

2nd Annual

Pricing and Valuation of Structured Credit

Revitalizing the structured credit market by recalibrating models, valuation and risk management techniques

Central London, UK

16th-17th June 2008

Critically reassess existing models and quantitative methods for structured credit in illiquid market conditions

This **marcus evans** conference will focus on recalibrating models, redefining underlying assumptions, sourcing and managing accurate data, independent pricing and valuation methods, in addition speakers will assess the role of rating agencies and the management of risks for structured credit in times of crisis.

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Gain insights into vital issues:

- **Recalibrate** existing pricing and valuation models of structured credit
- **Evaluate** the impact of the liquidity crisis on the structured credit market
- **Debate** ratings of credit structures and valuation methodologies
- **Analyse** securitisation challenges in structured credit
- **Reassess** underlying assumptions of risk management techniques
- **Discuss** sourcing and managing accurate data for accurate transparency
- **Gain** insights into mitigating counterparty risks, liquidity and other risks of structured credit

in the Chair

Jon Gregory
Global Head of Credit
Quantitative Analytics
Barclays Capital

Your Expert Speaker Panel:

Jon Gregory
Global Head of Credit
Quantitative Analytics
Barclays Capital

Oliver Vigneron
Global Head of Risk Management
Structured Credit Trading
BNP Paribas

Etienne Koehler
Head of Model Validation
Commerzbank AG

João Garcia
Head of Credit and Correlation Modelling
Dexia Group

Ravi Savur
Director, Market Risk Management
Citi

Pradeep Patten
Managing Director, Head of Structured
Credit Trading Asset Backed Securities and
Emerging Markets
Royal Bank of Scotland

Richard Martin
Managing Director,
Head of Quantitative Credit Strategy
Credit Suisse Securities Ltd

Serge Goossens
Senior Quantitative Analyst
Dexia Bank

Jean-David Fermanian
Senior Quantitative Analyst
BNP Paribas

Michael Hampden-Turner
Director - European CDO Strategy
Citi

Richard Frase
Partner
Dechert LLP

Matthias Neugebauer
Senior Director,
Risk Analytic Solutions
Fitch Ratings

Gary Kendall
Chief Executive Officer
CDO2

Dr. Kyriakos Chourdakis
Quantitative Analyst
Fitch Solutions

Jean-Pierre Lardy
Zeliade Systems and JPLC

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Day 1

16th June 2008

08:30 Registration and Coffee

09:00 Opening Address from the Chair

Jon Gregory

Global Head of Credit Quantitative Analytics

Barclays Capital

A SYNOPSIS OF THE CURRENT STRUCTURED CREDIT MARKET

09.10 **A primer on the liquidity crisis**

- What are the roots of the crisis?
- Effects of the US sub prime melt down
- Spill over effects on the structured credit market in Europe

Ravi Savur

Director, Market Risk Management

Citi

09.50 **Liquidising the illiquid structured credit market**

- Transparent pricing and valuation process for illiquid assets
- Decreasing prepayments and the off beam assumptions
- Dealing with balance-sheet overhanging
- Overcoming lack of liquidity in hedge funds

Pradeep Pattem

Managing Director,

Head of Structured Credit Trading

- Asset Backed Securities and Emerging Markets

Royal Bank of Scotland

10.30 Morning Coffee

THE ROLE OF RATING AGENCIES IN PRICING AND VALUATION OF STRUCTURED CREDIT

11.00 **Case Study:**

Analysing Credit Risk in Corporate CDO Portfolios - A revised methodology

- Recalibrating the basis of Credit Risk Modelling
- Revision of Rating Methodologies

Matthias Neugebauer

Senior Director, Risk Analytic Solutions

Fitch Ratings

RECALIBRATING MODELS: BACK TO BASICS OR AN ALTERNATIVE?

11.45 **Mark-to-model or mark-to-market model?**

- Model: what for?
- Liquidity issues
- Use or not of indices (pros and cons) and possible proxies?
- Credit vs market views
- Alternative to Gaussian copulas: Some examples

Etienne Koehler

Head of Model Validation

Commerzbank AG

12.30 Luncheon

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14.00 **Joint Presentation:**

Breakeven correlation, or the way of pricing CDOs by replication

- Introducing the concept: An alternative measure of realised correlation
- Idiosyncratic gamma/market gamma trade-off
- Link with spread dynamics
- Link with correlation skew
- The spread dynamics that is consistent with the Gaussian copula
- Summer 07 credit crunch vs. May 05 correlation crisis: Relative value using breakeven correlation

Oliver Vigneron

Global Head of Risk Management, Structured credit trading

BNP Paribas

Jean-David Fermanian

Senior Quantitative Analyst

BNP Paribas

14.45 **Panel Discussion:**

Where did it go wrong? Models Vs trade data

- Existing models – before and after the crisis
- Garbage-in, garbage-out - How accurate is input data?
- What are the right assumptions?

