

MCFS TWILIGHT SEMINAR

The Credit Crisis – Counterparty and Operational Risk Issues

Date: Tuesday November 18th 2008

Venue: KPMG*, Rod Laver Room (Room Number 30), Level 5, 147 Collins St, Melbourne

Sponsor: RiskMetrics*

Global financial markets recently all but seized up when fear of further counterparty default event post the collapse of Lehmann Brothers caused interbank borrowing and lending rates to soar. With a series of failures and near failures among other household name institutions, market participants questioned the ability of their counterparties and their own institutions to properly value exotic instruments and to transact in order to cover loss-making positions in portfolios of sub-prime mortgages and credit default swaps. At a wholesale level, the near failure of large insurance companies, institutions that had sold protection against such risks, exacerbated the situation. Hedge funds and others relying on short selling techniques have also suffered dramatic disruptions to their business models as a result of the regulatory response.

Many inter-related issues are raised by September and October's events and uncertainties remain about the impact of the government re-capitalisations and guarantee schemes that were introduced to restore trust in financial institution counterparties and confidence in the system. With much still to be learned Melbourne Centre for Financial Studies (MCFS) is pleased to present together six leading international and local experts to address this complex series of issues.

Speakers

- Prof Stephen J. Brown, David S. Loeb Professor of Finance, NYU Stern School of Business
- Alan Laubsch, Director, Asia-Pacific, RiskMetrics Group
- Prof Kevin Davis, Director Melbourne Centre for Financial Studies and Commonwealth Bank Chair of Finance
- Wayne Read, Partner, Audit - Accounting Advisory Services, KPMG
- Dr Carsten Murawski, Lecturer in Finance, Faculty of Economics & Commerce, The University of Melbourne
- Blaik Wilson, Solutions Consultant - Asia Pacific, Reval

Key issues

- Is the basis of the crisis of confidence a shortage of liquidity or deeper concerns about solvency?
- Who's more worried about their counterparty risk today – the prime brokers or the hedge fund?
- The Bear Stearns Case Study. Did hedge funds take protection against Bear in the credit market before pulling out their liquidity? If so, are there any lessons to be drawn from this?
- Is it possible to find a robust valuation for derivatives and collateral in a constrained environment?
- Do government guarantees of deposits with commercial banks and their international borrowings result in moral hazard? Will they undermine the need for better due diligence and integrated risk management?

Program:

4.30 - 4.45pm	Registration
4.45 - 5.45pm	Short presentations
5.45 - 6.30pm	Panel discussion, Q&A
6.30 - 7.00pm	Close and Refreshments

There are a limited number of places but there is **no charge**. If interested in attending, please email info@melbournecentre.com.au with subject "Counterparty Credit Risk" by 4pm Monday November 17th. (If you then discover you are unavailable, please advise us so that we can offer the place to others. Free MCFS events are over-booked from time to time. MCFS reserve the right to limit numbers based on its own criteria.) *MCFS gratefully acknowledges the support of its sponsor RiskMetrics and venue partner KPMG. This occasional series of seminars is arranged by MCFS to facilitate knowledge transfer and improve industry-academia contacts. Melbourne Centre for Financial Studies is a not-for-profit partnership between public and private sectors, and between industry and academe. Members of the consortium are Melbourne, Monash and RMIT Universities, and Finsia. They have joined together to enhance Melbourne's national and international reputation for excellence in financial practice, research and education. The Centre facilitates knowledge transfer between, and builds research synergies between, industry and academe by undertaking finance research, arranging consulting by academics, and organizing research focused events.