
Credit Derivatives and Structured Credit Products

Key Contents

- Credit Default Swaps
 - Mechanics and Structuring of single name and Index CDS
 - Issues: Reference Entities, Definition of Credit Event, Settlement
- Pricing a single name CDS
 - Actuarial Methods
 - Spread induced Methods
 - Equity Pricing Methods / KMV
- Basket and "nth to Default" CDS – Mechanics
 - Discussion on Default correlation Issues
- Total Rate of Return Swaps
- Credit Spread Forward Contracts
- Credit Spread Options contracts
- Counterparty Risk in CDS – correlation between Underlying Default and Counterparty Default
- Standardized ISDA Contracts for Credit Derivatives
 - The ISDA Standard CDS Model
 - Variations on CDS contracts and other credit derivatives
- Pricing and Hedging Credit Derivatives
 - Example of Hedging a sovereign CDS
- Credit Linked Notes – Structuring and Applications
 - Asset Backed Securities vs CDO Tranches
- CDOs – Mechanics, Structuring Issues, Risk Transfer Applications
 - Balance Sheet CDOs
 - Arbitrage CDOs
 - Synthetic CDOs
 - Static vs. Managed CDOs
 - Cash Flow vs Market Value CDOs
- Pricing CDOs
 - Rating Based Methods
 - Dealing with Default correlations via Copula Functions
 - The "Contingent Leg Pricing Method"
 - The "Fee Leg Pricing Method"
 - Numeric Examples
 - Dealing with Implied correlations
 - Portfolio effects and the Value of Diversification – Discussion in light of lessons learned from the crisis in 2008
- Hedging CDO Exposure