

# MONECO FINANCIAL TRAINING

## COUNTERPARTY CREDIT RISK

**June 18-19, 2018**  
**Lecturer: Gary Dunn**

Upcoming Seminar

# COUNTERPARTY CREDIT RISK

DATES: June 18–19, 2018 • PRICE: € 1,400 • LOCATION: Prague, NH Hotel Prague

**UPDATED**

## A comprehensive overview of counterparty credit risk.

### How you will benefit:

- An appreciation of the background and evolution of counterparty risk recognition
- An understanding of counterparty risk mitigation tools and their limitations
- An understanding of systemic risk and extreme tail risk
- Practical examples of risk and capital calculations
- An introduction to central clearing
- An appreciation of some of the contradictions in approaches, e.g. between accounting and regulatory needs, and between different approaches of firms.
- An understanding of XVA

This course covers all aspects of counterparty credit risk (CCR) in OTC derivatives. A short background on the evolution of the OTC market and the recognition of CCR is followed by detailed discussions on netting, collateral, SIMM, measuring exposure, default probabilities and credit curves, regulatory capital requirements, risk intermediation and CCPs. CVA, DVA and the other valuation adjustments are also covered along with wrong way risk.

The course is intended particularly for risk managers, audit, and regulators and will include a number of practical exercises and examples designed to make the course interactive. It will also look at how different mitigation techniques may lead to new problems, for example central clearing, collateralisation and initial margin requirements.

### MONDAY, JUNE 18

09<sup>00</sup>–09<sup>15</sup>

#### Welcome and Introduction

09<sup>15</sup>–12<sup>30</sup>

#### Background

- Brief background of the evolution of CCR up to 2008
- The 2008 crisis
- Political and regulatory responses, Basel III, EMIR, IFRS13, Dodd Frank, OTC regulation
- The ETD and OTC derivative markets

#### Overview of Counterparty Risk

- The nature of Counterparty risk
- Mitigation methods

#### A closer look at Risk Mitigation

##### Methods

- The ISDA Master Agreement and CSA
- Netting
  - Payment netting
  - Close out netting
  - Trade compression
- Termination and Resets
- Use of Collateral
  - Regulatory requirements for OTC margin - BCBS D317
  - SIMM
- Default Remote Entities
- CCPs
  - Operation
  - Default management
  - Capital requirements for cleared trades

12<sup>30</sup>–13<sup>30</sup>

#### Lunch

13<sup>30</sup>–17<sup>00</sup>

#### Credit Exposure

- Metrics: EPE, PFE etc.
- Drivers of exposure
- Credit Risk and Funding Risk
- Use of Monte Carlo methods for IMM
- Incorporation of netting and collateral into models

#### Default Probabilities, Credit Spreads and Funding

- Default Probabilities
- Actuarial and market implied PDs
- Credit curves
- Funding curves, capital costs and FTP

### TUESDAY, JUNE 19

09<sup>00</sup>–12<sup>30</sup>

#### Capital Requirements and regulation

- Background to Pillar 1 capital requirements for market and credit risk
  - Standardised approach and IRB for credit risk capital requirements
- EAD for regulatory capital
  - CEM
  - Standardised Approach for Counterparty Credit Risk (SA-CCR)
  - IMM
- Basel III
  - CVA capital charge
  - Review of CVA capital
- Finalising Basel III, d424
  - Reduced BA-CVA
  - Full-CVA
  - Revised Standardised Approach
- Draft Revised CRD and CRR – 2016

12<sup>30</sup>–13<sup>30</sup>

#### Lunch

13<sup>30</sup>–17<sup>00</sup>

#### xVAs

- CVA: Credit Valuation Adjustments
  - CVA allocation
- DVA: Debit Valuation Adjustments
  - Accounting and regulatory views of DVA
- BCVA: Bilateral CVA
- FVA: Funding Valuation Adjustments
  - Link between FVA and DVA
- MVA: Margin Valuation Adjustments
- KVA: Capital Valuation Adjustments
- CoIVA
  - Discounting
  - Collateral valuation adjustments

#### Wrong Way Risk

- Overview
- Quantification and modelling approaches
- Calibrating “Alpha”

#### XVA Management and Optimisation

- Requirements for desks with internal model approval

## Lecturer: Gary Dunn

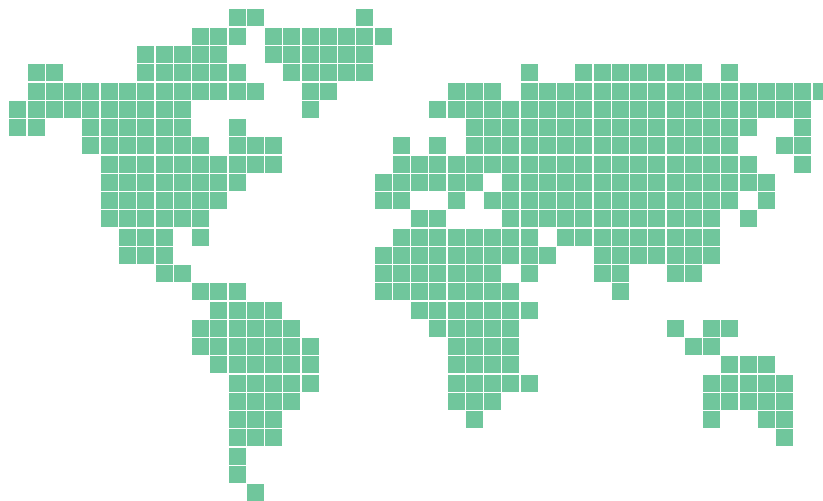
Started out life as a statistician at the Bank of England in 1977 and after a 16-year career there ended up as a senior manager within UK foreign currency reserve management with responsibility for interest rate risk strategy and liquidity management. To aid liquidity management Gary created an internal market for funding between fixed income portfolio managers and the FX desks.

