

Welcome to the first ICMA  
Executive Education newsletter

Stress Testing Credit Risk:  
The Great Depression Scenario

The credit crunch of 1294

# ICMA Executive Education *newsletter*

Issue No.1, May 2012



# contents

MAY 2012



## INTRODUCTION

- 3 Executive education – an essential investment in a changing market**  
Martin Scheck, CEO of ICMA  
John Board, Dean of Henley Business School
- 4 From the Head of ICMA Executive Education**  
John Evans reviews ICMA's history of education courses and looks at our current offering

## COURSES

- 5 ICMA Executive Education structure**  
How all of the ICMA Executive Education courses fit together
- 6 Securities & Derivatives Operations**  
A combination of two operations courses that work particularly well together

## PEOPLE

- 7 Featured Trainer**  
Keith Dickinson, Programme Director for our Operations courses shares his views
- 8 Training faculty**  
An introduction to all of ICMA Executive Education's trainers

## CERTIFICATE HOLDERS

- 9 Certificate holders, 1<sup>st</sup> quarter 2012**  
Congratulations to all those who recently passed our examined courses
- 10-11 Diploma holders**  
Meet two of our first Diploma holders



## PARTNERSHIPS

- 12 IFBL & ICMA Executive Education**  
A successful five year collaboration which recently celebrated its anniversary

## NEWS

- 13 Latest news**  
What's been happening recently at ICMA Executive Education

## FACTS & FIGURES

- 14-15 Course statistics**  
Some interesting demographics about our programmes

## PUBLICATIONS

- 16 Recent publications**  
Two books published by ICMA's trainers  
Carol Padgett and Neil Schofield

## FEATURES

- 17 Stress testing credit risk**  
Simone Varotto looks at the Great Depression scenario
- 18 Back in 1294...**  
A group of academics at the ICMA Centre examine a much earlier credit crunch

## PROGRAMME SCHEDULE

- 19 2012 schedule**  
See which courses we will be holding this year



ICMA Executive Education is a joint venture between ICMA and the ICMA Centre at Henley Business School, University of Reading. Covering technical securities/derivatives and operations, the professional qualifications and training programmes are aimed at market practitioners in the financial markets and delivered in the major financial centres.



We welcome feedback and comments on the articles which appear in this newsletter. Please e-mail David Senior, Business Development Director, ICMA Executive Education: [david.senior@icmagroup.org](mailto:david.senior@icmagroup.org)

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# Executive education

## *an essential investment in a changing market*

Welcome to this, the very first ICMA Executive Education newsletter. It's designed to highlight our new courses and locations and to give you some in-depth insights into our existing programmes and the people who are responsible for delivering them. We are also profiling our successful certificate holders, who are now using the skills they have learnt with us in their everyday working lives in the financial markets. We would like to hear what you think about this first edition and encourage you to contribute to the second one, which we plan to send out in six months' time. Contact us on [education@icmagroup.org](mailto:education@icmagroup.org).



*Foreword by* **Martin Scheck,**  
Chief Executive, ICMA

**T**he financial markets are still coping with the financial crisis which has been with us in various guises since 2008. Its latest manifestation, a sovereign debt crisis threatening the existence of the euro, is in remission at the time of writing thanks

to the liquidity extended to banks through the ECB's LTRO initiative. Against this background, we are experiencing a major 'once in a generation' change in the way that capital markets and participants in those markets will be regulated. The International Capital Market Association, a long-standing, not-for-profit trade body which provides internationally accepted documentation and standards for the debt capital markets, is currently reviewing and responding to the tide of regulatory initiatives in Europe and elsewhere on behalf of its global membership. These will affect the mechanics of issuing, investing and dealing in capital markets in ways that are not yet fully defined.

In these uncertain times we need to develop the skills of the professionals who are needed to carry on the essential work of financial markets – providing funding for the real economy. ICMA's long term investment in developing benchmark training courses for financial markets has created a range of practically oriented programmes, which will equip participants to adapt to changing markets and economic conditions. We particularly value the longstanding and unique partnership between ICMA and the ICMA Centre, which is part of the Henley Business School at the University of Reading. The combination of market practice and academic input in all the courses run through ICMA Executive Education, ensures that they remain relevant and fresh for the participants. The courses are of true practical value and widely recognised globally, and we are delighted that despite the difficult conditions in the financial markets, an ever increasing number of students are benefitting from ICMA Executive Education's courses – you will find details of the latest developments in this publication and on our website at [www.icmagroup.org](http://www.icmagroup.org).



*Foreword by* **John Board,**  
Director of the ICMA  
Centre and Dean of  
Henley Business School

**ICMA** has for many years had a close working relationship with the University of Reading in its mission to

deliver executive education to its members. This association began when ICMA was named the Association of International Bond Dealers (AIBD) and its flagship programme, now the International Fixed Income and Derivatives (IFID) Certificate Programme, was the the General Certificate Programme (GCP). Over time the relationship has strengthened and the role of a university partner in validating and updating its education portfolio, a core aim of the association, has increasingly been recognised. The establishment of the ICMA Centre in 1996

was further demonstration of the value of the relationship, cemented in the area of executive education by the creation, in 2007 of "ICMA Executive Education", an explicit joint venture to promote and enhance what was then a portfolio of three courses into a full suite of executive programmes – covering all stages of individuals' careers and requirements (introductory, professional qualifications and more specific CPD). We now have a total of 22 courses covering the front, middle and back office, running from yield analysis to Islamic Finance. These have attracted participants from many countries, and a very large percentage of Member firms – a demonstration of the growing success of the venture, the delivery to industry needs and ICMA's commitment to its Members and its core values. From our side, at the University (and latterly the Henley Business School) and the ICMA Centre, it is a pleasure to collaborate in this activity and further demonstrate our own links to an industry that we have been addressing for the last 20 years.

