

Risk presents

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8-10 October 2012, London

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Jim Gatheral,
Professor of Mathematics,
BARUCH COLLEGE, CUNY



Peter Carr,
Managing Director,
MORGAN STANLEY



Dilip Madan,
Professor of Finance,
ROBERT H. SMITH SCHOOL
OF BUSINESS, UNIVERSITY OF
MARYLAND



Damiano Brigo,
Professor of Financial Mathematics,
IMPERIAL COLLEGE



Vladimir Piterberg,
Managing Director and Global Head
of Quantitative Analytics, BARCLAYS



Jean-Philippe Bouchaud,
Founder and Chairman,
CAPITAL FUND MANAGEMENT

Pre-conference workshop 1:
Modelling liquidity risk
8 October 2012

Rama Cont, Chair in Mathematical Finance,
IMPERIAL COLLEGE, LONDON

08.00	Registration and breakfast
	Market Liquidity and its avatars
09.00	<ul style="list-style-type: none"> • Liquidity: the great absent in risk management? • Measuring market liquidity • Taking liquidity risk seriously: consequences for risk management • Impact of liquidity on pricing • Impact of liquidity on risk evaluation • Impact of liquidity on risk management
10.30	Morning break
	Measuring Liquidation value
11.00	<ul style="list-style-type: none"> • What is liquidation value? • Liquidation value vs. mark-to-market value • Price impact and the 'optimal execution' of trades • Why risk management should focus more on liquidation value rather than mark-to-market value • Taking liquidity risk seriously: consequences for risk management
	Liquidation of complex portfolios: Close-out Risk PART ONE
12.00	<ul style="list-style-type: none"> • Liquidating complex, multi-asset portfolios
12.30	Lunch
	Liquidation of complex portfolios: Close-out Risk PART TWO
13.30	<ul style="list-style-type: none"> • The concept of 'close-out risk' • A quantitative framework for assessing close-out risk • Hedging in illiquid markets
	Integrating liquidity and market risk PART ONE
14.30	<ul style="list-style-type: none"> • How liquidity risk and market risk are intertwined, and what you can (and should) do about it
15.00	Afternoon break
	Integrating liquidity and market risk PART TWO
15.30	<ul style="list-style-type: none"> • How liquidity risk and market risk are intertwined, and what you can (and should) do about it • Running for the exit: distressed selling and endogenous risk • A quantitative framework for integrating liquidity and market risk
16.00	End of workshop

Pre-conference workshop 2:
Basel III and counterparty credit risk
8 October 2012

Frank Oertel, Department of Cross-Sectoral
Risk Modelling, BAFIN

08.00	Registration and coffee
	First-to-default bilateral counterparty credit risk
09.00	<ul style="list-style-type: none"> • An introduction to bilateral counterparty credit risk (BCCR) • Embedding of BCCR in the framework of a financial network • Main building blocks of BCCR in an incomplete financial market and the role of information • Vulnerable cash flows, ISDA's close-out rules and DVA • First-to-default bilateral valuation adjustment (FTDBVA) as market price of BCCR • The FTDBVA representation theorem of Brigo and Capponi
10.30	Morning break
	First-to-default bilateral valuation adjustment - a top-down approach
11.00	<ul style="list-style-type: none"> • Valuation of defaultable claims including bilateral counterparty credit risk: an actuarial point of view • General mechanics of market prices of BCCR, accounting standards and the DVA paradox • Market prices of BCCR and ISDA's close-out rules • Can we embed systemic risk in BCCR and FTDBVA?
12.30	Lunch
	The market price of counterparty credit risk and Basel III
13.30	<ul style="list-style-type: none"> • Unilateral CVA in Basel III as a special case • How does Basel III model unilateral CVA: assumptions and first generalisations • Wrong-way risk and right-way risk • The advanced CVA capital charge of Basel III
15.00	Afternoon break
	Restructuring of counterparty credit risk and possible future ideas for research
15.30	<ul style="list-style-type: none"> • Portable CVA versus ISDA's close-out rules • Margin lending and central clearing through a central counterparty • Securitisation of CVA? • A first approach towards a generalisation of the advanced CVA capital charge of Basel III: multivariate dependence modelling, copula approaches and further research problems
17.00	End of workshop