Gary ventured into the private sector where he spent a further 10 years as a proprietary trader.

Gary joined the FSA in 2005 where his main responsibility was reviewing regulatory market risk models (CAD models including VaR and IRC). Whilst at FSA Gary conducted a thematic review of the management of interest rate risk in the banking book (IRRBB) across London based banks. He also attended the AIG/TBG, a BCBS working group responsible for technical design of proposed market risk regulatory capital rules. Gary contributed to the design and calibration of IRC for Basel 2.5 and also wrote internal working papers on VaR, ES and other spectral risk measures which contributed to a review of the academic literature on market risk measures, the first in a long series of FRTB papers from BCBS and industry.

From 2010, as a senior manager at HSBC, Gary participated in many dialogues between industry and regulators covering topics such as FRTB, central clearing, margining, liquidity risk and IRRBB (interest rate risk in the banking book), as well as working on internal projects such as stress testing, IRC development, regulatory interactions and CRD IV submissions. Finally, before moving into consultancy and training, Gary took on an MD role at Morgan Stanley where he was head of risk analytics for the EMEA region.

Now Gary works as a private consultant and trainer.



*Knowledge Leads the Way...*

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# Terms and Conditions of the MONECO Financial Training

## MONECO Financial Training

MONECO Financial Training offers a comprehensive programme of English-language seminars, trainings and practical workshops lectured by qualified tutors. Our objective is to provide the industry professionals with advanced financial know-how and up-to-date analytical methods and skills.

## Seminar Venue and Accommodation

The bulk of the MONECO seminars are traditionally held at the international four-star NH Prague Hotel in Prague, Czech Republic. Since we are expanding our training activities, we run some selected seminars also in other European destinations. Accommodation is not included in the seminar price, but upon request we are happy to offer you hotel reservations in every of our training destinations at special discounted prices for our valued clients.

## Tuition Language

Seminar tuition is in English language, as are all manuals, training software etc. Therefore, in order to benefit from participation, at least a passive knowledge of English, including common financial phrases and related terminology, is required.

## Registration

Clients who decided to participate, should submit us in advance a registration for a particular seminar (letter, fax, internet etc.). Subject to availability, the participant will then receive a confirmation of participation. The number of participants is always strictly limited in order to secure an effective and focused learning environment.

## Seminar Prices

The quoted seminar prices are per person and include all the training manuals, lunches and refreshments, certification diploma in English and selected software solutions used at the seminar. The price does not include hotel accommodation. Quoted prices are exclusive of local VAT (21 %) "Bundle" prices represent the total fee for participation in mutually related seminars (i.e. "Bundles 3+2, 2+3, 2+2, 3+1, 1+3, 1+2+2 and 2+2+1"). "Bundle" prices are provided in the Calendar of the MONECO Financial Training seminars.

## Discounts

Bulk discounts are offered when submitting an application for the participation of more than one person. A 10 % discount is offered when at least two participants from one company register for a seminar or one participant registers at once for two or more seminars. The discounts do not apply for "bundle" prices, as these already represent discounted prices.

## Invoicing and Payment

An invoice for the seminar price will be sent to the participants no later than 10 working days prior to the beginning of the seminar. **Full payment of the invoice must be made before the start of the seminar as a precondition of participation.**

## Terms of Cancellation

If for whatever reasons a registered participant is unable to attend, a substitute delegate may be appointed to participate instead. For cancellations received 20 days or more before the beginning of the seminar, a 10 % cancellation fee of the full price will be invoiced i.e. 90 % of the price is refunded. **For cancellations received less than 20 days prior to the beginning of the seminar, the full price is payable i.e. no refund will be provided. All cancellations must be in writing.** The organizers of the MONECO Financial Training courses reserve the right to cancel the individual participation or cancel the entire seminar or part of it for whatever unspecified reasons, including possible force majeure. In this case, the price paid will be refunded in full or in part, accordingly.

## REGISTRATION FORM

• Counterparty Credit Risk

June 18 – 19, 2018

€ 1,400

### COMPANY

Name:

Approving Manager:

Person responsible for training:

Address:

Tax Registration No.:  VAT Identification No.:

### PARTICIPANTS

1. Title: Mr/Mrs/Ms Name:  Phone:   
E-mail:  Position:

2. Title: Mr/Mrs/Ms Name:  Phone:   
E-mail:  Position:

3. Title: Mr/Mrs/Ms Name:  Phone:   
E-mail:  Position:

Date:  Signature: