

Structures; instruments; documentation, pricing; modeling; accounting - everything

Credit Derivatives; synthetic CDOs; basket swaps; index trades

The most comprehensive credit derivatives training event anywhere in the World



MAY 03-10, 2007
at ITC Sonar Bangla
(or similar)

Second Credit Derivatives & CDO School

Complete inputs on credit derivatives and synthetic CDOs - "the most notable financial innovation in a decade" [Alan Greenspan]

- Credit derivatives have been one of the most noted, hottest instrument in high finance with a growth rate of over 100% per annum.
- This is the most comprehensive and complete training program anywhere in the World on credit derivatives and synthetic CDOs.
- The Credit Derivatives School along with its sister event the Securitisation School is our regular feature. In each event, we draw participants from all over the World.
- The whole package is **most competitively priced**: others charge you twice the price we charge for half the duration.
- You may choose one or two modules (3 days each).

A 7-day residential package (with 6 days of training)

Organised by:

VINOD KOTHARI CONSULTANTS PVT LTD.

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US\$ 2750
Per participant

Course fees per participant:

	Complete package	Any one module
Overseas participants	USD 2750	USD 1500
Indian participants	Rs. 90000/-	Rs. 50000/-

Overseas participants may pay by bank remittance or by using their credit card. For credit card remittances, get back to us.

Course fee includes:

- 6-days' Tuition (three days per Module)
- Residential accommodation in a 5-star hotel (ITC Sonar Bangla or similar) for maximum n+1 nights, one room per person.
- Breakfast and lunch for the complete duration (n+1 days)
- Course materials including comprehensive presentation materials

Sister event: The Securitisation School:

With training on structured finance as our core competency, we have been holding securitisation and credit derivatives training events everywhere in the World. One of our notable events is the Securitisation School – we have already successfully held 5 Securitisation Schools and intend to repeat the same over time. All the 5 Securitisation Schools have drawn international participation. Participants' feedback has been excellent - on a rating scale of 1 to 16 (sixteen being highest), more than 75% participants have consistently rated our events between 15 and 16.

Venue:

Calcutta (Kolkata) is a bustling city in the eastern part of India, with a rich colonial and cultural heritage. The city has several unique faces: the cultural capital of India; the place where Mother Teresa worked for the "poorest of the poor"; a city where every 5th person or so is a poet or litterateur, singer or fine artist; a city where architectural beauties of the British empire are preserved in elegance. The venue will be a 5-star hotel (ITC Sonar Bangla or similar) in the city. Calcutta is easily connected with international destinations: direct flights from Singapore, Bangkok, Dubai, Kuala Lumpur, Amman, London, Frankfurt, etc. For any assistance with travel itinerary, excursions, extra nights, domestic or international bookings, etc., please contact our travel agent listed at <http://vinodkothari.com/secwork.htm>.

Why should you participate?

If you have anything to do with credit derivatives and synthetic securitisation, and getting inputs on this very important financial instrument is on your wish list, you would find it extremely sensible to join this event.

As the coverage is very comprehensive, you will emerge with complete inputs on credit derivatives and synthetic CDOs. We will cover the whole range of relevant issues – pricing, structuring, legal, tax, accounting, valuation, documentation, backroom etc. The residential course allows us to make the most of the available time and we involve you to workings, work on at least one project per person (which will end up with presentations on the last day, and there is a cash prize for the best presentation), etc. We will hand-hold you in learning complicated mathematical concepts on pricing. We spend a complete module on pricing and cashflow modeling of CDOs. At the same time, if you are taking Module 1, we equip you with understanding of the legal, taxation, accounting and regulatory complexities as well.

The workshop will provide inputs from structurers, sellers, buyers and investors' perspectives.

Most competitively priced event

This event might stand out as one of the most competitively priced event financial topics in the market. Event producers would charge similar price for a two-day non-residential course, and regrettably, in several cases where the faculty is your workshop leader himself.

If training costs matter to you, this course is the simplest buy out. After adding the cost of travel to the venue, the course will be cheaper than any other non-residential course of much smaller duration.

