



redit risk Summit 2010

counterparty risk

regulation

liquidity

14-15 October 2010
London

modelling

pricing



Don't
miss the
Summer
Saver

To Register

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creditrisksummit.com



Dear colleague

From consumers, to banks, to sovereigns – the credit crisis has spread slowly and predictably upwards, sapping confidence and choking off lending appetite as it goes. Its latest stage is arguably the most worrying.

Faced with rising government deficits and debt levels in many developed countries – particularly the European Union – investors initially started insisting on higher bond yields, but anxiety has spilled over into equity markets, too, threatening the fragile economic recovery. A new wave of risk aversion and illiquidity sparked by a major sovereign restructuring or default could be disastrous for segments of the credit markets – like high-yield bonds – which have so far proven surprisingly resilient.

All of this is happening against the backdrop of dramatic regulatory change. Driven by a desire to head off future crises – but also by the understandable political need to be seen taking action – regulators are preparing a package of reforms which will increase the size and quality of the capital reserves banks have to hold, in particular boosting requirements for counterparty exposures. At the same time, the counterparty risk profile of the OTC derivatives market is about to be overhauled by the introduction of central clearing – for better or for worse.

Credit Risk Summit 2010 will deal with these issues and many more. You will have the chance to pose

questions to our panels, hear the experts' views and discuss challenges and opportunities with your peers as Europe struggles out of recession.

This one day event will provide a practical look at the major issues affecting credit risk management. Our panel of expert speakers will offer cutting-edge research, case studies and practical advice on how to model, price and mitigate credit risk and how to comply with new regulations. Among the key topics to be discussed will be the impact of proposed regulatory changes and recent market events, such as the European sovereign debt crisis, and how you can best measure and manage your credit risk exposure in the light of such events. Other sessions will look at opportunities to identify credit risk in large portfolios and create a new credit volatility culture.

There will also be a separate post-conference seminar offering cutting edge insight into credit models and counterparty risk valuation.

We look forward to seeing you in London in October!

Yours faithfully,



Duncan Wood
European Editor
Risk Magazine

Who should attend:

- Heads of **Credit Risk**
- Chief **Credit Officers**
- Chief **Risk Officers**
- Heads of **Credit Derivatives**
- Heads of **Credit Research**
- Heads of **Credit Risk Analysis**
- Heads of **Credit Risk Modelling**
- Heads of **CDOs**
- Heads of **Fixed Income**
- Heads of **Liquidity**
- Heads of **Portfolio Management**
- Heads of **Quantitative Analysis**
- Heads of **Quantitative Credit Strategy**
- Heads of **Quantitative Research**
- Heads of **Risk**
- Heads of **Structuring**
- Heads of **Trading**

Benefits of attending include:

- Get up-to-date information and the latest findings on the most pressing credit risk issues from the leading professionals across Europe
- Join the panel discussions on the sovereign debt crisis and credit portfolio management
- Share the expert views on credit volatility and stress testing
- Debate the impact of proposed changes in Basel III on banks and the financial market
- Learn best practice from the cutting edge case studies on modelling counterparty risk and right and wrong way exposure
- Examine and improve the pricing problem for correlation products
- Discuss the challenges of liquidity modelling in the CDS market
- Network with senior industry professionals and make valuable contacts

Evgueni Ivantsov
Head of Portfolio Risk
& Strategy,
HSBC BANK PLC



Giovanni Cesari
Managing Director,
Head of CVA-Quant
Group, UBS



Sivan Mahadevan
Managing Director,
Global Head of
Equity and Credit
Derivatives Strategy,
MORGAN STANLEY



Christian Schwarz
Quantitative Credit
Strategist,
CREDIT SUISSE



Marc Teyssier
Quantitative Credit
Strategy,
SOCIETE GENERALE
CORPORATE &
INVESTMENT BANKING



