

Creditflux Data+ synthetics database

What's new

Cut-off date for fourth quarter 2006 submissions: Monday 8 January 2007

New portfolio types and portfolio subtypes for bespoke tranches

New league tables: bespoke tranches must be described as synthetic CDO, synthetic securitisation or constant proportion/dynamic proportion synthetic (see definitions)

Constant proportion/dynamic proportion synthetic submissions for the new league table should cover the whole of 2006

Aim

To be the most comprehensive listing of bespoke portfolio credit swaps (synthetic CDOs) and provide a guide to which institutions are most active as counterparties in the bespoke and index synthetic tranche market.

How it works

Counterparties submit details of tranching portfolio credit default swaps they have traded at the end of each quarter. Creditflux publishes a list of all deals for that quarter along with league tables showing most active counterparties and volume tables showing most common types of trades. At the end of the year, the data for the four quarters is added to produce full year league and volume tables.

Timetable

Counterparties can submit details of deals up to a date just after the end of the quarter in which they were traded. The cut-off dates for 2007 data are:

Quarter 1: 6 April 2007

Quarter 2: 6 July 2007

Quarter 3: 5 October 2007

Quarter 4: 11 January 2008

Information sources

The database is based mainly on information provided to us by deal counterparties and managers, as well as public sources such as rating agency announcements. Our general policy is to accept in good faith the information provided to us. However, we may in some cases ask to see further evidence for deals, such as trade confirmations. We may also ask those submitting information to confirm details in writing. Deals are included in the database at our discretion.

League table methodology

League tables quantify the volume of tranching portfolio protection bought and sold by each counterparty. This includes unfunded trades (including those collateralised through a CSA) and funded trades issued in the form of a credit-linked note.

Each counterparty receives league table credit equal to the tranche size of all trades on which it has acted as buyer or seller of protection. This will result in double-counting where both counterparties submit details of the same trade. To quantify this double-counting, we ask counterparties to indicate which trades are interdealer trades.

Index tranches

We compile estimates of index tranche volumes separately from the main database of bespoke portfolio credit swaps.

Counterparties are required to provide a total of index tranche volume for each standard index in that quarter by notional and delta size.

CDOs-squared

For multi-tier portfolio credit swaps (synthetic CDOs-squared), league tables and volume tables are based on the size of the tranche at the highest level (the outer CDO). These trades are classified according to the type of their ultimate reference assets (eg investment grade corporate name referenced). Counterparties are required to indicate which trades are CDOs-squared. Tranches that are created only to appear in other portfolio credit swaps (reference obligation-only trades) are excluded from the database.

Leveraged super seniors

Tranches are included based on the size of the initial investment amount, not on the total tranche size. That is, a 10 times leveraged trade of \$10 million would be included at \$10 million, rather than the \$100 million it could theoretically reach.

Format for submissions

Counterparties are asked to submit information using the spreadsheet template Creditflux PCS form.5.xls

Required information

See the file Creditflux PCS form.5.xls for full details. The following are among the most important inclusion criteria:

- Details of tranche size, attachment point and detachment point must be provided (except for index tranches and constant proportion/dynamic proportion synthetic tranches)
- Only completed trades with an unaffiliated counterparty are included
- Portfolio type/subtype (see list of portfolio types)

Use of data

Creditflux holds the copyright for league tables and volume tables generated from the Creditflux PCS database. However, we allow them to be reproduced in full or part provided that they are reproduced accurately and clearly sourced to Creditflux. No explicit permission is required to do this. If you would like to source any further analysis of the data to Creditflux please check first with Tom Davidson, +44 20 7253 4807 tom.davidson@creditflux.com.

Definitions

- A **synthetic CDO** is an investment that is exposed to a tranche of a portfolio of 10 or more corporate and/or sovereign reference entities or ABS reference obligations. The investment takes the form of either a single credit default swap, or a bond, note or guarantee that directly repackages a single credit default swap.
- A **synthetic securitisation** is an investment that is exposed to a tranche of a portfolio of 10 or more debt obligations and in which settlement takes place using the recovery value of only the reference obligations themselves and no other obligations of the same issuer (reference obligation only). The investment takes the form of either a single credit default swap, or a bond, note or guarantee that directly repackages a single credit default swap.
- A **constant proportion/dynamic proportion synthetic** (eg CPPI, CPDO) is an investment exposed to a credit derivative portfolio comprising 10 or more reference entities or obligations the size of which is adjusted according to predefined rules relating to the market value of the portfolio.
- An **index-referenced portfolio credit swap** is one referencing a standardised portfolio of reference entities or obligations, eg the CDX or iTraxx indices
- **Interdealer trades** are those between the firm submitting information and one of a number of listed counterparties (or their affiliates) who also submit information to Creditflux – see current list of dealers. There is no requirement to name the other counterparty.
- **Substitution** means that an entity has the right to change at least one reference obligation or entity during the life of the trade
- **Self-managed** means that one of the counterparties to the trade has the discretion to make substitutions
- **Third-party managed** means that a party other than one of the counterparties has the discretion to make substitutions
- **Funded** means that risk has been transferred in the form of funded notes in return for an initial payment
- **Unfunded** means that risk has been transferred in the form of an unfunded swap, guarantee or insurance policy in return for a commitment to reimburse future losses
- Trades are regarded as **completed** once the terms, including the price, have been agreed in a way which obliges the counterparties to complete the trade on these terms. This is usually the trade date for unfunded credit default swaps and the pricing date for funded credit-linked notes

Current list of dealers

ABN Amro, Bank of America, Barclays Bank, Bear Stearns, BNP Paribas, Citigroup, Credit Agricole, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, Ixis, JP Morgan Chase, Lehman Brothers, Merrill Lynch, Morgan Stanley, Nomura, Royal Bank of Canada, Societe Generale, UBS, Wachovia

List of portfolio types and subtypes

consumer: consumer	unsecuritised consumer debt
corporate: IG	investment grade corporate reference entities
corporate: HY	high yield corporate reference entities
corporate: HY secured	high yield corporate reference entities referencing loans only
CRE: CRE	commercial real estate debt including CMBS and REIT debt
EM debt: EM debt	emerging market corporate or sovereign reference entities
non-syndicated: non-syndicated	small and medium-sized enterprise or middle-market debt
SF: mezz ABS	mezzanine asset backed securities
SF: HG ABS	high-grade asset backed securities
SF: other	other structured finance securities
trups: trups	trust preferred securities
other: other	other (please describe in portfolio details column)

Mixed portfolios follow the category of their largest group of assets

