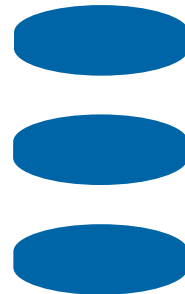


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# WBS



## The 5th Fixed Income Conference

Hilton Budapest WestEnd, Hungary

24th / 25th / 26th September 2008

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Due to the great success of the previous four Fixed Income conferences, WBS Training are pleased to announce that we will be heading to the wonderful city of Budapest in 2008.

The three streamed format will be retained as in previous years.  
As with last year, we will present 3 workshops on Wednesday 24th September.

At our conference, delegates are not restricted to attend single streams.  
You have the opportunity to hop around the different streams and attend the presentations that benefit you the most. All stream presentation times run concurrently with each other.

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## The 5th Fixed Income Conference Presenter List:

**Claudio Albanese**

Bloomberg LP, New York & Imperial College London

**Jesper Andreasen**

Global Head of Quantitative Research, Danske Bank

**Martin Baxter**

Analyst, Fixed Income Quant Group, Nomura International, plc

**Damiano Brigo**

Managing Director, Fitch Solutions and Visiting Professor, Mathematics, Imperial College London

**Joao Garcia**

Head of the Credit Modelling, Dexia Bank

**Helyette Geman**

Professor of Mathematical Finance Birkbeck, University of London and ESSEC Business School

**Victor Gonzalez**

Head of London Quantitative Group, Mizuho Corporate Bank

**Serge Goossens**

Senior Quantitative Analyst, Dexia Bank

**Jon Gregory**

Global Head of Credit Derivatives Research, Barclays Capital

**Patrick Hagan**

Head, Quantitative Analytics, Chief Investment Office, JP Morgan

**Juergen Hakala**

Head of Quantitative Analytics, FXO, Commodities & Hybrids, Standard Chartered Bank

**Chris Hunter**

BNP Paribas

**Peter Jaeckel**

OTC Analytics

**Jeroen Kerkhof**

Executive Director, European Head of IR Desk Strategies, Morgan Stanley

**Martin Krekel**

Senior Financial Engineer, UniCredit Markets & Investment Banking

**Joseph Langsam**

Managing Director, Global Head of Market Modeling and Model Control, Morgan Stanley

**Dilip Madan**

Professor of Mathematical Finance, Robert H. Smith School of Business, University of Maryland

**Dariusz Mirfendereski**

Head of Inflation Linked Trading, UBS

**Nicola Moreni**

Senior Quantitative Analyst, Banca IMI

**Massimo Morini**

Head of Credit Models, IntesaSan Paolo Bank

## The 5th Fixed Income Conference Presenter List:

**Vladimir Piterbarg**

Head of Quantitative Analytics, Barclays Capital

**Riccardo Rebonato**

Global Head of Market Risk, CM & Head of Quantitative Research, Royal Bank of Scotland

**Pierre-Olivier Rieu**

Quantitative Analyst, Deutsche Bank **Lutz Schloegl**

European Head of Quantitative Credit Research, Lehman Brothers

**Lorenz Schneider**

Vice President, Dresdner Kleinwort

**Jochen Theis**

Director of Quantitative Risk Management: Merrill Lynch

**Daniel Totouom-Tangho**

Senior Quantitative Analyst, Fixed Income Research, BNP Paribas

**Oldrich Vasicek**

Founding Principal of KMV

Wednesday 24th September

Pre-Conference Workshop Day:

**Riccardo Rebonato: Global Head of Market Risk, CM & Head of Quantitative Research, Royal Bank of Scotland**

- **The LMM-SABR Model: The New Paradigm for Pricing, Calibrating, Hedging Interest-Rate Derivatives Modelling in the Presence of Smiles**

**Claudio Albanese: Independent Consultant**

- **Long Dated Interest Rate Derivatives and Hybrids Workshop**

**Massimo Morini: Head of Credit Models, Intesa San Paolo Bank**

- **Credit Derivatives Post Subprime Crisis Workshop**

**Wednesday 24th September**

**Pre-Conference Workshop Day:**

## **The LMM-SABR Model: The New Paradigm for Pricing, Calibrating, Hedging Interest-Rate Derivatives Modelling in the Presence of Smiles: Riccardo Rebonato**

**The LIBOR Market Model framework (deterministic volatility)**

- **Deriving the Drifts of the Forward Rates**
- **Specifying the volatility**
- **Specifying the correlation**
- **Calibrating**

**The SABR Model**

- **Pricing formulae**
- **Special Cases**
- **Qualitative Hedging Behaviour**
- **Pitfalls**

**Combining LMM and SABR**

- **Deriving the Drifts of the Forward Rates**
- **Deriving the Drifts of the Volatilities**
- **Analytical Approximation to Swaption Prices**

