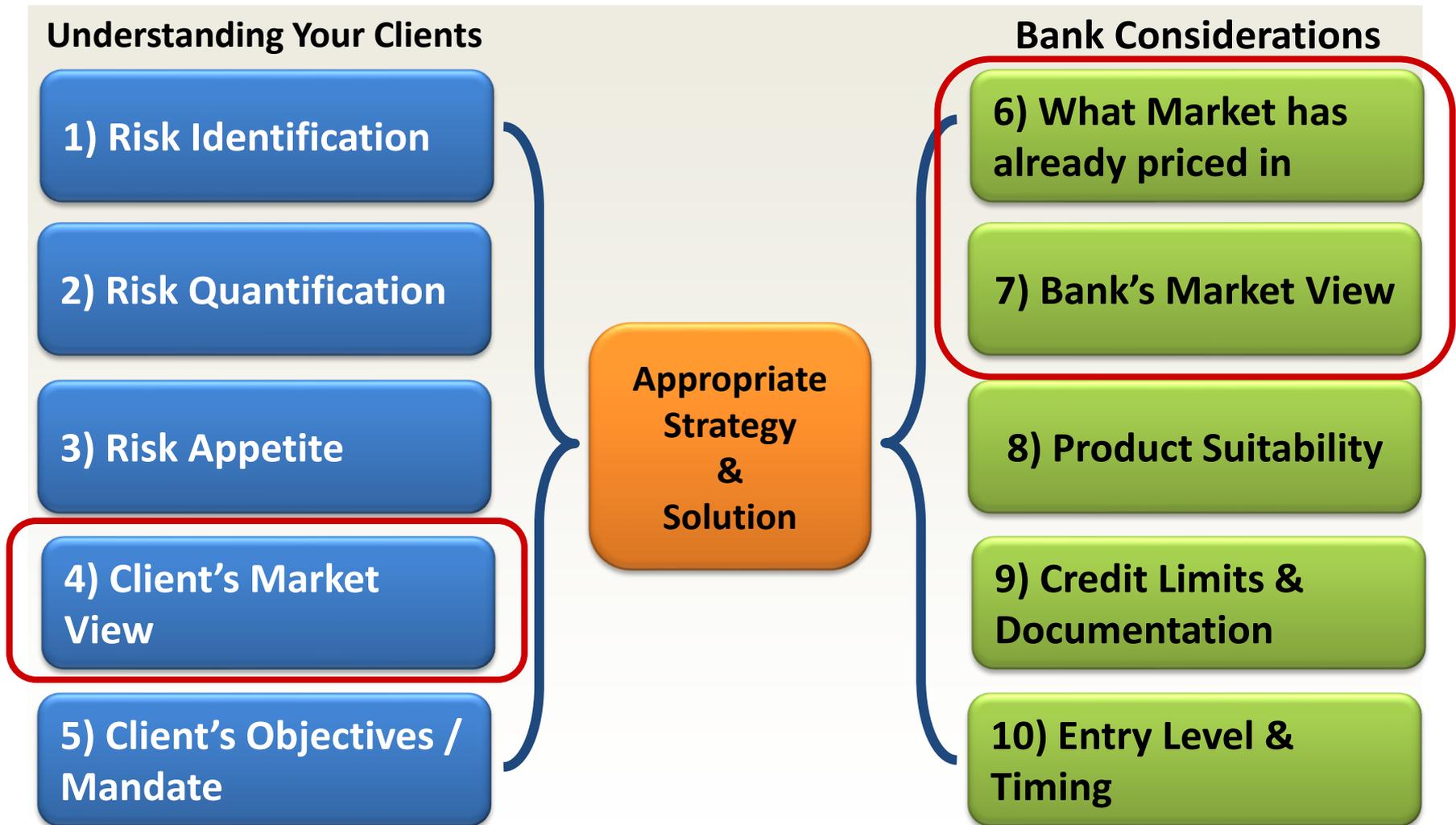
Hin Leong has revealed \$800m of undisclosed losses and is seeking to restructure \$3.85bn in debt © REUTERS

