

“ *A commodity appears at first sight an extremely obvious, trivial thing. But its analysis brings out that it is a very strange thing.* ”

Karl Marx

Commodity Derivatives

A thorough overview of all aspects of commodity derivative instruments used to manage price risk in physical, financing and investment contracts

OVERVIEW

GBRW's Commodity Derivatives training programme is designed to clarify the opaque world of physical commodities and the constantly evolving commodity derivative markets. This comprehensive course takes participants through the main commodity sectors, and illustrates how price risk arises and can be managed. By the end of this course, participants will be able to identify selling opportunities within the bank's existing customer base, structure and implement appropriate derivative solutions, and understand the measures and controls that will help the bank run a commodity business. It is especially geared to bankers and institutions in emerging markets, where commodities are often vital to the local economy and domestic banks lag the large international commodity players. The Course Instructor has extensive experience in all aspects of commodity derivatives theory and practice, and the course is enlivened with a set of rich case studies and intensive group work exercises.

WHO SHOULD ATTEND?

This course is aimed at client-facing bankers, support staff, credit analysts and auditors involved with commodity transactions. If you are asking yourself any of the following questions, then this workshop is for you:

- *Why are commodities considered a “difficult” asset class?*
- *Do I have to take or make delivery of physical if I offer commodity price management solutions? Why do I need to know what is happening in physical markets and how can I follow them?*
- *My customers seem to speak a different language when discussing commodities. How can I understand the risks they are describing and deliver bank products to address these risks?*
- *Some commodities seem to be easier to deal with than others. How can I distinguish those that can be readily dealt with from those that would leave the bank with unappealing risk exposures?*
- *Can I reduce risk in the lending portfolio by protecting the value of commodity collateral? And can our bank deliver that hedging rather than outsourcing the risk management to an international player?*
- *How can I price, structure and manage commodity derivative strategies?*
- *Why do commodity investment flows matter?*

sharing knowledge, developing skills

OUTLINE

OBJECTIVES

Participants will come away from this workshop with:

- A solid grounding in the principal commodity sectors, and the relevant terminology
- A practical knowledge of the unique features of the commodity derivative markets for each sector
- A sound understanding of derivative structures and their applications
- A detailed insight into how to de-risk commodity lending transactions, and an informed ability to determine the credit risks relating to different types of structures
- An appreciation of the suite of products available to investors and the relevance of investment flows to the physical market
- Lessons learned from others' mistakes
- The confidence and knowledge to question and challenge subject matter experts

WORKSHOP DELIVERY

- This is a three day workshop totaling **21 hours of delivery time**.
- It comprises nine tutorial modules giving a total of **15 hours** of instruction.
- A further **six hours** of the schedule is dedicated to intensive team work underpinned by a series of **case studies and workshops** facilitated by the instructor.
- All hand-outs and instruction will be in English, therefore a **good working knowledge of English** is required.
- Ideally delegates will have a basic knowledge of the time value of money. No prior derivatives experience is required as the course is designed to build up from the basics.
- The high-levels of participative group work on case studies and interactivity during tutorials strictly limits numbers to **no more than 16 participants**.

TRAINING NEEDS ANALYSIS & POST-TRAINING EVALUATION:

To ensure that participants gain maximum benefit from the course, it is our practice to send a detailed questionnaire to all course participants to ensure we fully understand their specific training needs and objectives. The completed questionnaires are analysed by the course instructor who will tailor the course content and style of delivery to the requirements of the participants. Following completion of the course, participants are asked to measure and assess the effectiveness of the training. The results are collated and reviewed, and the analysis shared directly with the relevant client stakeholders.

OUTLINE

MODULE 1: THE BASICS

- ⇒ What is a commodity? Where do they come from? The main players and price drivers
- ⇒ Spot and forward prices; interpreting the forward curve
- ⇒ Combining physical and derivatives
- ⇒ Identifying suitable derivatives
- ⇒ Cash and physically settled forwards
- ⇒ Exchange traded and OTC markets
- ⇒ Commodity swaps, Asian options
- ⇒ Central clearing

MODULE 2: METALS

- ⇒ Commodity or currency
- ⇒ Good delivery, allocated and unallocated metal
- ⇒ Price references, lease rates and borrowing costs
- ⇒ The LME, CME and SHFE
- ⇒ Warehousing and delivery

MODULE 3: ENERGY

- ⇒ Crude classifications and pricing
- ⇒ Distillates, refining, cracks and diffs
- ⇒ Exchange for physical
- ⇒ Natural gas, LNG and the impact of shale
- ⇒ Physical assessments: Platts, Heren
- ⇒ Futures and indexed pricing

MODULE 4: AGRICULTURE

- ⇒ Grains and oilseeds
- ⇒ Sugar, cocoa, coffee and cotton
- ⇒ Agflation, biofuels, seasonality

