

Academic Year: ( 2017 / 2018 )

Review date: 29/01/2018 07:59:07

Department assigned to the subject:

Coordinating teacher: PENALVA ZUASTI, JOSE SEBASTIAN

Type: Electives ECTS Credits : 3.0

Year : 1 Semester : 2

## REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Derivatives

Financial Markets

Professors

- a) Francisco Javier Fernández Fernández [Global Head of FX- Europe at BBVA (BBVA CIB-Global Markets, Spain)]
- b) Roberto García Cobo [Responsible for FX Strategy at BBVA (BBVA CIB-Global Markets Research, Spain)]

## OBJECTIVES

The sessions that comprise this course are designed to provide an overview of issues surrounding financial investments in the current international environment

Students are expected to be able to identify issues specific to international investments and their implications in the areas of exchange rates (FX), structuring financial products for international investors both from a general point of view.

The main goal of the subject is to provide students with a great understanding of the biggest financial market in the world (in terms of volume), the Foreign Exchange Market, with a practical approach focus on:

- The Basics of the FX Market; main relevant currencies, main FX centers in the world, main banking industry players, FX Products traded, eCommerce aspects in FX and main Market Participants groups
- How to manage FX Risks from a Corporate perspective and from a Trader perspective?... taking into account main FX Benchmarks used
- Options products commercialized for different client segments and main Traders responsibilities
- The FX Regulation and its implications, with special remarks related to Ethics and the FX Industry Code of Conduct (The Global Code) that will be published next May 2017
- The Research piece within the FX value chain; why are strategists so relevant for the business? What were the most relevant events affecting the FX markets during 2017?
- The Digital Currencies and the blockchain

At the end of the term, students are expected to have a clear understanding of:

- How the FX market works in real life; type of markets (organized markets-exchanges vs over-the-counter markets-trades on the phone, Bloomberg chats,¿), type of products and type of channels to distribute FX products with special attention to eFX
- Who are the main participants in the FX Markets and their relevance: Hedge Funds, Sovereign Wealth Funds, Central Banks Reserve Management, Banks ¿.
- What different roles can be found inside entities dealing in the FX Market (Traders, research analysts, Sales,¿) and what skills are needed
- Why it is needed to manage the FX risks and how we can define a Currency Risk Management policy

in a non financial entity

- What benchmarks are used in the FX Industry and their utility
- Why Regulation is so important and what are the consequences of an inappropriate behavior
- What FX Derivatives are more suitable for clients related to the client segment and how to manage client orders

## DESCRIPTION OF CONTENTS: PROGRAMME

### Section I: FX Market Fundamentals

- What does the ¿Foreign Exchange (FX) Market, mean?
- Main FX financial instruments
- Interest Rate Parity (IRP) and how the market works
- The importance of eCommerce
- FX market participants
- Client orders

### Section II: FX Risks

- Positioning in the FX markets and Risks
- Currency Risk Management in Corporates
- FX Benchmarks

### Section III: FX Options and Traders

- Options; FX Products and Client Segments
- FX Traders; mains tasks and responsibilities

### Section IV: Market Regulation

- FX Financial Markets Regulation
- FX Industry Code of Conduct; The Global Code

### Section V: FX Strategists

- Research; a key element in the value chain
- Lessons from 2017; what to expect for the future?

### Section VI: Others

- European FX Working Groups
- Digital Currencies

## LEARNING ACTIVITIES AND METHODOLOGY

The course will consist of lectures that combine both theory and hands-on examples as well as practical exercises. Students must read several papers about FX market, and do a presentation with conclusions. They will work in teams solving several exercises and questions.

## ASSESSMENT SYSTEM

<b>% end-of-term-examination/test:</b>	50
<b>% of continuous assessment (assignments, laboratory, practicals...):</b>	50

Students will be evaluated on the basis of the following criteria:

- 1.Exercises on FX Products (5%)
- 2.Short presentation (30%) in teams
- 3.Questions on Regulation (15%);
- 4.Final exam (50%).

## BASIC BIBLIOGRAPHY

- Hull, John CH Options, Futures & other derivatives, Prentice-Hall, 2012

- Piet Sercu, Raman Uppal International Financial Markets and The Firm, Thomson Business Press, 2014