



# Credit Exposure of 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 Exposure of Derivatives

This two-day programme focuses on the potential losses arising from derivatives portfolios exposed to credit and counterparty risk. The programme will blend instructor-led training sessions with practical hands-on workshops and mini-cases using pricing tools, and risk analysis, and simulation. A central part of the programme will be an in-depth case study based on banks' own experiences.

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

- Develop a **solid conceptual understanding** of the methods used to estimate credit exposure on derivative transactions
- Review and explain the **characteristics of credit risk** arising from swaps and other derivative products
- Provide an **intuitive awareness** of the level and magnitude of credit risks – not the mathematical minutiae, but a sense of what looks right and what demands further analysis
- Analyse the credit exposure from **exotic** and more **complex derivative transactions**
- Consolidate understanding by providing **practical examples** illustrating each of the concepts covered

**Hot Topic** Managing credit risk during the credit crisis.



## Course Outline

### Day One

#### Measuring and Managing Risk

##### Measuring market risk

- Identifying overt and covert risks
- The VaR principle applied to market risk
- Dollar Earnings at Risk (DEaR)
- The portfolio approach

##### Links between:


- Credit risk and market risk
- Liquidity risk and other risks

##### Managing risk

- Brief review of collateral and collateral management
- Brief review of operational risk
- Settlement risk, netting, and DVP
- Legal risk and legal Issues
- Structuring to reduce risk

#### Calculating Credit Exposure – Part 1

- Components of credit exposure: monetary risk and event probability
- Financial exposure from derivatives
- Average vs. peak exposures

 Modelling session using a credit risk pricing system

#### Review of Swaps and Swap Credit Risks

- Interest rate, currency, and equity swaps
- Swap cash flows
- Principles of swap pricing and valuation
- Credit risk of swaps

#### Major Case Study

In this important section of the program, delegates will be split into small teams and be given dossiers summarising proposed transactions for a small number of clients. The task for each team will be to identify and assess the credit risk, to consider and prepare recommendations, and then to present these recommendations formally

During the session, delegates will be able to use a credit risk pricing system to assess the impact of credit risk. At the end, the instructors will debrief the analysis, and present their own assessments.

The case study will therefore comprise:

- Identifying and quantifying the credit risk
- Preparing recommendations
- Presentations of recommendations

 Debriefing




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## Day Two

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### Calculating Credit Exposure – Part 2

- Drivers of exposure
- Potential vs. actual credit exposure
- Impact of market risk on credit exposure
- Relatedness vs. unrelatedness
- What do the numbers actually mean?
-  Calculating credit risk from distributions of probability and LGD


### Pricing Credit Risk

- Overview of credit default swaps (CDS)
- Obtaining default probabilities and recovery rates from CDS
- How to price credit risk using CDS
-  Calculating the cost of credit risk

### Credit Derivatives

- Types of credit derivative
- Credit events
- Using credit derivative swaps
- The credit risk of credit derivatives

### Major Case Study

- Credit risk in exotic and complex transactions
- What makes an exotic transaction exotic?
- Credit and liquidity risk implications for exotics
- Exotic options
- Structured products
- Examples of exotic transactions
-  Assessing credit risk for an exotic derivative

NB All practical sessions are highlighted like this:

 means a Workshop or Simulation

 means a Case study

# Credit Exposure of Derivatives



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## Registration Form

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

### Contact Information:

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Tel: +44 (20) 7518 9830 + 1 (212) 422-4320  
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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.

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Complaints regarding registered sponsors may be addressed to the National Registry of CPE Sponsors, 150 Fourth Avenue North, Suite 700, Nashville, TN 37219-2417. Website: [www.nasba.org](http://www.nasba.org).

**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)