**Calibrating**

- **Calibrating the Volatility Function**
- **Calibrating the Volatility of Volatility**
- **Calibrating the Correlation Structure**
- **When to use the Implied Approach and When to Use the Historical Approach**

**Empirical Evidence**

- **Estimating the Volatilities**
- **Estimating the Volatility of Volatility**
- **Estimating the Correlation Structure**
- **Statistical Behaviour of Fitted Parameters, and How to Use This Information for Hedging**

**Hedging**

- **Hedging under Normal Market Conditions: How to Quantify the Exposure to Level, Slope and Curvature of the Smile**
- **Hedging under Conditions of Market Turmoil**

**Day schedule:           09:00 – 17:00**  
**Break:                   10:30 – 10:45**  
**Lunch:                   12:30 – 13:30**  
**Break:                   15:15 – 15:30**

**Wednesday 24th September**

**Pre-Conference Workshop Day:**

**Credit Derivatives after the Subprime Crisis Workshop:  
Massimo Morini**

- **Modern realistic Structural Models with analytic and exact calibration to credit spreads**
- **A Case Study: Fallen Angels and risk of fraud with realistic structural models**
- **Multiname products with structural models. The role of correlation and contagion**
- **Intensity Models: From constant credit spreads to time-dependent to stochastic credit spreads**
- **Modelling credit spread volatility and credit spread jumps**
- **A Case Study. GAP risk in Trigger Leveraged Notes with stochastic intensity models. The effect of jumps**
- **Credit Market Models in Libor-BGM framework. Pricing Constant Maturity CDS**
- **Pricing Counterparty Credit risk**
- **Case Study: Financials' credit risk and liquidity in Libor Modeling after the subprime crisis**
- **Credit Index Options: pitfalls of standard approach and efficient formulas with front end protection**
- **Market price of an Armageddon after the credit crunch: the implications of high correlation on credit options**
- **Beyond the deficiencies of Base Correlation: making correlation a function of spreads**
- **Degenerate correlations and scenario Correlations for capturing systemic default risk in the correlation skew.**
- **Bespoke pricing. Analysis of market behaviour and mapping methods through intertemporal testing. Idiosyncratic vs Systemic Credit Risk**
- **The behaviour in August 2007 compared to May 2005. The consequences on the hedging of correlation derivatives**
- **The Latest Generation: capturing interdependency and systemic risk through common jumps. Realistic portfolio loss modeling and jumps in Index spreads**

<b>Day schedule:</b>	<b>09:00 – 17:00</b>
<b>Break:</b>	<b>10:30 – 10:45</b>
<b>Lunch:</b>	<b>12:30 – 13:30</b>
<b>Break:</b>	<b>15:15 – 15:30</b>

**Wednesday 24th September**

**Pre-Conference Workshop Day:**

**Long Dated Interest Rate Derivatives and Hybrids Workshop:  
Claudio Albanese**

- **Managing Semi-parametric model specifications**
- **Lattice methods, smoothness and the Courant condition**
- **Emerging massively parallel multi-core GPU technologies**
- **Model agnostic engineering**
- **Calibration of interest rate models**
- **The Economics Behind the Swaption Volatility Cube**
- **Stochastic monetary policy models for interest rates**
- **Stochastic skew models for FX rates**
- **Block-diagonalization and moment methods for Abelian processes**
- **From CMS range accruals to TARNs**
- **Block-factorization methods for non Abelian processes**
- **From snowballs to Flexicaps**
- **Dynamic conditioning and hybrid model building**
- **From FX linked range accruals to PRDCs**

**Claudio Albanese works as Independent Consultant for several investment banks and hedge funds. He holds a PhD in Physics and was on the Faculty at various academic institutions in the US, Canada and the UK. Claudio specializes in long dated derivatives and credit structures and is the author of numerous publications.**

<b>Day schedule:</b>	<b>09:00 – 17:00</b>
<b>Break:</b>	<b>10:30 – 10:45</b>
<b>Lunch:</b>	<b>12:30 – 13:30</b>
<b>Break:</b>	<b>15:15 – 15:30</b>

## Conference:

Day 1: Thursday 25th September  
Credit Derivatives Stream

08:00 – 08:40 / Registration

08:40 – 09:20 / Chairman Opening Comments  
/ Lutz Schloegl, Lehman Brothers

09:30 – 10:50 / The marriage of Top Down and Bottom Up models:  
/ Peter Jaeckel, OTC Analytics

- **A dynamic loss and spread model with explicit**
- **Correlation for exotic CDOs**
- **Multi-callable CDOs**
- **CDO Subordination Options**
- **Leveraged Super Senior notes with embedded Deleveraging options**

Break: 10:50 – 11:10

11:10 – 12:30 / CDO Hedging: Strange Risk in Correlation Models:  
/ Lutz Schloegl, Lehman Brothers

