Risk magazine's second annual credit risk conference

CREDIT Risk SUMMIT 2000

NEW YORK 27 & 28 SEPTEMBER 2000

Featuring three streams examining the latest developments in

- **Credit risk management:** Portfolio credit risk management for the trading and banking book
- **Credit risk analytics:** Latest developments in credit risk modelling and measurement
- **Credit risk products:** Structuring and applying credit derivatives, synthetic securitisations and collateralised debt obligations (CDOs)

Keynote presentations from
William Demchak, Managing Director, JP MORGAN
Ron Tanemura, Managing Director, GOLDMAN, SACHS & CO.

PLUS a separately bookable one day post-conference seminar on 29 September 2000
Integrating market risk and credit risk for effective risk measurement and management sponsored by **eRisks**

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Algorithmics KnowYourRisk.

ARTHUR ANDERSEN

To register

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www.riskpublications.com/credit2000

CREDIT Risk SUMMIT 2000

Now in its second year, **Risk** magazine's Credit **Risk** Summit 2000 provides a comprehensive insight into the latest developments in credit risk management, credit risk modelling and credit mitigation. Combining new, innovative research by leading academics with technical advice from experienced market practitioners, Credit **Risk** Summit 2000 allows participants to develop further their knowledge and experience of the latest key issues.

This year the conference programme has been specially designed to capture the entire credit risk market, with three streams structured specifically to focus on individual credit functions:

Stream one: Portfolio credit risk management
Presentations will examine the latest techniques for portfolio credit risk measurement and management on the banking and trading books.

Stream two: Credit risk analytics
Featuring the most up-to-date academic and practitioner research, this stream will highlight the advances in modelling default probability and recovery rates, as well as examining the latest pricing models for credit derivatives and synthetic credit products.

Stream three: Credit products NEW FOR 2000
Stream three will focus on the most innovative credit products in the market, including credit derivatives, collateralised bond obligations (CBOs), collateralised loan obligations (CLOs) and synthetic securitisations. Delegates will benefit from a range of presentations, from technical insights into the challenges of structuring and pricing these products, to rating agency and investor perspectives.

Benefits of attending Credit Risk Summit 2000:

- Understand how to develop and implement an effective portfolio credit risk management strategy
- Learn the latest techniques for pricing and valuing loans
- Find out the latest information on the Basel Capital Accord
- Examine how to use interest rate swap spreads for credit risk modelling
- Analyse HJM based modelling of the defaultable term structure
- Apply dynamic hedge modelling techniques to credit derivatives
- Evaluate internal rating systems and credit risk modelling for capital allocation
- Assess risk modelling and pricing of collateralised debt obligations (CDOs)

Keynote addresses by William Demchak and Ron Tanemura

Risk is delighted to welcome William Demchak, Managing Director at JP Morgan to present a keynote speech to delegates. William is Global Head of Structured Finance, Head of North American Credit Markets and Head of Credit Asset/Liability Management. He will share his views on the market pressures affecting banks, commenting on the way in which financial institutions react to these pressures, and in particular explaining the experiences of JP Morgan.

Ron Tanemura, Managing Director, Fixed Income, Currency and Commodities, Goldman, Sachs & Co. will share his views on the latest developments in the credit derivatives market, examining the structure of new and innovative products and plotting the likely shape of the market in the future.

In-depth sessions by leading academics

A number of extended masterclass sessions have been included in the conference to provide delegates with the opportunity to hear some of the most recent, innovative research in the field.
Professor Dilip Madan, UNIVERSITY OF MARYLAND will examine the hazard rates of default for effective credit risk management.
Professor Francis Longstaff, UCLA will analyse how to use interest rate swap spreads for credit risk modelling.
Professor Suresh Sundaresan, COLUMBIA UNIVERSITY will look at default risk with strategic default.
Professor Tomasz Bielecki, NORTHEASTERN ILLINOIS UNIVERSITY will assess HJM based modelling of defaultable term structure.
Professor John Hund, TULANE UNIVERSITY will evaluate portfolio credit risk management in emerging markets.

New York 27 & 28 September 2000

Leading practitioners at Credit Risk Summit 2000 include

Charles Smithson, Managing Partner, RUTTER ASSOCIATES will be presenting new research on the state of play in credit portfolio management.
Stuart Turnbull, Vice President, CIBC WORLD MARKETS will be looking at the development of advanced techniques for pricing and valuing loans.
Charles Monet, Managing Director, JP MORGAN will examine how to calculate counterparty credit exposure when credit quality is correlated with market prices.
Brian Ranson, Executive Managing Director, BANK OF MONTREAL will analyse how to invest in assets with credit risk.

Panel debates

Participate in interactive panel debates on the following topics:

Understand the implications of the latest developments in the reform of the Basel Accord

Adam Gilbert, JP MORGAN
Cliff Griep, STANDARD AND POORS
Daniel L. Bailey, COMPTROLLER OF THE CURRENCY

Assess the counterparty credit risk exposures of banks and securities firms to highly levered counterparties

Moderator: David K. A. Mordecai, AIG GLOBAL INVESTMENT GROUP
John Schiavetta, FITCH
Sarah Street, CHASE SECURITIES, INC.
Bernie Purda, NEW YORK MERCANTILE EXCHANGE
Stuart Bohart, MORGAN STANLEY EQUITY FINANCING SERVICES
Mike Brosnan, COMPTROLLER OF THE CURRENCY
Stefan Walter, FEDERAL RESERVE BANK OF NEW YORK

Also at Credit Risk Summit 2000

One day, separately bookable post-conference seminar

INTEGRATING MARKET RISK AND CREDIT RISK FOR EFFECTIVE RISK MEASUREMENT AND MANAGEMENT

New York, 29 September 2000

Gold sponsors

Algorithmics KnowYourRisk.

