



The CVA Conference: Implementation, Trading, Liquidity, Modeling & Funding

London: 21st / 22nd / 23rd March 2012

WBS Training are pleased to announce that in London on 21st, 22nd & 23rd March 2012, our first two streamed CVA Conference will be taking place.

Delegates will be able to hop around the two streams and attend our highly popular format of 1 hour 30 minute and 2 hour presentations.

All stream presentation times run concurrently with each other.

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THE CVA CONFERENCE PRESENTER LIST

Claudio Albanese

(CEO, Global Valuation Limited)

Alexandre Bon

(Head of Credit Risk, Murex)

Damiano Brigo

(Gilbart Professor Of Mathematical Finance, King's College London)

Antonio Castagna

(Partner, Iason Ltd)

Giovanni Cesari

(Managing Director, Head of CVA Quant Group, UBS)

Andrey Chirikhin

(Managing Director, Head of CVA and EPE Quantitative Analytics)

Stéphane Crépey

(Professor at the Mathematics Department of University of Evry)

Peter Dobranszky

(Head of Risk Model Validation, BNP Paribas)

Moises Gerstein

(Director – Head of CVA Trading Desk – Emerging Markets, ING Bank)

Jon Gregory

(Partner, Solum Financial Partners)

Andrew Green

(Head of Quantitative Credit Developments, Lloyds Banking Group)

Tom Hulme

(Director, Quantitative Research, Barclays Capital)

Chris Kenyon

(Vice President, Credit Suisse)

Mats Kjaer

(Vice President, Quantitative Analytics, Barclays Capital)

Massimo Morini

(Head of Credit Models & Coordinator of Model Research, Banca IMI)

Frank Oertel

(German Federal Financial Supervisory Authority (BaFin))

Andrea Pallavicini

(Head of Equity, FX and Commodity Models, Banca IMI – Intesa SanPaolo Group)

Dan Rosen

(CEO, R2 Financial Technologies)

Robert Smith

(Managing Director, CVA & LVA, Global Banking & Markets, Santander)

Alexander Sokol

(Quantitative Research, Numerix)

Mihail Turlakov

(Associate Director, Quantitative Trading, West LB)

Gary Wong

(CEO, Ipotecs Ltd)

PRE-CONFERENCE WORKSHOP DAY

Wednesday 21st March

The Quantification and Management of CVA by Jon Gregory Partner, Solum Financial Partners

Why CVA?

- History of counterparty risk and CVA
- Benefits of CVA
- The impact of Basel III
- Default probability
- Credit exposure

Example calculation of CVA

Complexities of CVA

- Incremental and marginal CVA
- Debt value adjustment (DVA)
- Wrong way risk
- Requirements for counterparty risk under Basel III/CRD 4

Example calculations of incremental CVA and DVA

Examples of wrong way risk approaches

Managing CVA

- The role of a CVA desk
- CVA greeks
- The impact of DVA
- Practical hedging

Practical hedging examples

Beyond CVA

- CVA under collateral agreements (CSAs)
- OIS discounting
- Funding value adjustment (FVA/LVA)
- Central counterparties

Example calculations of FVA/LVA

Day schedule: 09:00 – 17:00

Break: 10:30 – 11:00

Lunch: 12:30 – 13:30

Break : 15:00 – 15:30

PRE-CONFERENCE WORKSHOP DAY

Wednesday 21st March

Floating Rate CVA: Margin Lending and Securitization

09:00 – 10:30

New Generation CVA: Problems and Opportunities

by Damiano Brigo, Gilbert Professor of Mathematical Finance, King's College London

- Bilateral CVA and DVA hedging
- Closeout modeling
- First to default risk
- Netting, Collateral and re-hypothecation
- Wrong Way Risk across asset classes and global valuation
- Inclusion of Funding Costs
- CVA management: From CCDS to Margin Lending

