Credit Training INC

Understanding the Swap:

Swaps are widely misunderstood and, in many cases, avoided due to the complexity of this derivative instrument. The goal of this class it to simplify Swaps to its parts. This class will cover a number of critical areas of understanding, including the following:

- *Why:* ***Why even engage in a Swap.*** *By the end of the class, it will be clear as to why a client and the bank would consider a Swap.*
- ***The number of benefits and the downsides to both the bank and the borrower****. Much of the time in the class is spent in this area, as Swaps are fairly complicated. Because of the complexity, Swaps can be overlooked as a pricing option leaving bank clients and the bank without the competitive benefits.*

If banks are engaging in Swaps or want to engage in Swaps, understanding is crucial for conversations internally at the bank and externally with the borrower. Banks should not be pushing Swaps but educating clients and prospects on Swaps, letting the client decide what is right for them.

- *How the rates work.*
- *The parties involved and how Back-to-Back Swaps work.*
- *Lender Liability considerations for the bank need to be understood.*
- *Understanding "In the Money" and "Out of the Money" and when/why this accounting takes place.*
- *Understanding and calculating Swap Exposure and the risk to the client and to the bank. When would the Bank incur this exposure?*
- *How should the writeup account for Swap Exposure?*
- *Collateralizing the Swap Exposure.*
- *What is needed when, and the ease of... "Calling the Swap Desk". What does the Swap Desk provide to the Lender.*
- *and more…*