



Credit Derivatives - Online

Credit has always been the most intractable of the financial risks to manage. The application of derivative risk management technology to credit risk has resulted in making credit derivatives a rapidly growing market segment with a high rate of innovation. This course guides participants through the characteristics and mechanics of credit derivative products being created. It focuses on their creation, need, and evaluation.

This is an online self study course that can be globally accessed 24/7 from any internet enabled computer. Access is for 91 days. Certificates with earned credits will be awarded upon successful completion.

Targeted Audience

Treasury managers, credit analysts, and financial analysts, traders.

Advance Preparation

No advance preparation required.

Prerequisites

Derivative instruments - Online or basic understanding of derivative contracts.

Learning Objectives

Students will be able to:

- . Define credit risk
- . Identify features of total return swaps and credit defaults
- . Examine how credit derivatives are used by financial institutions in their hedging strategies
- . Evaluate how credit derivatives give rise to market, credit, legal and operational risks

. Define what minimum risk management practices banks should have in place for the use of credit derivatives

Alumni Comments

"The course was very helpful, and I learned a good deal about credit derivatives."

Follow-Up Courses

Corporate Credit Analysis - Online

Credit Risk Modeling - Online

Credit Analysis - Online

Counterparty Credit Risk - Online

Level: Basic

ceu Credits: 29

icb Credits: 12.75

icpas Credits: 10.5

Detailed Outline

Overview of Credit Derivatives

This module familiarizes the user with:

- . Credit derivatives market
- . Basic instrument types of credit derivatives
- . Its main applications
- . Pricing and regulatory issues

Duration: 2 Hours

Credit Risk

This module is an introduction to the concept of credit risk, which is basic to the understanding of credit derivatives. It includes:

- . Basics of credit risk
- . Quantitative measurement techniques
- . Pricing of credit risk
- . Comparison of models for credit risk
- . Applications of Credit Derivatives

Duration: 1.5 Hours

Credit Rating Dynamics

Topics covered include:

- . Rating process from the perspective of major rating agencies
- . Analysis of implications for credit derivatives
- . Analysis of risks involved

Duration: 1.5 Hours

Emerging Markets

This module updates the user on the development of credit derivatives in emerging markets. It covers the following:

- . Status of credit derivatives market within emerging markets
- . Risks involved in emerging markets and how credit derivatives can alleviate them
- . A few credit derivative structures in an emerging market framework

Duration: 1.5 Hours

Classic Credit Derivatives

This module gives a description of the classic structures of credit derivatives. It explains the following structures:

- . Credit Guarantees
- . Revolving Credit
- . Repos
- . Asset Swaps

Duration: 1 Hour

Total Return Swaps

Topics covered include:

- . Basic structure of total return swap agreements
- . Various applications of such instrument
- . Benefits to various parties
- . Issues affecting bank regulatory capital
- . Pricing related issues

Duration: 1 Hour

Structured Notes

This module provides an introduction to Credit Linked Notes. It helps the user understand:

- . Need, nature and types of Credit-linked Notes

Repackaged Notes

This module enables the user to understand:

- . Concept of repackaged notes
- . Comparison with other structures

- . Structures and advantages
 - . Unique features of these structures
 - . Variations possible from the basic structure
- Duration: 1 Hour

- . Structures and designs
 - . Various strategies adopted for repackaging
- Duration: 1 Hour

Credit Portfolio Securitization Structures

This module provides details of various credit portfolio securitization structures. It helps the user understand:

- . Nature and types of collateralized bond and loan obligations
- . Differences among them
- . Synthetic structures
- . Key areas of risk
- . Regulatory capital issues

Duration: 1 Hour

Case Studies for CPSS

This module discusses the following case studies for credit portfolio securitization structures:

- . Rose
- . Nations Bank Commercial Loan Master Trust
- . CORE
- . Glacier
- . BISTRO (Broad Index Secured Trust Offering)
- . Eisberg Finance Ltd.
- . C Star

Duration: 2 Hours

Credit Default Swaps

Topics covered include:

- . Main features of credit default swaps
- . Pricing issues
- . Various structure types
- . Uses, advantages and disadvantages

Duration: 1.5 Hours

Case Studies for Credit Default Swaps

This module discusses case studies related to credit default swaps.

These include:

- . H.K Synthetic Deal
- . The Fourth Promise Securitization Programme

Duration: 1.5 Hours

Credit Spread Options

Topics covered include:

- . Basics of Credit Spread options
- . Credit Spread Puts
- . Credit Spread Calls
- . Credit Spread Collars
- . Credit Spread Forwards

Duration: 1 Hour

Bank and Institutional Applications

This module discusses the application of credit derivatives for active management of bank loan portfolio. It helps the user understand:

- . Credit Portfolio Management through Credit Derivatives
- . Portfolio Credit Default Swaps
- . Synthetic Securitization
- . A case study BISTRO (Broad Index Secured Trust Offering)

Duration: 1 Hour

Investor Applications

This module discusses various investment applications of credit derivatives. It covers the following:

- . Creating synthetic credit exposure resembling a corporate bond
- . Credit overlays and their use
- . Leverage in credit derivatives
- . Creating structures with desired risk profiles

Duration: 1 Hour

Corporate Applications

This module discusses the applications of credit derivatives for corporates. It covers the following:

- . Existence of credit risk in corporate portfolio
- . Uses of credit derivatives as a tool for transferring credit risk
- . Present users of credit risk

Duration: 1 Hour

Pricing Credit Derivative Instruments

This module describes in brief the techniques used for pricing credit derivatives. It helps the user understand:

- . Theoretical models for pricing credit derivatives
- . Pricing of default swaps
- . Asset swap approach

Risk involved in Credit Derivatives

This module discusses various risks involved in using credit derivatives like:

- . Credit risk
- . Reputation risk
- . Liquidity risk

- . Pricing of credit spread options

Duration: 1 Hour

- . Transaction risk
- . Compliance risk
- . Legal and regulatory risk
- . Counterparty risk
- . Pricing risk
- . Principles of risk management

Duration: 1 Hour

Documentation

This module discusses the issues related to documentation in credit derivatives. It covers the following:

- . ISDA and The Master Agreement
- . ISDA objectives and benefits of standard documentation
- . Definitions in line with ISDA Documentation
- . Applicability of Credit Definitions

Duration: 1 hour

Regulations

This module details various regulations related to credit derivatives. It helps the user understand :

- . Regulations related to both funded and unfunded credit derivatives
- . Treatment of credit derivatives in the trading book
- . The New Capital Adequacy Framework
- . Variations in the treatment of specific issues in different jurisdictions

Duration: 1.5 Hours

Legal Issues

This module helps the user understand:

- . Evolving legal issues concerning credit derivatives
- . Applicability of some statutory laws to credit derivative transactions
- . How related legal aspects are dealt with in the U.S. and three European nations

Duration: 1.5 Hours

Accounting

This module gives an introduction to the general accounting principles for credit derivatives. It covers the following:

- . General principles of derivatives accounting under FAS 133
- . Accounting for Credit Derivatives using Fair-Value Hedge Accounting
- . Accounting for Credit Derivatives

using Cash Flow Hedge Accounting
. Examples of Total Return Swaps and
Credit Default Swaps
Duration: 1 Hour

Taxation

**This module discusses the US federal income
tax considerations of:**

- . Total return swaps
- . Default swaps
- . Credit-linked notes
- . Credit Spread Options

Duration: 1 Hour

Job Aids & Take Aways

- . Disclosures
 - . Regulations
 - . Financial calculators
 - . Policy Template
 - . Benchmarking Template
- Powered by KESDEE, Inc.

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