Documentation risk in credit default swaps: When is a hedge not a hedge?

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Abstract In March 2000, Ecobel Land Inc. defaulted on a Bear Stearns International US$10m loan initially believed to be backed by a surety bond. Bear Stearns International had hedged the non-payment risk with a credit default swap with Aon Corporation. Despite alleged fraud, documentation errors and a lack of due diligence which rendered the surety bond worthless, the credit default swap represented an appropriate hedge. Aon Corporation, in turn, believed it had hedged its position with a credit default swap with Société Générale. However, documentation errors resulted in Aon Corporation being unhedged and liable for the US$10m plus legal fees and associated costs resulting from honouring the swap and related litigation. This paper highlights the importance of documentation in establishing appropriate hedges.

Keywords: *credit default swaps, hedging, documentation risk*

INTRODUCTION

In March 2000, Ecobel Land Inc. defaulted on a Bear Stearns International US$10m loan which was initially believed to be backed by a surety bond from an agency of the Philippine Government. Bear Stearns International had hedged the risk of non-payment with a credit default swap (CDS) with Aon Corporation. Despite alleged fraud, documentation errors and a lack of due diligence which rendered the surety bond worthless, the CDS represented an appropriate hedge. Aon Corporation, in turn, believed it had hedged its position with Bear Stearns International with a CDS with Société Générale (SocGen). However, documentation errors in the Aon–SocGen CDS resulted in Aon Corporation being in an unhedged position. Aon Corporation was liable for the unhedged US$10m plus legal fees and associated costs resulting from honouring the swap and the related litigation. This paper highlights the importance of documentation in establishing appropriate hedges and proceeds as follows: the next two sections discuss the general characteristics of CDSs and their documentation using International Swaps and Derivatives Association (ISDA) Master Agreements, the following two sections outline the Ecobel–Bear Stearns International deal and the subsequent breach of that deal, while the penultimate section outlines the Aon–SocGen CDS. The paper ends by discussing the two cases and drawing conclusions.

CHARACTERISTICS OF CREDIT DEFAULT SWAPS

According to the ISDA, the CDS market has grown to more than US$45trn over the past decade (by the end of 2008, the ISDA Market Survey Year-End 2008 reports that this amount had fallen to approximately US$38.6trn). This is approximately twice the size of the US stock market (valued at about US$22trn in mid-2008) and far exceeds the roughly US$7.1trn mortgage market and US$4.4trn US treasuries market.

CDSs are insurance-like contracts that cover losses on certain securities in the case of a default, a bond downgrade or some other specified credit event. They typically apply to municipal bonds, corporate debt and mortgage securities, and are sold by banks, hedge funds and other financial entities. The buyer of the credit default insurance pays periodic premiums in return for the guarantee that losses will be covered if a default occurs.

Commercial banks are among the most active in this market, with the top 25 banks holding more than US$13trn in CDSs (as either the insured or insurer) at the end of the third quarter of 2007, according to the Comptroller of the Currency. The most common application is for corporate bond investors to buy CDSs for protection against a default by the issuer of the corporate bond or loan, but these flexible instruments can be used in many ways to customise exposure to corporate credit.

CDS contracts mitigate risks by transferring risk from one party to another without transferring the underlying asset. In a CDS, one party 'sells' risk and the counterparty 'buys' that risk. The 'seller' of credit risk who also tends to own the underlying credit asset pays a periodic fee

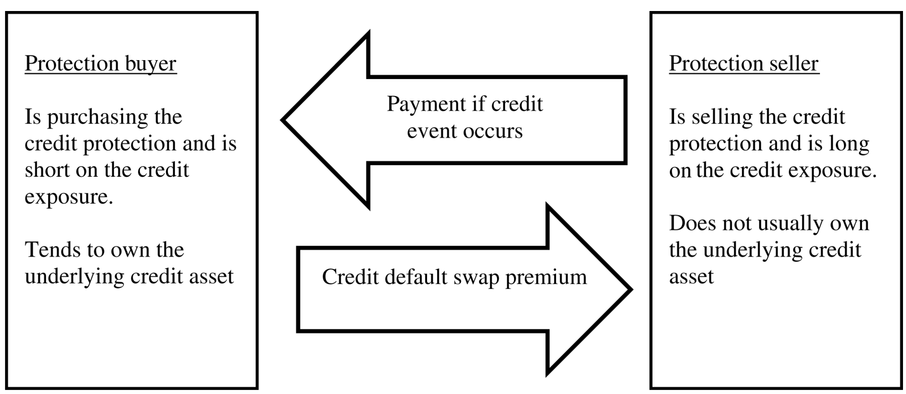

Figure 1: Schematic for a common credit default swap transaction

to the risk 'buyer'. In return, the risk 'buyer' agrees to pay the 'seller' a set amount if there is a default (technically known as a credit event). Figure 1 presents a schematic for a CDS transaction.