Stefania Palma in Singapore and Neil Hume in London APRIL 24 2020



Source : Financial Times

Formulating the Strategy



Market Views



Client's view of the Market



What is priced into the Market

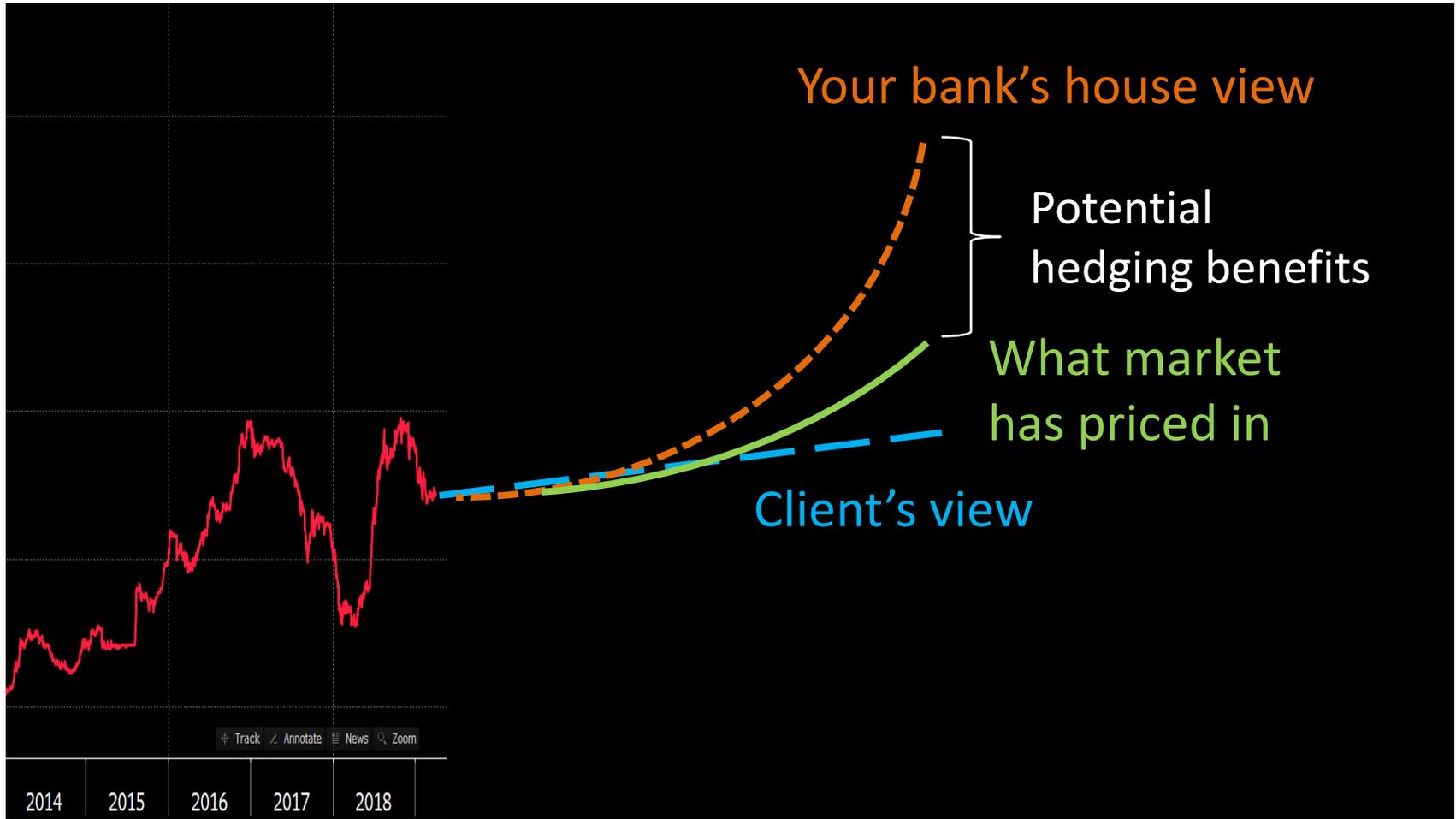


Your view of the Market

What are the Current Market Themes



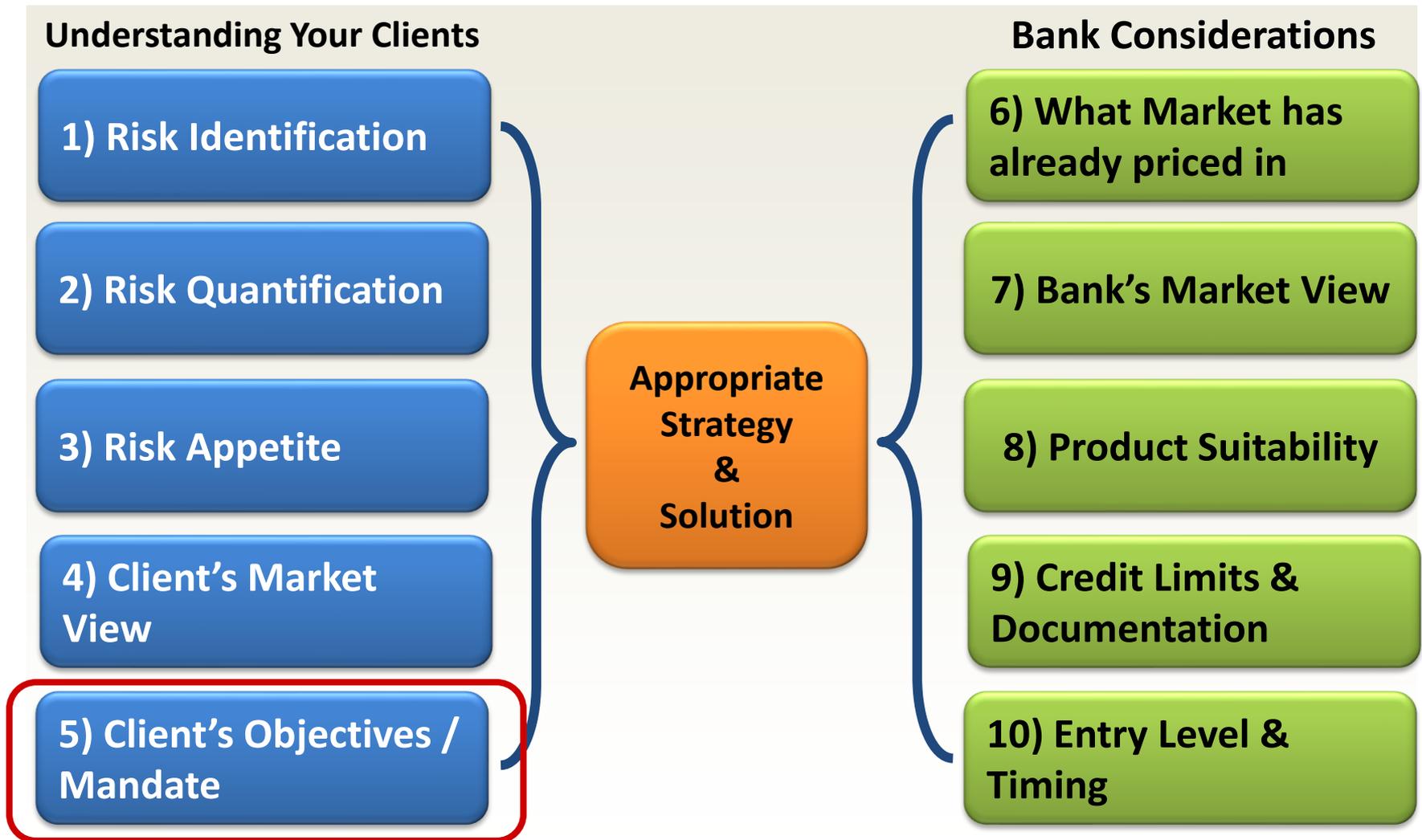
Market Views



Market Views



Formulating the Strategy



Client's Objective / Mandate

Client Mandates - Examples

Extract from Norway's SWF risk management framework



Key figures for the fund's risk and exposure

LIMITS SET BY THE MINISTRY OF FINANCE		2018
Allocation	Equity portfolio 50 - 80 percent of fund's market value ¹	66.2
	Unlisted real estate no more than 7 percent of fund's market value	3.0
	Fixed-income portfolio 20 - 50 percent of fund's market value ¹	32.2
Market risk	1.25 percentage points expected relative volatility for the fund's investments	0.3
Credit risk	Maximum 5 percent of fixed-income investments may be rated below BBB-	2.2
Ownership	Maximum 10 percent of voting shares in a listed company in the equity portfolio ²	9.6

¹ Derivatives are represented with their underlying economic exposure.

² Equity investments in listed and unlisted real estate companies are exempt from this restriction.

Client Mandates - Examples

Extract from Millennium's Hedge Fund's Investment approach



Our mission is to deliver the alternative investment industry's highest quality returns to our investors, and to maintain a commitment to our principles of integrity, discipline and excellence.

We empower our trading teams to independently focus on the specific opportunities and strategies in which they specialize, subject to our overall risk management, compliance, operational controls, and hedging of aggregate exposures where appropriate.

We prefer trading teams that produce small gains on winning days and smaller losses on losing days. Our goal is to have more winning days than losing ones. We encourage our trading teams to pass on opportunities for outsized gains if they are accompanied by the risk of large losses.

Our approach to the selection and oversight of trading teams is grounded in a philosophy of consistently seeking to generate incremental, positive returns against a limited amount of risk exposure (i.e., high Sharpe ratio), rather than outsized, but more volatile absolute returns.

In an effort to ensure that this philosophy is implemented in a consistent, disciplined manner, we calculate and set investment guidelines with each trading team.

Client Mandates - Examples

At least 50% hedge for both interest rate and foreign exchange exposure.



Extract of hedging policy

To manage currency fluctuation .. put in place forward contracts to hedge a substantial portion of the forecast repatriation from India to Singapore. The hedging instruments deployed comprised plain vanilla currency forward contracts, .. deliver an agreed amount of INR in exchange for SGD. ... does not intend to take speculative position on the currency market & had, continued to hedge at least 6 months prior to the planned repatriation date

Client Mandates - Examples



Extract of hedging policy

The Group's overall risk management approach is to moderate the effects of such volatility on its financial performance through the use of derivatives to hedge specific exposures.

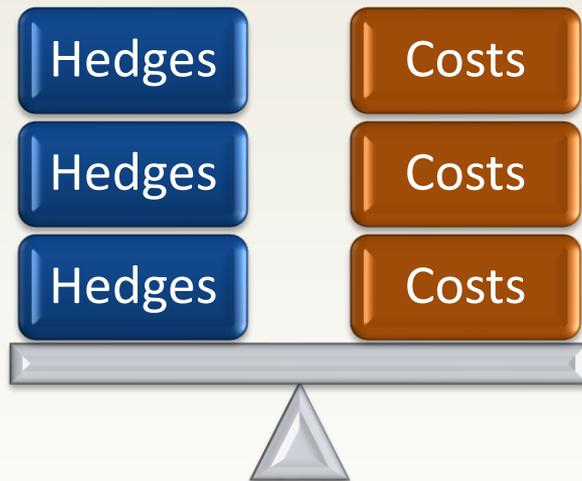
Jet fuel price risk
... the fuel risk management programme allows for the judicious use of approved instruments such as swaps, options and collars with approved counterparties and within approved credit limits.

Foreign Exchange risk
... a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, as soon as practicable, for USD and SGD.... also uses forward foreign currency contracts and foreign currency option contracts to hedge a portion of its future foreign exchange exposure. Such contracts provide for the Group to sell currencies at predetermined forward rates, buying either USD or SGD depending on forecast requirements, with settlement dates that range from one month up to one year. The Group uses these currency hedging contracts purely as a hedging tool. It does not take positions in currencies with a view to making speculative gains from currency movements.

Interest Rate Risk
... enters into interest rate swap contracts and interest rate cap contracts to manage interest rate costs on its financial assets and liabilities, with the prior approval of the BEC or Boards of subsidiary companies.

Client's Objective / Mandate

100% Hedging?



Partial Hedging?



**Balance client's risk tolerance
with willingness to pay for hedges**

Formulating the Strategy

Understanding Your Clients

1) Risk Identification

2) Risk Quantification

3) Risk Appetite

4) Client's Market View

5) Client's Objectives / Mandate

Appropriate Strategy & Solution

Bank Considerations

6) What Market has already priced in

7) Bank's Market View

8) Product Suitability

9) Credit Limits & Documentation

10) Entry Level & Timing

Product Suitability

Meet the Client's

1) Objective

2) Risk Appetite

3) Product Understanding



Disclosure

Formulating the Strategy

Understanding Your Clients

1) Risk Identification

2) Risk Quantification

3) Risk Appetite

4) Client's Market View

5) Client's Objectives / Mandate

Appropriate Strategy & Solution

Bank Considerations

6) What Market has already priced in

7) Bank's Market View

8) Product Suitability

9) Credit Limits & Documentation

10) Entry Level & Timing

Credit Limits & Documentation

- **Credit Limits**
- **ISDA**
- **Credit Support Annex (CSA)**
- **Risk Disclosure Statement**
- **Board Resolution / Dealing Mandate**



Formulating the Strategy

Understanding Your Clients

1) Risk Identification

2) Risk Quantification

3) Risk Appetite

4) Client's Market View

5) Client's Objectives / Mandate

Appropriate Strategy & Solution

Bank Considerations

6) What Market has already priced in

7) Bank's Market View

8) Product Suitability

9) Credit Limits & Documentation

10) Entry Level & Timing

Entry Level & Timing

- **Option 1 - Hedge 100% at current market**
- **Option 2 - Place a limit order below market**
- **But there is an option 3!**



Entry Level & Timing

Hedging Rule of 1/3

Order 3 is an insurance in case the market gaps against the client while we work the limit order (2)

← (3) 1/3 stop buy order above market

← (1) 1/3 executed at current market level

← (2) 1/3 working limit order below market level

Client needs to execute a buy hedge

Who else needs to be involved?

Understanding Your Clients

1) Risk Identification

2) Risk Quantification

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Appropriate Strategy & Solution

