

Managing risk across market trade units

Scenario 1: Hedging Market Risk

- **Implement Futures Contracts:** Lock in current prices for future purchases to protect against price increases.
- **Buy Call Options:** Purchase call options to benefit from any price drops while capping the purchase price.

Scenario 2: Credit Risk with a New Supplier

- **Credit Scoring Models:** Assess the supplier's financial health and creditworthiness.
- **Require Collateral:** Ask the supplier to post collateral to mitigate potential default risk.
- **Consider CDS:** Buy a credit default swap for additional protection against default.

Scenario 3: Operational Risk in Trade Execution

- **Process Automation:** Implement automated systems for trade execution to reduce errors.
- **Regular Audits:** Conduct regular audits to identify and address any process weaknesses.
- **Staff Training:** Provide training on the new automated systems and best practices.