Alistair McLeod
Global Head of
Portfolio Analytics,
BARCLAYS CAPITAL



Damiano Brigo
Gilbart Chair of
Financial Mathematics,
KING'S COLLEGE,
LONDON



08:20 Registration and coffee	
08:50 Opening remarks	
09:00 KEYNOTE	
<p>Examining Basel III and the impact of proposed changes on banks' credit risk management practices</p> <ul style="list-style-type: none"> ● Examining the proposed changes to Basel II ● Assessing the impact of changes, including potential unintended consequences ● Ensuring the regulatory response to the crisis is appropriate and not overly burdensome ● Meeting increased regulatory capital requirements ● Harmonising regulatory requirements globally <p>Speaker to be confirmed, please visit creditrisksummit.com for updates</p>	
09:40 Risk and the City: survival of the smartest in the Black Swan world	
<ul style="list-style-type: none"> ● Rethinking financial crisis experience from risk manager's perspective ● Why risk models fail ● New risk management architecture ● Risk Appetite: from theory to practical implementation ● Why do we need stress testing? ● Building crisis management capability <p>Evgueni Ivantsov, Head of Portfolio Risk and Strategy, HSBC BANK PLC</p>	
10:20 PANEL DISCUSSION	
<p>Risk-free no more: examining the European sovereign debt crisis</p> <ul style="list-style-type: none"> ● Assessing the impact of the sovereign debt crisis on the market ● Considering the possibility of a sovereign default ● How will countries reduce their deficits? ● Examining investor's options: do corporate bonds or emerging market sovereign debt offer better value? <p>Danny Dieleman, Credit Risk Business Management, ING Martin Grodzki, Head of Credit Research, LEGAL & GENERAL INVESTMENT MANAGEMENT Martin Reeves, Senior Vice President and Director, Global Credit Research, ALLIANCE BERNSTEIN Satish Palle, Credit Trading, BANK OF AMERICA MERRILL LYNCH</p>	
11:00 Morning break	
STREAM ONE: BEST PRACTICES IN MANAGING AND MITIGATING CREDIT RISK	STREAM TWO: CREDIT RISK MODELLING TECHNIQUES
11:30 Chairman's opening remarks	Chairman's opening remarks
<p>11:40 The credit volatility culture</p> <ul style="list-style-type: none"> ● Credit as an asset class requires tools ● The credit volatility culture ● Hedging as a key theme ● Income generation for carry ● Option building blocks <p>Sivan Mahadevan, Managing Director, Global Head of Equity and Credit Derivatives Strategy, MORGAN STANLEY</p>	<p>Modelling counterparty risk/ CVA</p> <ul style="list-style-type: none"> ● Computing CVA and counterparty risk for both vanilla and exotic transactions ● The American Monte Carlo approach ● CVA sensitivities: market and credit ● Inclusion of wrong way risk ● Impact of collateral on CVA pricing <p>Giovanni Cesari, Managing Director, Head of CVA-Quant Group, UBS</p>
<p>12:20 Challenges in managing counterparty credit risk</p> <ul style="list-style-type: none"> ● The role of a CVA group ● Calculating CVA ● The growing use of DVA ● Regulatory aspects <p>Jon Gregory, Independent Credit Expert</p>	<p>Modelling sovereign default risk</p> <ul style="list-style-type: none"> ● Modelling in a low visibility market ● The challenges of analysing sovereign risk ● Examining political and economic indicators ● Developing early warning systems ● Recognising and reacting to economic signals <p>Christian Schwarz, Quantitative Credit Strategist, CREDIT SUISSE</p>
13:00 Lunch	