Bank Considerations

Traders

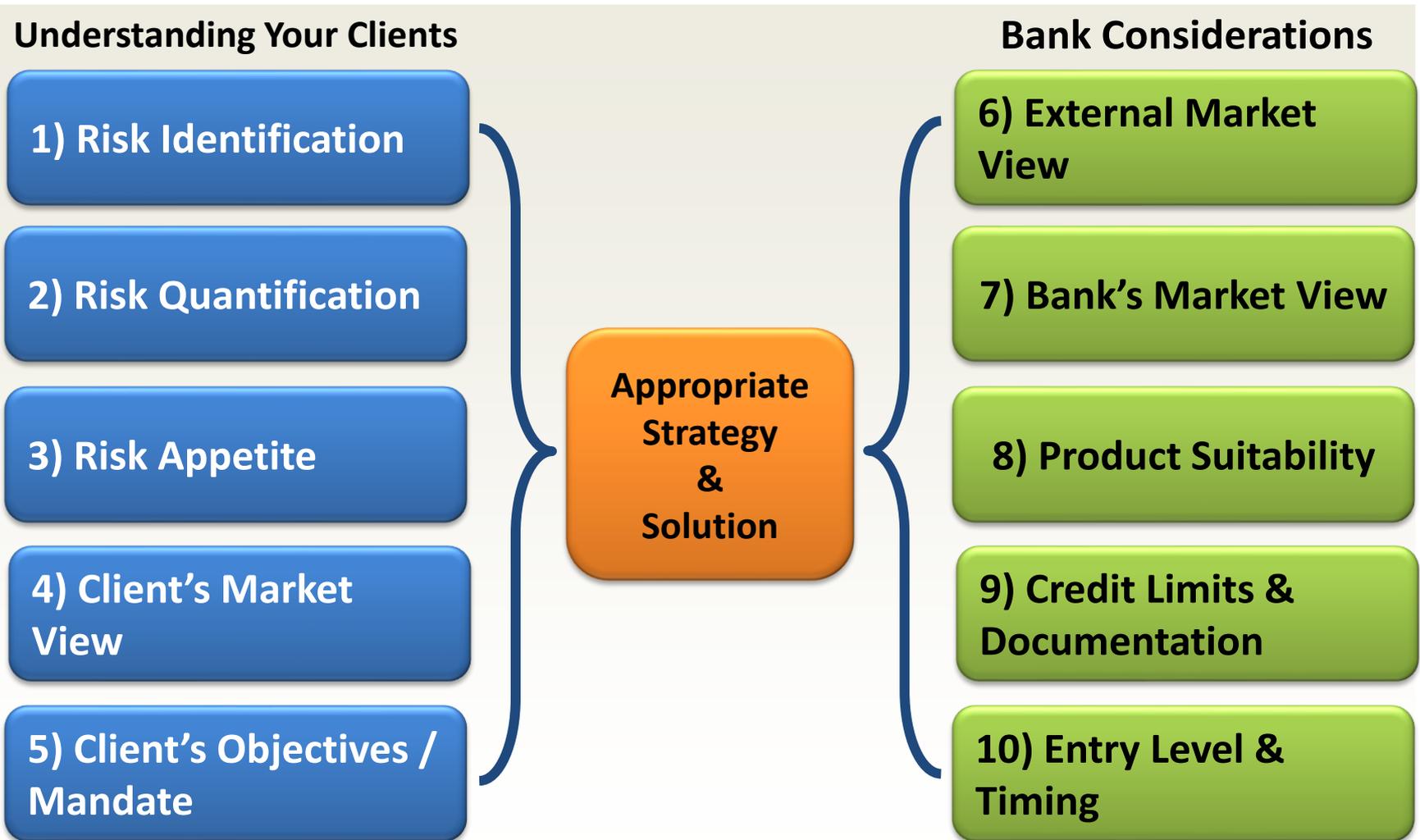
Research

Compliance

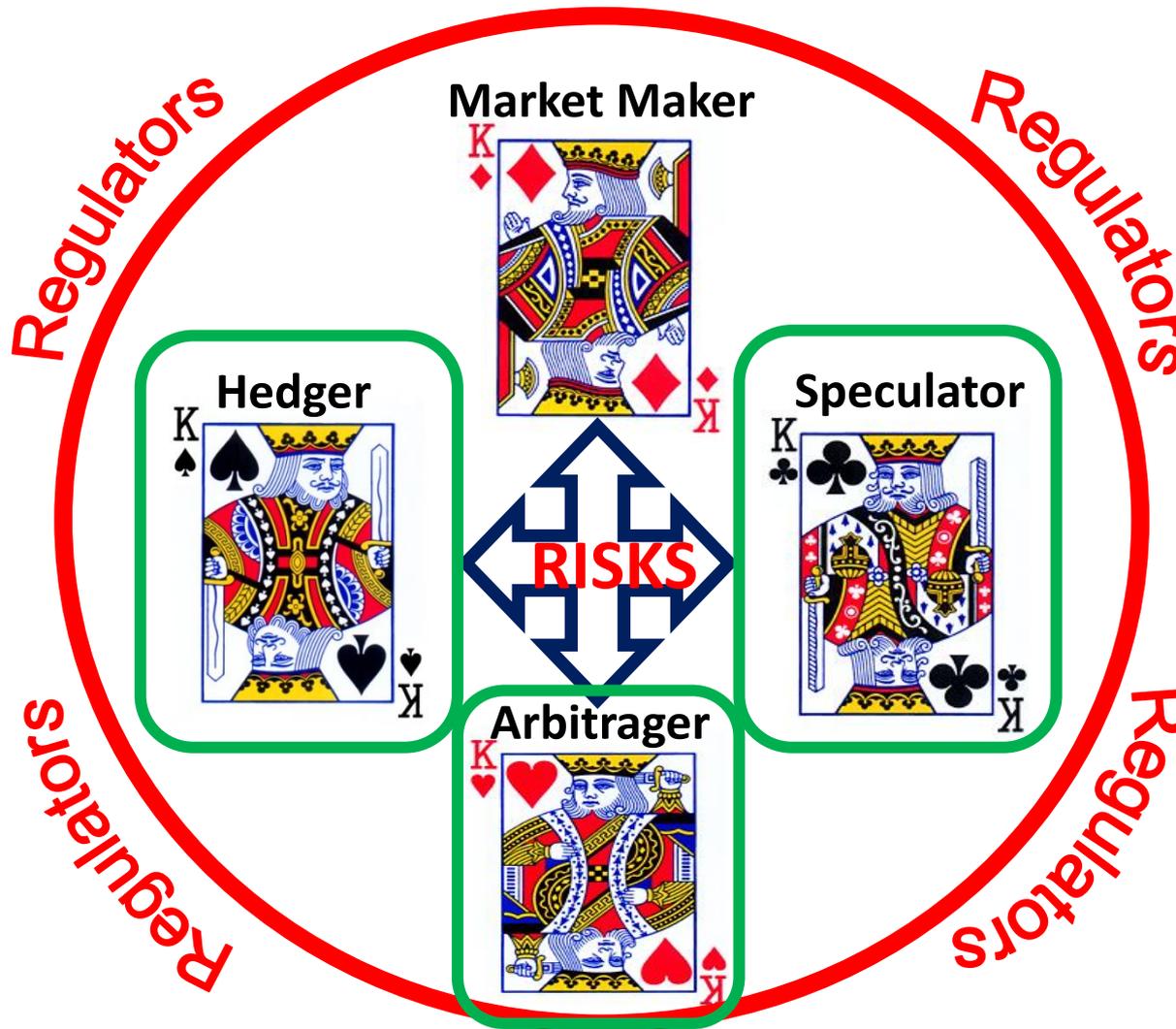
Relationship Manager

Traders

Recap - Formulating the Strategy



Which category do Clients belong to?



So Clients also need to understand this!

Social Science

And we can add value by helping them!

Maths

Art

For FI clients, you may need to have this discussion with them!



Directional



Relative Value



Carry



Basket



Model



Arbitrage

Trade ideas!

Even for Hedging, Clients need to plan these!



Direction
(aka View)



Product



Holding Period



Size



Entry & Exit Levels



Timing

And we can help them!