45 years later – from the Head of

# ICMA EXECUTIVE EDUCATION

*John D. Evans*

It was in 1977 that ICMA, then AIBD, launched its General Certificate Programme (GCP). Just eight years after the creation of the association, it was recognised that education and the training of market participants was a key factor in having a safe and efficient financial market. In 1985, ICMA launched the Operations Certificate Programme (OCP), realising that the education of operations staff was of equal importance to the training of “front office” staff. Both of these courses continue to this day.

It is important to reflect on the fact that the motivation for the creation of these courses was more than simply providing services to Members. In 1977, as is the case today, regulation and accreditation regimes were largely national in nature. With the growing Eurobond market, participants had to think on a pan-European basis. Staff would be transferred from Milan to London, or Paris to Frankfurt, and there had to be some standard to let the banks know that wherever a person originated from, they had an acceptable level of education and training. The whole raison d'être of ICMA Executive Education was to provide that pan-European training qualification for a globalising financial industry.

There has been a very significant growth in the number of courses we run and the centres in Europe and the Middle East in which these courses are now run. We have 22 courses covering the front office and operations areas. In 2011, we offered for the first time Diplomas in both “Securities and Derivatives” and “Financial Market Operations” for candidates who have completed courses at all three levels. We have run our courses in London, Zurich, Brussels, Copenhagen, Luxembourg, Barcelona, Lugano, Geneva, Frankfurt,

Budapest, Luzern, Cairo and many other locations throughout the EMEA region. Our courses are attended by staff from banks, investment managers, central banks, exchanges and a host of other institutions. The courses are open to all, though Members enjoy a significant discount versus non-Members.

*The combination of ICMA and the University of Reading is quite unique in the financial world...*

It was decided at the start of this year, 2012, that ICMA Executive Education would look to offer its courses and two Diploma pathways in Asia. Economic growth is moving to that part of the world and all large Member banks have substantial operations in the region. It is part of our service to Members that we look to provide our courses where they are located. But, as in 1977, we face the same issue of a global financial market – and global training needs – with national accreditation bodies. Thus, the objective over the next three years is to move ICMA Executive Education from a recognised pan-European provider to an increasingly global provider of financial markets training for both the front office and the operations functions.

It was in 1991 that ICMA started its association with the University of Reading and what would become the ICMA Centre. The Centre has seen a similar growth and transition over the years. Its student population has become increasingly global with non-EU candidates now accounting for over 50% of participants at the MSc

level. In addition to teaching core subjects of securities and derivatives and investment management, it also has a degree in Islamic Finance, one in Regulation and Compliance, as well as many others. As part of the Henley Business School (with a world ranked MBA), it has become a powerful force in financial education in the same way ICMA is a senior association in the global financial markets. Like ICMA, it is now venturing for the first time into Asia with the opening of a new campus in Malaysia where ICMA Executive Education will run several courses in 2012.

The combination of ICMA and the University of Reading is quite unique in the financial world. I am at a loss to think of another example of a significant international association working with a world class university in such a close and integrated way. I am also proud to be part of the development that is currently taking place, as we move forward to expand the remit of both ICMA and the University of Reading in Asia. There are striking similarities to today and 1977; an association looking to expand outside its traditional EMEA region and assist in the development and training of all the staff who work in its Member institutions.

A lot has changed over the last 45 years but the underlying motivations and demands remain very similar.

John D. Evans is the Head of ICMA Executive Education and a full-time member of the academic staff at the ICMA Centre, University of Reading. He is the Programme Director for the Centre's MSc Investment Management degree and is also Programme Director for the IFD Certificate Programme.

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# What is ICMA Executive Education?

ICMA Executive Education is a joint partnership between the International Capital Market Association (ICMA) and the ICMA Centre, Henley Business School, University of Reading.

The main objective of ICMA Executive Education is to provide high quality executive education courses to ICMA members and non members alike in line with the association's mission of improving standards and making markets more efficient.

We offer three levels of programmes: introductory, intermediate and specialist in both the front office and operations areas.

These programmes are:

## INTRODUCTORY PROGRAMMES

- **Financial Markets Foundation Course (FMFC)** this is a first level qualification intended for anyone entering into a career in the financial markets. The training programme is intended to provide 'breadth of knowledge' to make it relevant to people pursuing careers in the front office, middle office and operations areas.  
This is a three day classroom-based course held in London and Luxembourg.
- **Securities Operations Foundation Course (SOFC)** aims to provide new entrants to the operational side of the securities industry with a thorough knowledge of the life cycle of a securities transaction and an understanding of the various processes that result in a transaction being settled and the securities either going into, or being taken out of, custody.  
This is a three day classroom-based course held in Brussels and London.

## INTERMEDIATE PROGRAMMES

- **International Fixed Income and Derivatives (IFID) Certificate Programme** – the course puts emphasis on developing practical skills for trading, investment and risk management. This is a demanding, examined course aimed at developing a broad and in-depth knowledge of the key fixed income instruments, derivatives and markets.  
This is a six day residential course held in Barcelona (Sitges) and Hong Kong. The course can also be studied by Distance Learning.
- **Primary Market Certificate (PMC)** intended for persons with an interest or involvement in the debt primary markets. The programme examines the entire life cycle of bond issuance, from considering the financing choices through to the closing of transactions in the marketplace.  
This is a five day classroom-based course held in Dubai and London.
- **Operations Certificate Programme (OCP)** – places strong emphasis on developing practical skills based on a thorough understanding of the main operational processes for cash markets securities (equities, bonds and hybrid securities). It is very valuable for people who manage operational departments.  
This is a six day residential course held in Brussels.

