

Measuring credit risks in the markets



FT-38 2 Days (14 Hours)

Description

This internship will provide you with all the essential knowledge to work in the field of credit risk: issuer and counterparty risk, individual or collective, credit spread, rating. You will also learn to measure risks and see the regulatory standards linked to credit instruments.

Who is this training for ?

For whom

Financial analysts. Risk engineers. MOA in front and middle office or risks.

Prerequisites

Aucune

Training objectives

- Control issuer and counterparty risk
- Understand regulatory standards relating to credit instruments
- Manage and measure credit risk
- Understand valuation principles

Training program

Typologie de risque de crédit

- The cause of credit risk: the credit quality of the issuer and that of the counterparty.
- The effect of credit risk: default, rating transition and concept of 'credit event'.
- The scope of credit risk: individual risk (single-name), collective risk (multi-name).
- Distinction between credit risk and market.
- Practical work Market risks vs. credit risk: statistician's point of view.

Principes de valorisation

- Rating and scoring: fundamental information.
- The concept of spread or credit margin: market information.
- Probability of default/rating transition: historical versus implicit (risk-neutral).
- The correlation of default/transition.
- Practical work Link between rating, spread and probability of default.

Rôles de place et risque de crédit

- Organized markets.
- Initial Margin and Variation Margin.
- OTC markets.
- Clearing contracts and collateral management.
- Practical work Future contracts and margin calls.
- The Credit Support Annex of an ISDA contract.

Traitement prudentiel du risque de crédit

- The Basel II - Basel III concepts.
- The probability of default (PD).
- Losses given default (LGD).
- Exposure at default (EAD).
- Residual maturity.
- Expected losses (EL) and unexpected losses (UL).
- Risk-weighted assets (RWA).
- Correlation of assets.
- Standardized approach.
- PD, LGD imposed.
- The imposed formula.
- The IRBF approach.
- The internal PD, imposed LGD.
- The imposed formula.
- The IRBA approach.
- The internal PD, LGD.
- The external model with internal parameters.
- Bank strategy and choice in the approach of the measurement of credit risk.
- Practical work The impact of credit risk costs on equity.

Produits dérivés et stratégies de gestion

- The Single-name.
- Example of derivative products based on credit events (Credit Default Swap, Credit Linked Note, etc.).
- The Multi-name.
- Example of Credit Default Swap Index (CDX), Itraxx and debt portfolios, index tranches.
- Another example of bonds backed by of assets (CDO).
- Hedging and arbitrage of credit risk.
- Speculation on credit risk.
- Practical work Valuation of a CDS.