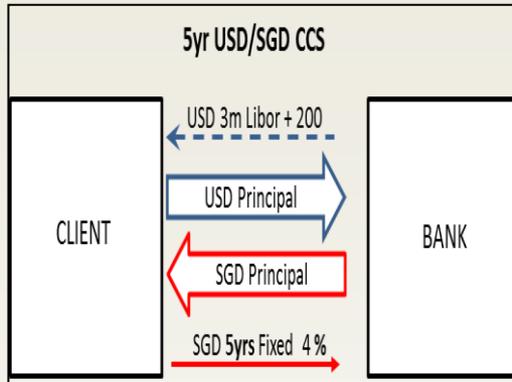
Closing the deal

Module 3 & 4 - Section 6

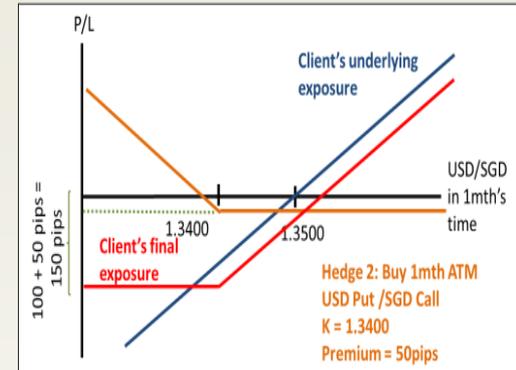
Preparing the Proposal



Tools to illustrate your strategies



Flow diagrams



Payoff diagrams



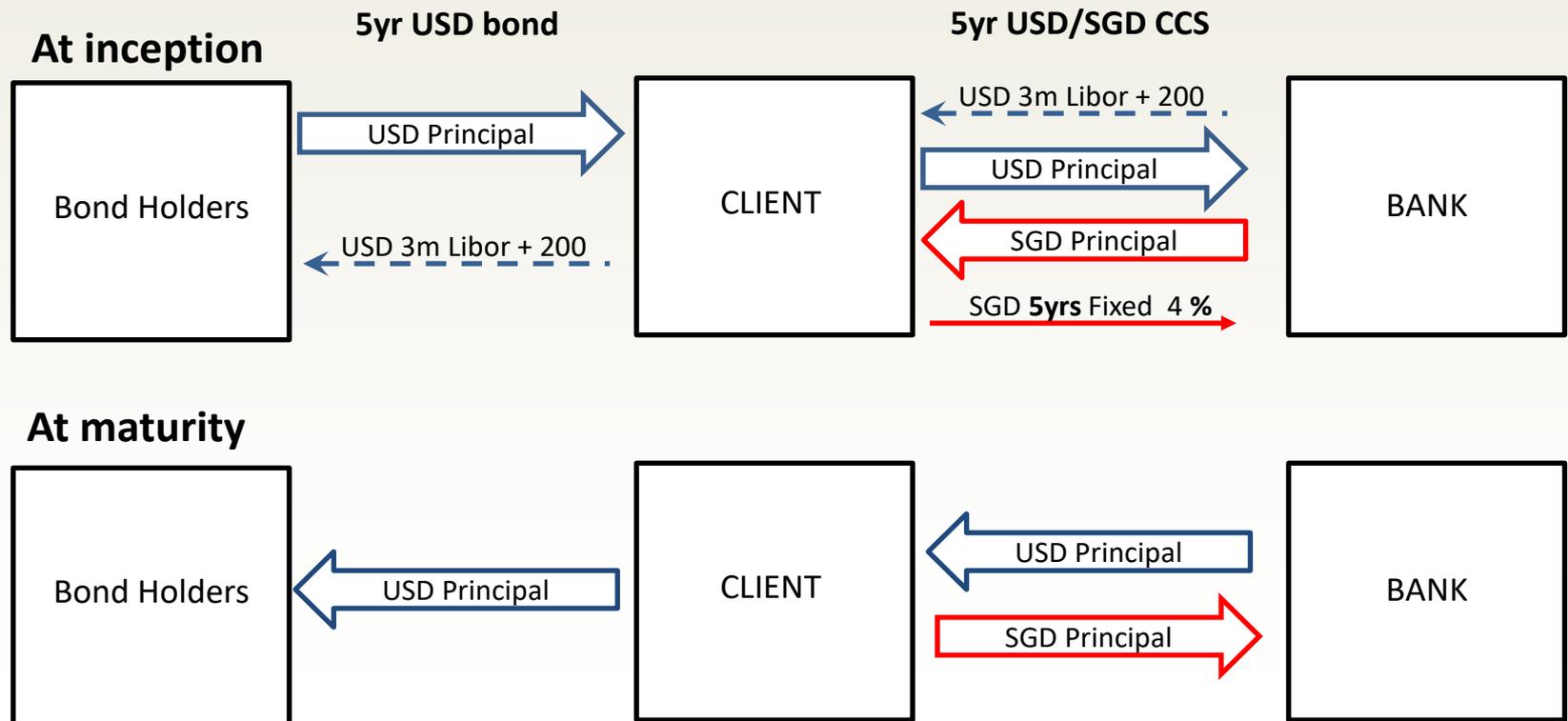
Scenario analysis



Risk Analysis

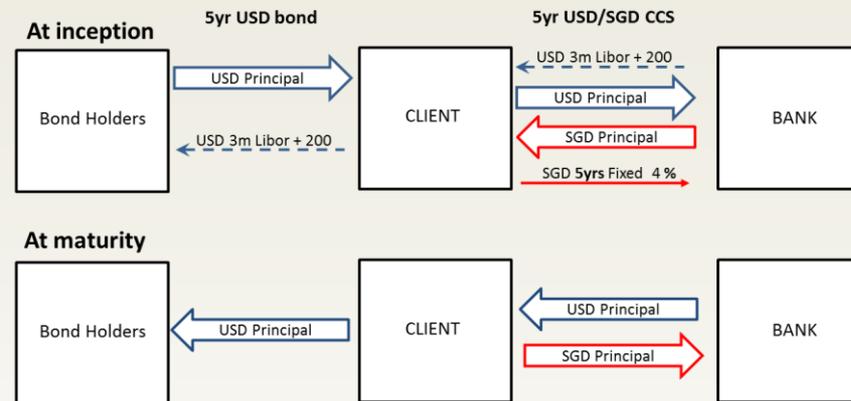
Preparing the Proposal – use flow diagrams

- Client issues 5yr USD bond but is concerned about raising interest rates and FX risk
- **Proposed strategy : client to pay 5yr SGD CCS fixed against USD Libor**



Preparing the Proposal – Risk Analysis

- Client issues 5yr USD bond but is concerned about raising interest rates and FX risk
- **Proposed strategy** : client to pay 5yr SGD CCS fixed against USD Libor



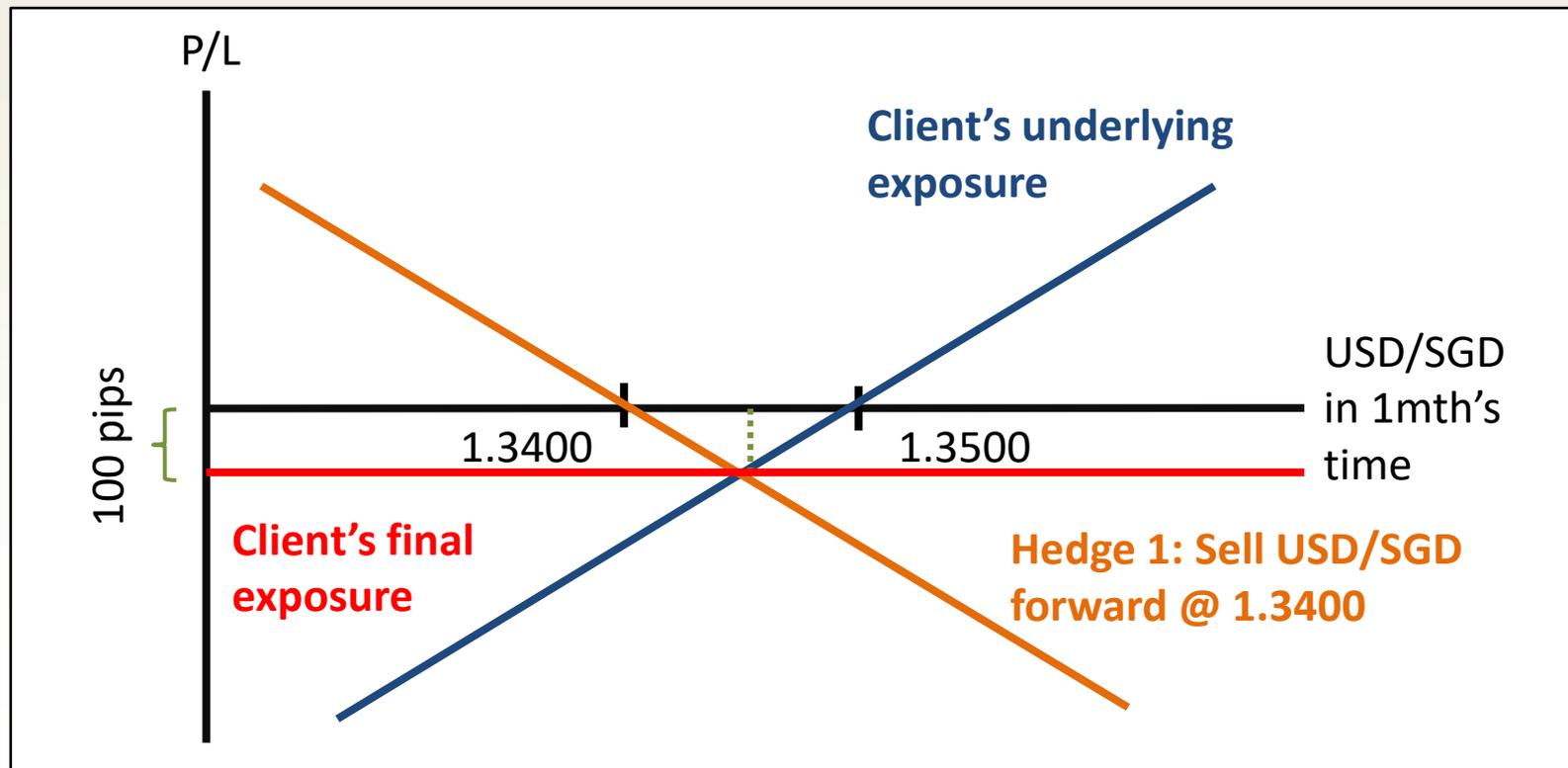
Is the client is considered fully hedged. Why?

- The USD liability (bond issuance) has been converted in SGD liability
- Which matches the client's asset (cashflows) streams in SGD
- The floating interest rate risks has also been converted in fixed interest rate
- Hence the client is protected against raising interest rates risk

Preparing the Proposal – use payoff diagrams

- Client imported goods in USD @ 1.3500
- Client sells goods in USD in 1 months time
- Current 1mth USDSGD forward = 1.3400
- Client needs to hedge his FX exposure

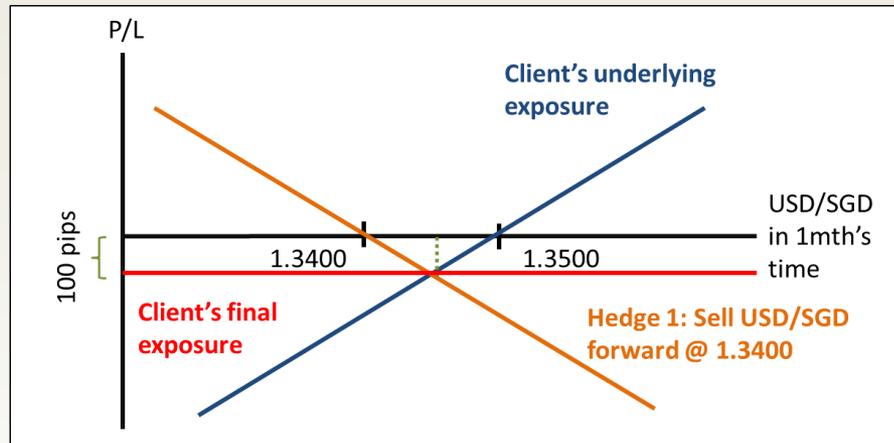
Hedge 1: Client Sell USD/SGD forward @ 1.3400



Preparing the Proposal – Risk Analysis

- Client imported goods in USD @ 1.3500
- Client sells goods in USD in 1 months time
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Hedge 1: Client Sell USD/SGD forward @ 1.3400