08.00	Registration and coffee	
09.00	Welcome address: Mauro Cesa , Technical Editor, RISK	
09.10	Arbitrage-free SVI volatility surfaces <ul style="list-style-type: none"> Calibrate the widely-used SVI parameterization of the implied volatility surface Guarantee the absence of static arbitrage Demonstrate the high quality of typical SVI fits with a numerical example using recent SPX options data Jim Gatheral , Professor of Mathematics, BARUCH COLLEGE, CUNY	
09.50	Collateral, funding and discounting <ul style="list-style-type: none"> Using collateralised assets as building blocks in a model without a risk-free rate Multi-currency and choice collateral Examples of the above Vladimir Piterbarg , Managing Director and Global Head of Quantitative Analytics, BARCLAYS AND RISK'S QUANT OF THE YEAR 2006, 2011	
10.30	Morning break and opportunity to network	
	STREAM 1 – Derivatives pricing	STREAM 2 – Portfolio management
11.00	Chairman's opening remarks	Chairman's opening remarks
11.10	A quadratic Gaussian year-on-year inflation model for vanillas and exotics <ul style="list-style-type: none"> Multi-factor quadratic Gaussian modelling framework for nominal and inflation rates Three factor stochastic volatility-like parameterisation Calibration to year-on-year smile and numerical results Pricing ZC options, LPI swaps and callable inflation year-on-year swaps Manlio Trovato , Head of Rates Quantitative Research, Rates Trading, LLOYDS BANKING GROUP	Properties of the most diversified portfolio <ul style="list-style-type: none"> Definition and theoretical properties of the Diversification Ratio (DR) Definition and theoretical properties of the Most Diversified Portfolio (MDP) Comparison of some quantitative portfolios Empirical study Yves Chouefaty , President, TOBAM
11.50	Valuing with correlation smile <ul style="list-style-type: none"> The meaning of correlation smile, and how to mark it Good versus bad models Why copulas are very bad (even if they price correlation correctly) Peter Austing , Quantitative Analytics Group, BARCLAYS	Technology of innovation <ul style="list-style-type: none"> Financial weapons of mass destruction Bayesian lessons for pay-out structuring The origins of safety Information as the ultimate asset class <i>Speaker to be confirmed, please check quantcongresseurope.com for updates</i>
12.30	Lunch and opportunity to network	
13.30	CMS convexity with full volatility risk <ul style="list-style-type: none"> Limitations of standard models for CMS pricing Achieving consistency with full term structure of volatilities and correlations Resolving the volatility and correlation risks of delayed payment Incorporating the LIBOR-OIS basis Simon Cedervall , Quantitative Analyst, CITI BANK	Risk and portfolio management in the presence of stress events – a Bayesian Net approach <ul style="list-style-type: none"> Dealing with stress events in a rigorous but intuitive way How to implement Bayesian Nets in practice Combining statistical information and subjective views Coherent asset allocation in the presence of stress events Riccardo Rebonato , Head of Rates and FX Analytics, PIMCO
14.10	Stochastic and local volatility models <ul style="list-style-type: none"> Robust specification of volatility dynamics Beta stochastic volatility model Empirical estimation and implied calibration Illustrations Artur Sepp , Vice-President, BANK OF AMERICA MERRILL LYNCH	Call for papers <i>Speaker to be confirmed</i> <i>Please submit your papers to emma-jayne.king@incisivemedia.com by September 3rd 2012 for consideration</i>
14.50	Afternoon break and opportunity to network	
15.20	A critique of funding and counterparty risk valuation: new challenges <ul style="list-style-type: none"> A critique on the current approach to CVA, DVA and FVA modelling Re-hypothecation, closeout, netting, first to default, wrong-way risk Payoff risk and model risk Funding is not always DVA Problems with the self-financing condition Funding is not an additive adjustment Restructuring Damiano Brigo , Professor and co-head, Mathematical Finance Group, IMPERIAL COLLEGE	
16.00	Implementing a high frequency trading strategy <ul style="list-style-type: none"> Micro analysing liquidity, volatility and impact Controlling costs - order positioning, entry and exit timing and sizing Holding periods - long, short and very short Directional forecasting for trends, reversions and inversions Measuring and modelling physical environment execution risks – market state, placement timing and external data latency The data torrent - dealing with quantity and noise Hans Christian Reinhardt , Head of Quantitative Trading Service Group, MORGAN STANLEY Priyanko Hazra , Quantitative Strategist, MORGAN STANLEY	
16.40	Model risk in funding and CVA models <ul style="list-style-type: none"> Different choices for FVA and their effects on CVA and DVA Misunderstandings in the relation between credit and funding Regulations and Basel III effects Cross - currency and the strange case of the risk - free rate Massimo Morini , Head of Interest Rate and Credit Models, Coordinator of Model Research, BANCA IMI	
17.20	Chairman's closing remarks and end of day one	
17.30	Cocktail reception	

