Auditing Derivative Strategies

About This Course

Course Description
Understanding different types of financial and commodity derivative strategies is the first step to mitigating risk within a company's investment portfolio. Whether you’re an auditor who’s new to derivative auditing, an experienced investment auditor, or an investment accountant looking to increase your understanding of derivative securities, this course is essential to being able to perform your job at the highest level possible.

Through facilitator presentations, case studies, group discussions, and practical exercises, participants will learn to differentiate between hedging and speculating activity, study new accounting regulations, gain an understanding of new derivative modeling systems, and study derivative disasters of the past.

Special attention will be paid to identifying the specific risks common to derivative strategies and how to minimize those risks with strong controls. Other topics include options, SWAP agreements, and collateralized mortgage obligations (CMOs).
Course Topics

Understanding Derivatives
- Distinguishing fact from fiction
- Using derivatives in the portfolio: hedging vs. speculating
- Reviewing recent casualties
- Case Study: Orange County

Forwards and Futures: The Power of Hedging
- Defining forwards and futures
- Understanding hedging and position taking
- Examples provided in the forward/future market

Options
- Defining exchange traded options
- Defining over-the-counter options
- Defining caps, floors, collars
- Understanding hedge and position taking
- Study the Barings Bank case

SWAP Agreements
- Defining SWAPS, SWAPTIONS, and CALLABLE/PUTTABLE SWAPS
- Interest rate, foreign currency, fixed-rate currency, and commodity swaps

Collateralized Mortgage Obligations (CMOs)
- CMOs and types of CMO tranches and associated risks
- IOs, POs, and Inverse Floaters

Understanding and Controlling Risks
- Risks: credit, market, operational, legal, and management
- The role of the board and senior management
- Linking the front and back offices; the data within systems
- Marking-to-market to control risk
- Value-at-risk
- Long-term capital management
- Hedge funds

Accounting and Regulation for Derivatives
- A question of "documentation and effectiveness"
- Understanding FAS 133
Course Information

*Course Duration:* 2 Days

*CPE Hours Available:* 16

*Knowledge Level:* Intermediate

*Field of Study:* Auditing

*Prerequisites:* Basic knowledge of derivatives and financial auditing

*Advance Preparation:* None

*Delivery Format:* Seminar (Group-Live)