


CAPITAL MARKET

HYBRID SECURITIES

PROGRAMME DURATION	MODE OF DELIVERY	PROGRAMME FEE
02 HRS 50 MIN	ONLINE LEARNING Self-Paced	RM600.00

SECTIONS & DURATION AT A GLANCE

This table provides an overview of the sections covered and the duration of each topic:

SECTION NO	SECTION TITLE	DURATION
Section 1	Convertibles - An Introduction	01 Hrs 00 Min
Section 2	Convertibles - Valuation	00 Hrs 45 Min
Section 3	Contingent Convertibles (CoCos)	00 Hrs 45 Min
 CLICK Title for Section Details		TOTAL DURATION 02 Hrs 50 Min

- 30 Days access are given to participants to complete the entire programmes
- This is an Online Learning; participants are learning at their own paced

THE CONTENTS

SECTION 1

Convertibles – An Introduction

Prerequisite Knowledge	Bond Markets – An Introduction
Section Level	Intermediate
Section Duration	60 Minutes

Overview

Convertibles are hybrid securities that typically pay a fixed coupon but can also be converted into the common stock of the issuer. This tutorial provides a broad overview of the key features and cost-benefits of convertible bonds and their main-sub-types, and outlines the main mathematical terminology used with such instruments.

Objectives

On completion of this section, you will be able to: -

- Define the key benefits and costs/risks of convertibles for issuers and investors, and list the key types of convertible bond available
- Identify the key features of convertible securities
- Define the main mathematical terms used with convertibles

The Outline

TOPIC 1

OVERVIEW OF CONVERTIBLES

- What is a Convertible?
- Issuer Motivations
- Investor Motivations
- Convertibles: Disadvantages
- Types of Convertibles

TOPIC 2

FEATURES OF CONVERTIBLES

- Overview of Convertible Bond Features
- Issuer Call Option
- Call Protection
- Investor Put Option
- Accrued Interest
- Dilution & Stock Splits

TOPIC 3

MATHEMATICS OF CONVERTIBLES

- Mathematical Terms Associated with Convertibles
- Mathematical Terms: Formulas
- Scenario: Mathematics of Convertibles

SECTION 2

Convertibles – Valuation

Prerequisite Knowledge	Convertibles – An Introduction
Section Level	Intermediate
Section Duration	45 Minutes

Overview











This tutorial looks at the pricing of convertible securities, with a particular focus on the lower bound on the convertible price, and the “moneyness” of the embedded call.

Objectives

On completion of this section, you will be able to: -

- Identify the key factors affecting the prices of convertibles
- Calculate the lower bound on a convertible’s price
- Estimate the fair value of a convertible bond
- Recognize the importance of other convertible pricing issues, such as issuer calls and investor puts, and measures of option sensitivity

The Outline

TOPIC 1 	PRICING FACTORS
▪	Factors Affecting Convertible Valuation
TOPIC 2  	BOUNDS TO CONVERTIBLE VALUE
▪	Lower Bound to Convertible Value
TOPIC 3   	VALUING THE EMBEDDED CALL OPTION
▪	Embedded Option “Moneyness”
▪	Fair Value of the Embedded Call
TOPIC 4    	OTHER CONVERTIBLE PRICING ISSUES
▪	Other Key Convertible Pricing Issues
▪	Parity Delta & Parity Gamma
▪	Calculating Parity Delta: Example
▪	Issuer Call and Investor Put Options
▪	Convertible Valuation: Scenario

SECTION 3

Contingent Convertibles (CoCos)

Prerequisite Knowledge	Convertibles – An Introduction
Section Level	Intermediate
Section Duration	45 Minutes

Overview

Contingent convertibles are hybrid securities issued by banks that convert into the equity of the bank or are written down if a trigger event occurs. This tutorial describes the regulatory background to CoCos and outlines the key features and structures of these instruments.

Objectives

On completion of this section, you will be able to: -

- Compare contingent convertible and traditional convertible bonds
- Define the key features of CoCos, including the trigger point and loss absorption mechanism
- Recall the regulatory background to the development of the CoCo space

The Outline

TOPIC 1 


OVERVIEW OF COCOS

- What Are CoCos?
- Advantages of CoCos for Issuers & Investors
- CoCos vs. Conventional Convertibles
- CoCos vs. Conventional Convertibles: Risk Profiles

TOPIC 2  

COCO STRUCTURES

- Overview of CoCo Structures
- Trigger Point
- Types of Trigger Point
- Loss Absorption Mechanism
- CoCos & Seniority
- CoCo Pricing

TOPIC 3   

REGULATORY ISSUES

- Regulatory Landscape & CoCos
- Regulatory Landscape & CoCos: Capital Requirements
- Regulatory Landscape & CoCos: Triggers & Maturities
- CoCos vs. Bail-ins