THE JOURNAL OF DERIVATIVES

A LETTER FROM THE DIRECTOR OF THE IAFE

Dear Subscriber:

The IAFE is pleased to announce the launch of our new website as well as several events scheduled for this fall in New York and London. For more information on the events below as well as other programs check our website at www.iafe.org.

NEW IAFE WEBSITE
The new IAFE is up and running with a streamlined look and easier navigation. Check out the website for the Job Board, Upcoming Events Calendar, Membership Information and more. We are currently developing a new members-only section with enhanced features for our paid membership which will be launched this fall. Make sure to point your browser to www.iafe.org to take a look at our new site.

UPCOMING EVENTS THIS FALL

WHY SHOULD HEDGE FUNDS CARE ABOUT OPERATIONAL RISK?
September 20, 2006, New York City

Panelists:
Jill Eicher, Blake Morrow
Reiko Nahum, Founder and CEO, Amber Partners
Marina Lewin, VP, Alternative Investment Services, Bank of New York
Said Rafat, Managing Director, Fitch Ratings
Moderator: Charles Fishkin, Director, Office of Risk Assessment, SEC

This session will focus on the issue of whether managing operational risk matters for the hedge fund sector or is purely the "hot topic" of the moment. This lively discussion will include a consideration of whether hedge funds should truly be concerned with issues that have been recently targeted by regulators: mis-pricing, fraud, governance, transparency and reporting. And beyond audacious instances of fraud, how concerned should investors be with establishing that hedge funds know how to run their businesses in addition to managing their portfolios? The discussion will also consider whether hedge funds, as they continue to move into more mainstream financial markets, have the same sort of responsibilities to their investors as other more regulated sectors, such as asset managers and brokers.

HEDGING CREDIT SPREAD AND DEFAULT RISKS IN CDO TRANCHES
November 1, 2006, London

Presented by: Jean-Paul Laurent, Professor of Finance at the University of Lyon and Scientific Consultant to BNP PARIBAS

Moderated by: Michel Crouhy, Head of Research and Development at IXIS Corporate and Investment Bank (Groupe Caisse d'Epargne)

Jean-Paul will be discussing his paper in two parts.

In the first section, Jean-Paul will present an informal list of issues related to the risk management of CDOs (such as the use of copula models for the computation of credit deltas, a discussion of different sources of incompleteness, the relative magnitude of credit spread and default risks, hedging based upon the index or upon a name per name basis) and different ways to tackle the problem. The second section will present new research related to the joint hedging of default and credit spread risk in an intensity framework: defaults are modelled through a multivariate Cox process, with default intensities following affine intensities as in the Duffie and Garleanu paper. The feasibility and construction of a dynamic hedging strategy of a CDO tranche option based upon single name credit default swaps is then being considered.

IAFE MEMBERSHIP

In late 2004 we announced our new simplified membership system with expanded benefits. Under the new system, all IAFE members will be able to enjoy the same membership privileges. If you have not renewed your membership, now is a great time to do so.

Following are the details of our new membership system:

- Whereas in the past membership had been based on a calendar year, our new system will be subscription based. Now all members will be able to get a full year of membership benefits, regardless of when they join.

- The two previous membership levels have been eliminated in favor of one general membership so that all members enjoy the same benefits.

- Under the new system, all IAFE members are now entitled to enjoy substantial discounts on nine Institutional Investor Journals, including the official IAFE publication, The Journal of Derivatives. With discounts ranging from 25% to 50% on a variety of publications, there are now even more benefits to being a member. IAFE members can subscribe to as many journals as they want at the discounted prices at any point in the year. This discount applies to both new subscriptions and renewals.

To join, simply complete the membership application at the back of the journal or use our online form at www.iafe.org.

Best regards,

David Jaffe
Executive Director, IAFE