## SPECIALIST PROGRAMMES

We have a number of courses, held in different European locations, which are 1-2 days in length, which focus on single specialist topic areas. These are:

**Collateral Management**

**Commodities – An Introduction**

**Commodities – Trading and Investment Strategies**

**Corporate Actions – An Introduction**

**Corporate Actions – Operational Challenges**

**Credit Default Swaps (CDS) – Features, Pricing and Applications**

**Credit Default Swaps (CDS) – Operations**

**Derivative Credit Risk – Analysis and Management**

**Derivatives Operations**

**Fixed Income Portfolio Management**

**Global Custody**

**Inflation-linked Bonds and Structures**

**Securities Lending & Borrowing**

**Securitisation – Structuring and Valuation**

**Technical Analysis & Inter-Market Trading**

**Trading and Hedging Short-Term Interest Rate Risk**

**Trading the Yield Curve with Interest Rate Derivatives**

For further information on our programmes, please contact:

David Senior, Business Development Director – ICMA Executive Education E-mail: [david.senior@icmagroup.org](mailto:david.senior@icmagroup.org) Tel.: +44 20 7213 0329

For details on any of our courses, please see our website: [www.icmagroup.org](http://www.icmagroup.org).



# Securities Operations Foundation Course (SOFC) & Derivatives Operations

**IN** March 2010, we delivered our Level I course, the “Securities Operations Foundation Course” (SOFC) for the first time. Since then, over 120 candidates have successfully taken the course and many of these are planning to take the Diploma in Financial Market Operations. The SOFC is a three day examined course that covers the post-trading environment of the main cash market products – bonds and equities. Within this, we cover reference data management, clearing and settlement, custody, asset servicing and securities lending.

The theory is supported by a Settlement Simulation exercise in which small teams of candidates, representing securities trading organisations, trade a portfolio of securities in order to generate transactions that are subsequently processed operationally. The teams confirm their transactions with their counterparties, instruct the clearing house to receive or deliver securities, calculate their cash funding requirements, respond to some corporate

actions events and revalue their end-of-day portfolios. There is a lot to do in a short amount of time – rather like real life!

Finally, participants sit a two-hour multiple-choice examination; those who are successful receive the SOFC Certificate, jointly awarded by the University of Reading and the International Capital Market Association.

Operations are not just concerned with equities and bonds. These are used as underlying products on which certain types of derivatives are based. For example, options can be created on equities and futures on government bonds. Either through choice or by obligation, derivatives contracts can be exercised through the delivery of the underlying securities and these deliveries cross-over from the derivatives operations world into the cash markets operations. It is therefore a good idea for securities operations staff to understand the impact of derivatives on securities and for derivatives operations staff to appreciate, for example, the impact

of accrued interest on bonds and corporate actions events on equities-based derivatives contracts.

In today’s environment, derivatives and securities are typically processed by different operational departments. In order to help bridge the divide between the two operational disciplines, we have developed “Derivatives Operations” as part of our Specialist Programme of courses. Derivatives Operations is aimed at developing a knowledge and understanding of the key operational aspects of derivatives processing, and includes an examination of the market infrastructure and product types, together with a look at the operational life-cycle of both exchange traded and OTC derivative products.

We have found that both the SOFC and Derivatives Operations courses fit well together and we have combined these as a single package for clients wishing to take them in-house. In addition, we are scheduled to deliver these two courses in Iskandar, Malaysia from 11-15 June 2012.

*Keith Dickinson.*



Group photo from ICMA’s recent Operations Certificate Programme (OCP), Brussels, 25-31 March 2012

# Keith Dickinson

*ICMA Executive Education (ICMA EE) speaks to Keith Dickinson, our Programme Director for the suite of courses that make up the Diploma in Financial Market Operations. As a Visiting Fellow at the University of Reading, Keith also lectures at the ICMA Centre on Managing Securities Operations and Current Topics / Global Custody for the MSc Investment Management programme.*



**ICMA EE:**

Keith, how long have you been involved with ICMA Executive Education?

**Keith Dickinson:**

I joined ICMA in December 2006, but in one sense have come full-circle, as I attended the fore-runner course to the Operations Certificate Programme (OCP) in 1986 as a student, and am now Programme Director for the course.

**ICMA EE:**

How long have you been working in the financial markets?

**Keith Dickinson:**

I've been involved in the operations business for forty years; twenty years working in operations and twenty in training, during which time I've delivered courses in many of the main securities markets around the world.

**ICMA EE:**

You're Programme Director for the Diploma in Financial Market Operations. What exactly does one have to do in order to achieve the Diploma?

**Keith Dickinson:**

The Diploma requires candidates to pass the examinations for the Level 1 Introductory Programme, the SOFC, the Level II Intermediate Programme, the OCP and attend any two courses from the Level III Specialist Programme courses.

**ICMA EE:**

What specialist courses do you offer in the Operations area?

**Keith Dickinson:**

We offer courses in Collateral Management, Corporate Actions, Credit Default Swaps, Derivatives Operations, Global Custody and Securities Lending and Borrowing

**ICMA EE:**

What do you see as some of the key industry changes at the moment?

**Keith Dickinson:**

I think consolidation amongst the Central Securities Depositories, migrating OTC derivatives processing from a bi-lateral activity to a clearing house platform, as well as the regulatory changes that are happening across the world.

**ICMA EE:**

What changes have you seen in the Operations area?

**Keith Dickinson:**

The operational world has changed through constant evolution and revolution. One only has to compare how Eurobond transactions were settled and held in custody in the 1960s to today, to see just how much progress has occurred. That said, one could argue that the underlying concepts of settlement and custody have not really changed; only the means by which the processing takes place.

**ICMA EE:**

How did you communicate in those days?

