

COURSE OUTLINE:

# Counterparty Credit Risk

2 days  
16 CPE Credits

## Overview

A two-day programme providing a review of the critical issues surrounding counterparty credit risk. The course will offer a combination of short presentations, discussions, exercises, and case studies.

## Learning Objectives

Upon completion of this seminar, course participants will be able to:

- » Understand modeling and estimation of counterparty credit exposures
- » Identify issues in collateral usage and risks
- » Understand the rationale and concerns over bilateral credit value adjustments

## Who Should Attend

This seminar is designed for investment and commercial bankers, credit analysts, regulators, central bankers, fixed income professionals, corporate treasurers, banking officers and relationship managers interested in understanding counterparty credit risk and other risks associated with OTC derivative contracts.

## Program Level

**Program Level:** Introductory

**Prerequisites:** No prior experience is necessary but familiarity with OTC derivatives is helpful.

**Delivery Method:** Group-Live

## Accreditation

Moody's Analytics is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: [www.nasbaregistry.org](http://www.nasbaregistry.org).

## WHY MOODY'S ANALYTICS?

### Current and Consultative

Our seminars are created and updated utilizing the extensive experience, skills and research of Moody's Analytics. For in-house training, we work with you to understand the distinct needs of your organization and design, implement, and track the performance of your learning programs from end-to-end, including skills assessment, program design, implementation, evaluation, and enhancement.

### Comprehensive Coverage

We offer a broad set of technical and soft skills programs that can be combined and adapted to the needs of your staff. Our areas of expertise include banking, finance, sales negotiation and leadership development:

### Unparalleled Expertise

Our training solutions leverage over a century of experience in risk assessment and the comprehensive tools, data, and analysis of Moody's Analytics to deliver timely, in-depth, and comprehensive knowledge. In delivery, our people make the difference – they combine deep experiences as financial practitioners, intellectual passion for the content, and superior academic credentials with a commitment to delivering outstanding quality.

# Counterparty Credit Risk–Agenda

## DAY ONE

### Session 1: Credit Risk on OTC Derivatives

- » What is counterparty credit risk (CCR)?
- » Important issues in CCR
- » Exposure at Default (EAD), default probabilities and loss given default (LGD)
- » Replacement cost and expected potential exposure (EPE)
- » Regulations around CCR: FAS 157 and Basel II & III

### Session 2: OTC Derivatives Documentation

- » ISDA Master Agreements
- » Issues surrounding an OTC derivative in default
- » Lending comparisons
- » Credit support annex

### Session 3: OTC Derivatives

- » Vanilla structures: forwards, swaps and options contracts
- » Drivers of CCR
- » Exotic structures: structured swaps and exotic options
- » Traditional management of CCR in an OTC derivatives book

### Session 4: Quantifying credit exposure

- » Methods of computing credit exposure
- » Modeling credit exposure over time
- » Typical exposures on standard OTC derivatives
- » The impact of netting on exposure calculations
- » Standalone vs. marginal considerations

### Session 5: Quantifying credit exposure with collateral

- » Impact of collateral
- » Modeling collateral
- » Managing with collateral volatility
- » How safe is collateralization?

## DAY TWO

### Session 6: Credit derivatives

- » Single name CDS
- » CDS Big Bang: SNAC and ISDA CDS standard model
- » Estimating survival default probabilities from a CDS curve
- » Joint name products and default correlation issues

### Session 7: Credit value adjustments (CVA)

- » Understand the role of CVA
- » Pricing new trades with CVA
- » Standalone vs. marginal impacts
- » Bilateral CVA / Debt value adjustments (DVA)
- » CVA with and without wrong-way risk

### Session 8: Wrong-way risk

- » What is wrong-way risk?
- » Measuring wrong-way risk
- » Wrong-way risk in the CDS market
- » Specific capital charges for wrong-way risk

### Session 9: Hedging counterparty credit risk

- » Hedging a risky derivatives position
- » Static vs. dynamic hedging
- » Cross sensitivities: can they be hedged?
- » Best practice for front office CCR management

## RELATED COURSES

- » Debt, Derivatives and Hedging: Strategies for Managing Financial Market Risk
- » Introduction to Credit Derivatives: Structures and Applications
- » Interest Rate Options, Exotics and Structured Product

## Tailor Any Seminar for Your Organization

Moody's Analytics offers customized training and eLearning solutions to help you maximize your training investment. Our hands-on approach benefits companies of all sizes and requirements – from those with just a few local employees to those with staff dispersed around the globe. Contact us to learn more and to work with one of our training consultants to design the right program for your organization.

## Multiple Bookings

Special rates may be available for multiple seminar or group bookings. Please contact us for details.

## Fees & Cancellations

The fee listed is per participant and includes refreshments, lunches and seminar materials. Seminar fees do not include tax, transportation or hotel accommodations. Payment must be received in full prior to the start of the seminar. Registrations may be cancelled in writing via letter or email at least 30 days before the first date of the training for a full refund. Cancellations received less than 30 days in advance are eligible for substitution with another seminar, but fees will not be refunded. We reserve the right to cancel or reschedule seminars at any time. For further information on our refund and complaint policy, please contact us.

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