10:30 – 11:00

Break

11:00 – 12:30

Hypotechs Trading

by Gary Wong, CEO, Ipotecs Ltd

- Margin Lending for OTC derivatives
- Securitization structures
- Hypothecs from an investor perspective
- Margin insurance from a client perspective
- Insurance wraps from the bank perspective

12:30 – 13:30

Lunch

13:30 – 15:00

Restructuring Counterparty Credit Risk by Frank Oertel, German Federal Financial Supervisory Authority (BaFin)

- Definitions and Axioms
- Inconsistent structures for uncollateralized transactions
- First-to-default and portable CVA
- Collateralized transactions and margin lending

15:00 – 15:30

Break

15:30 – 17:00

High Throughput Portfolio Processing for Margin Lending

by Claudio Albanese, CEO Global Valuation Ltd

- Global valuation models
- Single node technologies
- Modelling margin lending portfolios
- Non-linear risk analytics beyond the CVA

End of Workshop day

CVA CONFERENCE DAY 1

Thursday 22nd March
CVA Framework Implementation Stream

08:00 – 08:50
Registration

08:50 – 10:30
[CVA: From Theory to Practice](#)
by Moises Gerstein, ING Bank

- CVA basic building blocks: Practical restrictions / issues while implementing
- Implementing a consistent CVA framework within a bank; CVA ramifications/links
- CVA and Funding. Possible operational paths, demarcation and responsibilities
- Wrong-Way risk: From theory to practice. Do we really have too many choices??

10:30 – 10:50
Break

10:50 – 12:30
[CVA/DVA/FVA: From Theory to Practice](#)
by Giovanni Cesari, UBS

We describe a pricing framework which addresses the main challenges large Investment Banks face when computing CVA/DVA/FVA for their derivative businesses. We show how this framework enables:

- Scenario consistent valuations for large portfolios of derivatives including both vanilla and exotic transactions
- Treatment of collateralized and uncollateralized transactions
- Inclusion of close-out risk
- Integration of cost of funding and cost of collateral
- Hedging

12:30 – 13:45
Lunch

13:45 – 15:15
[Engineering a CVA & Unsecured Funding Cost Solution](#)
by Andrew Green, Lloyds Banking Group

Unified approaches to CVA & Funding costs

- The “DF Method” versus the “Asymmetric Funding” model
- Implications of model choice for business organisation / management of CVA & Funding

Close-out settlement assumptions
Dealing with “boundary” CVA & Funding cases

- One-sided CSAs
- Downgrade triggers
- Non-zero thresholds
- Multiple eligible currencies, collateral instruments

CVA CONFERENCE DAY 1

Thursday 22nd March
CVA & Funding Modeling Stream

08:00 – 08:50
Registration

08:50 – 10:30
[Counterparty Risk and Funding: Putting Things Together – After the paper A BSDE Approach to Counterparty Risk under Funding Constraints](#)
by Stéphane Crépey, University of Evry

Modeling Issues

- Unilateral or Bilateral Counterparty Risk?
- This talk: A reduced-form CVA BSDE approach to valuation and hedging of counterparty risk under funding constraints
- Immersion Hypothesis and the Case of Credit Derivatives

Cash-Flows and Strategies

- CSA contracts
- Hedging and Funding Assets
- Collateralization, hedging and funding strategies

Martingale Pricing Approach

- Main (F)BSDE
- Arbitrage, Replication Issues and Computational Issues

CVA

- Clean Valuation
- CSA Close-Out Cash-Flows
- CCDS representations

Pre-Default CVA BSDE Modeling

- Reduced Form Setup
- Min-variance hedging of market risk ignoring jump-to-default risk
- Min-variance hedging (of market risk) constrained to perfect hedging of jump-to-default risk
- Min-variance hedging of market risk constrained to perfect hedging of an isolated default of the investor

10:30 – 10:50
Break

10:50 – 12:30
[A Comprehensive Framework for Bilateral Collateralized CVA and Funding Costs](#)
by Andrea Pallavicini, Banca IMI – Intesa SanPaolo Group