**Keith Dickinson:**

Telephone calls to New York had to be booked in advance with your organisation's telephonist. In the UK, payments were made either by banker's draft or by cheque – who can remember Town Clearing of drawn on banks with branches in the City of London? Telex was the main means by which authenticated instructions could be sent to the correspondent banking network; SWIFT wasn't established until 1977. Securities were certificated and physically settled with sellers' share certificates being cancelled at the registrars and new certificates posted to the buyers. On average, the certificate turn-around was measured in weeks. Today, re-registration occurs minutes after settlement of the transaction.

**ICMA EE:**

How about regulation back then?

**Keith Dickinson:**

Regulation did not really happen until 1986, when the Securities and Investment Board was established with the various Self Regulated Organisations.

**ICMA EE:**

And what about clearing systems in the Eurobond industry?

**Keith Dickinson:**

Euroclear and Cedel (now Clearstream Banking Luxembourg), enabled their participants to communicate through their respective dial-up systems, Euclid and Cedcom. This was way ahead of most domestic markets at that time. Today, Euroclear owns a number of domestic Central Securities Depositories, Clearstream Banking Luxembourg is part of the Deutsche Börse Group and both are banks. Times indeed have changed.

**Email:** [akddickinson@btinternet.com](mailto:akddickinson@btinternet.com)

# ICMA Executive Education's trainers

## CLIVE CORCORAN

Clive advises private clients on how to practise long/short market neutral strategies. He has written *Long/Short Market Dynamics: Trading Strategies for Today's Markets* and his articles have appeared in *Traders' Magazine* and *Active Trader*.

He has been a frequent contributor to CNBC's European Closing Bell and a speaker at international trading expos and workshops. Clive is Programme Director for the Technical Analysis and Inter-Market Trading course.

## JOHN EVANS

John is a full time member of the academic staff at the ICMA Centre. He is Programme Director for both the Centre's MSc Investment Management (IM) degree and MSc Investment Banking and Islamic Finance (IBIF). For ICMA Executive Education he is Programme Director for the IFID Certificate Programme and the Financial Markets Foundation Course (FMFC).

Prior to academia, John spent twenty years in the fixed income market in Toronto, New York and London in the areas of research, origination, sales and trading.

## LINDSEY MATTHEWS

Lindsey is Managing Director, UBS Delta, in Securities Distribution at UBS London and was until 2012 Group Head of Risk Education at UBS. He is a Visiting Fellow at the ICMA Centre.

Previously, Lindsey built up the financial products and markets education team for Swiss Bank Corporation in London, expanding the remit to cover the education of clients across all asset classes. Lindsey is Programme Director for the Fixed Income Portfolio Management course.

## CHRIS O'MALLEY

Chris is a Senior Advisor to ICMA and a freelance trainer. Based in the regulatory policy Department of ICMA, he focuses on primary market practices, capital markets and skills-based training.

Chris developed, and is Programme Director for, the Primary Market Certificate (PMC), which is conducted twice a year in London and, for the first time this year, Dubai. He has thirty years' experience in the capital markets on the sales and origination sides of the business.

## DAVID OAKES

David trained as an economist at the London School of Economics and was Lecturer in Finance at the University of Exeter and Warwick Business School before joining the ICMA Centre as Director of Academic and Professional Education.

David now delivers advanced financial markets training to investment banking clients in New York and around the world and is a speaker on the IFID Certificate Programme.

## GAIL ROLLAND

Gail has ten years of Fixed Income experience in London and New York in the areas of sales and trading and new product structuring. Since the mid-1990s, she has worked with ICMA Executive Education in addition to running her own financial markets training firm.

Gail has particular expertise in advising the insurance industry on capital markets investment strategies and is the online tutor for the IFID certificate programme.

## NEIL SCHOFIELD

Neil is a Visiting Fellow at the ICMA Centre and a freelance training consultant. Previously he was global head of financial markets training at Barclays Capital in London. He was responsible for the design and delivery of a large number of seminars in a variety of different asset classes.

Neil has over twenty years of experience in the financial markets. He has published two books: 'Commodity Derivatives' and 'Trading the fixed income, credit and inflation markets'. Neil teaches a number of our specialist courses.

## MIKE SIMMONS

Mike has been involved with the capital markets and operations throughout his career, focusing originally upon securities settlement and more recently on the broader aspects of operations (e.g. derivatives, trade finance, payments, corporate finance and corporate lending).

Mike is the author of two books on Operations "Corporate Actions: A Guide to Securities Event Management" and "Securities Operations: A Guide to Trade & Position Management". Mike is also a regular instructor on the ICMA Operations Certificate Programme and teaches some of our specialist operational courses.

# List of recent Certificate Holders

ICMA Executive Education is pleased to announce the following certificate holders in 2012.

## FMFC

Emir Alickovic  
Claudio Contardi  
Charles Dahm  
Humberto De Pinho Rodrigues  
Li Deckenbrunnen  
Christophe Diederich  
Florence Even  
Gianfranco Laera  
Mikkel Lyngbye  
Emir Mustafic  
Joël Nicolas  
Azra Oncic  
Leos Peta  
Alexandre Petruzzi  
Olivier Richard  
Eric Sandström  
Luc Sinner  
Philippe Theis  
Katarina Urdova

## PMC

Hamad Al Bassam  
Khalid Al Hashmi  
Mohammed Ashoor  
Emma Finnie  
Abdul-Fadil Hameed  
Najam Khan  
Mohamed Walid Lassoued  
Farhan Malik  
Tarek Montes  
Mahmoud Nawar  
Tahir Pirzada  
Muhammad Shareef

## Diploma in Securities & Derivatives

Marc Bambust  
Knut Bodeewes  
Marco Da Silva Oliveira  
Jochen Hartlieb  
Ted Junker  
Daniel Rasqui  
Marc Rubens  
Silja Saar