Richard Martin

Managing Director, Head of Quantitative Credit Strategy

Credit Suisse Securities Ltd

Etienne Koehler

Head of Model Validation

Commerzbank AG

Oliver Vigneron

Global Head of Risk Management, Structured credit trading

BNP Paribas

15.35 Afternoon Tea

16.05 **Correlation and "systemic contagion" in the subprime crisis**

- A simple model with 2 regimes of correlation and 1 systemic factor
- Review of CDS Indices and ABS markets
- Interpretation for the current subprime crisis

Jean-Pierre Lardy

Zeliade Systems and JPLC

16.50 Closing Comments from the Chair

17.00 End of Day one

Zeliade Systems provides state-of-the-art software products (www.zeliade.com/products.php) and services (www.zeliade.com/services.php) for financial institutions to model, price and process complex financial derivatives. Zeliade Systems' flagship product, Zeliade Quant Framework, is an open .NET analytics library, with outstanding calibration and pricing algorithms, and designed to be extended in-house with new products and new models.

Day 2

17th June 2008

08:30 Registration and Coffee

09:00 Opening Address from the Chair

Jon Gregory

Global Head of Credit Quantitative Analytics

Barclays Capital

RISK MANAGEMENT FOR STRUCTURED CREDIT

09.15 **Counterparty risk and contingent CDS from a pricing perspective with hybrid models**

- Counterparty-induced hybrid features
- Effectively modeling the underlying/counterparty correlation
- Effectively modeling underlying's volatility
- Case studies

Dr. Kyriakos Chourdakis

Quantitative Analyst

Fitch Solutions

09.50 **Credit tails**

- Index and bespoke tranche markets
- Liquidity risk and structured credit products
- Rating agency models
- Super senior risk
- Monolines and credit derivative product companies

Jon Gregory

Global Head of Credit Quantitative Analytics

Barclays Capital

10.30 Morning Coffee

PRICING AND VALUATION CHALLENGES IN CREDIT STRUCTURES

11.00 **Joint Presentation:**

Insights on correlation implied from standard credit indices

- Compound vs. base correlation
- Stress testing Lévy and Gaussian base correlation
- Impact of recovery rate
- Correlation mapping and credit portfolio management
- Base expected loss and no-arbitrage conditions
- Base correlation smile
- Recent developments

João Garcia

Head of Credit and Correlation Modelling
Treasury and Financial Markets

Dexia Group

Serge Goossens

Senior Quantitative Analyst, Treasury and Financial Markets

Dexia Bank

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Gareth Banks, Sponsorship Director, **marcus evans**

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11.40 **Case Study:**

When is a AAA not a AAA? Restoring Confidence in Structured Credit

- Mezz ABS CDOs and the problem of double layer securitisations
- The stability of structured credit
- Restarting securitisation: who will buy the AAAs?
- The challenge of building confidence in CDOs: new models, new ratings and governance

Michael Hampden-Turner

Director - European CDO Strategy

Citi

12.30 Luncheon

14.00 **Legal considerations for pricing and valuation**

- Duties of care. Absolute and qualified duties
- Who relies on the valuations? Customers, investors and others
- Representation and contract
- Application to methods of pricing and valuation
- Significance (or otherwise) of market practice

Richard Frase

Partner

Dechert LLP

REVALUATING MARKET DATA FOR GREATER TRANSPARENCY

14.45 **Obtaining reliable automatic daily valuations**

- Sourcing CDS, Index and Index tranche data
- Obtaining consistent tranche quotes in a volatile market
- Reliable methods for mapping correlation
- Validating internal prices using traded quotes

Gary Kendall

Chief Executive Officer

CDO2

15.30 Afternoon Tea

GOING FORWARDS.....

16.00 **Panel Discussion:**

Working towards an optimistic outlook

- Role of the rating agencies
- Standardising assumptions
- Achieving uniformed price independent valuation
- Towards greater transparency

Moderator:

Etienne Koehler

Head of Model Validation

Commerzbank AG

Richard Martin

Managing Director, Head of
Quantitative Credit Strategy

Credit Suisse Securities Ltd

Michael Hampden-Turner

Director - European
CDO Strategy

Citi

16.45 Closing Comments from the Chair

17:00 End of Conference

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Amidst the backdrop of the liquidity crisis, the structured credit market has seen little or no growth with more and more illiquidity in the market. Investors are losing confidence, pricing and valuation models have become dubious and rating agencies are pressurized to respond to the now mature but unstable structured credit market.

This **marcus evans** conference will critically evaluate the possibilities to reassess existing models and quantitative methods for structured credit. This event will focus on recalibrating models, redefining underlying assumptions, sourcing and managing accurate data, independent pricing and valuation methods, in addition speakers will assess the role of rating agencies and the management of risks for structured credit in times of crisis.

For further information on this conference and special discounts on multiple bookings please contact **Anne Flamant** on +44 (0)20 3002 3282 or email annefl@marcusevansuk.com

This conference will target the following audience:

From Investment Banks/Asset Managers/ Hedge Funds/ Insurance Funds:

Heads, Directors and Managers of:

Quantitative Analysis, Structured Credit
Quantitative Research, Structured Credit
Portfolio Management, Structured Credit
Credit Structuring
Credit Risk Modelling
Credit Portfolio Management
Credit Analytics
Structured Credit Trading
Securitisation
Structuring CDO /ABS
Financial Engineering CDO/ABS

From Pricing and Valuation Data Vendors, Exchanges and Risk Management Software Providers:

Heads, Directors and Managers of:

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Data and Analytics
Business Development
Sales and Marketing

Plus:

Representatives from rating agencies, regulators, consultants and lawyers

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