Algorithmics was founded in 1989 in response to the complex issues surrounding financial risk management for the enterprise. Today, as the leading provider with the largest and most experienced team in the industry, Algorithmics continues to focus its efforts on creating and implementing enterprise risk management software that meets the evolving needs of its customers. Continuing its tradition of leading the way in risk measurement and management tools and processes, Algorithmics recently introduced Mark-To-Future™ (MtF), an open and comprehensive framework for measuring risk and reward. Headquartered in Toronto, with 14 offices around the world, Algorithmics serves more than 90 global financial institutions with 140 installations worldwide.

ARTHUR ANDERSEN

Arthur Andersen's vision is to be the partner for success in the new economy. We help clients understand and manage business risks that can impact performance and financial results, including risks relating to business processes, technology, regulatory compliance, government contracting, fraud and treasury and risk areas. Our Financial & Commodities Risk Consulting Group helps clients with such issues as valuation, market, credit, accounting and operational risks. We help some of the world's largest financial institutions and multinational corporations profile, assess, measure and manage complex global treasury, systemic and operational exposures.

Seminar sponsor

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Algorithmics, eRisks.com, MKI Risk, Standard and Poors, Summit Systems and Whitelight Systems

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Email: conf@risk.co.uk www.riskpublications.com/credit2000

CREDIT Risk SUMMIT 2000 — Programme at a glance

Day one, Wednesday 27 September 2000

Algorithmics KnowYourRisk.

ARTHUR ANDERSEN

8.00 Registration and breakfast

8.30 **KEYNOTE PRESENTATION**
William Demchak, JP MORGAN

9.10 **KEYNOTE PRESENTATION**
Ron Tanemura, GOLDMAN, SACHS & CO.

9.50 **THE STATE OF PLAY IN CREDIT PORTFOLIO MANAGEMENT**
Charles Smithson, RUTTER ASSOCIATES

10.30 Morning break

STREAM ONE PORTFOLIO CREDIT RISK MANAGEMENT	STREAM TWO LATEST RESEARCH IN PORTFOLIO CREDIT RISK MODELLING	STREAM THREE LATEST ADVANCES IN STRUCTURING, PRICING AND APPLYING CREDIT PRODUCTS
11.10 **DEVELOPING AND IMPLEMENTING AN EFFECTIVE PORTFOLIO CREDIT RISK MANAGEMENT STRATEGY** Speaker to be confirmed	**11.10** **HAZARD RATES OF DEFAULT FOR EFFECTIVE CREDIT RISK MANAGEMENT** Professor Dilip Madan, UNIVERSITY OF MARYLAND EXTENDED SESSION	**11.10** **ADVANCED MATHEMATICS FOR PRICING CREDIT DERIVATIVES** Anlong Li, CITADEL INVESTMENT GROUP
11.50 **MEASURING AND MANAGING COUNTERPARTY CREDIT RISK EXPOSURE** Paul Kupiec, FREDDIE MAC		**11.50** **STRUCTURING AND APPLYING SYNTHETIC CREDIT PORTFOLIO TRANSACTIONS AND OTHER SECOND GENERATION CREDIT DERIVATIVES** Daniel Kaiser, BANC OF AMERICA SECURITIES
12.30 Lunch		
1.40 **PANEL: ASSESSING THE COUNTERPARTY CREDIT EXPOSURES OF BANKS AND SECURITIES FIRMS TO HIGHLY LEVERED COUNTERPARTIES (HLIs)** Moderator: David K. A. Mordecai, AIG GLOBAL INVESTMENT GROUP John Schiavetta, FITCH Sarah Street, CHASE SECURITIES, INC. Bernie Purda, NEW YORK MERCANTILE EXCHANGE Stuart Bohart, MORGAN STANLEY EQUITY FINANCING SERVICES Mike Brosnan, COMPTROLLER OF THE CURRENCY Stefan Walter, FEDERAL RESERVE BANK OF NEW YORK	**1.40** **CREDIT RISK MODELLING USING INTEREST RATE SWAP SPREADS** Professor Francis Longstaff, UCLA EXTENDED SESSION	**1.40** **APPLYING DYNAMIC HEDGE MODELLING TECHNIQUES TO CREDIT DERIVATIVES** Professor Jean-Paul Laurent, LYON UNIVERSITY & BNP PARIBAS EXTENDED SESSION
3.00 **METHODS FOR HEDGING AND MITIGATING PORTFOLIO CREDIT RISK USING CREDIT DERIVATIVES** Speaker to be confirmed	**3.00** **DEFAULT RISK WITH STRATEGIC DEFAULT** Professor Suresh Sundaresan, COLUMBIA UNIVERSITY EXTENDED SESSION	**3.00** **INSURERS AS CREDIT PRODUCTS USERS** Judy Jonson Fletcher, RBC DOMINION SECURITIES
3.40 **MACRO FINANCIAL RISK ANALYSIS: EVALUATING INTERLINKED CREDIT RISK IN AN ECONOMY** Dr. Dale F. Gray, WORLD BANK & MFRISK		**STRUCTURING AND PRICING COLLATERALISED DEBT OBLIGATIONS** **3.40** **CDO MARKET UPDATE** Brian McManus, MERRILL LYNCH
4.20 Afternoon break		
4.50 **INTEGRATING MARKET RISK AND CREDIT RISK MEASUREMENT AND MANAGEMENT** Joseph Langsam, MORGAN STANLEY DEAN WITTER	**4.50** **SYSTEMATIC VARIATION IN LOAN RECOVERY: A NEGLECTED SOURCE OF CREDIT RISK** Jon Frye, FEDERAL RESERVE BANK OF CHICAGO	**4.50** **EFFECTIVELY STRUCTURING AN ARBITRAGE COLLATERALISED DEBT OBLIGATION** Kenneth Wormser, CIBC WORLD MARKETS
5.30 **CREDIT REGIMES AND ESTIMATING COUNTRY RISK IN EMERGING MARKET CRISES** John Hund, TULANE UNIVERSITY	**5.30** **A MARKET MODEL FOR CREDIT DERIVATIVES PRICING** Dimitry Raevsky, CHASE SECURITIES, INC.	**5.30** **SUCCESSFULLY STRUCTURING AND APPLYING A BALANCE SHEET CLO TO OPTIMISE CREDIT RISK TRANSFER** Bruce Stevenson, BNP PARIBAS
6.20 End of day one and cocktail reception		

