

BankingToday 2.0

Finance and business transactions

Updates edition 2009 – February 2012

Blended learning material co-developed by Compendio and Crealogix

Technical coaching: CYP, Center for Young Professionals in Banking

Licences for e-learning material available from Crealogix.

www.bankingtoday.ch

www.compendio.ch
www.crealogix.com

www.cyp.ch
www.swissbanking.org

Finance and business transactions
Updates edition 2009 – February 2012

Design and layout: Compendio Bildungsmedien AG, Zurich
Illustrations: Oliver Lüde, Winterthur
Printing: Edubook AG, Merenschwand

Text and educational editing: Thomas Hirt

Article number: Update
Legal deposit: 3rd edition 2012
Edition: U1021
Language: EN
Code: CYP

All reproduction, translation and adaptation rights reserved. The content of this work is an intellectual creation protected under Swiss copyright law.

Use of the content of this work for teaching purposes is subject to strict legal conditions. It is prohibited to photocopy or circulate on the school's internal servers a digital version of whole chapters or the entire content of a published work for information or documentation purposes. Only short passages of the work may be used in this way. It is also prohibited to make excerpts of this work available to outside third parties. Doing so is a violation of the rights of the author(s) and of the publisher and is a punishable offence.

Any use of this work, in part or in whole, in photocopied, digital or any other form, for purposes other than teaching requires the express written permission of Compendio Bildungsmedien AG.

Copyright © 2010, Compendio Bildungsmedien AG, Zurich

Corrections and new content (February 2012)

The banking sector is constantly evolving, which means that Banking Today 2.0 training course content needs to be updated annually. We believe it is essential to offer up-to-date learning material.

In view of this commitment, Compendio Bildungsmedien will publish an updated and revised edition of Banking Today 2.0 at the beginning of every school year.

This present update provides the most current information possible to those who purchased the first 2009 edition.

- This edition will be updated and published in early February for three consecutive years on the Banking Today website (www.bankingtoday.ch).
- This method ensures that all modifications and additions to learning content are available to students preparing for final examinations in spring and summer.

Tip: For study purposes, we recommend that you review these new modifications and additions as soon as possible and incorporate them into the learning material. This will give you an initial overview of the changes and make it easier to retain them.

	Investing 1: Overview and equity securities
Page 7 Figure 1	There are two typos in figure 1. On the right hand side under “Capital market” it should read: <ul style="list-style-type: none"> • Primary market: Issuing of capital market securities • Secondary market: Trade in capital market securities
Page 37 Calculating the fair value of a subscription right	There is a typographical error in the last step (5) of this calculation: a minus sign should appear after CHF 470. Here is the correct formula: $\text{CHF } 470 - \frac{5 \cdot \text{CHF } 470 + 1 \cdot \text{CHF } 370}{5 + 1} = \text{CHF } 16.65$

	Investing 2: Bonds, money market instruments and collective investment instruments
Page 17 Section 1.2.3	Fixed term of medium-term notes is 2 to 10 years, depending on the bank.
Section 1.4.1	<p>Further details on CoCo Bonds, a specific form of convertible debt</p> <p>With convertible debts, the investor is not forced to convert; in accordance with the usual issue conditions, the conversion is a right for the investor and not an obligation.</p> <p>The issue conditions could, however, specify differently. These are known as obligatory convertible debts, because in these cases the issuer can decide under certain specified conditions that the debt should be converted into equity capital.</p> <p>The CoCo bonds are this kind of compulsory convertible debt. CoCo stands for Contingent Convertible and means that the convertible debt is converted into equity capital as soon as the equity capital of a bank falls below a specific proportion.</p> <p>CoCo Bonds were created in the aftermath of the 2007-2009 financial crisis. They help banks to comply with tighter equity capital regulations which were imposed in many countries as a consequence of the crisis, and they offer investors a higher rate of interest than a straight bond. However, the investor must be willing and able to be allocated shares at correspondingly low rates in times of crisis.</p>

	Investing 3: Forward transactions, structured products and alternative investments
Page 19 Figure 12	Types of futures <ul style="list-style-type: none"> • Financial futures – examples: currencies, interest rates, shares, indices, government bonds • Commodity futures – examples: ...
Page 35 Figure 25	Errors in the text of the Pay-off diagram for short put Between the issue price and the interface with the horizontal axis there is no decreasing loss, but a decreasing profit. Point 2 should therefore be captioned " Decreasing Profit ".
Page 50 Figure 33	Detail of Market Expectation table row (for derivative products) The term "Rates" is misleading. It should correctly read "Basic Value Rate" or simply "Basic Value", thus: <ul style="list-style-type: none"> o Leverage products: rising or falling basic value rate o Participation products: rising basic value rate o Yield enhancement products: basic value rate stays the same or rises slightly. o Capital protection products: rising / slightly rising basic value rate
	Investment counselling and wealth management
	No corrections identified
	The Stock Exchange
Pages 11 and 50 "Eurex"	On 1 January 2012, the SIX Group AG sold its stake in Eurex to Deutsche Börse AG. As sole shareholder in Eurex Zürich, Deutsche Börse AG will also continue to run the Swiss Derivatives Market to its previous extent for at least a further 3 years
	Foreign exchange and precious metals
Page 27 Section 2.4.1	Specifying the value of spot transactions: Spot transactions are concluded with the value closing date + 2 bank working days (Valuta in German: value date for a credit or debit).
Page 32 B) Direct calculation of discount	Correction of the mathematical formula for discount calculation: $\frac{\text{Spot rate} \cdot (\text{Interest rate LC} - (\text{Interest rate BC}) \cdot \text{days})}{36\,000 + (\text{Interest rate BC} \cdot \text{days})}$
	Investment banking
	No corrections identified