



# Credit Derivatives

**Development for Finance Professionals™**

*A Blended-Learning Program from ACF Consultants*



## Welcome to ACF Academy's Open Enrollment Programs

ACF Consultants have a solid reputation for delivering innovative, top-quality training for some of the largest and most demanding financial institutions in the world. ACF Consultants are global leaders in the creation of cutting-edge financial simulations and interactive eLearning for the global financial markets.

**We are the first premier financial training company to offer open seminars using our uniquely blended learning techniques.**

Blended learning is a fundamental principle of the ACF approach to training. Our seminars offer a fully integrated, multi-faceted learning experience which ensures that knowledge is applied in practice and retained effectively. We limit the numbers attending each program to maximise the benefit for each delegate. Passive learning is kept to a minimum, and the emphasis is on delegates achieving a true understanding of the key concepts, and how they are applied in the real world.



### Blended Learning

Blended learning is at the heart of our training philosophy. A dynamic blend of highly interactive **eLearning** using **Acumen**, top quality **instructor-led training**, and realistic and exciting **simulations** creates the most effective and motivating training methodology available anywhere.

Firm foundations are laid with highly interactive eLearning and dynamic instructor-led training. Hands-on workshops and simulation are then used throughout the programs allowing delegates to put theory into immediate and realistic practice.



### Instructor Led Training

Our instructor-led training is of the highest quality, and we invest heavily in research and development. Our professional written materials complement trainers with first-rate communications skills, an excellent academic background and sound markets knowledge.

Our expert instructors are skilled in the art of transferring knowledge, and we make use of a variety of creative training techniques to maintain energy and focus.

**We are committed to achieving exceptional results.**



## Credit Derivatives

The principal objectives of this intensive two-day seminar are to:

- Explain the various credit derivatives **structures** and **products**
- Examine in detail how **Credit Default Swaps** (CDS) work
- Explore the latest developments including the "**Big Bang**" Protocol and **SNAC**
- Show how **index products** work in practice
- Provide delegates with a **clear understanding** of how credit derivatives can be used in practice to **manage** and **hedge credit risk**
- To provide an intuitive insight into the way in which these credit derivatives are **priced**
- Show how credit derivatives **add value** for buyers and sellers
- Discuss the **regulatory implications** of credit derivatives

**Hot Topic** The "**Big-Bang**" protocol, auction hardwiring, and the new **SNAC** trading conventions.

## Course Outline

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### Day One

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#### Introduction to Credit Derivatives

- Principles and functions of credit derivatives
- The credit derivatives market
- Participants and their roles
- Motivations for using credit derivatives
- Growth of the market and recent trends
- Types of credit derivatives



#### Credit Default Swaps and other Credit Derivatives

- Introduction to CDS
- Terms and definitions
- Credit events
- Settlement methods
- Reference and other obligations
- ISDA and CSA agreements
- The "Big-Bang" Protocol
- Auction settlement – how it works
- Determination Committees
- Backstop dates
- Restructuring: XR, MR, MM, and FR
- Successor events
- Market and trading conventions
- SNAC and standardized premiums
- Sovereign vs. other reference entities
- Distressed credits and points up-front
- Establishment of a Central CounterParty
- Other recent changes and events



- Other single name products...
- Asset swaps
- Total return swaps
- Credit spread products
- Credit-linked notes (CLNs)

### Using Credit Default Swaps


- Who uses CDS's?
- CDS applications...
- Managing credit risk exposure
- Hedging default risk
- Enhancing yield and generating income
- Providing market access
- Accessing diversified portfolios
- Implementing directional credit views
- Monetising relative credit views
-  Using credit default swaps
  - Arbitrage
  - Curve trades
-  CDS application ideas

### Trading Simulation

#### Trading CDS's

In this session, delegates will use the **Global Trader** simulator to trade and manage a book of credit default swaps. The session will explore some of the dynamics of CDS prices, as well as the practical illustration of curve risk and the SDV01.

