



OBJECTIVE

The objective of this course is to lead the merchant banker through the process, valuation and reporting requirements for trade finance, insurance and hedging instruments. All facilities of trade will be discussed in detail with examples taking in traditional letters of credit through export credit finance facilities and the potential to measure credit exposure on such portfolios. Policy around contracts, documented letter of credits and how these areas of the bank are audited and reported will be carefully treated in this course.

KEY AREAS

- Understand the trade flow for physicals.
- A close look into pricing spot complex markets from an account perspective
- Learn how to audit trade, insurance and credit facilities for merchant facilities.
- Review International account standards on reporting trade accounts at portfolio level.
- Understand how to audit & report PL positions around trade.

FOCUS

NEW ACCOUNTING STANDARDS

Reporting trade finance activities from a banks perspective has become complex due to the introduction of capital regulation and accounting standards. These new rule sets are explained throughout the course.

REPORTING FRAMEWORK

The course we will deliver insight into how merchant products are sold and audited, importantly it will explain how to build a best practice framework for setting internal accounting policy in line with GAAP, UCP & International Accounting Standards.

WHO SHOULD ATTEND

- Treasury Staff
- Business Managers
- Account Managers
- Audit and Accounting Staff
- Risk Management Staff
- Trade Account Managers
- Staff involved in reporting to regulators or executive management on the trade finance business.

About your trainer



Martin specializes in designing risk measurement systems with a particular focus on regulatory capital frameworks. He has more than 10 years experience developing bespoke knowledge / workflow and scorecard solutions for financial institutions in both strategic and processing areas of the business. He has a particular interest in lending products and in assisting banks reduce capital arbitrage in their economic capital models. Primarily he is banker with experience in both retail and commercial banking and he is currently working with several banks throughout South East Asia where he assists these organisations build sound and structured frameworks that can quantify exposure. In the capital markets arena Martin has worked closely with a stock exchange in the region assisting the exchange design a new energy instrument and futures contract. In addition to Martin's work within the capital markets and banking sector he is a credited trainer for the American Academy of Financial Management on structured finance, project finance, credit and operational risk.

Day 1 GOALS

Regulation, Compliance and Reporting Standards

Session 1

- 08:30 **Principles of ICP**
 - Reporting Entity Concept
 - Objective of reports
 - Definition of criteria
 - Principles vs Rule Based
 - Reporting Categories

- 09:30 **Preparing and Presenting**
 - IAS 8 Accounting Policies
 - IAS 1 Primary Statements
 - IAS 19 Events & Balance Sheet
 - IAS 24 Related parties

- 10:30 Coffee Break

- 10:45 **Performance Disclosures**
 - IAS 33 Earnings per share
 - IAS 5 Discontinued Ops
 - Segment Reporting

- 12:00 **Valuation Mark to Market**
 - Inventory, & Equipment
 - Borrowing costs
 - Dismantling costs
 - Raw material costs

- Case Study trade reporting**
 - Definitions
 - Reporting to regulators
 - How to net account positions
 - How to report the entire portfolio of trade accounts and show contribution values by customer or industry demographic

Session 2

- 13:00 Lunch

- 14:00 **IAS 39**
 - Recognition measurement
 - Forwards / Futures
 - Requirements
 - Hedge Accounting Rules
 - FX and Interest Rate concerns

- Provisions**
 - How to estimate potential Losses on trade portfolios
 - Restructurings
 - Effects of rate changes on customer accounts

- 15:00 **Asset Impairment**
 - Calculating value
 - Good will
 - Intangible assets

- 16:00 Coffee Break

- 16:30 **Disclosure & Reports**
 - Bringing it together
 - P&L Impacts
 - Rationale and how to create report harmonisation

- 17:30 **Close**

OBJECTIVE

The course starts with the goal in mind and opens with a complete overview of international accounting standards, going through all areas of IAS that effect the banks Merchant facilities. Sample reports will be displayed and will show the workshop the goal that the next two days must achieve.

KEY LEARNING

- Principles of ICP.

