AZEK SWISS TRAINING CENTRE FOR INVESTMENT PROFESSIONALS

AZEK CAMPUS, GENEVA, JANUARY 16, 2018

Contingent convertible bonds (CoCo's) - practice and theory

Content

Introduction

CoCo's have been launched as a regulatory response to the financial crisis. Since the first bond has been issued in 2009 (Lloyds Banking Group, UK) we have seen the issuance of approx. CHF 200 bn of Coco's globally and CoCo's have replaced Tier I bond financing (with the only exception of the US market). 2017 we have witnessed the first full write down of this new instrument (Banco Popular - Spain). CoCo's have nowadays grown to a fully established segment of the bond market. But it still is attracting a more selective investor community than the old Tier I bonds. It is a somewhat less well understood part of the bond market (both practice and theory). Our aim is to shed more light here and to cover this market segment from a practical and theoretical side.

Market practice

We will try to give you a comprehensive picture of the CoCo-market. How has the CoCo market evolved and how does the market look like today, which features define todays CoCo's, and who invests in CoCo's. We will shed some light on key similarities and differences between CoCo's and High Yield. We will also give insights into how to analyse and invest into CoCo's in practical terms. Which features should a state of the art investment process for CoCo's include and why? Finally, we will try to take a look into the future and discuss how the CoCo market might evolve in the coming years and implications for the investment process.

Modeling and Pricing CoCo's

Given the structural complexity it is very interesting to think about different theoretical approaches to model and value CoCo's. CoCo's have both bond and equity like features and a very unique attachment point to regulatory capital (and regulatory judgement of point of viability). This leads to very specific modelling approaches. Our aim is to explain various approaches (Credit Derivatives, Equity Derivatives, Structural Models and Advanced Models).

Data Mining CoCo's

Tail risk is a very important aspect when investing in CoCo's. How can this be analysed? Can CoCo's be sold to retail or not? Are CoCo's moving in sync? We look at robust risk measures and try to measure outliers.

Purpose

Coco's have become an established part of the bond market and find a home in many different investor portfolios. Due to the complexity of the instrument it is still a less well understood part of the market. Our main goal is to give a broad overview of this market segment and to elaborate on various dimensions that help to understand the instrument better. We will start with the practical aspects of investing in Coco's and then in a second step we look at ways to understand and price the instruments with a more theoretical approach.

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Table of content

Market practice:

- CoCo bond characteristics
- Coco Market
- Who needs CoCo's?
- CoCo's vs High Yield
- How to Analyse and Invest in CoCo's
- The CoCo market in the future

Modeling and Pricing CoCo's:

- CoCo's Anatomy
- CoCo's Yield Breakdown
- CoCo's Modeling/Pricing
- Implied Volatility
- Are banks now safer?
- CoCo's Analytics

Data Mining:

- Volatility Measure
- Covariance Measure

Who should attend?

Portfolio and relationship managers
Asset managers (funds)
Fund analysts

Language

English

Date

January 16, 2018 Geneva

Time

13:30 – 17:00

Place

Forum Genève Credit Suisse, 11-19,
Rue de Lausanne, 1201 Geneva

Seminar fees

SFAA members´ attendance is free of charge.
(Please refer to the Articles of Association, www.sfaa.ch)
For non SFAA members the fee is CHF 325.-
and includes documentation and refreshments.

Registration

Register online (www.sfaa.ch/en/SFAA_agenda.asp)

Information

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Speakers

Daniel Björk, Senior Portfolio Manager, Fixed Income Credit, Swisscanto Invest, Zürich

As a Senior Portfolio Manager he is the Lead Manager for the Swisscanto (LU) Bond Fund CoCo, as well as several institutional mandates. In his role as a Credit Analyst, he is the Lead Analyst for Banks and Insurance companies. Before joining Swisscanto in 2012, Daniel Björk spent twelve years at SEB, one of the largest Swedish banks, working as a Portfolio Manager and Credit Analyst within Asset Management and Treasury, gaining vast experience from investing in the subordinated financial bond market. Prior to that, he lectured in Mathematics and Statistics in Sweden for two years. Daniel Björk holds a Master's degree in Financial Economics (M.Sc.) from the University of Karlstad. Mr Björk has also been a PhD student in Economics at the University of Uppsala and the Stockholm School of Economics.

Jan De Spiegeleer is General Manager at Risk Concile. He consults for Jabre Capital Partners, a Geneva based hedge fund and a guest professor at the University of Leuven, Belgium.

Prior to this he was managing director at KBC Financial products where he was responsible for equity derivatives trading and structuring. Prior to this financial career, Jan has spent ten years as an officer in the Belgian Army. Together with Wim Schoutens, he co-authored "The handbook of Convertible Bonds" (Wiley-2010), "Contingent Convertible (CoCo) Notes Structure and Pricing" (EuroMoney-2011) and "The handbook of Hybrid Securities" (Wiley-2014)

Wim Schoutens (Leuven, Belgium) is professor in financial engineering at the Catholic University of Leuven, Belgium. He holds a Ph.D. in Mathematics and has extensive practical experience of model implementation and is well known for his consulting work to the banking industry and other institutions. He is an independent expert advisor to the European Commission (DG-COMP) on "State aid assessment of valuation of impaired assets and of asset relief measures" and has assessed in that position more than EUR 1 trillion of assets related bailouts.

Wim is the author of several books including "Applied Conic Finance" (written together with Dilip Madan), "Contingent Convertibles (CoCos) : Structure and Pricing", the first book ever on Contingent Capital and CoCo bonds (written together with Jan De Spiegeleer). Further he has been (co)author of the Wiley books "Lévy Processes in Finance", "Lévy Processes in Credit Risk", and "The Handbook of Convertible Bonds" and the Springer books "Quantitative Assessment of Securitisation Deals" and "Stochastic Processes and Orthogonal Polynomials".

He is Managing Editor of the International Journal of Theoretical and Applied Finance and of Quantitative Finance, and Associated Editor of Mathematical Finance and Review of Derivatives Research and International Journal of Portfolio Analysis & Management. Further, he is series editor of the book series "Financial Engineering Explained" for Palgrave Macmillan. Finally, he is member of the Belgium CPI commission and enjoys making his own jam from time to time.