The CDS market is generally divided into three sectors: corporates, bank credits and emerging market sovereigns. CDS maturity ranges from one to ten years although the five-year CDS is the most frequently traded. Each CDS references either a single credit or multiple credits. A multi-credit CDS usually references a custom portfolio of credits agreed upon by the buyer and seller, or a CDS index. The credits referenced are known as 'reference entities'. This paper examines a series of transactions involving an emerging market credit, a corporate bank, a sophisticated insurer and a sovereign nation, initially thought to be hedges on an underlying commercial loan transaction. A chronology of events is presented in Table 1.

CDSs usually provide protection only against previously agreed upon credit events. The most common credit events that trigger a payment from the risk 'buyer' to the risk 'seller' are:

- *bankruptcy:* the reference entity becomes insolvent or is unable to pay its debts;
- *failure to pay:* the reference entity fails to make interest or principal payments when due;
- *debt restructuring:* the configuration of debt obligations is changed such that the credit holder is unfavourably affected;
- *obligation acceleration or obligation default:* the debt obligations of the reference entity become due before their originally scheduled maturity date;
- *repudiation/moratorium:* the issuer of the underlying bond (the reference entity) rejects their debt, effectively refusing to pay interest and principal.

The settlement terms of a CDS are determined when the original CDS contract is written. The most common type of CDS involves exchanging bonds for their par value, although, as was the case in the situation reported here, the settlement can also be in the form of a cash payment.

CREDIT DEFAULT SWAP DOCUMENTATION

ISDA is the principal trade organisation of participants in the market for over-the-counter derivatives and has created a standardised contract known as the 'ISDA Master Agreement', which counterparties use to enter into derivatives transactions. The ISDA Master Agreement contains general terms and conditions but does not, in and of itself, include details of any specific derivatives transactions. Rather, the Master Agreement is a pre-printed form which is not amended, except for the insertion of the names of the parties on the front and signature pages. However, it also has a manually produced schedule on which the parties select certain options that can modify sections of the Master Agreement.

Details of individual derivatives transactions are included in 'confirmations'. Each confirmation relates to a specific transaction and sets out the agreed terms of that trade. Confirmations are generally quite short as they normally incorporate one or more of the ISDA definition booklets, each of which relates to a specific type of derivatives transaction and defines terms and any necessary mechanical provisions. The ISDA Master Agreements between the various parties represent the principal documentation available to the courts in deciding the parties' intentions with respect to the guarantees implicit in any CDS and the extent to which each party would be liable for honouring the terms of the trades.

Table 1: Chronology of events

4th February, 1999	Bear Stearns International (BSIL) agrees to lend Ecobel Land, Inc. (Escobel) $9.3m. Ecobel agrees to repay BSIL $10m on 7th March, 2000 and is obligated to obtain a surety bond from Government Service Insurance System (GSIS), an agency of the Government of the Philippines that guarantees repayment of the $10m in the event that Ecobel defaults on the loan.
4th February, 1999	BSIL enters into a $10m credit default swap agreement (CDS#1) with Aon Corporation (Aon). BSIL agrees to pay a premium of $425,000 to Aon.
5th February, 1999	GSIS issues the surety bond covering Ecobel's borrowings.
9th February, 1999	Aon enters into a $10m credit default swap agreement (CDS#2) with Société Générale (SocGen). Aon agrees to pay a premium of $328,000 to SocGen.
7th March, 2000	Ecobel defaults on the loan to BSIL.
8th March, 2000	BSIL serves GSIS with notice of Ecobel's default and demand for payment of the surety bond.
9th March, 2000	BSIL informs Aon that GSIS will not honour the surety bond due to technical reasons related to the assignment of the bond.
10th March, 2000	Aon informs BSIL that it will not honour its obligation under CDS#1 because the refusal to honour the surety bond did not constitute a 'credit event'. Follow-up letter sent 22nd March, 2000. Aon files suit to clarify its rights against BSIL and SocGen under the different credit default swaps.
21st March, 2000	BSIL demands payment from Aon under the credit default swap by 27th March, 2000. Aon refuses to pay.
31st March, 2000	BSIL files suit against Aon seeking payment of $10m under the terms of CDS#2.
3rd April, 2000	BSIL sends a formal demand for payment from Aon under CDS#1.
8th April, 2000	Aon files suit against SocGen seeking payment of $10m under the terms of CDS#2.
20th July, 2000	The US district court finds in favour of BSIL seeking payment of $10m from Aon under the terms of CDS#1.
7th September, 2000	US district court denies appeal by Aon of 21st July, 2000 decision.
3rd October, 2000	SocGen moves for judgment arguing that the GSIS default was not a 'credit event' under the terms of CDS#2.
18th October, 2000	Aon responds arguing that a 'credit event' under CDS#1 with BSIL also constitutes a 'credit event' under the agreement with SocGen as they are the 'same series of transactions'.
22nd February, 2005	The US district court finds in favour of Aon that the GSIS default was a 'credit event' under the terms of CDS#2 with SocGen.
6th October, 2006	SocGen argues its appeal to the 22nd February, 2005 decision.
5th February, 2007	The US court of appeals finds in favour of SocGen that the GSIS default was not a 'credit event' under CDS#2 with Aon.

