

## 2 - Day Workshop: Financial Disasters – Lessons Learned

### Course objectives

The workshop “Financial Disasters – Lessons Learned” is designed to provide an introduction to key financial disasters of the recent past and what we can learn from them. Each disaster is presented as a case study that will focus on a particular part of risk associated with this case. The participants will learn the necessary background of financial instruments where needed to understand the case and then work with the instructor on the details of the case and what can be learned from retrospect.

The workshop will cover six prominent financial disasters: Barings Bank (1995), Orange County (1994), Metallgesellschaft (1994), Riggs Bank (2005), Lehman Brothers (2008) and Long-Term Capital Management LTCM (1998). Each case will concentrate on a different aspect of finance and risk embedded in financial transactions. Key focus is to see what went wrong, for what reason and what to do better in order to avoid similar issues in the future.

### Workshop background

When working in finance, a great deal can be learnt from mistakes others made if the right conclusions are drawn. In the past 20 years, several prominent financial disasters emerged that can serve as a way to learn what went wrong and why.

The Barings Bank case was probably the first situation when a financial disaster that ruined an English Bank with a very long tradition entered peoples’ mind as the flight of the responsible person, Nick Leeson, was followed by the press around the world. What did he do wrong? And how could he have done it while being embedded within a large bank with checks, controls and senior managers? The workshop will deal with these questions in the Baring Bank case and also in five other cases to see, how disasters of such magnitude could happen and who / what failed.

Disasters like the Lehman collapse can have a significant influence on every persons life worldwide. Therefore, it is mandatory to learn what went wrong and draw the appropriate conclusions.

### Who for?

The workshop is designed for junior and middle level managers working in finance, asset and risk management who want to get an overview of key financial disasters and what to learn from them.

This workshop is primarily based on case studies and, therefore, very interactive. The necessary finance background to understand the case will be explained by the trainer upfront by using many exercises that will be solved within the group with the trainer’s support.

The reading material to understand the cases will be handed out during the course such that participants can read the case details within the group on the training days and work together on the case questions.

No prior knowledge on the subjects is required but a sound interest in finance and financial concepts is desired. Especially, no mathematical knowledge is needed in order to follow the workshop.

### Workshop background

The workshop will enable you to:

- Get an overview of key financial disasters that happened with in the past 20 years.
- Understand how to separate front and back office operations in order to avoid failures like that of Barings Bank in 1995.
- Learn how the wrong application of interest rate instruments can ruin a government like Orange County in 1994 when interest rates predictions where completely wrong.
- See how hedging can break a firm like Metallgesellschaft in 1994 when the time horizon of obligations and hedging instruments did not match.
- Understand the importance of reputational risk like in the Riggs Bank case of 2005.
- Learn the background that led to the collapse of Lehman Brothers in 2008.
- See how the best models can be wrong and ruin a firm like LCTM in 1998 if the input parameters change because the economic state of the world changed.

## Workshop agenda

The workshop presents key financial disasters that shocked the world of finance in the past 20 years. In a case study approach, the reasons for the failure will be explained and lessons will be drawn in order to avoid similar disasters in the future. The required financial background will be presented up front in cases needed.

Day 1	
09.00 – 09.15	Introduction and Course Description
09.15 – 10.30	Case “Barings Bank” – an example for operational risk:
09.15 – 9.45	Individual reading time of key documents about the case.
9.45 – 10.30	Group discussion of the case
10.30 – 11.00	Coffee break
11.00 – 12.45	Presentation of required financial theory for the next case: <ul style="list-style-type: none"> <li>• Interest rates</li> <li>• Bonds</li> <li>• Fixed-Income Instruments</li> </ul>
12.45 – 14.00	Lunch break
14.00 – 15.30	Case “Orange County” – an example for interest rate risk:
14.00 – 14.30	Individual reading time of key documents about the case.
14.30 – 15.30	Group discussion of the case
15.30 – 16.00	Coffee break
16.00 – 17.00	Presentation of required financial theory for the next case: <ul style="list-style-type: none"> <li>• Forwards</li> <li>• Futures</li> </ul>

Day 2	
09.00 – 09.15	Repetition of day 1
09.15 – 10.15	Case “Metallgesellschaft” – an example for hedging risk:
	Group discussion of the case
10.15 – 10.45	Coffee break
10.45 – 12.45	Case “Lehman Brothers” – an example for model risk:
10.45 – 11.15	Individual reading time of key documents about the case.
11.15 – 12.45	Group discussion of the case
12.45 – 14.00	Lunch break
14.00 – 15.30	Case “Riggs Bank” – an example for reputational risk:
14.00 – 14.30	Individual reading time of key documents about the case.
14.30 – 15.30	Group discussion of the case
15.30 – 16.00	Coffee break
16.00 – 17.00	Case “LTCM” – an example for model risk:
16.00 – 16.30	Individual reading time of key documents about the case.
16.30 – 17.00	Group discussion of the case

### Disclaimer

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