- Understand what is expected of the accounting department

- How does the bank report performance.

- How should the bank report netted hedging positions and provision for loss on trade portfolios.

Day 2 FACILITIES**Merchant facilities instruments for consideration****Session 1**

- 08:30 **UCP 600 and IAS Contexts**
- The LOC process from an accounting perspective.
 - P&L flow for different export/import contracts.
 - How are variances, disputes reported.
- 09:30 **Credit Risk Measurement**
- Export / Import financing facilities from a credit risk perspective
 - How aggregate portfolios of potential loss and VaR reports
 - How to mark facilities to market for each contract type
- 10:30 Coffee Break
- 10:45 **Collateral & Security**
- Review the various types of guarantees and how they differ for the customer and the bank.
 - How should they be reported and risk measured in them from an accounting perspective.
- 12:00 **Guarantee Facilities**
- Look at the accounting effects of Guarantees. How does the bank's front office factor these agreements at a policy level?
 - Measure exposure in stand bys, tender bids and payment bonds.
 - How should these contracts be reported in the context of IAS.

Session 2

- 13:00 Lunch
- 14:00 **Option Contracts - Credit**
- Look at export services and option contracts.
 - What are the accounting effects of assignment?
 - How should Shareholders and director guarantees be reported at different levels of stress.
- Credit Fundamentals**
- Gain insight into the fundamental reporting requirements features for credit / LOC facilities.
- 15:00 **Refinancing**
- Credit refinancing schemes need report amendments
 - How refinancing schemes factored into variance reports.
- 16:00 Coffee Break
- 16:30 **Bank Guarantees**
- Review the risks and reporting requirements of different types of guarantees taking in:
 - Revolving Credits
 - Overdrafts
 - Term Refinancing
- 17:30 **Close**

OBJECTIVE

In the second day the course will focus on interpreting international accounting standards in the context of the various merchant facilities include Trade Finance, Trade Insurance and Import/Export UCP.

KEY LEARNING

- Look at Accounting and reporting from the context of specific facilities.
- Understand the key challenges for each facility in the context of IAS.
- What is the best practice reporting for each area, supported with examples reports from the industry.

Part 3 FRAMEWORKS

Complex products and detailed reporting considerations

Session 1

Session 2

- 08:30 **Trade Debt Insurance**
- How is risk measured & reported
 - How to discount negative and positive payments for insurance contracts
 - How to report political risk
 - What information need to be captured to support reports

13:00 Lunch

- 09:30 **Currency Hedging / Insurance**
- How are indemnities on FX insurance / hedging contracts reported at an account and aggregate level for each account type?
 - What risks does the bank have at different times of trade?
 - How is the various floating exposures reported overtime.

- 14:00 **Single Database View**
- What factors need to be captured from each area to build a central reporting facility?
 - How should specific facilities be benchmarked from an accounting, risk and earnings perspective.
 - How quickly can such sophistication be created?

- 15:00 **Roles and Responsibilities**
- Requirements from credit risk on collateral and security valuation
 - Requirements from credit risk on impairment valuation
 - How are final portfolios reported and aggregated
 - What requirements are needed from Treasury

10:30 Coffee Break

16:00 Coffee Break

- 10:45 **Netting Multi Positions?**
- Accounts may have multiple facilities and need to be netted
 - Correlated risk increases on netted accounts these need to be marked to market.
 - How are margin accounts included in the reports at a m-to-m level.
 - How to treat sinking funds both in valuation variance and on the account reports
 - How are multi-currency rates factored into the reports

- 16:30 **Disclosure**
- Bringing it together
 - Look at internal decision reports, add hoc reports and regulator standards.
 - How are report anomalies managed from the system.

17:30 **Close**

OBJECTIVE

In the third day the course will review some of the more complex products of trade, it will also review the roles and responsibilities for establishing an best practice IAS reporting system.

KEY LEARNING

- How are exotic non standard products treated.
- How does the bank net agreements across various contexts
- Roles responsibilities of the credit risk / Treasury department in reporting