Day two, Thursday 28 September 2000

8.00 Breakfast

8.30 **PANEL DEBATE:**
BASEL REGULATION AND THE CAPITAL ADEQUACY DEBATE
Adam Gilbert, JP MORGAN
Cliff Griep, STANDARD AND POORS
Daniel L. Bailey, COMPTROLLER OF THE CURRENCY

10.00 Morning break

STREAM ONE PORTFOLIO CREDIT RISK MANAGEMENT	STREAM TWO LATEST RESEARCH IN PORTFOLIO CREDIT RISK MODELLING	STREAM THREE STRUCTURING AND PRICING COLLATERALISED DEBT OBLIGATIONS
10.40 **AN INTEGRATED MARKET AND CREDIT RISK PORTFOLIO MODEL** Dan Rosen, ALGORITHMICS	**10.40** **HJM BASED MODELLING OF DEFAULTABLE TERM STRUCTURE** Professor Tomasz R. Bielecki, NORTHEASTERN ILLINOIS UNIVERSITY EXTENDED SESSION	**10.40** **PRODUCT CASE STUDY: THE STRUCTURAL DYNAMICS OF THE LATEST SYNTHETIC SECURITISATIONS** Michael P. McLaughlin, BANC OF AMERICA SECURITIES
11.20 **HOW TO MEASURE ECONOMIC CAPITAL FOR COUNTERPARTY RISK TAKING INTO ACCOUNT UNCERTAINTY** Speaker to be confirmed		**11.20** **UNDERSTANDING THE RATING AGENCY APPROACH TO MODELLING CREDIT RISK IN CDOs AND SYNTHETIC SECURITISATIONS** Reza Bahar, STANDARD AND POORS
PORTFOLIO CREDIT RISK MANAGEMENT OF LOANS		
12.00 **IMPLEMENTING AN ACTIVE LOAN PORTFOLIO MANAGEMENT STRATEGY** David Head, BARCLAYS CAPITAL	**12.00** **TECHNIQUES FOR MODELLING DEFAULT CORRELATION: METHODOLOGIES AND IMPLICATIONS** Ken Abbott, ABN AMRO BANK	**12.00** **MASTERCLASS: RATINGS AND RISK MODELLING OF SYNTHETIC CBOs AND CLOs** Klaus Toft, GOLDMAN, SACHS & CO. EXTENDED SESSION
12.40 **FAIR VALUING A CREDIT PORTFOLIO TO ENHANCE CREDIT RISK MANAGEMENT** Aashish Kamat, JP MORGAN	**12.40** **WRONG WAY CREDIT EXPOSURE: CALCULATING COUNTERPARTY CREDIT EXPOSURE WHEN CREDIT QUALITY IS CORRELATED WITH MARKET PRICES** Charles Monet, JP MORGAN	
1.20 Lunch		
	PRACTICAL TECHNIQUES FOR CREDIT RISK MEASUREMENT	
2.30 **DEVELOPING ADVANCED TECHNIQUES FOR PRICING AND VALUING LOANS** Stuart Turnbull, CIBC WORLD MARKETS	**2.30** **MASTERCLASS: COMPARING ALTERNATIVE INDUSTRY CREDIT RISK MODELS** Robert Selvaggio, AMBAC ASSURANCE CORP. EXTENDED SESSION	**2.30** **INVESTING IN SYNTHETIC SECURITISATIONS, BASKET TRANSACTIONS AND CDOs** Bryan Mix, GOLDMAN, SACHS & CO. Eric Oberg, GOLDMAN, SACHS & CO.
3.10 **ASSESSING THE OPPORTUNITIES IN SECONDARY LOAN MARKETS** Hans Christensen, CITIBANK GLOBAL ASSET MANAGEMENT		**3.10** **INCORPORATING NEW ASSET CLASSES INTO CDO STRUCTURES: RESECURITISATION, REAL ESTATE & MEZZANINE FINANCING** Eileen Murphy, CHASE SECURITIES, INC.
3.50 Afternoon break		
4.20 **INVESTING IN ASSETS WITH CREDIT RISK** Brian Ranson, BANK OF MONTREAL	**4.20** **INTERNAL RATING SYSTEMS AND CREDIT RISK MODELLING FOR CAPITAL ALLOCATION** Michel Crouhy, CIBC WORLD MARKETS Robert Mark, CIBC WORLD MARKETS	**4.20** **THE RISKS OF STRUCTURED CREDIT PRODUCTS AND COLLATERALISED INVESTMENT OBLIGATIONS (CIOs) LINKED TO ALTERNATIVE ASSET CLASSES** David K. A. Mordecai, AIG GLOBAL INVESTMENT GROUP
5.00 **OPTIMAL ASSET SELECTION FOR SECURITISATION ACTIVITIES** Thomas Jacobs, BANK OF AMERICA	**5.00** **MODELLING AND MEASURING LIQUIDITY RISK TO ENHANCE COUNTERPARTY CREDIT RISK EXPOSURE MEASUREMENT** Jitendra Sharma, ARTHUR ANDERSEN	**5.00** **EVALUATING THE LEGAL AND REGULATORY IMPLICATIONS FOR STRUCTURING AND APPLYING CDOs AND SYNTHETIC SECURITISATIONS** Speaker to be confirmed
5.50 End of conference		