## SOFC

Omar Al Zeer  
Emily Courty  
Ivan Čuka  
David Diedrich  
Reimar Hillers  
Javier Huerga  
Sirpa Kuivaniemi  
Alexander Lauterbach  
Audrey Lofaro  
Amel Marzoug  
Candice Peiris  
Stephan Sauer  
Steven Smith  
Tinne Verschueren

## IFID

Franck Auberger  
Sandeep Beri  
Candice Chau  
Matthew Debrabant  
Wolfgang Dressler  
Aloysius Fekete  
Handra Handra  
Meike Jasper  
Jin Kim  
Meinhard Kneller  
Brian LaCroix  
Ruth McGuinness  
Enrique Neves-Martin  
Bettina Pircher  
Roland Scherrer  
Boris Schneider  
Mark Sobrin  
Rolf Spalink  
Elena Sroka  
Erik Tham  
Didier Toscano Gonzalez  
Jeroen Wydooghe

## Diploma in Financial Market Operations

Hans Lunding  
Rebekka Schultz  
Nicola Smith

## OCP

Jonathan Ayling  
Jamal Belbakkari  
Fabian Cosmann  
Helene Deconinck  
Stéphane Defourny  
Georg Delzer  
Atilla Duman  
Björn Eriksson  
Jason Ferguson  
Mathias Gaucher  
Andreas Grimm  
Tina Lund Henriksen  
Nadege Nelly Izere  
Anne-Loren Janssens  
Kyoung Mee Jeong  
Päivi Kantti  
Mya Myint Zu Khin  
Annariina Komljenovic  
Michael Lache  
Olga Larsen  
Tommy Lehnert  
Nikolaus Mader  
Pietro Maiorana  
Nina Moo  
Hyangmi Moon  
Lionel Nicolas  
Caroline Noël  
Heidi-Lee Pagh  
Tatiana Podtopelnaya  
Régis Sabé  
Kumiko Sato  
Anfia Schubert  
Akmaral Shamenova  
Duncan Tan  
Andrew Tapsfield  
Arnout Trampe  
Pieter Van Campe  
Sebastiaan Verlinden  
Lieven Vlassenroot  
Kirstie White  
Young Taek Woo  
Kinty Zhou



*At the beginning of 2011, ICMA Executed the Diploma in Securities and Derivatives and Each Diploma can be attained by completing one and two specialist programmes in*

# Diploma holder – Securities and Derivatives

Esther Martínez Fernández

**Name:** Esther Martínez Fernández  
**Organisation:** European Central Bank  
**Job title:** Risk Analyst

**Name and date of courses completed:** .....

- Financial Markets Foundation Course (FMFC)\*
- International Fixed Income and Derivatives (IFID) Certificate Programme **2005**
- Primary Market Certificate (PMC) **2008**
- Operations Certificate Programme (OCP) **2009**
- Technical Analysis and Inter-Market Trading **2009**
- Securitisation – Understanding the Mechanics **2010**



**Describe what you do on a day to day basis in your job:**

I undertake risk analysis in the fields of central bank monetary policy operations and foreign exchange reserves management. I also co-ordinate the Risk Management Committee.

**Reasons for taking the courses you attended:**

To broaden my knowledge in operations, markets and financial instruments.

**Benefits of taking these courses:**

The several certificates and courses I took at ICMA improved my understanding of how the different markets and financial instruments work. This gave me the chance to enhance my career path as a risk analyst.

\*Candidates who passed a Level II course prior to 31/12/2010 were granted an exemption to the Level I course (FMFC)

*Alternative Education introduced two Diplomas:  
the Diploma in Financial Market Operations.  
One introductory course, one intermediate course  
in the relevant Diploma pathway.*



# Diploma holder – Financial Market Operations

Rebekka Schultz

**Name:** Rebekka Schultz  
**Organisation:** Danske Bank A/S  
**Job title:** Settlement Specialist

**Name and date of courses completed:**

- Securities Operations Foundation Course (SOFC)\*
- Operations Certificate Programme (OCP) 2010
- Securities Lending & Borrowing 2011
- Collateral Management 2012



**Describe what you do on a day to day basis in your job:**

I work in settlement of Fixed Income and Equity trades in Euroclear, Clearstream and the Nordic Countries. I handle trades against payment and free of payment Collateral and Securities Lending & Borrowing trades. The trades are for Danske Bank as a broker as well as Retail Executions for Danske Bank.

I also handle coupon payments and drawings in the Danish domestic market. I co-ordinate on a day-to-day basis in a team of 19 and participate in implementing LEAN in Danske Bank Nordic Settlement & Euroclear.

**Reasons for taking the courses you attended:**

To obtain a broader understanding of the markets I am handling and the market in general. An understanding of why our dealers trade like they do and what the coherent picture is.

**Benefits of taking these courses:**

I now understand the flow of trades much better and how they depend on each other to settle even though they look like individual trades. I have gained a lot of theoretical knowledge, so I have a better understanding of how the Front Office works.

\*Candidates who passed a Level II course prior to 31/12/2010 were granted an exemption to the Level I course (SOFC).

partnerships



Recent alumni event in Luxembourg

# IFBL & ICMA

## EXECUTIVE EDUCATION

*Institut de formation bancaire Luxembourg (IFBL) and ICMA Executive Education recently held a five year anniversary on 7 March 2012 in Luxembourg to mark our partnership in holding the 'Financial Markets Foundation Course' (FMFC) together.*

Since the launch of the FMFC in Luxembourg, 122 candidates have successfully completed the course.

The FMFC is a three day introductory level programme to the financial markets delivered by ICMA Executive Education and is hosted twice a year by IFBL in Luxembourg.

ICMA and IFBL are associations that are strong supporters of education for both the personal and industry benefits it provides. The partnership has delivered 122 graduates over its five year history and both ICMA and IFBL look forward to many more years of collaboration in education together.

