

Academic Year: (2023 / 2024)

Review date: 25-09-2023

Department assigned to the subject: Business Administration Department

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 Macro Products (G-10 rates + FX)- Business Manager (BBVA CIB-Global Markets, Spain)]

b) Roberto García Cobo [Responsible for FX Strategy at BBVA (BBVA CIB-Global Markets Research, Spain)]

7- PROFESSOR'S BIOGRAPHIES

Francisco Javier Fernández Fernández

+ Global Macro Product (G-10 Rates + FX) Business Manager (BBVA CIB-Global Markets, España): 25 years experience in financial markets and 18 years teaching experience in finance

+ Bachelor's Degree in Business from the Universidad Autonoma, Madrid

+ Doctoral Program in Banking and Stock Markets from the Universidad Autonoma, Madrid and the Katholieke Universiteit Leuven (Belgium)

+ Executive Master in Business and Administration by the IESE Business School

Roberto García Cobo

+ Responsible for FX Strategy at BBVA (BBVA CIB-Global Markets Research, Spain), 15 years' experience working in Financial Markets and 7 years' experience teaching finance

+ Bachelor's Degree in Economics from San Pablo-CEU University, Madrid.

+ Bachelor's Degree in Business Administration from San Pablo-CEU University, Madrid.

+ Graduate Programme in Market Development from IEB

+ Advance Programme in Options and Futures from IEB

OBJECTIVES**1- SUBJECT DESCRIPTION**

Nowadays it is essential not only the knowledge about the theory but also the understanding of how the financial markets work from the inside. Either to start your career within the financial industry or to work in a private or public entity outside this financial industry, there are some key markets you will be in contact with if you want to have a global perspective for your company.

This subject will be focus on one of the most relevant financial markets in the world; the Foreign Exchange Market (FX). Taking advantage of the teacher's privileged position within the Corporate & Investment Banking - Global Markets unit of a universal bank, we will provide the students with a clear understanding about the following concepts; market fundamentals, products traded in FX markets, who are the main market participants, what regulation is changing and why it will be determinant in the coming future, skills needed in the most important roles of the FX industry, and why Strategists are so relevant within the FX value chain.

2- OBJECTIVES

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 focused on:

- + The Basics of the FX Market; main relevant currencies, main FX centres 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 was finally published in 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 the last year?
- + The Digital Currencies and the blockchain in general, and Central Bank Digital Currencies (CBDC) in particular

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 / Refinitiv 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, etc.) 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 behaviour
- + What FX Derivatives are more suitable for clients related to the client segment and how to manage client orders

DESCRIPTION OF CONTENTS: PROGRAMME

This course will cover the following topics divided into six main sections:

- + Section I; FX Market Fundamentals
 - o What does the Foreign Exchange (FX) Market mean?
 - o Main FX financial instruments
 - o Interest Rate Parity (IRP) and how the market works
 - o The importance of eCommerce
 - o FX market participants
 - o Client orders
- + Section II; FX Risks
 - o Positioning in the FX markets and Risks
 - o Currency Risk Management in Corporates
 - o FX Benchmarks
- + Section III; FX Options and Traders
 - o Options; FX Products and Client Segments
 - o FX Traders; main tasks and responsibilities
- + Section IV; Market Regulation
 - o FX Financial Markets Regulation
 - o FX Industry Code of Conduct; The Global Code
- + Section V; FX Strategists
 - o Research; a key element in the value chain
 - o Lessons from last year; what to expect for the future?
- + Section VI; Others
 - o European FX Working Groups
 - o Digital Currencies

LEARNING ACTIVITIES AND METHODOLOGY

The sessions would be focus in both aspects; theory and examples where the theory studied would be applied. We will have seven sessions distributed in two classes each one to totalize 21 hours for the whole term.

- Lectures: will serve as the primary channel of the class
- Exercises to complete in groups
 - o Exercises focus on FX Products (10 questions)
 - o Short group presentation focus on main market events affecting FX markets during last years; SNB, Monetary policy and FX, the Turkish Lira crisis, and Argentine Peso crisis
 - o Exercises related to FX Market Regulation (15 questions)
- Articles recommended: selected articles will be recommended for reading
- Final exam to review the main concepts learnt in class

ASSESSMENT SYSTEM

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

1. Exercises on FX Products (10%); 10 questions to be answered in groups. Each question represents 0.1 points. One person of each team should answer in class one of the 10 questions randomly selected.
2. Short market event presentation (25%); each team will be assigned a market event case that will

have to present in public, with a maximum 10 minute presentation.

3. Questions on Regulation (15%); 15 questions to be answered in groups. Each question represents 0.10 points. One person of each team should answer in class one of the 15 questions randomly selected; a correct answer (and a perfect explanation and reasoning of the solution) will add 0.5 points for the whole team

4. Final exam (50%). Test exercises to review the understanding of the main aspects of the subject. 40 test questions, representing 0.1 points each correct one with -0.05 in case the answer is wrong. Additionally, there will be 2 open questions to develop in a clear and concise way that will represent 0.5 points each one.

USE OF ELECTRONIC DEVICES IN CLASS

It is highly recommend not using laptops in class unless the teacher specifically requests it. Cell phones should remain switched off during classes. If you need to use them, please step out of the classroom without any problem. Failure to comply with this rule may affect your class participation grade.

CODE OF CONDUCT IN CLASS

1. Class participation. Students are expected to participate actively (and voluntarily) during lectures.

Given the approach of the class, it will be key for the good functioning of the sessions. The worst question is that one that is not asked;

2. Please don't arrive late to class in your own and classmate benefit

3. Please use a card to identify yourself with your name. It helps faculty members and fellow students learn your names.

4. Please don't leave the room during the lecture unless you have a special reason or need to do it. If you know in advance, please notify it to the teacher

5. Please try to do not engage in side conversations. If you have a question, raise your hand and ask it, as it would help teacher and rest of students to participate. If you do not want to ask it during the lecture, feel free to approach your teacher after class.

6. No cellular phones: the use of phones, tablets, etc. is forbidden inside your classroom.

Students that do not meet the minimum passing grade should retake the subject. If resit is taken, the above grade criteria also apply :

% end-of-term-examination: 50

% of continuous assessment (group exercises, group class presentations): 50

% end-of-term-examination: 50

% of continuous assessment (assignments, laboratory, practicals...): 50

BASIC BIBLIOGRAPHY

- 13 autores Derivados Financieros: productos, riesgos estrategias, contabilización y regulación, Asepelt - Delta Publicaciones, 2021

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

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