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CREDIT Risk SUMMIT 2000

Day one, Wednesday 27 September 2000

8.00 Registration and breakfast

8.30 **KEYNOTE PRESENTATION**
William Demchak, Managing Director, Global Head of Structured Finance
JP MORGAN

9.10 **KEYNOTE PRESENTATION**
Ron Tanemura, Managing Director, Fixed Income,
Currency and Commodities
GOLDMAN, SACHS & CO.

9.50 **THE STATE OF PLAY IN CREDIT PORTFOLIO MANAGEMENT**
· What are banks doing and how many are doing it?
· Ownership of the loan portfolio
· Use of credit portfolio models
· Use of tools to modify the credit portfolio
· Investors in credit assets
· Rating agencies and insurers
Charles Smithson, Managing Partner,
RUTTER ASSOCIATES

10.30 Morning break

STREAM ONE
PORTFOLIO CREDIT RISK MANAGEMENT

Chairman:
Jitendra Sharma, Partner
ARTHUR ANDERSEN

STREAM TWO
LATEST RESEARCH IN PORTFOLIO CREDIT RISK MODELLING

Chairman:
Greg Hayt, Principal
RUTTER ASSOCIATES

STREAM THREE
LATEST ADVANCES IN STRUCTURING, PRICING AND APPLYING CREDIT PRODUCTS

Chairman:
Daniel Kaiser, Managing Director
BANC OF AMERICA SECURITIES

11.00 Opening remarks from the chair

Stream one

11.10
DEVELOPING AND IMPLEMENTING AN EFFECTIVE PORTFOLIO CREDIT RISK MANAGEMENT STRATEGY
· Identifying the different needs and roles of management to achieve an effective credit risk strategy
· Establishing the context for risk related activity across an organisation
- respective roles of relationship managers, credit portfolio managers, credit derivatives traders, quantitative analysts, middle and back office
· Realigning roles and responsibilities to support an active portfolio management strategy
· The increasing role of a bank loan portfolio manager
· Overcoming obstacles to achieve effective implementation of a credit risk portfolio management strategy: making it work in practice
Speaker to be confirmed

11.50
MEASURING AND MANAGING COUNTERPARTY CREDIT RISK EXPOSURE
· Identifying why credit VAR does not measure the credit risk of assets of portfolios to which they are applied
· Implications of a credit VAR approach on
- internal credit risk capital allocation
- regulatory credit risk capital rules
- performance measurement and RAROC analysis
Paul Kupiec, Director, Financial Research
FREDDIE MAC

Stream two

11.10
HAZARD RATES OF DEFAULT FOR EFFECTIVE CREDIT RISK MANAGEMENT
· Jarrow-Lando-Turnbull approach
- arbitrage-free framework
- using the transition matrix to measure the effect of asset dynamics on default risk
- risk adjusting the transition matrix
- fitting the term structure of credit spreads
· Reduced form models
- Jarrow-Turnbull model
- Duffie-Singleton model
- Madan-Unal model
· Separating timing and recovery risks
- Zhang model for coupon bonds
Dilip Madan, Professor of Finance
UNIVERSITY OF MARYLAND

EXTENDED SESSION

Stream three

11.10
ADVANCED MATHEMATICS FOR PRICING CREDIT DERIVATIVES
· Key components in credit derivative models
- the default process
- recovery rate
- credit quality
· Evaluating theoretical approaches to modelling default
- structured approach: Firm-value based models
- reduced form approach
- spread-based models
· Theoretical aspect of credit derivative pricing models
- term structure models of defaultable securities
- pricing credit default swaps and options
· Risk measurement and hedging credit derivatives
- default risk
- interest rate risk
- credit spread risk
- recovery rate uncertainty
Anlong Li, Director, Quantitative Research
CITADEL INVESTMENT GROUP

11.50
STRUCTURING AND APPLYING SYNTHETIC CREDIT PORTFOLIO TRANSACTIONS AND OTHER SECOND GENERATION CREDIT DERIVATIVES
· Defining transaction drivers
- regulatory and economic capital transfer
- credit risk transfer
- exposure to asset classes
· Identifying transaction vehicles for credit tranching structures
- synthetic CDOs (cash flow/market value)
- synthetic bank balance sheet securitisations
- basket trades
· Weighing structural considerations
- structural protection
- rating agency
- investor flexibility
- risk suppliers vs. risk takers
Daniel Kaiser, Managing Director, Structured Credit Products
BANC OF AMERICA SECURITIES