THE ECOBEL–BEAR STEARNS INTERNATIONAL DEAL

In late 1998, Ecobel Land Inc. was seeking construction financing for a condominium project in the Philippines. Bear Stearns International Limited (BSIL) agreed to lend Ecobel US$9,307,000 (the loan) for the construction of a proposed condominium tower.[1] The loan required Ecobel to repay the debt in full on 7th March, 2000 in the amount of US$10m. Acting upon a recommendation by BSIL, Ecobel applied for and initially obtained a surety bond (the bond) issued by the Government Service Insurance System (GSIS), a Philippines government agency, guaranteeing payment by Ecobel of its debt to BSIL. The bond was issued on 5th February, 1999 and could be redeemed following an Ecobel default by presenting the bond and a demand for payment to GSIS.

In a letter dated 10th February, 1999, a GSIS representative asserted that: (1) the bond was a genuine, authentic, valid and binding obligation of GSIS, and could be transferred to BSIL and Aon Corporation (see below), and (2) that GSIS had no counterclaim, defence or right of set-off with respect to the bond provided that the drawing conditions were satisfied. That same day, a GSIS representative wrote stating that the bond had been assigned to BSIL.

On 4th February, 1999, Aon Corporation (Aon) entered into a US$10m CDS agreement (CDS#1) with BSIL. The CDS was contained in three documents: (1) an ISDA Master Agreement listing Aon and BSIL as parties; (2) a schedule modifying the Master Agreement; and (3) a confirmation from Aon to BSIL outlining the specific terms and conditions of the transaction. Also on 4th February, 1999, Aon executed an unconditional guarantee in favour of BSIL, guaranteeing payment by Aon under the CDS. CDS#1 and the guarantee were drafted by Aon Corporation and were negotiated by the parties at arm's length and with the assistance of legal counsel.

Under the terms of CDS#1, Aon promised to pay BSIL US$10m plus any out-of-pocket expenses, including attorneys' fees should GSIS fail to satisfy, *for any reason*, its obligations under the bond. The contract stated that Aon's obligation to pay would be triggered by the occurrence of a 'credit event', and the corresponding presentation of a credit event notice. The ISDA confirmation listed only one event, namely, 'failure to pay', which was defined as the failure by GSIS to make, when due, any payments under the bond for whatever reason or cause.[2] That is, Aon waived all legal defences in pledging an *unconditional* guarantee.

BSIL paid Aon US$425,000 for entering into the agreement. To reduce its own risk exposure, Aon then entered into a separate CDS agreement with SocGen on 9th February, 1999 (CDS#2). Under this agreement, SocGen agreed to pay Aon US$10m should a credit event occur. In this contract, a credit event was specifically defined as any of: (1) a failure to pay, (2) a sovereign event, (3) a cross default, (4) a repudiation, or (5) a restructuring. But while the CDS#1 reference entity was GSIS, CDS#2 defined the reference entity as the 'Republic of Philippines'. Similarly, while the CDS#1 reference obligation was the GSIS US$10m surety bond, the CDS#2 reference obligation was a US$500m Republic of Philippines, 8.875 per cent treasury bond maturing on 15th April, 2008 (see Figure 2 and Table 2). For the credit protection under CDS#2 contract, Aon paid US$328,000, US$97,000 less than the amount that BSIL had paid Aon for protection under CDS#1. (Author's note: the difference in premia between CDS#1 and CDS#2 is likely the result of the difference in the

