EARLY BIRD - SPECIAL -
Sign up before 20th March 2010

CFA SINGAPORE

Counterparty Risk of OTC Derivatives Workshop

Venue: Intercontinental Singapore
80 Middle Road, Singapore 188966
Date: 20 – 21 April 2010
Time: 9.00am to 5.00pm
By: Dr Izzy Nelken
Professor at University of Chicago
International Credit Risk Expert

Attend this highly practical two-day programme and you will learn:

- Best practice techniques for pricing and hedging counterparty risk, illustrated with real world case studies and models
- Bilateral and multilateral payment and closeout netting techniques
- How to structure derivative transactions that actually reduce your exposure to counterparty risk
- State-of-the-art approaches for collateralisation – in theory and in practice
- Tools for dealing with "wrong way" counterparty risk
- The latest strategies and techniques for reducing credit exposure
- How to deal with the problems created by the credit risk of derivatives

....and many other critical topics.

CFA INSTITUTE
CONTINUING EDUCATION
QUALIFIED ACTIVITY
21 Credit Hours

As a participant in the CFA Institute Approved-Provider Program, CFA Singapore has determined that this event qualifies for 21 credit hours. If you are a CFA Institute member, CE credit for your attendance at this event will be automatically recorded in your CE diary.

Funding

The Monetary Authority of Singapore (MAS) administers grants to financial sector organisations that sponsor eligible participants to training programmes that meet qualifying criteria. For enquiries, please contact the MAS at 6229-9396 or via email at fsdf@mas.gov.sg.

Please refer to next page for Course Information ▶

Course Information

Why Attend?

Everyone needs to protect themselves now more than ever, so the question I put to you is can you really afford not to attend this programme? This course examines the problem by looking at a variety of techniques to measure and mitigate counterparty risk: netting, collateralisation, SPV, Credit Derivatives and other credit enhancement techniques. It will be highly practical throughout and includes many fully functional models that you can take away with you and use as soon as you return to work.

Who Should Attend?

This course is crucial to anyone who wants a deeper understanding of counterparty risk. It is therefore appropriate for people involved both directly and indirectly with the derivative transaction process. This will include a wide range of people from front, middle and back office personnel to IT professionals, regulators and auditors. Please see below for a more thorough list of job tiles that may benefit from this course:

- Risk Managers
- Risk Officers
- Credit Officers
- Credit Controllers
- Quantitative Analysts
- Bank Examiners
- Credit Risk Analysts
- Compliance Officer
- Economic and Regulatory Managers
- Credit Controllers
- Risk Managers and Credit Risk Practitioners
- Product Controllers
- Portfolio Managers
- Product Controllers
- Structurers and Salespeople
- Derivatives Traders
- Legal and Compliance Staff
- Operations/Collateral Management
- Auditors

Please refer to next page for Course Information ▶

Course Description

Overview of Credit Risks and Their Effects

- Credit risk vs. market risk
- Assessing the three components of credit risks:
  - Exposure to single counterparty
  - Default probability
  - Recovery rates
- Current exposure, potential future exposure (PFE)
- Expected exposure and worst case exposure
- Exposure during the close–out period

Workshop

- Credit risk of OTC options
- Credit risk of zero cost collars
- Credit risk of exotic options
- The evolution of credit risk of interest rate swaps through time
- Credit risk of interest rate swaps, equity swaps, total returns swaps and credit default swaps
- "Wrong way" credit exposure

Probability of Default

- A comparison of three approaches to default:
  - Flesaker et al
  - Black, Scholes & Merton
  - Longstaff & Schwartz
- Credit rating vs. the probability of default

Evaluating the Purpose of Credit Enhancement Techniques

- Control credit exposure and minimise risk
- Improving return on capital
- Solving problems created by credit risk of derivatives

Collateralisation

- What is collateralisation?
- Assessing collateralisation as a credit risk mitigator and as a business driver
- Determining the need: cost versus benefits of implementing collateralisation
- Identifying constituents for effective collateralisation:
  - Liquidity
  - Security interests
- Using collateral to reduce risk-based capital requirements
- Trends in collateralisation

Implementing Collateralisation of Derivatives to Reduce Credit Risk

- How to select and value collateral effectively
  - How to measure accurately the exposure to be collateralised
  - Determining what is acceptable collateral
  - How to value collateral effectively
- Identifying types of collateral which are effective for giving a complete offset
- Deciding when to use bilateral collateral agreements or one way collateral agreements
- Collateralisation as a tool in portfolio management: legal, security and liquidity issues that enhance the credit rating and quality of a portfolio

Case Study
The curious case of the negative yields on the US T–Bills

Special Purpose Vehicles

- Who created these and why
- Reaction to SPVs by the clients
- How to isolate the SPV from the parent