To celebrate this partnership and to reward the achievements of the most successful candidates across each of the last ten sessions, a reception was held at the premises of the Chamber of Commerce in Luxembourg and was attended by graduates of the FMFC, ICMA Member firms and industry representatives.

Awards were given to the best performing students in the FMFC exam on each of the occasions the programme has been held and awards were also given to the client organisations who have sent the most candidates on the course. These are ATTF, BCEE and Banque de Luxembourg.

# Latest news



Students on ICMA's Corporate Finance Certificate (CFC) programme

**ICMA Executive Education** held the Primary Market Certificate (PMC) for the first time in Dubai in January 2012. The PMC is a five day intermediate level programme held twice a year in London.

The Dubai version was tailored to the sukuk market and given the success of the initial programme, this will become an annual event in the Gulf, next taking place in February 2013.



Recent alumni reception in Beijing, China

**ICMA held its** first ever reception in Hong Kong in December 2011 for ICMA members, alumni of the ICMA Centre, ICMA Executive Education and members of the

financial industry. The event was held at the offices of the British Council and included addresses by Douglas Arner, Professor and Head of the Department of Law at the University of Hong Kong, Alex Woo, Managing Director, Treasury & Capital Markets, DBS Bank, Hong Kong and Paul Lejot, Visiting Research Fellow, ICMA Centre, Henley Business School and the Faculty of Law, The University of Hong Kong.

ICMA also held its first ever reception in Beijing, China in September 2011

**ICMA, in association** with the Treasury Markets Association (TMA) of Hong Kong, is pleased to announce that any holders of either the International Fixed Income and Derivatives (IFID) Certificate Programme or the Operations Certificate Programme (OCP) can apply to be a TMA Associate Member, provided that they have passed the examination on the Code of Conduct and Practice of the TMA (Elementary Level). The TMA 'Associate Member' status is part of the new Primary Qualification Framework (PQF), which was recently put in place in Hong Kong.

**A reminder to all** those interested in completing the ICMA Executive Education Diploma in either Securities and Derivatives or Financial Market Operations, that the deadline for this is 30 June 2012!

**We are very** pleased to be working in co-operation with the Training Center of the China National Development and Reform Commission (NDRCTC) in delivering a Corporate Finance Certificate (CFC), an international professional qualification certification system in the specialised field of corporate finance. It is based not only on research on how to help enterprise financing, investment and risk management issues by experts both in China and abroad, but also on the financial needs of Chinese based enterprises, especially SMEs.

**ICMA Executive Education** has added three new courses to its portfolio of programmes. The courses are each two days in length and will be held during the second half of the year. They are:

- Fixed Income Portfolio Management
- Trading and Hedging Short-Term Interest Rate Risk
- Trading the Yield Curve with Interest Rate Derivatives

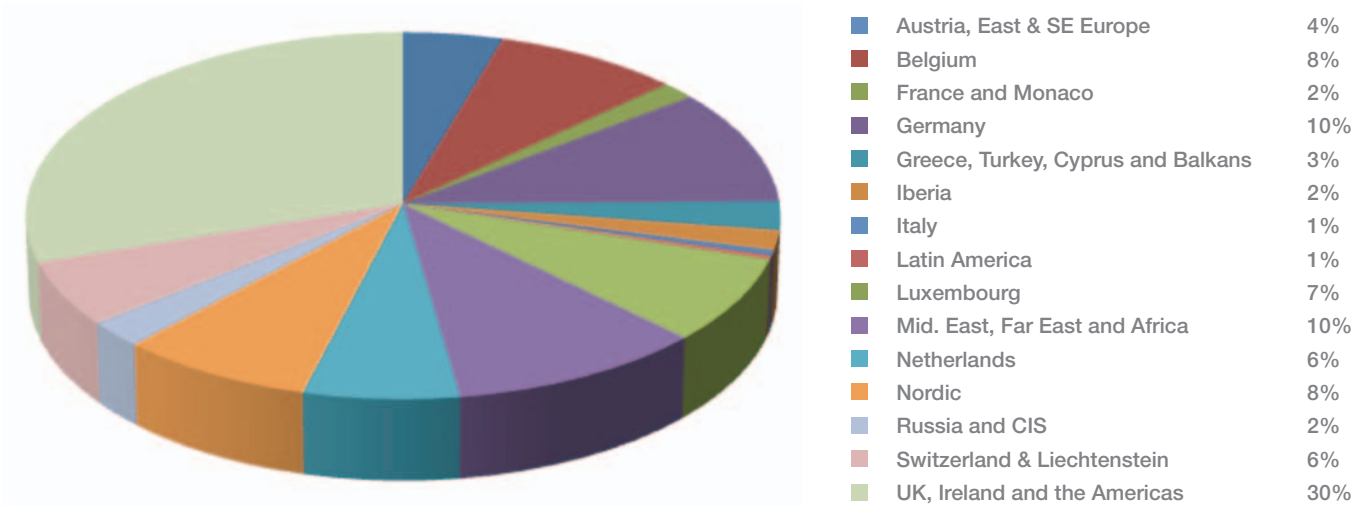


Douglas Arner (centre) and Paul Lejot (right), two of our guest speakers at our Hong Kong reception

# Registrations by region

## ICMA courses in 2011

Last year ICMA Executive Education welcomed participants from a total of 52 different countries on our courses. ICMA's Membership comprises 13 regions and two chapters and the breakdown of registrations for these is shown below:



- In 2011, delegates on our courses came from the following countries:

Australia	Iceland	Portugal
Austria	India	Romania
Bahrain	Indonesia	Russia
Belgium	Ireland	Saudi Arabia
Brazil	Italy	Singapore
Bulgaria	Kazakhstan	Slovakia
Canada	Kuwait	South Africa
Cape Verde	Lebanon	South Korea
China	Liechtenstein	Spain
Croatia	Lithuania	Sweden
Czech Republic	Luxembourg	Switzerland
Denmark	Macedonia	The Netherlands
Finland	Malta	Tunisia
France	Montenegro	Turkey
Germany	Nigeria	UAE
Ghana	Norway	UK
Hong Kong	Panama	Ukraine
		USA

