



B40.3328

PhD Seminar on Credit Default Swaps

Tuesday, 9:30-12:30 p.m., Room Gruber

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Course Description: Credit default swaps (CDS) have grown to be a multi-trillion dollar, globally important, market. The academic literature on CDS has grown tremendously over the last decade, and has been analyzed from different perspectives using diverse research methodologies. This development has raised several controversies and open debates. CDS contracts and markets have become a key research topic among financial economists, and a current discussion focus for several regulatory initiatives. This seminar provides an exposure to the salient contributions in the field. The topics covered will be grouped under the following seven sections (1) CDS Market Structure and Regulation, (2) CDS Pricing, (3) CDS, Bond and Equity Markets, (4) CDS and Corporate Finance, (5) CDS and Financial Intermediaries, (6) Sovereign CDS, (7) CDS Indices. In addition to the papers assigned for presentation and detailed discussion in class, an extensive reading list of other related papers and surveys on each topic are also included.

Prerequisite(s): All participants should have taken Financial Theory I, II, and III (B40.2634, B40.2635 and B40.2336) or should have equivalent background. For those who do not have this background, permission of the instructors is required prior to registration for the seminar.

Credit Hours: 1.5

Text(s): Patrick Augustin, Marti G. Subrahmanyam, Dragon Yongjun Tang and Sarah Qian Wang (2014), *Credit Default Swaps: A Survey*, Foundations and TrendsTM in Finance: Vol. 9: No. 12, pp 1-196. <http://dx.doi.org/10.1561/05000000040>

Patrick Augustin, Marti G. Subrahmanyam, Dragon Yongjun Tang and Sarah Qian Wang (2015), *Credit Default Swaps: Past, Present, and Future*, Annual Review of Financial Economics: Vol. 8, pp 1-25.

Grade Distribution:

Class Presentation	30%
Class Participation	20%
Referee Reports	50%

Course Policies:

- **General**

- Since the objective of the seminar is to read and understand recent work on CDS, participants are expected to spend adequate time giving thoughtful attention to the assigned readings before coming to class.
- A participant nominated in advance will lead the discussion in each seminar session. All participants will have to take responsibility for leading one session each, depending on the size of the class. It is understood that all seminar participants will contribute to the discussion in all sessions.
- A critique of the paper being presented is required to be turned in soon after the discussion of the paper.

- **Grades**

- The grade in the seminar will be based on the presentations, participation in the seminar and the written reports.
- The course grade will be either *Pass* or *Fail*.

- **Assignments**

- An important requirement of the seminar is a report involving a critical survey of a topic of research in discussed during the semester. An effort should be made to analyze various papers in the area, including, but not limited to, those discussed in the seminar, and identify the central issues.
- **No late assignments will be accepted under any circumstances.**

Tentative Course Outline:

The weekly coverage might change as it depends on the progress of the class. However, you must keep up with the reading assignments. Mandatory readings are marked with a star*.

Week	Tentative Date	Content
Week 1	October 27	<ul style="list-style-type: none"> • CDS Market Structure and Regulation • Reading assignments <ul style="list-style-type: none"> – Loon and Zhong (2014a)* – Loon and Zhong (2014b)* – Chernov et al. (2013) – Gupta and Sundaram (2014)
Week 2	November 3	<ul style="list-style-type: none"> • CDS Pricing • Reading assignments <ul style="list-style-type: none"> – Duffie (1999)* – Longstaff et al. (2005)* – Doshi et al. (2013) – Ericsson et al. (2009) – Zhang et al. (2009) – Arora et al. (2012) – Bongaerts et al. (2011)* – Qiu and Yu (2012)
Week 3	November 10	<ul style="list-style-type: none"> • CDS, Bond and Equity Markets • Reading assignments <ul style="list-style-type: none"> – Blanco et al. (2005) – Oehmke and Zawadowski (2014b) – Oehmke and Zawadowski (2014a) – Nashikkar et al. (2011)* – Acharya and Johnson (2007)* – Hilscher et al. (2015)* – Boehmer et al. (2014) – Das et al. (2014)* – Massa and Zhang (2012) – Friewald et al. (2014) – Duarte et al. (2007) – Kapadia and Pu (2012) – Jorion and Zhang (2007) – Jorion and Zhang (2009)

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Week	Tentative Date	Content
Week 4	November 17	<ul style="list-style-type: none"> • CDS and Corporate Finance • Reading assignments <ul style="list-style-type: none"> – Morrison (2005)* – Bolton and Oehmke (2011)* – Subrahmanyam et al. (2014b)* – Che and Sethi (2014) – Campello and Matta (2012) – Fostel and Geanakoplos (2013) – Saretto and Tookes (2013)* – Subrahmanyam et al. (2014a) – Feldhutter et al. (2014)
Week 5	November 24	<ul style="list-style-type: none"> • CDS and Financial Intermediation • Reading assignments <ul style="list-style-type: none"> – Minton et al. (2009)* – Acharya and Johnson (2010) – Shan et al. (2014) – Hakenes and Schnabel (2010) – Duffee and Zhou (2001)* – Thompson (2010) – Parlour and Plantin (2008)* – Hirtle (2009) – Arping (2014)

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Week	Tentative Date	Content
Week 6	December 1	<ul style="list-style-type: none"> • Sovereign CDS • Reading assignments <ul style="list-style-type: none"> – Pan and Singleton (2008)* – Longstaff et al. (2011)* – Ang and Longstaff (2013) – Augustin and Tédongap (2015)* – Dooley and Hutchison (2009) – Anton et al. (2013) – Acharya et al. (2014) – Remolona et al. (2008) – Dieckmann and Plank (2011) – Kallestrup et al. (2014) – Alter and Schuler (2012) – Ismailescu and Kazemi (2010) – Doshi et al. (2014) – Dockner et al. (2013) – Augustin (2013) – Benzoni et al. (2015)* – Lucas et al. (2014) – Lee et al. (2013) – Augustin et al. (2014) – Bedendo and Colla (2015) – Sambalaibat (2013) – Palladini and Portes (2011) – Portes (2010) – Salomao (2013) – Ismailescu and Phillips (2011)

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Week	Tentative Date	Content
Week 7	December 8	<ul style="list-style-type: none"> • Index CDS • Reading assignments <ul style="list-style-type: none"> – Stanton and Wallace (2011)* – Longstaff and Rajan (2008)* – Coval et al. (2009)* – Collin-Dufresne et al. (2012)* – Longstaff and Myers (2014) – Berndt and Obreja (2010) – Longstaff (2010)

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