MODULE 5: BULKS

- ⇒ Coal: Thermal and coking
- ⇒ Steel
- ⇒ Iron ore

MODULE 6: STRATEGIES

- ⇒ Using forwards, swaps, loans and prepays
- ⇒ Spreads: cracks, diffs and the crush
- ⇒ Options and swing
- ⇒ Protection and commitments
- ⇒ Understanding credit consequences

MODULE 7: FINANCING

- ⇒ Early stage funding, royalties and streaming
- ⇒ Reserve-based and corporate lending
- ⇒ Fine-tuning the hedge
- ⇒ Key aspects of physical contracts
- ⇒ Determining the borrowing entity and protecting the value of collateral
- ⇒ Tripartite agreements

MODULE 8: INVESTMENT

- ⇒ Why invest in commodities?
- ⇒ Commodity indices, exchange traded products, commodity linked notes
- ⇒ Interpreting investor activity and why it matters

MODULE 9: ASSESSING RISK

- ⇒ Market, basis, rollover and model risk
- ⇒ Operational considerations
- ⇒ Avoiding disasters, questions to ask

DETAILS

FREE TOOLS, MODELS & TEMPLATES

This workshop is supplemented with a range of practical documented methodologies, models, tools, and templates refined from best practice, and tried and tested in a range of leading banks. Participants can then adapt and apply this material back at their workplaces in order to identify, structure and win suitable price management strategies for clients and quantify and manage the bank's resulting risk exposures.

This course includes:

- ➔ **Case studies built from real transactions**
- ➔ **Several workshop sessions with worked solutions which can be adapted to on the job situations**

TERMS & CONDITIONS

Total fee cost for the on-site delivery of the three day course as described is US\$ 11,500. This is EXCLUSIVE of:

- Flights (discounted business class);
- Accommodation (min. 4★) for every night required off-site;
- Local travel costs and subsistence; and
- Venue and equipment hire (if required) and materials production.

These additional costs will be for the account of the client or, alternatively, we can provide an all-inclusive quote encompassing all expenses if that is more convenient.

GBRW Learning can also host the course on-site at or near our London headquarters for an all-inclusive fee of US\$ 13,800 including VAT. This includes venue and equipment hire but does NOT include the travel, accommodation and subsistence expenses of participants.

A 60% deposit is payable one-month prior to the scheduled course date, with the balance payable immediately following completion of the course.

Note: Discounts are available for multiple course bookings of the stand-alone course or other courses within the GBRW Learning programme.

For more information or to arrange a booking, please contact Johnny Rizq at:

johnny.rizq@gbrw.com

Note: Terms and Conditions valid until 31st December 2015

INSTRUCTOR



Emma Jenkins
Course Facilitator
GBRW Learning

Emma Jenkins is a commodity expert with over 20 years experience in commodity derivatives and finance. As a commodity banker, Emma structured and implemented derivative strategies which were often large, long-dated, complex and/or placed into illiquid markets. Her experience includes physical, financing and investment transactions, in metals, crude oil, gas and distillates, agricultural commodities, coal, iron ore and steel.

Emma currently runs a risk advisory consultancy, which specialises in all aspects of commodity price risk management and offers expert witness services. Her clients range from the largest resource producers, central banks, regulators, trade houses, to smaller manufacturers, agri co-operatives and recyclers. Previously she worked for Goldman Sachs, Credit Suisse and Macquarie Bank.

Drawing on a wealth of professional experience, Emma has delivered training workshops in Dubai, Hong Kong, India, Malaysia, Russia, Singapore, the US and throughout Europe. Her training style is proactive and participative. She encourages high levels of delegate engagement in each session with Case Studies and Workshops, and is known for her patience and responsiveness to delegate questions.

ABOUT GBRW LEARNING

GBRW Learning is the training and knowledge-sharing arm of GBRW Limited. Founded in London in 1995 by a group of senior bankers GBRW's mission is to provide first-class consulting and training to banks and bankers in Emerging Markets, to the same standard as would be expected in developed markets. From our London headquarters and subsidiary offices in Washington DC and Singapore we have served clients in more than 50 countries in Europe, the Middle East, Africa, Asia and the Caribbean. Our clients include banks and other financial institutions, governments, and economic development agencies and institutions.

Through our training programmes we share the experience and knowledge of our experts with bankers in Emerging Markets, supported by high quality materials and taking advantage of the latest technologies. Our courses are all highly interactive, and make use of carefully designed case studies and simulations.

We offer a range of training topics for banks and financial institutions including:

- Strategy & Management – Formulating, Implementing & Monitoring Strategy
- Risk Management – Credit, Market & Operational Risk
- Human Resources Management
- SME Banking – Customer Relationship Management; Credit Risk Management
- Retail Banking – Customer Relationship Management, Distribution Strategy, Product Management, Credit Risk
- Corporate Banking – Customer Relationship Management, Credit Risk Management
- Governance, Regulation & Compliance
- Financial Markets

For more information, visit our website at:

<http://www.gbrw.com/training>

To discuss your specific requirements email us at:

mail@gbrw.com