- **CDO Hedging Anomalies in the Base Correlation Approach**
- **Negative Deltas: An Impossibility Result**
- **Interaction at a Distance: Strange Risk in an Arbitrage-Free Model**

Lunch: 12:30 – 13:50

13:50 – 15:10 / Counterparty Risk and the Credit Crisis:  
/ Jon Gregory, Barclays Capital

- **A trick of the credit tail**
- **A free lunch and the credit crunch**
- **Two faced over counterparty credit risk?**

Break: 15:10 – 15:30

**15:30 – 16:50 / Elements for a Successful Securitization  
/ Business Model:  
/ Joao Garcia & Serge Goossens, Dexia Bank**

- **Dynamic Credit Portfolio Management**
- **1-factor Semi-Analytic Pricing for TABX**
- **Gaussian Copula and Lévy framework**
- **Risk neutral prepayment and transparency**
- **Standardised Credit Indices**
- **Smile on Lévy and Gaussian base correlations**
- **Lévy Base Expected Loss and arbitrage free interpolation**
- **Correlation mapping and pricing bespoke tranches**

**16:55 – 17:30 / Open Floor Q&A Session**

**Open Floor Q&A Session: The session is like a round table discussion but with no table. Simply put your hand up and ask your question to the 6 strong panel on stage.**

Gala Dinner 19:30

**Day 2: Friday 26th September**  
**Credit Derivatives Stream**

**09:00 – 10:30 / Levy Modelling of the Credit Crunch:  
/ Martin Baxter, Nomura International**

- **Levy models introduction**
- **Gamma and CatGamma models**
- **Understanding the credit crisis with Levy**
- **Counterparty risk**
- **Joint modelling of spreads and defaults**

Break: 10:30 – 11:00

**11:00 – 12:30 / Counterparty Risk with Stochastic Dynamical  
/ Models: Impact of Volatilities and Correlations:  
/ Damiano Brigo, Fitch Solutions and  
/ Imperial College London**

- **Counterparty risk in general**
- **Credit Valuation adjustment (CVA)**
- **Induced option and model dependence**
- **Default/Underlying Independence vs correlation**
- **Wrong way risk**
- **CVA for Interest rate swaps and exotics**
- **CVA for Oil swaps**
- **CVA for Credit default swaps**

Lunch: 12:30 – 13:40

**13:40 – 15:10 / Application of Dynamic Copulas:  
/ Daniel Totoum-Tangho, BNP Paribas**

- **Recent sub prime events**
- **Dynamic copula model and asymptotic loss distribution**
- **Dynamic copula within a Multi factor framework**
- **Combining credit migration and copula**
- **Convergence: Time changed Process & Dynamic Copula**
- **Application to Hedge Fund returns and CDS dynamics**

Break: 15:10 – 15:30

**15:30 – 16:30 / Pricing CDOs with Stochastic Recovery Rates:  
/ Martin Krekel, UniCredit**

- **Pricing with recovery rate scenarios**
- **Implementing stochastic recovery rates in the Gaussian copula model**
- **Effect on loss distribution**
- **Application to distressed CDO markets**
- **Application to super senior tranches**

## Conference:

Day 1: Thursday 25th September  
FX & Exotic Products Stream

08:00 – 08:40 / Registration

08:40 – 09:20 / Chairman Opening Comments  
/ Dilip Madan, University of Maryland

09:30 – 10:50 / Property Derivatives:  
/ Jeroen Kerkhof, Morgan Stanley

- **Market overview**
- **Pricing & risk managing swaps**
- **Valuing property options**

Break: 10:50 – 11:10

11:10 – 12:30 / Skew Deformation in FX:  
/ Pierre-Olivier Rieu, Deutsche Bank

- **Impact of skew dynamics on exotics**
- **Model choice**
- **FX calibration**
- **Interest rates calibration**
- **Comparison of the two models**

Lunch: 12:30 – 13:50

13:50 – 15:10 / Hybrids of Interest Rates and Commodities:  
/ Helyette Geman, Birkbeck, University of London,  
/ ESSEC Business School and UBS Bloomberg  
/ Commodity Index

- **Commodity- linked notes and structured products**
- **Commodity indexes as a hedge against inflation**
- **The decline of the dollar and the necessity of a new numeraire: Gold versus Crude oil versus CPI**
- **Valuation of CCOs: why it differs from CDOs**

Break: 15:10 – 15:30

15:30 – 16:50 / Pricing and Hedging Exotics to Acceptable Levels  
/ of Risk:  
/ Dilip Madan, Robert H. Smith School of Business,  
/ University of Maryland

**Bullets to follow**

16:55 – 17:30 / Open Floor Q&A Session

**Open Floor Q&A Session: The session is like a round table discussion but with no table. Simply put your hand up and ask your question to the 6 strong panel on stage.**

