



## FIN 330 – Derivatives

### Project

**Instructor:** Dr Eymen Errais

You are hired by Alpha Capital to assist Leasing companies to mitigate their interest rate risk. Because leasing companies lend at fixed rates risk and they borrow either on floating or fixed rates, they tend to be short rates. To address this issue, they hired Alpha Capital to help them mitigate their interest rate risk.

As new hires you have to do the following steps:

1. Chose a leasing company you want to work with
2. Establish contact with that company
3. Propose your services to help them mitigate their interest rate risk
4. Compute their interest rate risk
  - a. Compute the duration of their resources
  - b. Compute the duration of their allocations (credit contracts)
  - c. Compute the net duration
5. Design the perfect swap contract to mitigate this risk
6. Prepare a presentation to explain the designed swap contract and be able to pitch it to a bank
7. Get into contact with a bank, pitch them the swap contract and explain the usefulness.
8. Discuss the pricing with the bank and get their interest
9. Go back to the Leasing company with the bank proposal

Your deliverables are:

1. An excel sheet with (30 points)
  - a. Risk calculation for the leasing company
  - b. Swap contract pricing
2. Power point presentation pitching the swap opportunity for the banks (30 points)
3. Report in word document explaining what you did in the steps 1 to 9 (40 points)

In case you can't manage to meet a leasing company, you can use any leasing company listed on the stock market and do the analysis. 10 points will be removed from the report points though.

In case you can't manage to meet a bank representative you will pitch to an imaginary bank, but you will have another 10 points removed from the report.