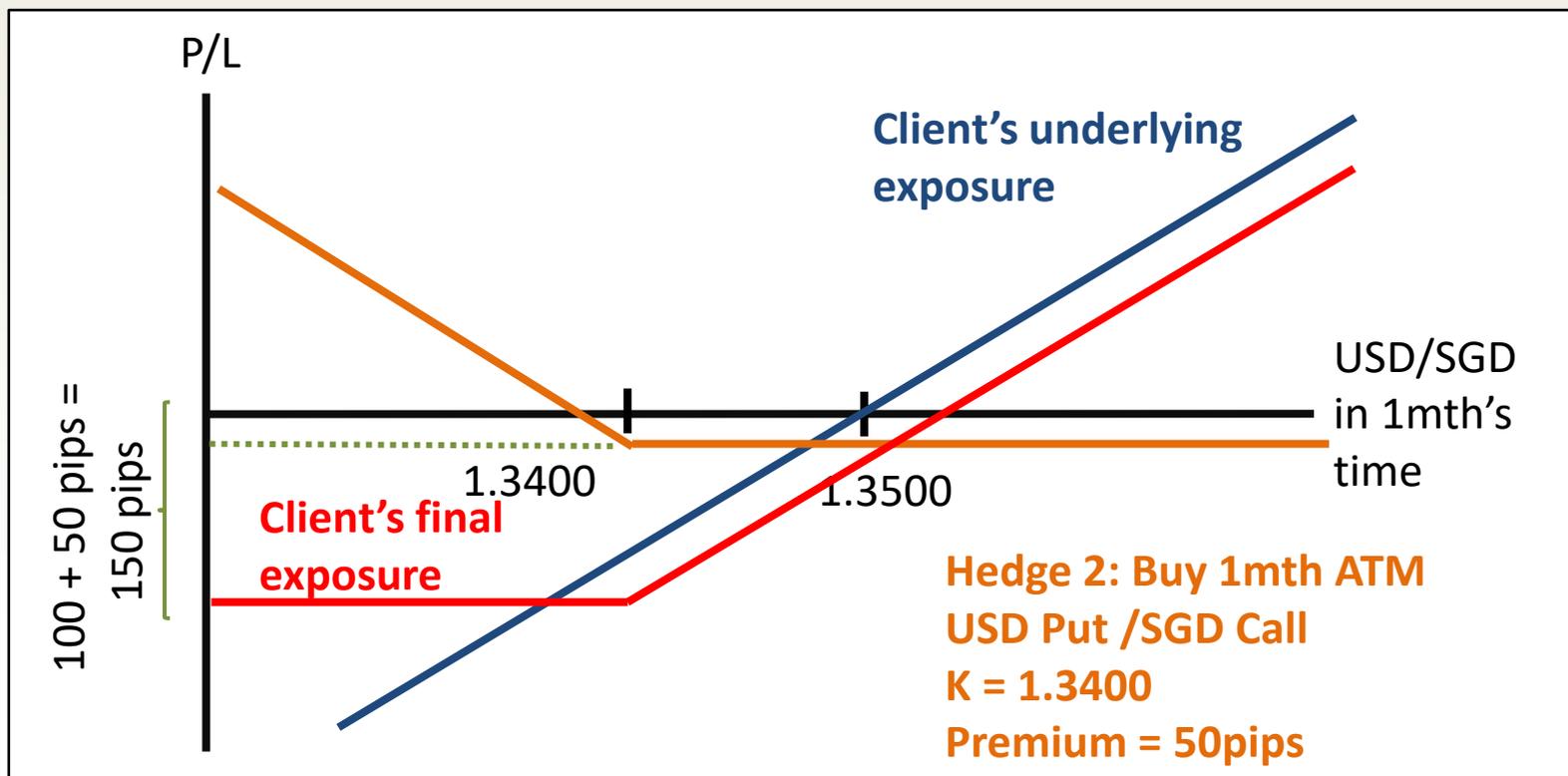
Is the client is considered fully hedged. Why?

- The client has locked in his USD receivables at 1.3400
- But this also means he had locked in a FX loss of 100 pips

Preparing the Proposal – use payoff diagrams

- Client imported goods in USD @ 1.3500
- Client sells goods in USD in 1 months time
- Current 1mth USDSGD forward = 1.3400
- Client needs to hedge his FX exposure

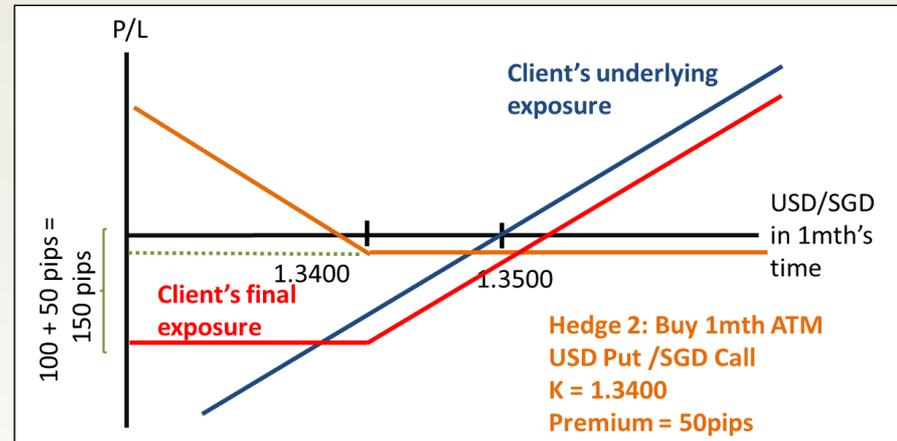
**Hedge 2: Client Buy 1mth ATM
USD Put /SGD Call
K = 1.3400
Premium = 50pips**



Preparing the Proposal – Risk Analysis

- Client imported goods in USD @ 1.3500
- Client sells goods in USD in 1 months time
- Current 1mth USDSGD forward = 1.3400
- Client needs to hedge his FX exposure

**Hedge 2: Client Buy 1mth ATM
USD Put /SGD Call
K = 1.3400
Premium = 50pips**



Is the client is considered fully hedged. Why?

- The client has a maximum loss of 150 pips
- The additional 50 pips loss is an insurance premium
- It allows him to enjoy unlimited upside gain is USDSGD goes above 1.3550

Preparing the Proposal – Scenario analysis

- Client has a monthly USD payable requirement over the next 6 months
- **Proposed strategy: USD/SGD European Knock In / European Knock Out Forward**

Parameters:

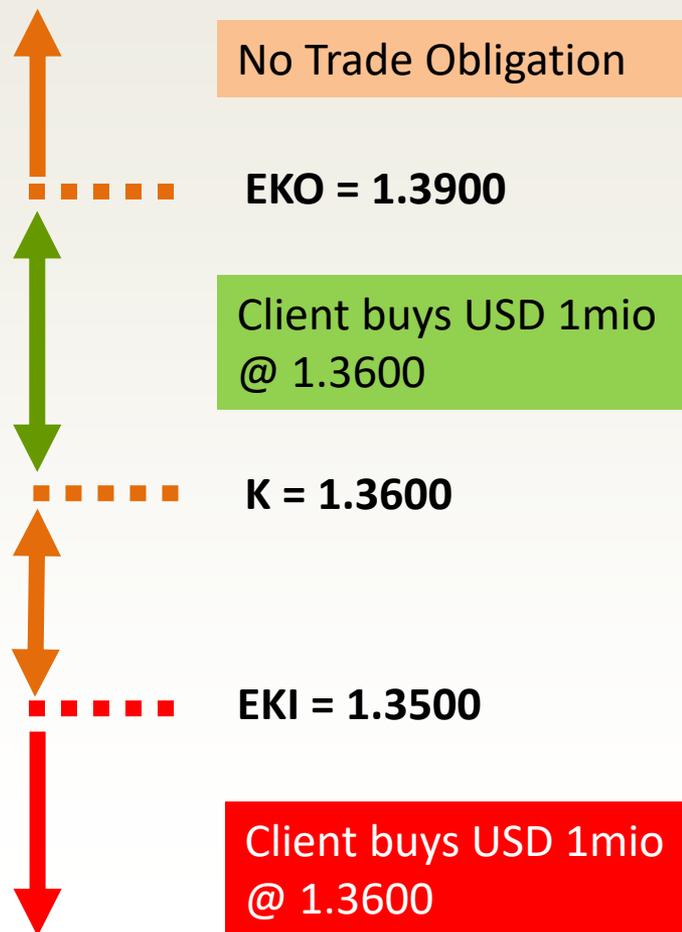
- Fixing/Settlements = monthly
- Notional amount = USD1mio
- Strike (K) = 1.3600
- European Knock-In (EKI) = 1.3500
- European Knock-Out (EKO) = 1.3900

On each Expiry

- If USD/SGD > EKO
- No obligation on either party

- If EKI < USD/SGD < EKO
- Client buys USD 1mio @ Strike

- If USD/SGD < EKI
- Client buys USD/SGD @ Strike



Preparing the Proposal – Risk Analysis

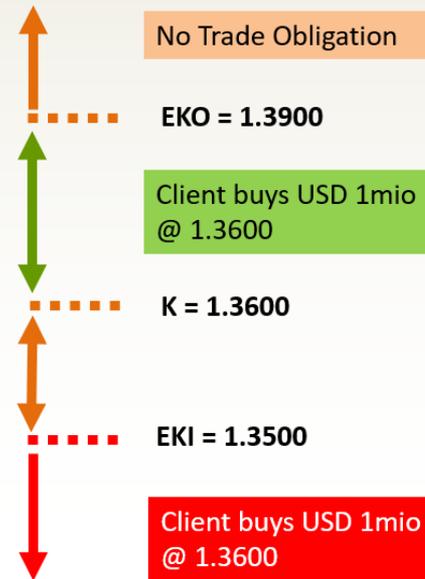
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On each Expiry

- If USD/SGD > EKO
- No obligation on either party
- If EKI < USD/SGD < EKO
- Client buys USD 1mio @ Strike
- If USD/SGD < EKI
- Client buys USD/SGD @ Strike



Is the client is considered fully hedged. Why?