What allows us to price the event so cheap? As there is no intermediating event producer, we save a lot of money and transfer the savings to you. Besides, we have taken advantage of very tightly priced hotel package, again, to your advantage.

About your workshop leader:



Vinod Kothari is internationally recognized as author, trainer and expert on specialized financial subjects, Internationally recognised as author, trainer and consultant on specialised financial subjects, viz., securitisation, credit derivatives, accounting for financial instruments, etc. As such, he lectures all over the world. The locations where he has lectured on these subjects include London, Singapore, Hong Kong, Sydney, Colombia (South America), South Africa, Malaysia, Jordan, Egypt, Sri Lanka, Bangladesh, etc., besides almost every important location in India.

Author of Books:

- **Lease Financing and Hire purchase** (4th edition, 1996): This book, first published in 1985, is widely recognised as the bible on leasing in the continent and has been the most popular text on the subject for last 15 years. The book runs over 2000 pages and has elaborate contents on leasing, hire purchase and similar credit agreements.
- **Securitization: The Financial Instrument of the Future**, Third edition 2006: Running over approximately 950 pages, this is an internationally-read publication published by John Wiley, the biggest financial publisher in the World. The book is read all over the World.
- **Credit Derivatives and Synthetic Securitisation**, 2002: This is one of the very few comprehensive texts on credit derivatives and is read all over the World.
- **Securitisation, Asset Reconstruction and Enforcement of Security Interests**, 2003 edition: This book is a detailed commentary on the law by the same name enacted in India. Besides a thorough and incisive commentary on the law, the book contains generic chapters dealing in detail with the law of enforcement of security interests in global context. A new edition of the book is currently under print.

Articles:

- Vinod Kothari's articles on asset-based finance, securitisation etc. have appeared in several national and international journals including Duke Journal of Comparative International Law (USA), US Banker (USA), Exportrader (Spain), Trade and Forfeiting Review (UK), Journal of International Banking Law and Regulation (UK), Equipment Finance Journal (USA), MonitorDaily (USA), Analyst (India), etc.
- Vinod Kothari also contributes to Euromoney's yearbooks on leasing and securitisation.

Lecturing:

- Regular speaker at professional institutes,
- Visiting faculty at Indian Institute of Management, Joka, Calcutta for several years. Currently, offering a course on structured finance, rated as one of the most popular courses (last term had 130 registrations).
- Guest faculty at National University for Juridical Sciences: the subject taught here was insolvency and credit interest enforcement laws in India and other countries. The course included a comparative study of the insolvency and creditors' rights in USA, UK and Australia.

Websites

Vinod Kothari owns and runs some of the World's most popular websites on specialised financial subjects:

- Securitisation: <http://vinodkothari.com>
- Credit derivatives: <http://credit-deriv.com>
- Leasing and asset-backed financing: <http://india-financing.com>
- Asset reconstruction companies: <http://india-financing.com/arc/>

Positions

Vinod Kothari was retained by the Asian Development Bank, Manila for two important projects: to advise the Govt. of India on reforming secured lending law in India; and to develop securitisation-related legal framework in the Asian region.

Vinod Kothari is the Director of Association of Leasing and Financial Services Cos., a body of over 500 top leasing companies in India and is editor of its Newsletter Fin-n-lease.

Vinod Kothari is the former Chairman of the Institute of Company Secretaries of India.

Vinod Kothari is the Executive Director of the Asian Securitisation Forum

Vinod Kothari is also the Chairman of Investec Capital (Pvt.) Limited, Sri Lanka

Awards

In 1987, a voluntary organisation of Calcutta chose him as the Outstanding Young Person of Calcutta in the field of Finance and Taxation. Vinod Kothari won several academic awards.

A typical training day's routine

We will take full advantage of a residential course to provide participants quality training inputs, supplemented by time-tested methods that enhance efficiency and energy. Be prepared to slog – in your own interest, we will try to give you our best, and take the best out of you.

