



Australian Government

Department of Education, Employment and Workplace Relations

FNSFMK602A Hedge financial products

Revision Number: 1

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Modification History

Not applicable.

Unit Descriptor

Unit descriptor	<p>This unit describes the performance outcomes, skills and knowledge required to hedge financial transactions, enter hedge transactions into organisational systems and revalue and adjust financial positions when trading financial products within financial markets.</p> <p>This unit may apply to job roles subject to licensing, legislative, regulatory or certification requirements so Commonwealth, State or Territory requirements should be confirmed with the relevant body.</p>
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Application of the Unit

Application of the unit	This unit applies to a range of financial product trading job roles in the financial markets sector.
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Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Prerequisite units		

Employability Skills Information

Employability skills	This unit contains employability skills.
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Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.	Performance criteria describe the performance needed to demonstrate achievement of the element. Where bold italicised text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.
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Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1. Hedge financial transaction	<p>1.1. Financial data is reviewed to determine if financial product requires hedging before entering into transaction</p> <p>1.2. Own risk profile and tolerance is determined prior to hedging and hedging instrument choices are selected that will be entered into to assist the transaction</p>
2. Enter hedge transaction into organisational system	<p>2.1. Counterparty approval is gained and confirmed before entering into hedge transaction and new hedge deal is transacted with counterparties in accordance with organisational guidelines, credit and other desk limits</p> <p>2.2. Hedge transactional details are collected and relevant documentation is completed and hedge transaction is entered into the organisation dealing system</p>
3. Evaluate financial position	<p>3.1. Profit and loss reports are compared between back office and independent valuations to determine value of transactions</p> <p>3.2. Organisational processes for accepting and signing independent back office valuations are completed</p>
4. Adjust financial position	<p>4.1. Current hedge position is analysed in line with profit and loss reports and new market data available, using standard market data</p> <p>4.2. Counterparty approval is gained and confirmed before entering into hedge transaction and new hedge deal is transacted with counterparties in accordance with organisational guidelines, credit limits and other desk limits</p> <p>4.3. Hedge transactional details are collected and relevant documentation is completed and the hedge transaction entered into the organisation dealing systems</p>

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit.

Required skills

- well-developed communication skills to:
 - determine and confirm counterparty and organisational requirements, using questioning and active listening as required
 - liaise with team members and peers, share information, listen and understand
 - use language and concepts appropriate to cultural differences
- numeracy and IT skills to:
 - follow organisational transaction processes
 - use dealing systems
 - use internet information
- highly developed research and analysis skills for:
 - accessing, interpreting and managing complex information
 - identifying gaps in information and gathering necessary information from alternative sources
- well-developed literacy skills to:
 - read and interpret market information
 - identify economic environmental factors which affect financial services and markets
- judgement skills for making financial decisions in complex situations and meet organisational transaction limits
- organisational skills, including the ability to:
 - plan and sequence own work
 - work effectively in a constantly changing environment
- self-management skills for complying with ethical, legal and procedural requirements

Required knowledge

- financial risk analysis techniques
- financial markets reports including profit and loss reports
- organisational requirements relating to financial trading
- organisational transactions limits
- the economic environment, including:
 - characteristics and impacts of economic and business cycles
 - government monetary and fiscal policies
 - interest rates, exchange rates and inflation
- the range of financial markets products available

Evidence Guide

EVIDENCE GUIDE	
The Evidence Guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.	
Overview of assessment	
Critical aspects for assessment and evidence required to demonstrate competency in this unit	<p>Evidence of the ability to:</p> <ul style="list-style-type: none"> • hedge financial transactions and enter hedge transactions into organisational systems • evaluate and adjust financial positions • interpret and comply with organisational trading rules and limits.
Context of and specific resources for assessment	<p>Assessment must ensure:</p> <ul style="list-style-type: none"> • competency is demonstrated in the context of the financial services work environment and conditions specified in the range statement either in a relevant workplace or a closely simulated work environment • access to and the use of a range of common office equipment, technology, software and consumables • access to financial services product information • access to dealing systems and data.
Method of assessment	<p>A range of assessment methods should be used to assess practical skills and knowledge. The following examples, in combination, are appropriate for this unit:</p> <ul style="list-style-type: none"> • evaluating an integrated activity which combines the elements of competency for the unit or a cluster of related units of competency • verbal or written questioning on underpinning knowledge and skills • setting and reviewing workplace projects and business simulations or scenarios • accessing and validating third party reports.
Guidance information for assessment	

Range Statement

RANGE STATEMENT

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

<p><i>Financial products</i> may include:</p>	<ul style="list-style-type: none"> • capital markets • cash • commodities: <ul style="list-style-type: none"> • hard • soft • derivatives: <ul style="list-style-type: none"> • forward rate agreements • swaps • options • futures • electricity contracts • foreign exchange • government bonds • managed funds • negotiable and transferable instruments • reciprocal purchase agreements • securities: <ul style="list-style-type: none"> • debt • equity.
<p><i>Hedge instrument and choices</i> may include:</p>	<ul style="list-style-type: none"> • forward contracts • futures • options • swaps.
<p><i>Counterparties</i> may include:</p>	<ul style="list-style-type: none"> • banks • exchanges: <ul style="list-style-type: none"> • Australian Securities Exchange (ASX) • Sydney Futures Exchange (SFE) • over the counter (OTC) price markets.
<p><i>Transaction details</i> may include:</p>	<ul style="list-style-type: none"> • considerations • counterparty • face value

RANGE STATEMENT	
	<ul style="list-style-type: none"> • maturity date • price • start date • trade date.
Organisational <i>documentation</i> may include:	<ul style="list-style-type: none"> • dealing slips.
Analysing <i>current hedge current position</i> may include:	<ul style="list-style-type: none"> • consideration of alternative products • how much money is in: <ul style="list-style-type: none"> • debt • profit • where the market is going: <ul style="list-style-type: none"> • economic • technical analysis.
<i>Organisational guidelines and credit limits</i> may include:	<ul style="list-style-type: none"> • business rules of the exchange • credit limit • deal limit • industry association codes of conduct • loss limit • organisational codes of conduct • relevant regulations and legislation.

Unit Sector(s)

Unit sector	Financial markets
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Competency field

Competency field	
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Co-requisite units

Co-requisite units		