12.30 Lunch

1.40

PANEL DEBATE: ASSESSING THE COUNTERPARTY CREDIT EXPOSURES OF BANKS' AND SECURITIES FIRMS' TO HIGHLY LEVERED COUNTERPARTIES (HLIs)

· Enterprise credit risk management and the sources of credit exposure to HLIs: Repo, margin credit, trading lines, OTC credit derivatives (e.g. swaps)
· Policy and governance issues: Ratings and regulatory issues related to banks and broker-dealer counterparty credit exposures
· Front-office issues: Asset pricing, market risk and the robust modelling of risk-adjusted returns for HLI trading strategies
· Back office issues
  - Compliance and legal (documentation) issues
  - Position limits, collateral management, credit monitoring and risk reporting
  - Fiduciary risks: Trade clearing and settlement
· Middle office issues and market extremes: Marking-to-market and the implications of market volatility and liquidity on position limits and credit exposures to HLIs

Moderator: David K. A. Mordecai, Vice President, Financial Engineering/Principal Finance
AIG GLOBAL INVESTMENT GROUP
John Schiavetta, CFA, Managing Director, Fund Ratings Group
FITCH
Sarah Street, Managing Director, Leveraged & Hedge Funds Group
CHASE SECURITIES, INC.
Bernie Purda, Senior Vice President,
NEW YORK MERCANTILE EXCHANGE
Stuart Bohart, Principal,
MORGAN STANLEY EQUITY FINANCING SERVICES
Mike Brosnan, Deputy Comptroller for Risk Evaluation,
COMPTROLLER OF THE CURRENCY
Stefan Walter, Vice President, Market and Liquidity Risk Department
FEDERAL RESERVE BANK OF NEW YORK

EXTENDED SESSION

1.40

CREDIT RISK MODELLING USING INTEREST RATE SWAP SPREADS

· Determinant of swap spreads
· The credit risk of LIBOR and swap rates
· Solving for implied forward credit spreads
· Implied credit risk premiums
· The historical price of credit risk
· Credit vs. liquidity
· Credit arbitrage strategies

Francis Longstaff, Professor of Finance,
UCLA

EXTENDED SESSION

1.40

APPLYING DYNAMIC HEDGE MODELLING TECHNIQUES TO CREDIT DERIVATIVES

· Hedging default risk in exotic credit derivatives with plain default swaps
· Hedging credit spread risk in defaultable financial derivatives
· Hedging default and credit spread risk in basket default swaps
· Assessing the effects of correlation on the hedging of basket default swaps
· Hedging of basket default swaps in hazard-rate based and structural school models

Professor Jean-Paul Laurent, ISFA Actuarial School
LYON UNIVERSITY & BNP PARIBAS

EXTENDED SESSION

3.00

METHODS FOR HEDGING AND MITIGATING PORTFOLIO CREDIT RISK USING CREDIT DERIVATIVES

· Exploring key investing and hedging applications of credit derivative products
· Mitigation of concentration risk
· Defensive credit risk hedging applications
  - exploring the use of total return swaps
  - investigating the use of credit spread options
· Capital management applications

Speaker to be confirmed

3.40

MACRO FINANCIAL RISK ANALYSIS: EVALUATING INTERLINKED CREDIT RISK IN AN ECONOMY

· Developing a framework to effectively measure and manage macro financial risks
· Implementing a modified VAR approach (“Economic” VAR) to measure economic value of banks, corporates and central banks
· Developing a new framework for credit risk analysis for an economy

3.00

DEFAULT RISK WITH STRATEGIC DEFAULT

· Review of structural models
· Implementation of structural models - KMV approach
· Liquidity induced default versus strategic default
· Bankruptcy code and outside options
· Sovereign versus corporate debt - absence of a code and inaccessible collateral
· Flight to quality and liquidity

Suresh Sundaresan, Professor of Finance
COLUMBIA UNIVERSITY

EXTENDED SESSION

STRUCTURING AND PRICING COLLATERALISED DEBT OBLIGATIONS

3.00

INSURERS AS CREDIT PRODUCTS USERS

· Overview of insurer activity in the credit market
· Applications
  - structured underwriting
  - asset management
  - capital optimisation
· Regulatory issues

Judy Jonson Fletcher, Vice President, Global Credit Products
RBC DOMINION SECURITIES

3.40

CDO MARKET UPDATE

· US CDO market vs. Europe
· European high yield CDO market
· The plight of the US market
· Pricing CDOs and default swaps

Brian McManus, Director, Global High Yield Strategy, Structured Finance
MERRILL LYNCH