- Client buys @ a subsidized USD/SGD rate between 1.3600 – 1.3900
- No protection above 1.3900
- Unlimited downside risks below 1.3600

What makes a good Market Commentary?



What makes a good Market Commentary?



What makes a good Market Commentary?

Currency & Commodities

World Major Currency & Commodities	As of 30 June	Change% (1-Month)	Change% (1-Year)
BRENT OIL	41.15	16.47	38.17
GOLD	1780.96	2.93	26.35
EURUSD	1.12	1.2	-1.22
USDJPY	107.93	0.09	0.07
GBPUSD	1.24	0.47	-2.32

Observations

Oil prices registered their best quarterly performance in 30 years during the three months through to the end of June, staging a dramatic comeback after falling to record lows in April. In the second quarter, Brent crude futures skyrocketed more than 80%, and U.S. West Texas Intermediate futures surged 91%.

Gold futures settled above \$1,800 an ounce on 30 June, the first time for a most-active contract since 2011. Prices for the haven metal continued to find support on the heels of uncertainty over a recovery in the economy, ending the quarter 12.8% higher and trading up by more than 18% for the first half of the year.

What makes a good Market Commentary?

Driving the glittering gold trade

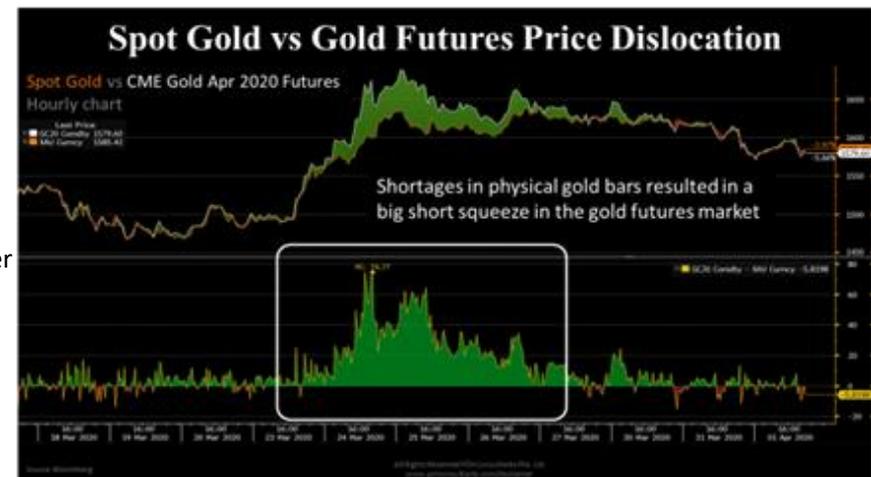
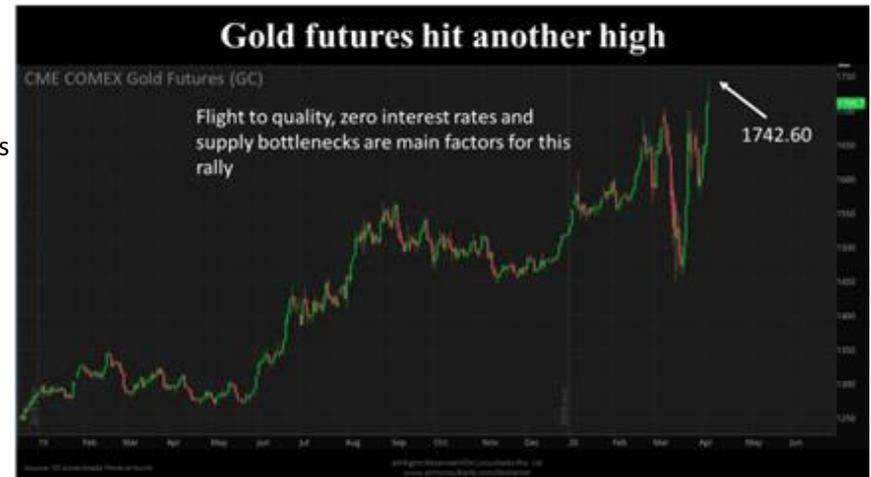
Gold futures prices have shot through the roof again. CME COMEX gold futures just hit a high of 1742.60 today. The motivation for the gold trade is compelling. The age old **flight-to-quality trade** of hoarding gold during times of crisis stands true again. However, 2 other factors help to push this rally.

The cutting of **Fed Funds rate to zero** makes gold, a zero return asset, attractive from a relative return perspective. This is especially true when the *probability* of negative US interest rates is no longer a far-fetched idea.

Another distinctive push factor for this rally is the **supply squeeze** on the production and transportation of physical gold bars for delivery. The pandemic related lock-downs caused major disruptions in gold mine and refinery production activities. The shortage of flights also prevented gold bars of the correct specification from being transported to pre-designated locations for physical settlement of gold futures. This was the cause of the huge widening of spread prices between CME COMEX gold futures and spot gold on the 24th Mar.

CME promptly introduced a new Enhanced Delivery Gold Futures contract (4GC) which is available for trading from the 6th of Apr. The new contract allows for the delivery of 400 ounces, 100 ounces, and 1-Kilo bar sizes to offer participants maximum flexibility for managing their delivery in the current market conditions.

Although the latest gold rally increased the spread between spot gold and gold futures again, the introduction of this new enhanced gold futures contract should help calm the spread going forward. Nevertheless, the rationale for higher gold prices will persist and this rally should eventually break the previous high of 1923 set on the 5th of Sep 2011.



What makes a good Market Commentary?

- Either written or verbal.
- Informative and value adding (not reading off yesterday's newspaper).
- A great commentary (to yourself) is always a good way to form a view and/or start a conversation with a client.

1. Quick summary of what has happened

- A recap of past events especially new overnight ones.
- Focus on being concise and on key relevant events.

2. What are the implication of 1)

- What are their relations to current themes?
- Why are they relevant?

3. How is the market reacting to the news or going to react to it?

- Has the market already priced in that news or not?
- How is the market positioned relative to the news?

4. What is your bank's view and position for the above?

5. How can your bank and our clients profit from it going forward?

Gate keeper vs Decision Maker

Decision Maker



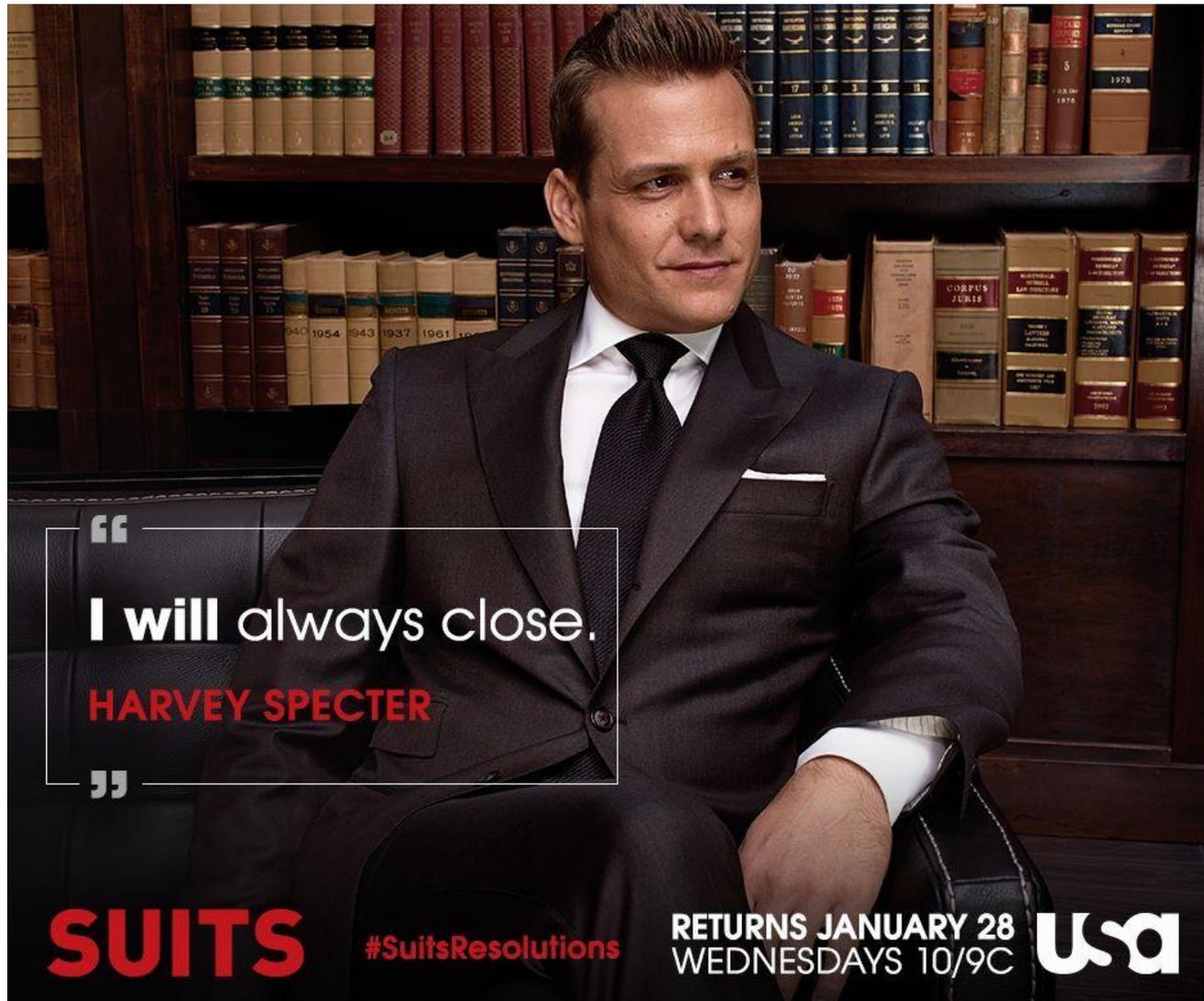
Gate Keeper



Pitch preparation

Pitch Preparation	Action point
Do your homework	<ul style="list-style-type: none">• Read the annual reports• Review client's risk profile• Speak to the RM• Review outstanding trades with your bank• Know who are the decision makers & gate keepers
Help the gate-keepers so that they can help you	<ul style="list-style-type: none">• Understand gate keepers' constraints and challenges• Make sure your proposal addresses these concerns
Anticipate	<ul style="list-style-type: none">• Prepare answers to possible questions that they might ask
Identify potential parameters for trade-off	<ul style="list-style-type: none">• Distinguish what is negotiable vs what is non-negotiable parameters• The more negotiable parameters identified among both parties, the higher the chances of reaching an agreement
Be transparent	<ul style="list-style-type: none">• Never make empty promises• When in doubt, ask to revert
Know your competition	<ul style="list-style-type: none">• Know what the alternatives your competitors have pitched• Have a plan to showcase why yours is better

Make sure you Close the deal!