OUTLINE OF MODULES

MODULE 1: Credit Derivatives & CDOs – Structures, Instruments, Legal, Taxation, Accounting and Regulatory Capital May 3 - 5, 2007

1. Concept of credit derivatives – credit risk as a commodity. Synthetic credit asset – concept of creation and transfer of assets synthetically. Introduction to the market for credit derivatives and its stellar growth. Motivations in credit derivatives – hedging, arbitrage and speculation.
2. Basic Instruments of credit derivatives – credit default swaps, total rate of return swaps. Funded and unfunded swaps - Credit linked notes. Leveraged structures – portfolio default swaps and single name swaps. Basket swaps – creating n-th to default position in a basket. Index trades. Equity default swaps and other innovations. Constant to maturity products.
3. Credit derivatives and securitisation: concept of synthetic securitisation. Cash versus synthetic securitisation – major differences. Motivations for synthetic securitisation.
4. Concept of CDOs – structured vehicles for investments with specific target. Balance sheet and arbitrage vehicles. Cash and synthetic vehicles. Static and dynamic pools. Managed and static pools.
5. Basic terms of credit derivatives trades – tenure, premium, etc. Reference and deliverable obligations – obligation characteristics. Credit events – understanding of credit events under ISDA definitions. Valuation. Settlement – understanding of the methods of settlement – physical and cash. Notification procedures.
6. Various credit derivatives instruments: CDS contracts, TRS contracts, credit linked notes, basket swaps, index trades, synthetic CDOs. Spread trades, option contracts, etc. Case studies.
7. Some innovative CDO structures – CDO squares, leveraged super senior CDOs. CPPI CDOs, constant maturity products, other innovative CDO products. Case studies of CDOs.

8. Legal Issues in Credit derivatives – legal nature of a derivative contract. Credit derivatives and financial guarantees. Credit derivatives and insurance/indemnity contracts. Wagering contracts and derivatives. Netting in derivatives – close out netting, settlement risk and other issues. Collateral rights in case of counterparty bankruptcy. Litigation relating to credit derivatives - issues relating to enforceability, validity, etc.
9. Documentation of credit derivatives: Introduction to ISDA documentation. ISDA master agreement. Credit derivatives definitions – significant terms and definitions. Restructuring-related limitations – understanding what they mean. Confirmation. Short form of confirmation. Practical filling up of confirmation documents. Other backroom issues – collateral management. Applicability of ISDA documents to some specific cases.
10. Operational issues and procedures in credit derivatives trades. Confirmation and back room jobs.
11. Taxation issues: Issues on taxation. Taxation of derivatives in general. Introduction to concept of notional principal contracts. Swap-type treatment. Hedging treatment. Tax treatment in some major jurisdictions.
12. Accounting and valuation issues: Introduction to accounting for derivatives – FAS 133/ IAS 39. Understanding of financial instruments and valuation issues. Major provisions of IAS 39/ FAS 133 on credit derivatives. Hedging treatment – conditions of hedge effectiveness and valuation of hedged item. Accounting for investment in a credit linked note – splitting of embedded derivative.
13. Basle II and capital consequences of credit derivatives – regulatory capital consequences of credit derivatives. Treatment for the protection seller and protection buyer. Minimum conditions. Basle II implications of credit derivatives. Supervisory discretion for residual risks in credit derivatives. Capital implications in case of tranching risk transfers. Credit derivatives and economic capital. Implications for RAROC, etc.

May 6, 2007 (HOLIDAY)

MODULE 2: Synthetic CDOs: Structuring and Modeling, Pricing of Credit Risk, Pricing and Valuation of Credit Derivatives

May 7 – 9, 2007

This module is expected to be 100% practice oriented. We are likely to spend most of the time doing workings on Excel. All participants are expected to co-work on Excel, and therefore, general proficiency in Excel is a must. We will intimate the Excel functions that participants are expected to be aware of.