· Rating and vulnerability credit risk applications · Understanding and applying policy analysis applications · Analysis of the costs and benefits of particular exchange rate regimes and other policies Dr. Dale F. Gray, Principal Economist and Risk Specialist WORLD BANK & MFRISK	EXTENDED SESSION	
4.20 Afternoon break		
4.50 **INTEGRATING MARKET RISK AND CREDIT RISK MEASUREMENT AND MANAGEMENT** · Understanding the issues in integrating counterparty risk · Pitfalls in pricing and risk management from not integrating counterparty and market risks · Using credit derivatives to manage the complexities of counterparty exposures Joseph Langsam, Managing Director MORGAN STANLEY DEAN WITTER	**4.50** **SYSTEMATIC VARIATION IN LOAN RECOVERY: A NEGLECTED SOURCE OF CREDIT RISK** · Introduction · Loan recovery in credit models · Credit models in a factor framework · Introducing systematic recovery risk · Default and recovery in the factor model · Estimating capital using expected loss · Evidence of systematic recovery risk Jon Frye, Head of Models Team, Capital Markets Group FEDERAL RESERVE BANK OF CHICAGO	**4.50** **EFFECTIVELY STRUCTURING AN ARBITRAGE COLLATERALISED DEBT OBLIGATION** Kenneth Wormser, Managing Director, Asset Securitisation Group CIBC WORLD MARKETS
5.30 **CREDIT REGIMES AND ESTIMATING COUNTRY RISK IN EMERGING MARKET CRISES** · Sovereign default vs. corporate default · Emerging markets: The link between volatility and information · Extracting crisis default risk and frequencies from data · Using flexible default distributions to construct risk management systems · Finding relative value within regimes and regions: The example of Latin America · Contagion in crises and modelling covariance collapse John Hund, Assistant Professor TULANE UNIVERSITY	**5.30** **A MARKET MODEL FOR CREDIT DERIVATIVES PRICING** · Overview · Credit markets: Derivatives vs. cash · Problems with risk-neutral valuation for credit derivatives · Second loss in structured credit products · A model for risk-neutral valuation of second loss · Second loss Greeks Dimitry Raevsky, Vice President, Head of Quantitative Analysis and Trading Risk for Structured Credit Products CHASE SECURITIES, INC.	**5.30** **SUCCESSFULLY STRUCTURING AND APPLYING A BALANCE SHEET CLO TO OPTIMISE CREDIT RISK TRANSFER** · Understanding the motivation behind the transaction · Analysing how the deals are structured in order to maximise the level of free capital and increase return on equity · De-linking the credit rating of the CLO from that of the bank · Evaluating the legal concerns Bruce Stevenson, Director of Portfolio Management BNP PARIBAS
6.10 Closing remarks from the chair		
6.20 End of day one and cocktail reception		

Day two, Thursday 28 September 2000

8.00 Breakfast

8.30 **PANEL DEBATE: BASEL REGULATIONS AND THE CAPITAL ADEQUACY DEBATE**
Adam Gilbert, Managing Director, Financial Group, JP MORGAN
Cliff Griep, Executive Managing Director, STANDARD AND POORS
Daniel L. Bailey, Credit Risk Specialist, National Bank Examiner, COMPTROLLER OF THE CURRENCY

10.00 Morning break

STREAM ONE PORTFOLIO CREDIT RISK MANAGEMENT	STREAM TWO LATEST RESEARCH IN PORTFOLIO CREDIT RISK MODELLING	STREAM THREE STRUCTURING AND PRICING COLLATERALISED DEBT OBLIGATIONS
Chairman: Scott Aguais, Director, Credit Risk Solutions ALGORITHMICS	Chairman: Robert Selvaggio, Managing Director AMBAC ASSURANCE CORP.	Chairman: To be confirmed
10.30 Opening remarks from the chair		

10.40
AN INTEGRATED MARKET AND CREDIT RISK PORTFOLIO MODEL
· Basic principles: conditional credit events, stochastic exposures and recoveries
· Mathematical equivalence of standard industry models such as CreditMetrics, CreditRisk+ and CreditPortfolioView
· Integrated framework for portfolio credit risk models
· Building stochastic exposures into portfolio credit risk models
· Effective computation of counterparty exposures with netting, collateral and mitigation
· Exposures for credit derivatives
· Applying conditional probabilities to measure wrong-way exposures
· Selection of default models
· Advanced analytical and Monte Carlo techniques in portfolio credit risk
· Theorem, Probability and Moment generating functions
· Enterprise credit risk modelling: bringing the retail, commercial and trading books
· Mark-to-Future risk management tools and optimisation: why mean variance tools do not apply well in credit risk

Dan Rosen, Director of Research
ALGORITHMICS

10.40
HJM BASED MODELLING OF DEFAULTABLE TERM STRUCTURE
· Term structure of credit spreads
· Various recovery schemes
· Credit migration process
· Defaultable term structure
· Market prices of interest rate of credit risk

Professor Tomasz R. Bielecki, Professor of Mathematics
NORTHEASTERN ILLINOIS UNIVERSITY

EXTENDED SESSION

10.40
PRODUCT CASE STUDY: THE STRUCTURAL DYNAMICS OF THE LATEST SYNTHETIC SECURITISATIONS
· Alternatives to high yield collateral
· Synthetic asset portfolios
· Innovations in structure hedging

Michael P. McLaughlin, Principal, Structured Credit Products Group
BANC OF AMERICA SECURITIES

11.20
HOW TO MEASURE ECONOMIC CAPITAL FOR COUNTERPARTY RISK TAKING INTO ACCOUNT UNCERTAINTY
Speaker to be confirmed

11.20
UNDERSTANDING THE RATING AGENCY APPROACH TO MODELLING CREDIT RISK IN CDOs AND SYNTHETIC SECURITISATIONS
· Risk transfer structures
· Synthetic securitisation
· Exact distribution of default losses
· Default correlation
· CDO of ABS

Reza Bahar, Managing Director, Derivatives Ratings
STANDARD AND POORS

12.00
IMPLEMENTING AN ACTIVE LOAN PORTFOLIO MANAGEMENT STRATEGY
· Defining the management scope
· Adapting the business model
· Managing the data
· Resource allocation
· Active management strategies
· Performance measurement