- Trading under ISDA master agreement
- Re-hypothecation liquidity risk
- Collateral margining and close-out netting rules
- Funding risk and liquidity policies
- Risk-neutral pricing of CVA including cost of funding

Engineering the solution & building a Monte Carlo engine

- Model choices, Vanilla & Exotics products
- Distribution & Workflow
- Implementation Challenges

Basel III Implications

15:15 – 15:35
Break

15:35 – 16:30
Consistent Valuations with Bilateral Counterparty Risk and Funding
by Mats Kjaer, Barclays Capital

- Introduction to bilateral counterparty risk
- PDE and Feynman-Kac representations of derivatives with bilateral counterparty risk and funding costs
- Balance sheet impact
- Impact of the choices of own debt instruments on funding and hedging

16:30 – 17:10
A Jump Model for Exposure Conditional on Default of a Systemically Important Counterparty
by Alexander Sokol, Numerix

- For systemically important counterparties, a jump in market risk factors will occur before the positions can be closed out, significantly contributing to CVA
- Cases of default triggering a market disruption and vice versa are considered

17:10 – 18:00
CVA Panel

Chair: Damiano Brigo, Gilbert Professor of Mathematical Finance, King's College London

Panelists:

- Giovanni Cesari, Managing Director, Head of CVA Quant Group, UBS
- Stéphane Crépey, Professor at the Mathematics Department of University of Evry
- Dan Rosen, CEO, R2 Financial Technologies

Panel Topics:

Recent Challenges in CVA Modeling and Management

- CVA, DVA and FVA. Is FVA really an additive adjustment?
- DVA hedging by proxying (WSJ article) and systemic risk
- The challenge in VaR of CVA: should we push for more collateralization?
- How relevant is Gap risk in collateralization?
- Can re-hypothecation be avoided with realistic funding

12:30 – 13:45
Lunch

13:45 – 15:15
CVA Models for Linking Default and Exposure
by Tom Hulme: Director, Barclays Capital

- Basic credit-dependence: stochastic hazard rate modelling
- Bilateral credit dependence through copulas
- Jump-at-default and devaluation scenarios
- Direct modelling of defaults
- A Markov framework for placing limits on CVA

15:15 – 15:35
Break

15:35 – 17:10
Completing CVA: Firm-Level Analysis & Funding, Cash as the New Commodity
by Chris Kenyon, Credit Suisse

Completing CVA: Firm-Level Analysis

- DVA for Balance Sheet line items
- Case histories over the crisis
- Regulatory and Accounting perspectives

Funding: Cash as the new Commodity

- Motivation 1: loans with early termination options
- Motivation 2: single currency tenor-basis
- Commodity solution to the spot-forward paradox: convenience yield
- Funding components: riskless rate + credit risk + convenience yield
- Three-factor pricing

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costs?

- CCDS, Bistro type deals and Margin Lending
- Is Global Valuation necessary for VaR of CVA and CVA securitization?

18:00

Cocktail Reception

- How relevant is Gap risk in collateralization?
- Can re-hypothecation be avoided with realistic funding costs?

- CCDS, Bistro type deals and Margin Lending
- Is Global Valuation necessary for VaR of CVA and CVA securitization?

18:00

Cocktail Reception

CVA CONFERENCE DAY 2

Friday 23rd March

CVA & Liquidity Implementation Stream

09:00 – 10:30

CVA, DVA, Liquidity: Analysing the Big Issues
by Massimo Morini, Banca IMI

- How these three components interact with each other?
- Different possibilities to split the charges.
- How much money will we pay/receive at default of our counterparties?
- The impact of closeout conventions

10:30 – 10:45

Break

10:45 – 12:30

Funding, Liquidity, Credit and Counterparty Risk: Links and Implications
by Antonio Castagna, Iason Ltd

- Cash-flows Fair Values and Discounting
- Critique of the Debit Value Adjustment
- The DVA for Derivative Contracts
- An interpretation of the DVA different from the usual one
- The links amongst Funding, Liquidity, Credit and Counterparty
- Accounting Standard and DVA