# T A T I S T I C S

*The courses below were first held in the years listed and have the following number of successful graduates:*

International Fixed Income and Derivatives (IFID) Certificate Programme	<i>1977</i>	<i>5,912</i>
Operations Certificate Programme (OCP)	<i>1985</i>	<i>3,151</i>
Primary Market Certificate (PMC)	<i>2003</i>	<i>186</i>
Financial Markets Foundation Course (FMFC)	<i>2008</i>	<i>240</i>
Securities Operations Foundation Course (SOFC)	<i>2010</i>	<i>125</i>

- Two Diploma pathways launched in January 2011: *Diploma in Securities And Derivatives*  
*Diploma in Financial Market Operations*
- 22 different courses

## Programme recognition

ICMA Executive Education courses are accredited under the Solicitors Regulation Authority (formerly The Law Society's) CPD scheme. Solicitors may claim CPD credit for their attendance on the full suite of programmes.



Course participants can also qualify for credit hours under the guidelines of the CFA Institute Continuing Education Programme.

The IFID and the OCP, two premier professional certificates, are both recognised qualifications for the front office and operations areas. Both are 'Recommended Exams' on the Wholesale Banking list and have also met the 'Appropriate Exam' standards for their respective areas, compiled by the FSSC (Financial Services Skills Council), United Kingdom.

# RECENT Publications

**I**CMA Executive Education has always prided itself on the quality of its instructors, with the best from both academia and the industry. In this regard, several of our instructors have published leading books in their area of expertise through their respective publishers.

## TWO RECENT PUBLICATIONS BY OUR INSTRUCTORS ARE:

### 1 Corporate Governance, Theory and Practice by Carol Padgett

Carol is a guest speaker on the Primary Market Certificate (PMC).

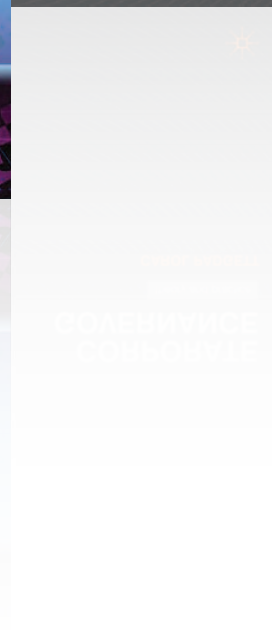
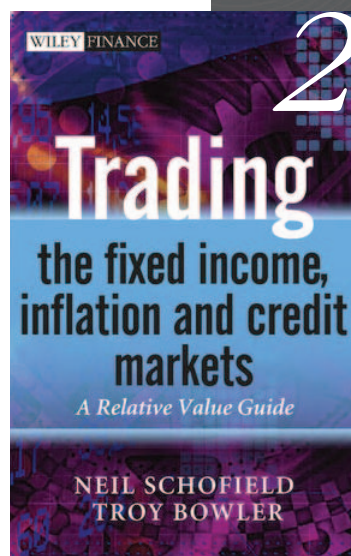
Recent financial crises and instances of corporate malpractice have prompted many questions about how companies are run – and whether this tallies with how they should be run. This book systematically explores the factors that shape corporate governance, and discusses both those governance practices implemented by companies and those imposed by regulators. It also tries to determine how good corporate governance can help companies to create value for their shareholders.

### 2 Trading the Fixed Income, Inflation and Credit Markets: A Relative Value Guide Guide by Neil Schofield & Troy Bowler

Neil teaches on several courses for ICMA Executive Education and leads both of our courses on commodities.

*Trading the Fixed Income, Inflation and Credit Markets* is a comprehensive guide to the most popular strategies that are used in the wholesale financial markets, answering the question: *what is the optimal way to express a view on expected market movements?* This relatively unique approach to relative value highlights the pricing links between the different products and how these relationships can be used as the basis for a number of trading strategies.

These books are available to ICMA Members at greatly reduced prices, compared to normal retail prices. Please see our website for further details, as well as a list of our instructors' publications.





# Stress Testing Credit Risk:

## The Great Depression Scenario

*Simone is a Lecturer in Finance at the ICMA Centre and teaches undergraduate and postgraduate courses in risk management, credit risk and mergers and acquisitions. He has an active research interest in credit risk, liquidity risk and financial regulation.*

Since 2007 the world economy has suffered two major crises. The sub-prime crisis, which culminated in 2008 with the default of Lehman Brothers and the near collapse of the financial system, was by many indicators the worst recession since the Great Depression. When looking at corporate defaults in 2009, the similarities with the early 1930s is striking.

The 2009 average aggregate default rate at 5.36% has been the third largest after 1933 (8.42%) and 1932 (5.43%) since Moody's records began in 1920. More remarkably, the 2009 speculative grade default rate of 12.97% is the second highest following the 1933 peak of 15.39%. The relative calm that followed the sub-prime debacle was brought to an abrupt end by the sovereign crisis, which is still unfolding and has led, so far, to the international bailout of Ireland, Portugal and Greece, and increased borrowing costs for several other European countries. The resilience of the market turmoil we have witnessed over the last years is another trait in common with the Depression period. Central to both the Great Depression and the recent Great Recession are financial institutions and their inherent fragility in the face of changing market conditions. Now, as then, regulators have responded with new measures aiming at reducing the vulnerability of the banking system to new shocks. An important part of these measures is the introduction of higher capital requirements, which have the aim of increasing the capacity of banks to absorb losses in a crisis. In this study, we look at current capital regulation (Basel 2) as well as new rules that will be gradually phased in over the next few years and are incorporated in the so-called Basel 3. Our objective is to establish if current and future minimum regulatory capital will be large enough to shield banks against a Great Depression scenario. The focus of the study is corporate loan portfolios,