Gala Dinner 19:30

**Day 2: Friday 26th September**  
**FX & Exotic Products Stream**

**09:00 – 10:30 / FX Smile Dynamics:**  
**/ Juergen Hakala, Standard Chartered Bank**

- **FX market conventions / smile definition**
- **Exemplary Smile Models used in FX**
- **Calibration, sensitivities, and smile dynamics**
- **Application to exotics pricing**

Break: 10:30 – 11:00

**11:00 – 12:30 / Inflation Derivatives: Trading Perspectives and**  
**/ RV Analysis:**  
**/ Dariush Mirfendereski, UBS**

- **'Natural' vs 'synthetic' swap supply**
- **ILB ASWS as the 'supply of last resort'**
- **Examples from the UK, US, and Euro-zone markets**
- **Bounds on inflation swap rich/cheap**
- **Seasonality revisited**
- **Practical hedging considerations for plain vanilla inflation options**

Lunch: 12:30 – 13:40

**13:40 – 15:10 / Inflation Modeling with Stochastic Volatility:**  
**/ Nicola Moreni, Banca IMI**

- **Forward CPI market models**
- **Forward inflation rates market models**
- **ZC and YoY volatilities**
- **Correlation patterns**
- **Inflation modeling with SABR dynamics**

Break: 15:10 – 15:30

**15:30 – 16:30 / A Maximum Entropy Model for Basket Products**  
**/ Lorenz Schneider, Dresdner Kleinwort**

- **A Maximum Entropy Distribution for Asset Prices**
- **Fast and Robust Calibration to Market Data**
- **A Gaussian Copula Model for Basket Products**
- **Relative Entropy and Copulas**

## Conference:

Day 1: Thursday 25th September  
Interest Rate Modelling Stream

08:00 – 08:40 / Registration

08:40 – 09:20 / Chairman Opening Comments  
/ Pat Hagan, JP Morgan

09:30 – 10:50 / Are you sure your term structure model is not  
/ deceiving you?:  
/ Oldrich Vasicek, KMV

- **When is a term structure model compatible with market equilibrium?**
- **What happens if you use a model that is not equilibrium compatible?**
- **Examples, consequences and implications**

Break: 10:50 – 11:10

11:10 – 12:30 / Practical Multi-Factor Quadratic Gaussian Interest  
/ Rate Models:  
/ Vladimir Piterbarg, Barclays Capital

- **Convenient parameterizations**
- **Approximations for swaptions**
- **Calibration**
- **Comparison to other models**

Lunch: 12:30 – 13:50

13:50 – 15:10 / Modelling Liquid and Feedback Effects From  
/ Dynamic Hedging:  
/ Jesper Andreasen, Danske Bank

- **A simple model for the effects of dynamic hedging on the dynamics of the underlying**
- **Extending the simple model to a full dynamic model**
- **The dynamic model as an optimal control problem**
- **Numerical solution of Hamilton-Jacobi-Bellman equations**

Break: 15:10 – 15:30

15:30 – 16:50 / Model Testing: How will we know when the model  
/ does not work:  
/ Joseph Langsam, Morgan Stanley

**Title & Bullets to follow**

16:55 – 17:30 / Open Floor Q&A Session

**Open Floor Q&A Session:** The session is like a round table discussion but with no table. Simply put your hand up and ask your question to the 6 strong panel on stage.

Gala Dinner 19:30

**Day 2: Friday 26th September**  
**Interest Rate Modelling Stream**

**09:00 – 10:30 / Emerging Markets Interest Rate Smiles:  
/ Chris Hunter, BNP Paribas**

**Bullets to follow**

Break: 10:30 – 11:00

**11:00 – 12:30 / Asymptotic Expansion Pricing:  
/ Victor Gonzalez, Mizuho Corporate Bank**

**Bullets to follow**

Lunch: 12:30 – 13:40

**13:40 – 15:10 / Robust Computation of Interest Rate Models:  
/ Jochen Theis, Merrill Lynch**

- **Typical Markov Functional model implementations and their stability and accuracy issues**
- **Approaches to robust computation**
- **Comparison of results**
- **Applications**

Break: 15:10 – 15:30

**15:30 – 16:30 / Adjusters, Internal adjusters, and  
/ Pricing Callable Exotics:  
/ Pat Hagan, JP Morgan**

- **Need for risk migrators**
- **External adjusters**
- **Rationale for internal adjusters**
- **Example: Callable range notes**
- **Extension to other callable exotics**

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- Workshop: £899.00 + HU VAT @ 20%  
(No Workshop Discount)
- Main Conference: £1699.00 + HU VAT @ 20%

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Hilton Budapest WestEnd  
Váci út 1-3.  
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Fax: +44 (0) 1273 201360

**Contact:**

<http://www.wbstraining.com>

[sales@wbstraining.com](mailto:sales@wbstraining.com)