### Index Products

- The CDX and iTraxx indices
- Geographic and sector coverage
- Index construction
- Who uses indices?
- Index trading applications
-  Index trading example
  - Other indices e.g. ABX, LCDX, and CMBX

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## Day Two

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### Pricing Credit Default Swaps

- An "intuitive" approach to CD pricing
- Credit risk and credit spreads
- Term structure of credit spreads
- Calculating CDS premiums
- The ISDA CDS Standard Model
- Bootstrapping default probabilities
- Implied default and survival probabilities
- Cumulative default rates
- Recovery rates




- Converting between premiums running and points up-front
- Marking-to-market
- The SDV01
-  Obtaining CDS premiums from default probabilities
-  Bootstrapping default probabilities from CDS premiums
- The Bloomberg CDSW screen


## Portfolio Credit Derivatives

- The importance of correlation
- Portfolio / basket credit derivatives
- First-to-default swaps
- 2nd-to-default and other variations
- Collateralised Debt Obligations (CDOs)
- Selecting assets for securitisation
- Balance sheet CDOs
- CDO structures and the role of the SPE
- Senior, mezzanine, and equity pieces
- The “waterfall” of cash flows
-  Designing a CDO structure
- Synthetic CDOs
- Partial vs. fully synthetic CDOs
- Advantages of synthetic securitisation
- CDOs after the credit crunch

## Pricing Portfolio Credit Derivatives

- Principles of correlation pricing
-  Pricing a first-to-default credit default swap and other correlation CDS's
- Tranches and CDOs (synthetic and cashflow)
- Pricing a Synthetic CDO

## Tranched CDO and CDX Trading

- CDO and CDX tranches
- Risk / return characteristics of each tranche
- Characteristics of the equity piece
- Characteristics of the mezzanine pieces
- The impact of correlation
- Tranche pricing methodology
- The concept of delta
- Creating tranched CDO structures
-  Using a tranched CDO structure

NB All practical sessions are highlighted like this:

 means a Workshop or Simulation

 means a Case study



## Registration Form

Fax to: +44 (20) 7491 3386 or +1 (212) 422 4640

### Contact Information:

eMail: [ACFacademy@acfconsultants.com](mailto:ACFacademy@acfconsultants.com)  
Tel: +44 (20) 7518 9830 + 1 (212) 422-4320  
Fax: +44 (20) 7491 3386 + 1 (212) 422-4640

If you are interested in any financial training seminars, please visit our website(s) at:

[www.acfacademy.com](http://www.acfacademy.com)  
[www.acfconsultants.com](http://www.acfconsultants.com)

**Accreditation:** ACF Consultants Ltd is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

State Boards of Accountancy have final authority on the acceptance of individual courses for CPE Credit.

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**Fees:** The fee for each seminar is per participant, inclusive of refreshments, lunches and seminar materials.

Course fees do not include applicable tax, transportation, or hotel accommodation, unless otherwise indicated.

Preferential rates may be available; please mention our seminar when booking with the hotel.

Payment must be received in full at least 30 days prior to the start of the seminar.

### Special prices

(participants are only eligible for one of the following):

- 5% reduction when an individual registers 60 days or more prior to the commencement of a seminar
- 10% reduction when 2 or more individuals from an organization register for the same seminar
- 10% reduction when an individual registers for more than one seminar at a time

### Cancellation Policy:

Cancellations may be made up to 30 days in advance of the seminar, after which date refunds cannot be given.

Notification must be received in writing by letter, fax, or email. In the event of a participant not being able to attend, a substitution may be made at no extra cost. We reserve the right to amend the prices, or cancel a seminar at any time.

**Refund Policy:** For further information on our refund and complaint policy, please contact us.

### I WISH TO ATTEND THE FOLLOWING PROGRAM

- London       Chicago  
 New York     Toronto

Dates: \_\_\_\_\_

*Course Schedule - Classes run from 9am - 5pm. Lunch, and morning and afternoon refreshments are provided daily. Venue details will be provided on receipt of registration form.*

### HOW DID YOUR HEAR ABOUT THE PROGRAM?

- Colleague       Client's Company     Email       Google  
 ACF's Event     ACF's Rep             ACFacademy.com  
 NASBA           Advertising           Financial Times

### DELEGATE DETAILS

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Department: \_\_\_\_\_  
Company: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State/County: \_\_\_\_\_ Zip/Postcode: \_\_\_\_\_  
Country: \_\_\_\_\_  
Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_  
E-mail: \_\_\_\_\_

### ADDITIONAL DELEGATE DETAILS

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Department: \_\_\_\_\_  
Company: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State/County: \_\_\_\_\_ Zip/Postcode: \_\_\_\_\_  
Country: \_\_\_\_\_

### PAYMENT DETAILS

Payment Method:  VISA     Master Card     Invoice me at the address listed above

Card #: \_\_\_\_\_ Expiration: \_\_\_\_\_  
CVC: \_\_\_\_\_

Cardholder Name: \_\_\_\_\_

Signature: \_\_\_\_\_  
(signature required)