08.30	Breakfast and coffee	
09.00	Welcome address: Laurie Carver , Senior Staff Writer and Deputy Technical Editor, RISK	
09.10	Multidimensional systemic risk and the management of its associated trade-offs <ul style="list-style-type: none"> Measuring financial diversity Risk rated assets, VaR and capital countercyclicality Sector diversity and correlation response indices Dilip Madan , Professor of Finance, ROBERT H. SMITH SCHOOL OF BUSINESS, UNIVERSITY OF MARYLAND	
09.50	EXPERT PANEL DISCUSSION: The future of the quant industry <ul style="list-style-type: none"> Have quant models failed or has the wider business model failed? In the future, will we all be in IT? Alex Lipton , Managing Director and Co-Head of the Global Quantitative Group, BANK OF AMERICA MERRILL LYNCH John Crosby , Visiting Professor, UNIVERSITY OF GLASGOW Jean-Philippe Bouchaud , Founder and Chairman, CAPITAL FUND MANAGEMENT Dilip Madan , Professor of Finance, ROBERT H. SMITH SCHOOL OF BUSINESS, UNIVERSITY OF MARYLAND Peter Carr , Managing Director, MORGAN STANLEY	
10.50	Morning break and opportunity to network	
	STREAM 3 – Quantitative risk management	STREAM 4 – Trading Strategies
11.20	Chairman's opening remarks	Chairman's opening remarks
11.30	Modelling commodities for counterparty risk <ul style="list-style-type: none"> Stylised features of the commodity market Potential modelling approaches Primary model; spreads model; jumps model Real world calibration; co-dependence Model performance and extensions Vinay Kotecha , Head of Rates/Commodities, Risk Methodology and Analytics, BNP PARIBAS Vladimir Chorniy , Head of Risk Methodology and Analytics, BNP PARIBAS	Order flow and market impact <ul style="list-style-type: none"> Market impact-crucial to understanding costs and capacity Empirical data consistently shows that impact grows as the square-root of traded volume Square-root impact law theory-proposed based on supply and demand and price diffusion Consequences for execution optimisation and cost control? Jean-Philippe Bouchaud , Founder and Chairman, CAPITAL FUND MANAGEMENT
12.10	Comprehensive framework for bilateral collateralized CVA and funding costs <ul style="list-style-type: none"> Trading under ISDA master agreement Re-hypothecation liquidity risk Collateral margining and close-out netting rules Funding risk and liquidity policies Risk-neutral pricing of CVA including cost of funding Dharminder Kainth , Head of QuaRC, ROYAL BANK OF SCOTLAND	Fixing a broken investment process <ul style="list-style-type: none"> Market dynamics changed substantially when Lehman collapsed and have not normalised This is causing continuing havoc for the investment process Here we look at how asset managers can adapt to cope with this new reality Stacy Williams , Head of Quantitative Strategy, HSBC
12.50	Lunch and opportunity to network	
14.00	Interrelation amongst liquidity, counterparty credit risk and funding <ul style="list-style-type: none"> Cash-flows fair values and discounting Critique of the Debit Value Adjustment (DVA) The DVA for derivative contracts Antonio Castagna , Lecturer, MILAN POLYTECHNIC; Partner, IASON LTD	Maximising profitability in FX and FX options trading <ul style="list-style-type: none"> Trading strategies in the FX and FX options markets Relating profits to market volatility and to economic indicators The significance of the carry trade The predictability of the profits John Crosby , Visiting Professor, Centre of Economic and Financial Studies, UNIVERSITY OF GLASGOW
14.40	A generalised CVA with funding and collateral <ul style="list-style-type: none"> A Partial Differential Equation (PDE) for a generalised CVA with funding and collateral The DVA, FCA and balance sheet structure Issuer debt structure impact Mats Kjaer , Vice President, Quantitative Analytics, BARCLAYS	Call for papers <i>Speaker to be confirmed</i> <i>Please submit your papers to emma-jayne.king@incisivemedia.com by September 3rd 2012 for consideration.</i>
15.20	Afternoon break and opportunity to network	
15.50	Market risks in asset management companies <ul style="list-style-type: none"> Measuring market risks A sample of US asset management companies Cases for and against hedging Tail risk dependence with banking revenues Bernd Scherer , CIO, FTC CAPITAL; Professor of Finance, EDHEC BUSINESS SCHOOL	
16.30	A utility-free approach to the Ross Recovery theorem <ul style="list-style-type: none"> Recovering real world probabilities from risk neutral ones Avoiding utility restrictions Application to interest rate derivatives Simple examples and realistic examples Peter Carr , Managing Director, MORGAN STANLEY	
17.10	Chairman's closing remarks	
17.20	End of conference	

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'Great event with world class quantitative specialists.'

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