Credit Enhancement in Asset Backed Securities

- Internal vs. external credit enhancement techniques
- The role of Monoline insurance companies
- Examining several deals and observing the credit enhancement

Case Study
Ambac and MBIA during the credit crunch

Netting as a Successful Technique for Reducing Credit Exposure

- What are the principal forms of netting
- Identifying the risks and how netting can mitigate these risks
- Cross-border netting/cross product netting
- Assessing the impact of netting on a counterparty's potential credit exposure
- Understanding the role of the regulators and their interest in netting systems
- How documentation can strengthen your netting position
- Bilateral netting, Multilateral netting
- Payment Netting and Closeout Netting

Case Study
Detailed, worked out examples of netting schemes

Workshop
Credit Portfolio Management
In this workshop, delegates will analyse portfolios using a leading portfolio credit risk management system: Hull, Nelken & White: Volatility Skews and the Credit Markets

Credit Derivatives and their Uses – Different Structures

- Credit Default Swaps
- Total return swaps
- Credit linked notes
- Put credit spreads on asset swaps
- Convertible bond asset swaps (CBAS)
- Collateralised Debt Obligations CDO's)
- Collateralised Bond Obligations (CBOs)
- and collateralised Loan Obligations
- (CLOs)
- Contingent Credit Default Swaps (CCDS)
- Downgrade options and their uses

Case Studies
Detailed examples of the impact of credit derivatives on economic and regulatory capital

Workshop
Delegates will create a simple CDO

Credit Indexes

- iTraxx and Markit CDX indexes
- Tranching
- Senior and Super Senior Tranche

Case Studies
How and why models failed: the rise of the humans

Please refer to next page for Course Information ▶

Biography

Dr Izzy Nelken

Dr Nelken is an internationally recognised expert in the fields of risk management, exotic options, convertible bonds and other complex derivatives. Izzy holds a PhD in Computer Science from Rutgers University and was on the faculty at the University of Toronto. Izzy teaches numerous courses and seminars around the world on a variety of topics including: risk management, credit risk management, credit derivatives, exotic options, financial engineering, volatility, correlation and hybrid securities. He is also a lecturer at the prestigious mathematics department at the University of Chicago. Izzy's seminars are known for being non-mathematical. He combines cutting-edge analytics with real world applications and intuitive examples.

Dr Izzy Nelken has edited and co-authored many best-selling books:

- *"The Handbook of Exotic Options" (Irwin, 1996)*
- *"Option Embedded Bonds" (Irwin, 1997)*
- *"Volatility in the Capital Markets" (Glenlake, 1997)*
- *"Handbook of Hybrid Securities" (Wiley, 2000)*
- *"Hedge Fund & Investment Management" (Elsevier Finance, 2006)*
- *"Volatility as an Asset Class" (Risk Books, 2007)*

Please refer to next page for Reservation Form ▶

Registration Form

Advanced reservation is required due to limited capacity
For participation, please complete the fields below and fax back to CFA Singapore
Please indicate membership ID to enjoy members' rate
Alternatively, Reservation can be made via email
Refund and Cancellation Policy:
***Refunds and cancelation received on the following:**
***4 weeks before the workshop date: 10% Cancellation Fee**
***2 weeks before the workshop date: 50% Cancellation Fee**
***1 week before the workshop date: No Refund**
***Members/Guests without registration will NOT be admitted**
***Admission/Seats are subject to availability**

Name:Mr./Mrs./Ms./Dr./_____

CFA Singapore Membership No.: _____ Email:_____

Tel: _____ Fax: _____ Affiliated Professional Body:_____

Company:_____

Address:_____

_____Postal Code: _____

Payment Details

Please mark a tick ☑ in the relevant box:

Membership type	Early Bird Fees (by 20 Mar 2010)	Standard Fees
☐ CFAS Members	$1,500	$1,700
☐ Affiliated Professional Bodies Members	$1,700	$1,900
☐ Non Members	$1,900	$2,100

(Bank, *Cheque No.): _____ Amt Due: S$_____

**All cheques to be made payable to 'CFA Singapore'*
c/o 10 Shenton Way #13-02 MAS Building, Singapore 079117

Please charge to my credit card

I, _____ hereby authorize CFA Singapore to charge my credit card

account for the amount $_____SGD

Credit Card (VISA/AMEX/MC): _____ _____ _____ _____ (Expiry:__ /20_ _)

_____

Signature/ Date

CFA Singapore
(a member society of CFA Institute)
10 Shenton Way, MAS Building, #13-02, Singapore 079117
Phone: 6327 5437 Fax: 6323 7657
Email: events@cfasingapore.org