David Head, Director, Portfolio Management
BARCLAYS CAPITAL

12.00
TECHNIQUES FOR MODELLING DEFAULT CORRELATION: METHODOLOGIES AND IMPLICATIONS
· Basic explanation of techniques
· Empirical evidence
· Implications for the current credit cycle

Ken Abbott, Senior Vice President, Regional Risk Controller
ABN AMRO BANK

12.00
MASTERCLASS: RATINGS AND RISK MODELLING OF SYNTHETIC CBOs AND CLOs
· Synthetic securitisations
· Transaction structure
· Why use synthetic securitisations?
· Credit portfolio analysis techniques
· Ratings model - to get the deal done
· Risk model - to assess the risk of the tranches accurately
· Valuation model - to hedge and risk manage synthetic securitisations in a mark-to-market environment

Klaus Toft, Vice President
GOLDMAN, SACHS & CO.

EXTENDED SESSION

12.40
FAIR VALUING A CREDIT PORTFOLIO TO ENHANCE CREDIT RISK MANAGEMENT
· Importance of fair value information
· Uses of fair value information
· Valuation techniques
  - drawn portion (loan)
  - undrawn portion (commitment)
  - OTC derivative exposure
· Implementation issues
  - systems
  - risk measurement - methodology and consistency
  - accounting issues
  - regulatory issues
· Future direction

Aashish Kamat, Chief Financial Officer for Credit Markets and Structured Finance Group
JP MORGAN

12.40
WRONG WAY CREDIT EXPOSURE: CALCULATING COUNTERPARTY CREDIT EXPOSURE WHEN CREDIT QUALITY IS CORRELATED WITH MARKET PRICES
· The importance of recognising the correlation between counterparty credit quality and the value of derivative contracts
· Why wrong way credit exposure does not net to zero across a portfolio
· Pros and cons of different methodologies to quantify wrong way credit exposure
· Measuring wrong way credit exposure in FX, interest rate, equity and credit derivatives

Charles Monet, Managing Director
JP MORGAN

1.20 Lunch

PRACTICAL TECHNIQUES FOR CREDIT RISK MEASUREMENT

2.30
DEVELOPING ADVANCED TECHNIQUES FOR PRICING AND VALUING LOANS
· The term structure of survival probabilities for the obligor
· Correlation with macro-economic factors
· Stochastic interest rates
· Incorporating liquidity
· Transfer pricing
Stuart Turnbull, Vice President, Global Analytics
CIBC WORLD MARKETS

2.30
MASTERCLASS: COMPARING ALTERNATIVE INDUSTRY CREDIT RISK MODELS
· Assessing theoretical/analytical considerations
- core concepts
- structural models of default risk (asset volatility approach) : KMV's CreditMonitor and PortfolioManager; RiskMetrics Group, CreditManager
· Macroeconomic driven models: Mckinsey's CreditPortfolioView
· Intensity models: CSFB's CreditRisk+
· Data requirements/data sources
· Evaluating latest developments and new industry models
· Empirical comparisons - parallel testing
· Comparing models using a variety of portfolios and subportfolios
- economic capital required to support the portfolio
- largest contributors of risk to portfolio
· Determining considerations for future regulation of credit risk models
Robert Selvaggio, Managing Director, Risk Management
AMBAC ASSURANCE CORP.

EXTENDED SESSION

2.30
INVESTING IN SYNTHETIC SECURITISATIONS, BASKET TRANSACTIONS AND CDOs
· Available asset classes
· Different risk tranches/risk profiles
· Parameterising different transactions
· Different delivery mechanisms
Bryan Mix, Vice President
GOLDMAN, SACHS & CO.
Eric Oberg, Vice President, High Yield Credit Derivatives
GOLDMAN, SACHS & CO.

3.10
ASSESSING THE OPPORTUNITIES IN SECONDARY LOAN MARKETS
· Enhancing diversification
· Mitigating concentration risk
· Improving portfolio returns
Hans Christensen, Senior Portfolio Manager
CITIBANK GLOBAL ASSET MANAGEMENT

3.10
INCORPORATING NEW ASSET CLASSES INTO CDO STRUCTURES: RESECURITISATION, REAL ESTATE & MEZZANINE FINANCING
· Issuer motivations
· Assets best suited for "resecuritisation"
· Correlation and diversity
· Inclusion of assets that may defer interest
· Rating agency considerations
· Assessing collateral managers
Eileen Murphy, Managing Director, Global Head of Collateralised Debt Obligations
CHASE SECURITIES, INC.

3.50 Afternoon break

4.20
INVESTING IN ASSETS WITH CREDIT RISK
· Debt as a key portfolio element
· Bank loans vs bonds
· Market measures of risk: Equity prices and the secondary debt markets
· Diversification measures
· The emergence of a new asset class
Brian Ranson, Executive Managing Director, Credit Investment Management
BANK OF MONTREAL

4.20
INTERNAL RATING SYSTEMS AND CREDIT RISK MODELLING FOR CAPITAL ALLOCATION
· Objective of an internal rating system (IRS)
· Rating methodologies
· Criteria for the adoption of an IRS
· Measuring credit risk: An overview
· The credit migration approach and the use of IRS
· From risk measurement to economic capital allocation
Michel Crouhy, Senior Vice President, Global Analytics, Risk Management
CIBC WORLD MARKETS
Robert Mark, Chief Risk Officer, Risk Management
CIBC WORLD MARKETS