	STREAM ONE	STREAM TWO
14:00	<p>Successfully identifying credit risk in large portfolios</p> <ul style="list-style-type: none"> ● A new market paradigm: there is more than one market movement ● Identifying the market and sector risks in credit portfolios ● Portfolio hedging and restructuring ● Single-name hedging: besides the carry flat hedge ratio ● Capturing the alpha movement of an issuer: benefiting from market inefficiency <p>Marc Teyssier, Quantitative Credit Strategy, SOCIETE GENERALE CORPORATE & INVESTMENT BANKING</p>	<p>Modelling right and wrong way exposure</p> <ul style="list-style-type: none"> ● Counterparty risk evaluation beyond Basel II ● Incorporating right- and wrong-way risk into CVA ● Unilateral and bilateral CVA ● Netting and collaterals ● Modelling risk factors and correlation ● Pricing examples for IR derivatives <p>Andrea Pallavicini, Head of Financial Engineering, BANCA LEONARDO</p>
14:40	<p>Stress testing, scenario analysis and sensitivity testing</p> <ul style="list-style-type: none"> ● Regulatory requirements for stress testing credit risk ● Developing stress tests ● Ensuring scenarios are extreme enough ● Connecting stress testing and modelling <p>Joerg Erlebach, Divisional Board Member, Group Risk Controlling & Capital Management, COMMERZBANK AG</p>	<p>Pricing CVA for correlation products</p> <ul style="list-style-type: none"> ● Motivation: CVA for CDO tranches ● Review of CVA concepts and definitions ● The pricing problem: CVA as a new exotic credit derivative ● CVA for CDS ● Pricing under the conditional forward annuity measure ● CVA for CDO ● Markovian dynamics ● Applications <p>Youssef Elouerkaoui, Managing Director, Global Head of Credit Derivatives Quantitative Research, CITI</p>
15:20	<p>PANEL DISCUSSION</p> <p>Maximising capital efficiency through active credit portfolio management</p> <ul style="list-style-type: none"> ● Organizing portfolio to ensure maximum capital efficiency ● Reducing capital consumption of non-core assets ● Reallocating assets depending on risk weighting <p>Danny Dieleman, Head of Portfolio Management, ING</p> <p>Joe Holderness, Global Head of Investment Bank Credit Portfolio, JP MORGAN CHASE</p> <p>Alistair McLeod, Head of Portfolio Analytics, BARCLAYS CAPITAL</p> <p>Evgueni Ivantsov, Head of Portfolio Risk & Strategy, HSBC BANK plc</p>	<p>Incremental Risk Charge (IRC) and Comprehensive Risk Measure (CRM): Modelling challenges in a bank-wide system</p> <ul style="list-style-type: none"> ● Overview of new capital charges on trading books ● Incremental Risk Charge (IRC): Modelling default and rating migration ● Comprehensive Risk Measure (CRM): Additional risk factors for credit correlation products ● Full revaluation vs. approximations for simulated scenarios ● Industry vs. regulators – (not so) different views? ● CRM and advanced risk management <p>Jean-Baptiste Brunac, Quantitative Analyst, BNP PARIBAS</p> <p>Sascha Wilkens, Quantitative Analyst, BNP PARIBAS</p>
16:00	Afternoon break	
16:30	<p>A survey of liquidity modelling in the CDS market</p> <ul style="list-style-type: none"> ● Trading liquidity and CDS markets ● CDS liquidity ranking: bid offer, inactivity and dispersion ● CDS liquidity as an additional spread in reduced form models ● CDS liquidity in the context of the CAPM ● Dependence between credit and liquidity <p>Damiano Brigo, Gilbert Chair of Financial Mathematics, KING'S COLLEGE, LONDON</p>	
17:00	<p>PANEL DEBATE</p> <p>Central clearing: some practical, legal and regulatory considerations</p> <ul style="list-style-type: none"> ● Examining how central clearing will work in practice ● Assessing the impact central clearing will have on the market ● Will central clearing mollify systemic risk? ● Ensuring central clearing is a realistic option for the buy side ● Creating transparent governance processes and ensuring balanced representation of different market participants <p>Jon Gregory, Independent Credit Expert</p> <p>Further panellists to be confirmed. Please visit creditrisksummit.com for updates</p>	
17:40	Closing remarks followed by drinks reception	

Post-conference seminar Friday 15 October

Credit Models and Counterparty Risk Valuation in a Crisis

Led by: **Damiano Brigo,**

Gilbart Chair of Financial Mathematics, King's College, London

08:30 – 09:00

Registration and coffee

09:00 – 09:30

**Credit Default Swaps (CDS)
CDS Big Bang**

09:30 – 10:30

Single name Credit models

- Reduced Form and Intensity
- Deterministic intensity: piecewise constant or linear
- Calibration: CDS's with examples; Parmalat and Lehman
- Hints at Stochastic intensity modeling

10:30 – 11:00

Multi name credit derivatives

- First to default; N-th to default; CDO tranches
- Indices: DJ-i-Traxx and related tranches
- CDOs and the crisis

11:00 – 11:30

Morning break

11:30 – 13:30

Multi name reduced form models and copulas

- Introduction to copula functions; Gaussian copula
- First and n-th to default with copulas
- CDO's with copulas and Factor copulas
- Implied correlation in index tranches. Compound correlation. Base correlation
- Known limits of Copulas and implied correlations pre- and in- crisis
- Inconsistency at single tranche level, inconsistency across the capital structure, inconsistency across maturities

13:30 – 14:30

Lunch

14:30 – 15:30

Top down Loss models: Hint at GPL model for simultaneous tranche Calibration across attachments and maturity

15:30 – 16:30

Counterparty risk CVA: Introduction

- Unilateral and Bilateral CVA
- Default modeling
- Exposures
- Impact of volatilities and correlations.
- Subtleties in Wrong way risk profiles.
- Netting and Collateral in CVA calculation

16:30 – 17:00

Afternoon break

17:00 – 18:00

Counterparty risk CVA on Rates, Commodities and Credit

- Interest Rate derivatives: CVA on interest rate swaps
- Commodities: CVA for oil swaps
- Credit Derivatives: CVA on credit default swaps.
- Precise valuation VS Basel II deduced multipliers.
- Example with Lehman, Shell and British Airways

18:00

End of seminar





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Sponsorship opportunities:

To discuss specific packages for the Credit Risk Summit or Risk Global Events Series, please contact:

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