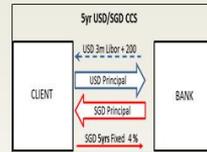


“
I will always close.
HARVEY SPECTER
”

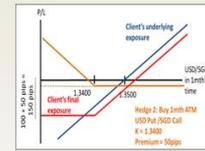
SUITS #SuitsResolutions RETURNS JANUARY 28
WEDNESDAYS 10/9C **USA**

Recap - Closing the deal

Tools to illustrate your strategies



Flow diagrams



Payoff diagrams



Scenario analysis



Risk Analysis

Gate keeper vs Decision Maker



Pitch preparation

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Know your competition	<ul style="list-style-type: none"> Know what the alternatives your competitors have pitched Have a plan to showcase why yours is better

Selling as a Team

Module 3 & 4 - Section 7

Types of Treasury Sales Person



The “Hunter”

- **Strength:** Able to sniff out big clients and potential “elephant” trades
- **Modus Operandi:** Keep close to macro trends and client activities at large
- **Key role:** Bring in the big deals for other team members to harvest
- **Aka :** The Rain Maker

Types of Treasury Sales Person



The “Relationship Manager”

- **Strength:** High social networking skills
- **Modus Operandi:** Socialise with the client
- **Key role:** Build rapport and relationship. Opening doors and setting up meetings. Usually client’s first contact point.
- **Aka :** The “RM”

Types of Treasury Sales Person



The “Consultant”

- **Strength:** High product knowledge and analytical skill
- **Modus Operandi:** Listen to clients’ needs and structure solutions
- **Key role:** Solution provider
- **Aka:** The technical brain behind the team

Types of Treasury Sales Person



The “Chaser/Closer”

- **Strength:** Aggressive & energetic
- **Modus Operandi:** Relentless in following up and closing deals
- **Key role:** Closing deals
- **Aka :** The pit bull of the team

Types of Treasury Sales Person



The “Executor”

- Strength: Aggressive & energetic
- Modus Operandi: Close trades by volume
- Key role: Responsible for the bread and butter trades
- Aka : The workhorse of the team

Selling as a Team



We should aim to be all-rounded !



Selling as a Team



Remember this?

Understanding Your Clients

1) Risk Identification

2) Risk Quantification

3) Risk Appetite

4) Client's Market View

5) Client's Objectives / Mandate

Appropriate Strategy & Solution

Bank Considerations

Traders

7) Bank's Market View

8) Product Suitability

9) Credit Limits & Documentation

Traders

Remember this?

**Risk Taker /
Risk Manager**

**Client
Intermediary**

**What is a Good
Trader **in a Bank?****

**Functional
Coordinator**

**Franchise
Owner**

Selling as a Team



Recap - Selling as a Team

Selling as a Team



We should aim to be all-rounded !



