

Credit Derivatives

A Workshop

Programme Content

Credit Derivatives Overview

- ▲ What are Credit Derivatives
- ▲ Brief history and putting things in perspective
- ▲ Types of Credit Derivatives
- ▲ Main Uses of Credit Derivatives
- ▲ Role of Credit Derivatives
- ▲ Market Size & Structure
- ▲ Major Market Participants
- ▲ Underlying reference entities
- ▲ Market constraints
- ▲ Outlook for Growth

Credit Default Swaps (CDS)

- ▲ Synopsis
- ▲ Introduction to CDS
- ▲ CDS Mechanics
- ▲ The economics of a CDS isn't exactly new
- ▲ Differences from Asset Swaps – Points Upfront CDS
- ▲ CDS initially driven by a win-win strategy
- ▲ Market towards greater standardization: CDS Indices
- ▲ Mechanics of the indices
- ▲ Theoretical value calculation
- ▲ Comparing the CDS index to cash bonds
- ▲ Notes versus swaps
- ▲ Introduction of Credit Derivative in India

Programme Content (Cont'd)

Valuation of Credit Default Swaps

- ▲ Comparing Cash and Default Markets
 - Default Swaps as 'Spread' Products
 - Unwinding Cash Market Positions
- ▲ Ways to Unwind a Default Swap
- ▲ Valuation Factors
- ▲ Default Probability Models
- ▲ CDS Specifications
- ▲ Conceptualising Default Swap MTM Values
- ▲ Risky Cash Flows
- ▲ Determining Recovery Rates
- ▲ Caselet on Unwinding Credit Default Swaps
- ▲ Sensitivities of Mark-to-Market

CDS Investor Strategies

- ▲ Investor Strategies
- ▲ Credit Linked Notes (CLNs)
- ▲ Protected Bond Packages
- ▲ Inverted Curve Trades
- ▲ Sub-Versus-Senior CDS Strategies
- ▲ Convertible Bond Hedging with CDS
- ▲ Wing Trades

Basket Products

- ▲ Investment Rationale
- ▲ Linear Basket
- ▲ FTD Basket structure description
- ▲ Basket Pricing
- ▲ Sensitivity of Basket Swaps
- ▲ Basket Swap Strategies

Programme Content (Cont'd)

CDS Structural Roadmap

- ▲ Reference Entity
- ▲ Credit Events
- ▲ Obligations
- ▲ Protection Period
- ▲ Reference Obligation
- ▲ Deliverable Obligations
- ▲ Physical Settlement of CDS
- ▲ Treatment of Guarantees
- ▲ The Four Restructuring Alternatives
 - “Soft” and “Hard” types
 - Modified Restructuring
 - Mod-Mod-R
 - No Restructuring

Overview of Documentation & Regulatory Issues

- ▲ Banking Book
 - Single Name
 - Multiple Name (Baskets)
 - Funded Instruments (CLNs)
- ▲ Trading Book
- ▲ The New Basel Capital Accord
 - Banking Book Proposals
 - Trading Book Proposals
 - Potential Effects of Basel II on the Credit Derivatives Market
- ▲ Regulatory treatment in India (based on RBI Circular)

Credit Derivatives and Systematic Risk

- ▲ Structural and Regulatory effect on Credit Derivatives Market
- ▲ Systematic and Potential Economic Effects
- ▲ Market Liquidity and Other Vulnerabilities
- ▲ Provision of Credit and Credit Cycles
- ▲ Policy Implications and Conclusion

Who should attend?

This programme is ideal for

- ▲ Traders who take a view on credit as an asset class
- ▲ Marketers who recommend trade ideas and structures on credit derivatives
- ▲ Corporates or Investors of Credit Linked Notes (CLN), First-to-Default (FTD) etc
- ▲ Risk Managers and portfolio managers who wish to hedge credit risk
- ▲ Middle office team
- ▲ Regulators who wish understand the implications of credit derivative markets

Programme Details

The programme includes:

- ▲ Two day workshop
- ▲ Detailed course material
- ▲ Networking opportunities throughout the workshop
- ▲ Lunch and refreshments