12:30 – 13:30

Lunch

13:30 – 15:00

Specific Challenges of Implementing CVA in a Commercial Bank
by Robert Smith, Santander

- Changing the culture
- Putting all the pieces together: funding, collateral, capital, market risk
- Passive versus active viewpoint
- Different applications and requirements for CVA: pricing, management, valuation, capital charge
- Equivalence of FVA and LVA, asymmetric funding
- How to fund collateralized and uncollateralized derivatives and where to mark the funding curves
- Alternative setups of FVA / LVA desks
- A market for interbank liquidity?

15:00 – 15:15

Break

15:15 – 16:30

OTC Collateralization: implementation Issues in CVA & FVA Frameworks
by Alexandre Bon, Murex

- CSA clauses & variations
- Modeling collateralized exposures: CVA vs. FVA

CVA CONFERENCE DAY 2

Friday 23rd March

CVA Trading & Basel III Stream

09:00 – 10:30

Introducing the New Capital Charge for Counterparty Credit Risk
by Peter Dobranszky, BNP Paribas

- Regulatory requirements and timeline
- The perimeter of the charge: risk types in and out
- Hedgeable and non-hedgeable CVA risk
- Provision-based CVA approach vs. MtM CVA approach
- Update on the related industry discussions
- Macro impact of CVA VaR on CDS trading
- Probing the link to other risk metrics, i.e. IRC
- Short-term modelling of CDS spreads

10:30 – 10:45

Break

10:45 – 12:30

CVA, Counterparty Credit Risk Capital and Basel III
by Dan Rosen, R2 Financial Technologies

- Understanding economic capital for counterparty credit risk: market and credit risk in the trading book
- Counterparty credit risk capital and Basel III capital rules:

1. The roles of EPE and alpha for CCR capital
2. Capital for CVA risk
3. Differences in Basel capital rules vs best practices
4. The myth of stressed exposures

- Challenges of implementing an effective measurement framework for CCR capital and CVA in the aftermath of the crisis and in the context of new Basel III regulation
- Defining a practical methodology and joint market and credit risk portfolio model, for CCR capital, CVA, sensitivities, stress testing, and VaR
- Modelling of general and specific wrong-way risks CCR capital, CVA and CVA VaR
- Model risk framework and stress testing wrong-way risk, including the both the factors driving correlations as well as the strength of the correlations
- Practical examples demonstrating the computation of CCR and CVA capital with internal models, the comparison to the standardized charge in Basel III, and the impact of WWR at the counterparty level and the portfolio level

12:30 – 13:30

Lunch

13:30 – 15:00

CVA Trading: Profit and/or Capital Relief Centre
by Andrey Chirikhin, Royal Bank of Scotland

- CCR: hedging and mitigation

- Implementing the Standard CSA: challenges and systems implications
- Pricing and managing funding costs & CVA: organizational models

End of Conference

- Economic and regulatory CVA
- CVA pricing vs EPE/CVA VAR calculation
- Hidden risk exposures
- Hedging trade-offs
- CVA, EPE and (CVA) VAR convergence

15:00 – 15:15

Break

15:15 – 16:30

CCDS, Wrong-way Risk, and Other Practical Topics
by Mihail Turlakov, West LB

- General, specific and contagion WWR (wrongway risk)
- WWR for FX and rates trades
- CVA hedging – CCDS (contingent credit default swap) and liquidity
- Example of CCDS on Xccy (cross-currency) swap – pricing, legal and hedging considerations
- Example of pricing CVA and FVA for inflation swaps
- Multi-currency option in collateral posting

End of Conference

Conference Fee Structure

	Early Bird Discount: 15% Before 20th January	Early Bird Discount: 10% Before 17th February	Regular Event Fee
<input type="checkbox"/> Conference + Workshop (£300 Discount):	£2213.15 + UK VAT	£2308.10 + UK VAT	£2498.00 + UK VAT
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