1. Architecture of synthetic CDOs: CDO manager. CDO equity provider. Liquidity facilitator. Selection of the pool – selection objectives and parameters. Weighted average rating factor. Diversity and diversity score. Structural triggers – the over-collateralisation test and the interest cover test.
2. Structuring balance sheet CDO transactions: Objectives – economic and regulatory capital relief. Risk management. Process of balance sheet synthetic CDOs. Cash versus balance sheet synthetic CDOs. Meeting the funding motive in balance sheet synthetic CDOs. **Relevant case studies.**
3. Structuring arbitrage CDO transactions: Arbitraging – the crux of CDO process. Selection of arbitrage pool. Objectives in selection – optimization of arbitrage. Correlation between the asset composition and liability structure. Creating diversification in the pool. The number of assets as a factor in credit enhancement levels. Structure of arbitrage transactions – stand-alone CDOs and CDOs routed through balance sheets of banks. **Cases of arbitrage CDOs.**

4. Structuring single tranche CDOs – relevance as bespoke, quick-fix CDOs.. Structure of single tranche transaction as through the balance sheet of a bank. Delta of CDS deals. Delta-hedging the uncovered risks in single tranche transactions. Practical examples in delta hedging.
5. Structuring CDO squares and CDO cubes: Creating double and triple layers of leverage in transactions - risk increased or risk reduced? Understanding correlation and common names' risk in CDO squares. Structuring of CDO squares. **Case study of a CDO square.**
6. Structured finance CDOs – synthetic CDOs based on structured finance and real estate transactions. Typical features of structured finance CDOs. Credit Events. Other issues in structured finance CDOs. **Case study of a structured finance CDO deal.**
7. **Modeling of synthetic CDOs – cashflow and risk model of an arbitrage synthetic CDO. Workings on Excel. Stress-testing of the model.**
8. Rating agencies' approach to rating synthetic CDOs - Moody's approach to synthetic CDOs. Concept and computation of diversity score. Binomial expansion method. Double and triple binomial method. Correlated binomial method. S&P's evaluator model – comparing the binomial and the simulation approaches. Fitch model.
9. Credit Risk – meaning and indicators. Stand alone risk and portfolio risk. Credit risk mitigation. Credit risk transfer.
10. Probability of default and loss given default – probability of default as indicator of credit risk. Meaning of default. The amount at risk or exposure at default. Recovery rate and loss given default as measures of loss amount. Credit spread – reasons for existence of the credit spread. Market's estimate of losses implied by credit spread. Term structure of credit risk and deriving future probabilities of default.
11. Introduction to Merton Model and other structural models – foundations of the Merton model in Black Scholes option pricing model. Derivation of Merton formula – assessing probability of default. Time or distance to default. Applications of the structural models in practice.
12. Introduction to Intensity models and reduced form models- conceptual foundations of the intensity models. Main intensity models – Jarrow Lando Turnbull approach; Duffie and Singleton approach. Other approaches. Practical application of the intensity approach.
13. Practical approach to pricing of credit derivatives – pricing credit default swaps in practice. Difference between funded and unfunded swap. Examples and exercises on pricing of single name credit default swaps
14. Correlation – assessment of correlation risk - guide to estimating correlation. Credit correlation and asset correlation. Simulated correlated assets' defaults. Applying correlation to random numbers.
15. Pricing of n-th to default basket swaps. Pricing of the first-to-default basket swap – correlation and the impact on the risk of the FTD protection seller. Impact of correlation on the risk of the STD and TTD basket seller. Exercises in assessing prices of basket swaps. Guide to constructing baskets.
16. Pricing of CDOs – difference between CDO risks and basket swap risks. Assessing portfolio risks. Tranche risks. Factors affecting the tranche risks. Subordination. Thickness of the tranche. Granularity of the pool. Practical exercises in pricing of CDO tranches.

Contacts

For registration and details, contact:

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REGISTRATION FORM
The Credit Derivatives School-2007

KOLKATA
3rd May to 9th May, 2007

1. Name _____

Designation _____

Qualification _____ Signature _____

2. Name _____

Designation _____

Qualification _____ Signature _____

Name of the Organisation _____

Address: _____

City: _____ Pin Code: _____

Telephone: _____

E-mail _____ Fax _____

I take Module I/ Module II (tick one or more as you choose)

Enclosed (Check one):

(Cheque)

(Demand Draft)

(Cash)

For fees details check the enclosed brochure.

Payment may be made by Cheque/remittance favouring VINOD KOTHARI CONSULTANTS PVT LTD.

Cancellation made upto 5 days before the event will be entitled to refund of 75% of the fee paid. No refund will be made for cancellations thereafter or no shows.

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