4.20
THE RISKS OF STRUCTURED CREDIT PRODUCTS AND COLLATERALISED INVESTMENT OBLIGATIONS (CIOs) LINKED TO ALTERNATIVE ASSET CLASSES
· Duration, convexity, extension risk and negative carry: What is the true cost of principal protection?
· Mark-to-market risk: Who is your verification agent?
· Model/measurement bias: How reliable is the perfomance data
· How valid are the assumptions about Fund-of-Fund diversification in extreme markets?
· Documentation issues: How well do you understand the structure?
David K. A. Mordecai, Vice President, Financial Engineering/Principal Finance
AIG GLOBAL INVESTMENT GROUP

5.00
OPTIMAL ASSET SELECTION FOR SECURITISATION ACTIVITIES
· Meeting the portfolio needs of the institution in terms of funding, regulatory capital relief, and economic capital relief
· Framing the problem in terms of market, rating agency and regulatory constraints
· Solving the resulting optimisation problem through a novel means, the genetic algorithm
· Practical considerations in implementation
- data
- risk measurement
- tenor
· Specific applications: Balance sheet and synthetic CLOs
Thomas Jacobs, FRM, Managing Director and Head of Analytics for Portfolio Management
BANK OF AMERICA

5.00
MODELLING AND MEASURING LIQUIDITY RISK TO ENHANCE COUNTERPARTY CREDIT RISK EXPOSURE MEASUREMENT
Jitendra Sharma, Partner
ARTHUR ANDERSEN

5.00
EVALUATING THE LEGAL AND REGULATORY IMPLICATIONS FOR STRUCTURING AND APPLYING CDOs AND SYNTHETIC SECURITISATIONS
· What risks are regulators most concerned about and what is expected of institutions engaging in CBOs, CLOs and credit-linked notes?
· Understanding the regulators approach to securitisation and resource
· Latest update: Regulatory risk based capital treatment for CBO, CLO and credit-linked note transactions
· Achieving regulatory capital relief using CBOs, CLOs and credit-linked notes under new guidelines
· Minimising the risk posed to the issuer by reason of the insolvency of a manager or sponsoring institution
· Complying with confidentiality restrictions under banking laws and in lending documentation
· Obtaining a perfected security interest in emerging asset classes
· Complying with US and UK securities offering rules
Speaker to be confirmed

5.40 Closing remarks from the chair

5.50 End of conference

Friday 29 September 2000

INTEGRATING MARKET RISK AND CREDIT RISK FOR EFFECTIVE RISK MEASUREMENT AND MANAGEMENT

8.30 Registration and breakfast

9.00

DEVELOPING RISK MANAGEMENT STRATEGIES AND STRUCTURES TO INCORPORATE MARKET RISK AND CREDIT RISK

· Establishing context for risk-related activity throughout the organisation
· Developing a framework for measuring risks: market risk, credit risk and operational risk
· Measuring economic capital enterprise-wide for market risk and credit risk
· Co-ordinating risk information across business lines
· Relating risk management, risk-adjusted performance and capital allocation for market risk and credit risk

10.00

DATA REQUIREMENTS AND MATHEMATICAL TECHNIQUES

· Data requirements for market risk and credit risk
· Elementary statistics
· Problems with market data
· Monte Carlo simulation technique

11.00 Morning break

11.30

VALUE AT RISK FOR MARKET RISK

· Definition and measurement of market factor sensitivity
  - examples of linear and non-linear products
· VAR techniques for market risk
  - variance/covariance, historical simulation, Monte Carlo simulation
· Stress testing for market risk

1.00 Lunch

2.30

APPLYING MARKET RISK TECHNIQUES TO THE ESTIMATION OF CREDIT RISK

· Analysing the drawbacks of the traditional methods to account for credit risk
· Separate measurements based on different principles
· Transaction based add-ons for credit exposure
  - loan exposure profile
  - derivative transaction exposure profiles
  - problems with add-ons and netting of add-ons
· Portfolio based Monte Carlo simulation of credit exposure
  - counterparty exposure profiles with derivative transactions
  - handling the exposure of incremental transactions
· Economic capital or VAR for a single counterparty
· Data requirements
  - transition matrix
  - probability of default
  - loss in the event of default
  - quality and level of information
· Stress testing for credit risk
· Applying a VAR methodology to the credit risk of a portfolio of counterparties
  - selecting the type of model
  - choice of time horizon
  - overview of some credit risk models
  - handling the risk of incremental transactions
  - VAR and RAROC
· Credit derivatives
  - solving the credit paradox
  - turning credit risk into market risk
  - alternative methods of pricing credit derivatives
  - hedging credit and interest rate risks simultaneously using swaps
· Situations that can fall in the gaps between credit and market risk analysis
· Economic capital for risk
  - why adding market and credit risk capital requirements is not simplistic
  - example of difficult correlations
· Defining the role of the risk manager
  - return on risk for incremental transactions
  - stress testing
  - breakdown of historical correlations during a crisis

3.30 Afternoon break

4.00

DEVELOPING AND APPLYING DATA STRATEGIES FOR EFFECTIVE INTEGRATION OF MARKET RISK AND CREDIT RISK

· Data issues in developing an Enterprise-wide Risk Management (ERM) data strategy
· Optimal solutions to data incompatibility
· Consistent data conversion
· Integrating the data
· Growth availability

5.00 End of seminar

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