



LISBON
SCHOOL OF
ECONOMICS &
MANAGEMENT
UNIVERSIDADE DE LISBOA

Case Studies in Financial Engineering

CASE 5

Exotic Interest Rate Swaps: Snowballs in Portugal

Harvard Business School Case No. 9-217-050, January 5, 2017

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1. What are the pay-offs, potential profits and losses, benefits and risks of the swaps implemented with BCP and Santander?
2. Would you qualify these transactions as hedging? Why?
3. As a government agency, how should Metro do Porto think about innovative financial transactions?
4. Was MdP aware of the nature and magnitude of the risk taken?
5. Present your own assessment of the adequacy of Santander swap by using Monte Carlo simulations.
6. What would be the alternatives for MdP to reduce the interest rate paid and its market exposure?