

An Introduction to Structured Products, (One day)

This course explains how credit default swaps and selected structured credit transactions work, why these markets have grown and some of the risks these products generate. Prior knowledge of credit derivatives and structured transactions is not required. The course is designed for people working in both the front office and support areas including risk management and operations. In summary the course will explain:

- Credit default swaps, what they are and how they work
- Collateralised debt obligations, the structures and selected transactions
- Synthetic CDOs
- Principal protected products
- CDO squared transactions
- Asset backed commercial paper & structured investment vehicles

Training will be in a workshop format. This will include a mixture of presentation and case study material. The course is designed for up to twelve staff.

Below is a summary of the workshop. The content has been placed in a logical sequence and addresses the main issues surrounding these products.

Morning

Credit derivatives

- Introduction
- Market statistics/why credit trading is growing
- The main counterparties

Credit default swaps, (CDS)

- How a CDS trade works
- What the premium is
- The main terms used
- What happens if there is a credit event
- Risks with CDS transactions

How CDS are used

- Institutions that use CDS
- Funded/unfunded exposures
- Simple trading strategies
- Risk transfer for structured transactions

Collateralised debt obligations, (CDOs)

- Market background
- Objectives of issuer & investor
- The structure
- The SPV
- The assets, diversification, restrictions and ratings
- The liabilities, the tranche structure, (senior debt, mezzanine debt, equity) and subordination
- Waterfalls, attachment points, thickness
- Role of the manager
- Role of rating agency

Afternoon

CDOs continued

Transaction examples including:

1. Asset backed CDO
2. Synthetic CDO
3. Principal protected CDO
4. CDO squared

-Case study based on transactions the bank has purchased

- The objectives of buying the asset
- How the credit decision is undertaken
- What you have purchased
- The risks you have
- The return you get
- Valuation issues

Asset backed commercial paper, (ABCP)

- How the structure works
- The assets and liabilities
- Main risks for the investor

Structured investment vehicles, (SIVs)

- How the structure works
- The assets and liabilities
- Main risks for the investor

End of Workshop & Review