which often contribute to a substantial proportion of banks' overall risk. We find that Basel 2 capital would allow banks to absorb Great Depression-style losses, but only in the first year of the crisis. If banks are unable to recapitalise, or meet further losses with future earnings, minimum capital would be depleted over a period of three years for all but the safest banks. Basel 3, on the other hand, would provide sufficient capital to cover three consecutive years of losses, even in the absence of new capital injections. However, the extra buffers that have been introduced by the new regulation to ensure that banks are left with enough reserves to meet minimum capital requirements and keep normal lending levels, would be quickly depleted, even for the safest institutions. This indicates that banks would still need public funds under the new rules if a new Great Depression was to take place. One may argue that forcing banks to increase their capital beyond Basel 3 to satisfy a Great Depression standard would be politically difficult and too costly for the banks to implement, without affecting the cost of lending and ultimately economic growth. However, recent research has shown that larger capital requirements, like those implied by our study (and beyond), would in fact generate positive growth, when taking into account the lower frequency and severity of future crises they would bring about.

*Simone Varotto*



# The Credit Crunch of 1294

Adrian Bell, Chris Brooks and Tony Moore

**I**t is widely believed that the current credit squeeze, leading to bank failures, is a modern phenomenon arising from the interplay of a historically unique set of circumstances that could not have been foreseen. A team of academics, Professor Adrian Bell, Professor Chris Brooks and Dr. Tony Moore, have however documented a medieval credit crunch that bears remarkable parallels with the recent crisis. A 'sub-prime' borrower, liquidity disappearing, recriminations, the seizure of foreign owned assets and runs on the bank, may sound like headlines in today's newspapers, but in fact these describe a credit crisis that started more than 700 years ago, in 1294.

In the 1280s, the Italian merchant societies, the forerunners of today's universal banks (mixing retail and investment functions), were awash with easy money as they managed large sums of collected taxes for the Pope and the English king, as well as holding deposits from wealthy individuals. These funds were then invested in profitable trading ventures, notably English wool, as well as high interest loans to sovereigns, nobles and religious houses. However, in the early 1290s, the Pope called in much of his money and the French King Philip IV levied a huge tax on the Italian merchants in France. The final straw was the unexpected outbreak of war between England and France in 1294, which cut European lines of trade and communication. When Edward I of England turned to his bankers, the Ricciardi of Lucca, to raise money to fund his armies, they found that their assets were tied up in illiquid loans and trade.

In more normal times, the Ricciardi would have raised short-term loans from their fellow merchants, but in 1294, like 2008, the interbank markets were frozen. The disruption caused by the Anglo-French war, combined with the fear that Edward (like the medieval equivalent of a sub-prime borrower) would default on his debts, meant that the merchant societies were unwilling or unable to lend to each other. The bankers' own comments are eerily familiar: in 1294, the Ricciardi complained that 'it seems that money has disappeared'; 'everyone to whom we owed money ran to us and wanted to be paid'; 'where we used to have credit and could borrow

100,000 and 200,000 livres tournois and even more, we are now reduced to such a point that if we wanted 100 livres tournois we could not find them.' Ultimately, the Ricciardi were unable to provide Edward with the funds he needed and his response was to seize all their assets in England, effectively bankrupting the society.

Despite the significant differences in the structure of the economy and the sophistication of the financial markets between 1294 and now, there are still strong parallels, especially when it comes to the origins of the 'credit crunch' and the reactions of governments to the banking crisis. Today's bankers could do well to heed the lessons of the past and to remember that history always repeats itself...eventually.

For more details on the project, see [www.icmacentre.ac.uk/medievalcredit/](http://www.icmacentre.ac.uk/medievalcredit/).

Prof. Adrian Bell is Chair in the History of Finance and Head of Pre-Experience Postgraduate Programmes for Henley Business School.

Prof. Chris Brooks is Professor of Finance and Director of Research at the ICMA Centre.

Dr. Tony Moore is Research Associate on the ESRC-funded project "Credit Finance in the Middle Ages: Loans to the English Crown c.1272-1340" based at the ICMA centre.



Pictured from l-r: Chris Brooks, Tony Moore and Adrian Bell



# ICMA Executive Education

## COURSE SCHEDULE – 2012

### PART I: INTRODUCTORY PROGRAMMES

#### Financial Markets Foundation Course (FMFC)

- London: 29 - 31 May 2012
- Luxembourg: 24 - 26 September 2012
- London: 26 - 28 November 2012

#### Securities Operations Foundation Course (SOFC)

- Malaysia: 11 - 13 June 2012
- London: 24 - 26 September 2012
- Brussels: 12 - 14 November 2012

### PART II: INTERMEDIATE PROGRAMMES

#### International Fixed Income and Derivatives (IFID) Certificate Programme

- Hong Kong: 26 August - 1 September 2012
- Sitges, Barcelona: 28 October - 3 November 2012
- Distance Learning: candidates can register at any time

#### Primary Market Certificate (PMC)

- London: 14 - 18 May 2012
- London: 19 - 23 November 2012

### PART III: SPECIALIST PROGRAMMES

#### Credit Default Swaps (CDS) – Features, Pricing and Applications

- London: 18 - 19 June 2012

#### Credit Default Swaps (CDS) - Operations

- London: 20 June 2012

#### Derivatives Operations

- Malaysia: 14 - 15 June 2012

#### Technical Analysis and Inter-Market Trading

- London: 18 - 19 June 2012

Additional specialist programmes will be added in the second half of 2012.

# map of ICMA Executive Education's global reach



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