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.

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

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

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

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

Booking Line
Tel: +44 (0) 20 3002 3315
Fax: +44 (0) 20 3002 3005

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 Panel Discussion:
The catalyst of rating – the rating agency perception
- Recalibrating the basis of modelling
  – criteria, assumptions, data dependency
- Achieving consistency in rating methodologies
- Why do downgrades occur now?
- Resolving conflict of interest

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

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

Booking Line
Tel: +44 (0) 20 3002 3315
Fax: +44 (0) 20 3002 3005

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

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

Jon Gregory
Global Head of Credit Quantitative Analytics
Barclays Capital

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