



Australian Government

FNSFMK612 Manage trading exposures

Release: 1

FNSFMK612 Manage trading exposures

Modification History

Release	Comments
Release 1	This version first released with FNS Financial Services Training Package Version 4.0.

Application

This unit covers the skills and knowledge required to manage financial risk, arising as a result of client transactions. It involves assessing existing exposures and risk appetite and then developing strategies to minimise, prevent and mitigate financial risk.

The unit applies to individuals who use analytical skills and systematic approaches to assess, review and manage trading exposures.

No licensing, legislative or certification requirements apply to this unit at the time of publication.

Unit Sector

Financial markets

Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
<i>Elements describe the essential outcomes.</i>	<i>Performance criteria describe the performance needed to demonstrate achievement of the element.</i>
1. Assess risk and determine need for hedging	1.1 Review existing trading portfolio and risk appetite to determine if hedging is required 1.2 Assess risks of various underlying hedge transactions including outright risk and basis risk
2. Develop and execute hedging strategies to mitigate risk	2.1 Formulate appropriate hedging strategy to mitigate risk, in line with market conditions and organisational hedging policies 2.2 Confirm hedge is within own authority to transact and within own existing market risk limit structure as a market maker 2.3 Determine most appropriate venue for executing hedge transaction 2.4 Execute hedging strategy in accordance with organisational, industry standards and regulatory requirements.

ELEMENT	PERFORMANCE CRITERIA
	2.5 Identify and report trading breaches in compliance to organisational processes
3. Review adjusted risk position and develop strategies to minimise risks	3.1 Assess post-transaction portfolio for inclusion of both original transaction and any subsequent hedges 3.2 Assess if position is within organisational risk tolerance and adjusted for changing market conditions

Foundation Skills

This section describes those language, literacy, numeracy and employment skills that are essential to performance but not explicit in the performance criteria.

Skill	Description
Reading	Interprets and analyses information from a range of texts including customer communication, organisational documentation and regulation
Writing	Prepares documentation and correspondence according to organisational formats using clear language, grammar, spelling and terminology
Numeracy	Interprets and analyses mathematical information to manage risk
Self-management	- Identify roles and responsibilities of own role and makes basic decisions on work completion parameters - Follows organisational policy, procedures and protocols, and regulatory requirements relevant to own role - Plans and implements routine tasks and workload, making limited decisions on sequencing and timing
Technology	Uses main features and functions of digital tools to complete work tasks and access information

Unit Mapping Information

Supersedes and is equivalent to FNSFMK602 Manage financial risk.

Links

Companion Volume Implementation Guide is found on VETNet -

<https://vetnet.gov.au/Pages/TrainingDocs.aspx?q=c7200cc8-0566-4f04-b76f-e89fd6f102fe>

Assessment Requirements for FNSFMK612 Manage trading exposures

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Performance Evidence

The candidate must demonstrate the ability to complete the tasks outlined in the elements, performance criteria and foundation skills of this unit, including evidence of the ability to:

- assess risk and develop two hedging strategies to manage trading exposures.

In the course of the above, the candidate must:

- develop hedging strategies to mitigate risk in line with organisational risk tolerance
- assess risks of underlying hedge transactions and existing portfolio structure
- evaluate and adjust financial positions
- comply with organisational practices for identifying and reporting potential trading limit breaches.

Knowledge Evidence

The candidate must be able to demonstrate knowledge to complete the tasks outlined in the elements, performance criteria and foundation skills of this unit, including knowledge of:

- regulatory and organisational requirements for managing trading exposures
- financial market products that are traded in a particular asset class
- market risk, basis risk, value at risk (VaR)
- trading limit types
- organisational policies and procedures for managing potential trading limit breaches and risks
- risk measurement techniques such as VaR and basis point (BPS)
- market conditions and liquidity when managing financial risk
- venues for executing financial transactions
- methodologies for data interpretation and analysis.

Assessment Conditions

Skills in this unit must be demonstrated in a workplace or simulated environment where the conditions are typical of those in a working environment in this industry.

This includes access to:

- common office equipment, technology, software and consumables required to manage trading exposure
- organisational records, policies and procedures required for the performance evidence.

Assessors of this unit must satisfy the requirements for assessors in applicable vocational education and training legislation, frameworks and/or standards.

Links

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