Selling as a Team

Dysfunctional Sales & Trading Team



Selling as a Team

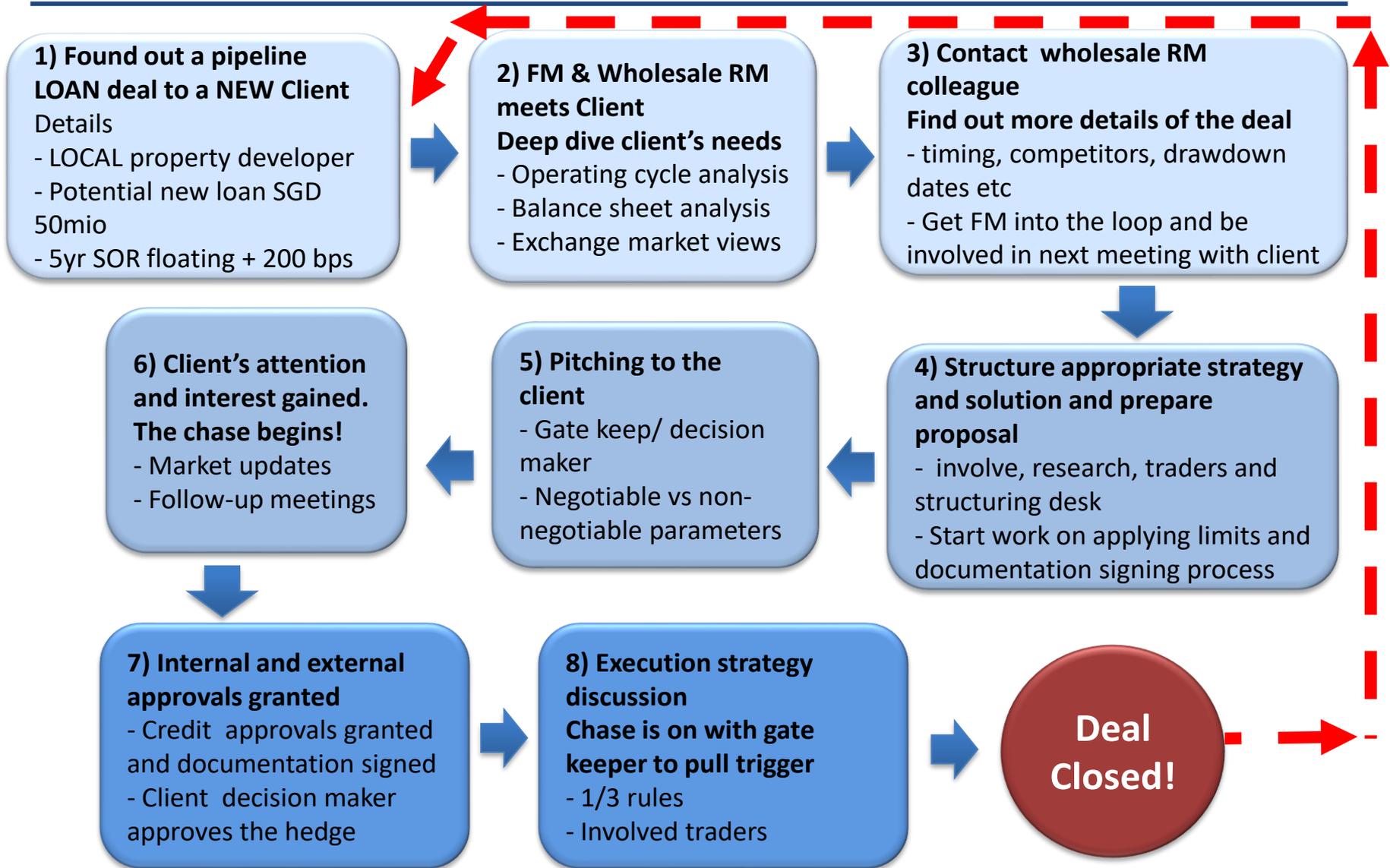
Effective Sales & Trading Team



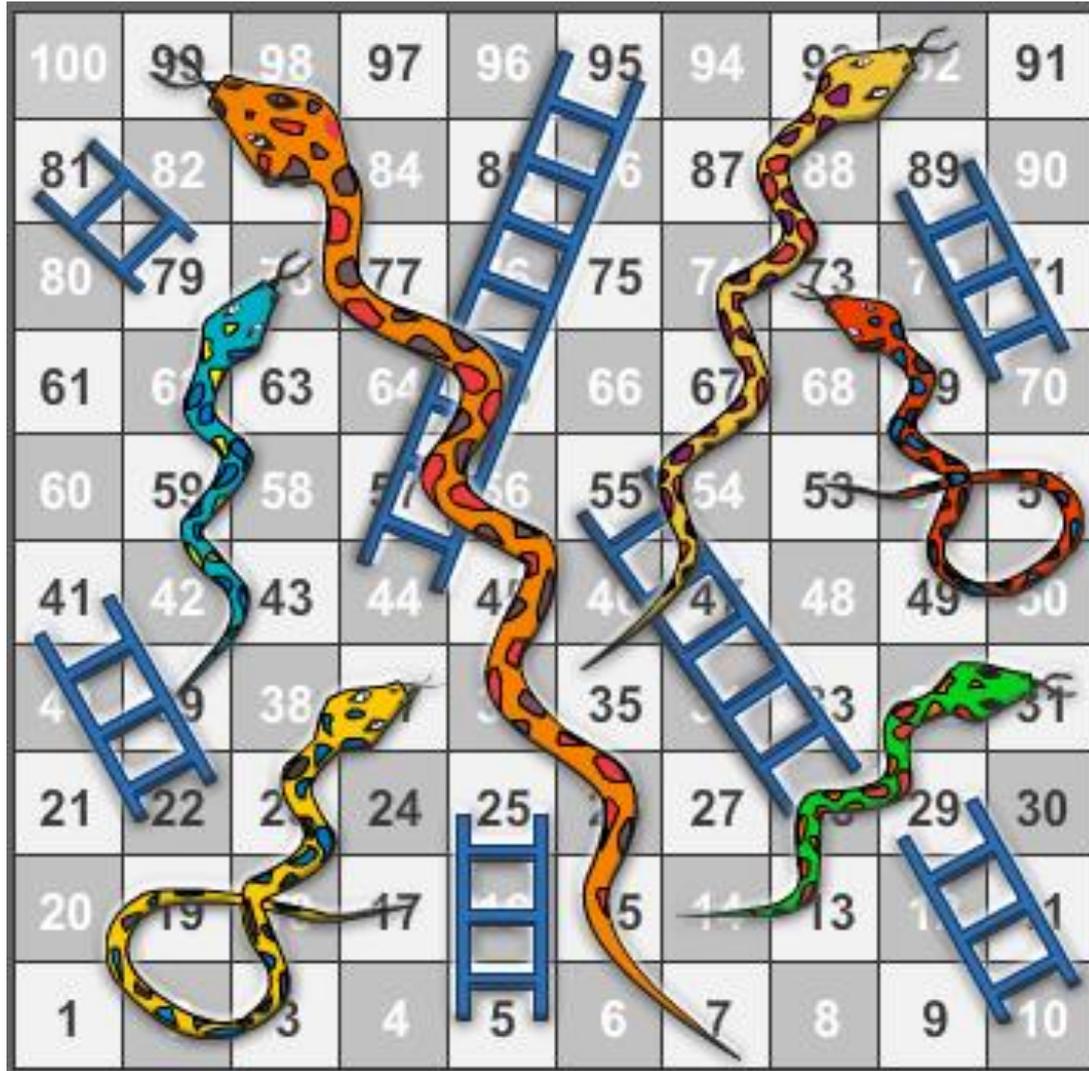
Case study

Module 3 & 4 - Section 8

Case Study – Life cycle of closing a deal



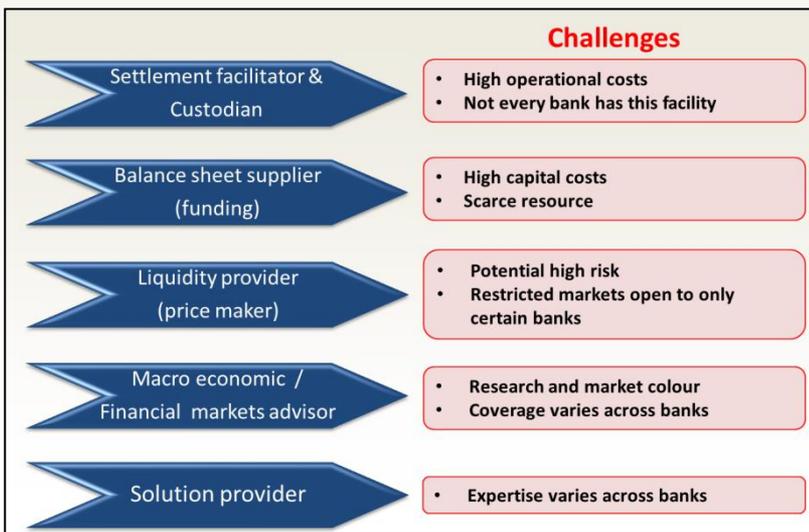
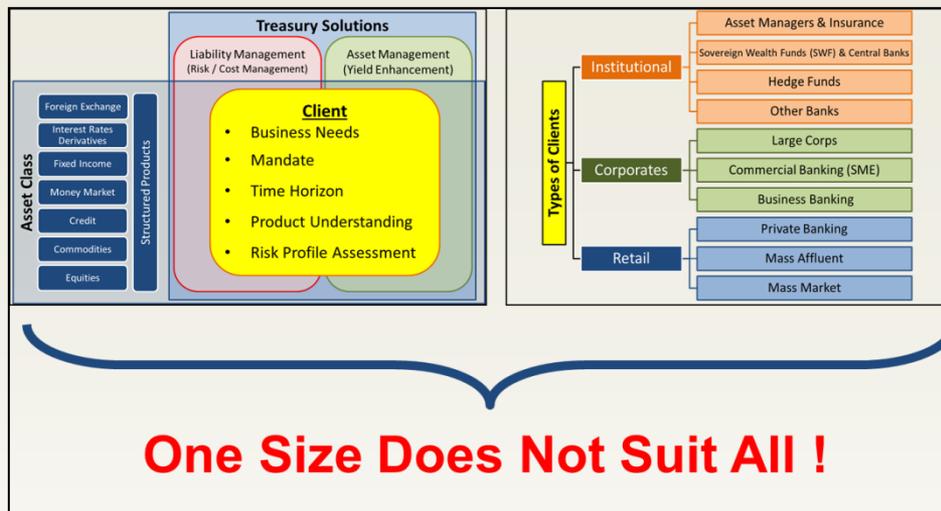
Case Study – Life cycle of closing a deal



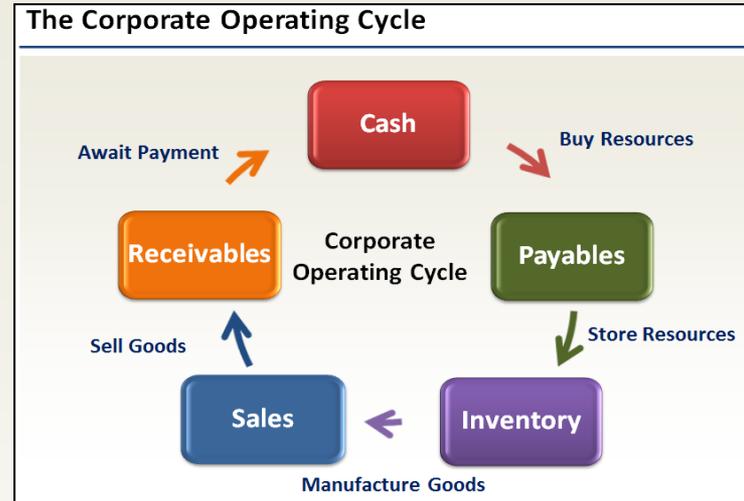
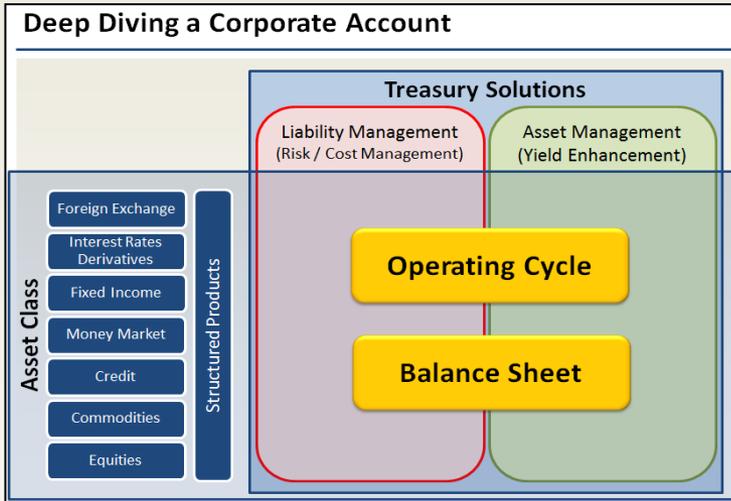




Recap – Know Your Client (KYC)



Recap - Deep Diving a Corporate Account



Selling Opportunities within the Corporate Balance Sheet

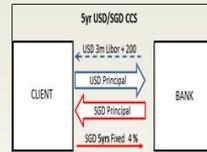
XYZ COMPANY Balance Sheet 12/31/2017	
ASSETS	
Current Assets:	
Cash	\$12,000
Accounts Receivable	35,000
Inventory	120,000
Prepaid Rent	8,000
Total Current Assets	\$175,000
Long-Term Assets	
Land	\$120,000
Buildings & Improvements	300,000
Furniture & Fixtures	50,000
General Equipment	125,000
Total Fixed Assets	\$600,000
TOTAL ASSETS	\$775,000
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$60,000
Taxes Payable	25,000
Salaries/Wages Payable	30,000
Interest Payable	20,000
Total Current Liabilities	\$145,000
Long Term Liabilities:	
Loan 1	\$320,000
Total Long Term Liabilities	\$320,000
TOTAL LIABILITIES	\$465,000
OWNER'S EQUITY	
Paid in Capital	\$84,000
Retained Earnings	250,000
TOTAL OWNER'S EQUITY	\$334,000
TOTAL LIABILITIES & OWNER'S EQUITY	\$775,000

- Returns on Liquid Assets**
 - Excess cash balances
- FX Risk arising from**
 - Transactional risk
 - Translation risks
 - Capital hedge
 - Dividend repayments
- Interest Rate Risk**
 - Outstanding long term loans
- Funding Requirements**
 - Obligation maturity schedules
 - Bond Issuance
 - Revolving credit
- Hedge Accounting**

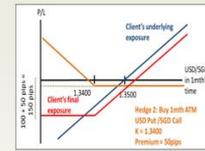


Recap - Closing the deal

Tools to illustrate your strategies



Flow diagrams



Payoff diagrams



Scenario analysis



Risk Analysis

Gate keeper vs Decision Maker



Pitch preparation

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Recap - Selling as a Team

Selling as a Team



We should aim to be all-rounded !



Selling as a Team

Dysfunctional Sales & Trading Team



Selling as a Team

Effective Sales & Trading Team



Review Module 3 & 4 - Learning Objectives

- 1. Understand the role of a Treasury Sales person**
- 2. Learn how to manage the clients' thought process**
- 3. Learn how to deep dive into a client's account**
- 4. Learn how to formulate appropriate solutions for your client**
- 5. Learn the techniques to close a deal**
- 6. Understand how to sell as a team**

ANY
QUESTIONS
?