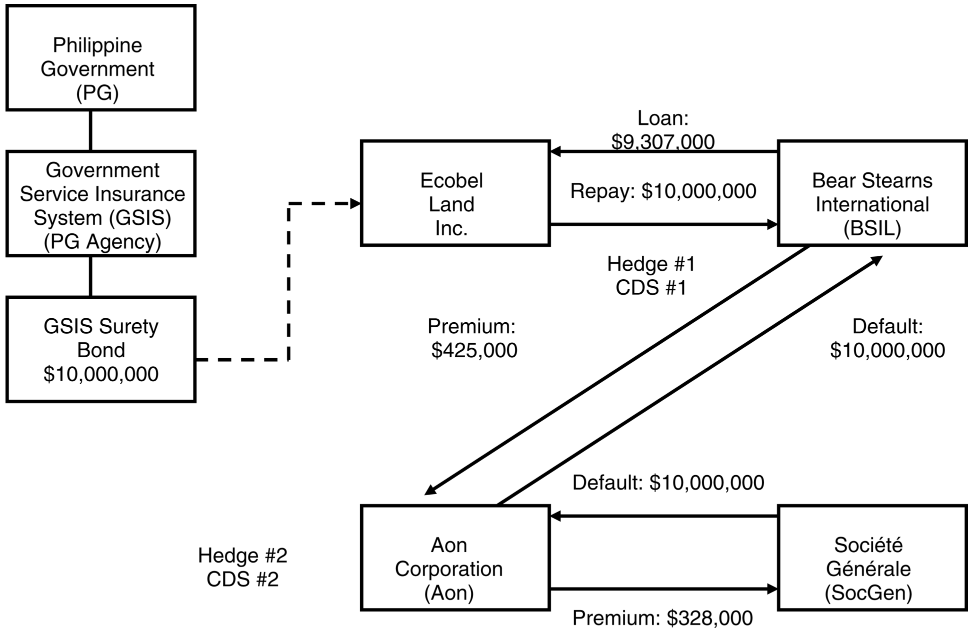

Figure 2: Schematic of initial Aon–BSIL (CDS#1) hedge and subsequent Aon–SocGen (CDS#2) hedge

Table 2: Premia paid and reference details on CDS#1 and CDS#2

Credit default swap	Premium	Guarantor	Reference entity	Reference obligation
#1	$425,000	Aon Corporation	GSIS	GSIS $10m surety bond
#2	$328,000	Société Générale	Government of the Philippines	Government of Philippines, $500m treasury bond

risk profiles of the reference obligations. No mention is made in any of the legal documents reviewed as to how or why the CDS#2 reference obligation was chosen.)

BREACH OF THE ECOBEL–BEAR STEARNS INTERNATIONAL DEAL

Ecobel failed to make the US$10m loan payment on 7th March, 2000. On that day, BSIL served Ecobel with a notice of default. On 8th March, 2000, in accordance with the terms of the bond and the earlier instructions of GSIS, BSIL presented to GSIS notification of an immediate demand under the bond, requesting that GSIS make full payment because of Ecobel's default.

On 9th March, 2000, BSIL served Aon with a credit event notice, which reported that Ecobel had defaulted, and that GSIS did not intend to make payments in accordance with the terms of the surety bond because the bond had not been duly authorised, ie there were documentation errors in the surety bond contract. BSIL argued that the conditions for payment under CDS#1 had been satisfied, and demanded payment from Aon. In a letter sent to Aon on the same day, BSIL also demanded that Aon honour its obligations under the CDS, stating that Aon would be responsible for collecting the amount it was owed from GSIS.

In a letter of 15th March, 2000, GSIS denied any and all liability under the surety bond, stating that it was not enforceable because the assignment to BSIL was not valid. The earlier letters written by the GSIS representative(s) to the contrary were not legitimate because they were prepared by individuals lacking the authority to make such statements. GSIS also stated that the drawing conditions of the bond, as laid out in the 30th March, 1998 letter from a GSIS representative, were unenforceable because of a similar lack of authority. Finally, GSIS also indicated that its records showed that GSIS had cancelled the bond because the collateral offered was determined not to be genuine. A cancellation notice had been sent to Ecobel on 12th February, 1999. GSIS alleged that the actions of certain individuals involved in the loan transaction suggested that there was a conspiracy to commit fraud against GSIS and the Philippine Government.[3] There was no record of BSIL being informed of the cancellation of the surety bond, nor was any evidence provided indicating that BSIL had ensured that the surety bond was still valid and in force.

On 21st March, 2000, BSIL sent a notice of default to Aon, demanding payment of US$10m, plus interest, costs and fees by 27th March, 2000. In response, Aon stated that it would not make payment because it believed the terms of the agreement required a valid reference obligation to be effective. Because GSIS claimed that there was no valid reference obligation, Aon argued that there was no credit event and thus no obligation for it to pay.

Aon did not challenge the contractual validity of the CDS. Rather, its principal argument was based on the GSIS position, that the bond was (1) unenforceable against GSIS and/or (2) was invalid. Aon argued that it was not liable because its obligations under the CDS were premised on a valid bond being arranged and maintained by Escobel.

The court disagreed, stating that there was nothing in the CDS contract that conditioned Aon's payment on the validity of the bond. In fact, Aon had specifically waived all defences concerning the enforceability of the bond. The plain language of the ISDA Master Agreement negated any defence Aon raised with regard to the unenforceability, illegality or invalidity of the bond.

The court further determined that Aon had an obligation to pay irrespective of the bond's potential invalidity or unenforceability. The CDS covered GSIS's default 'for whatever reason or cause', including where the underlying obligation was illegal or invalid. Aon argued that the waiver in the ISDA Master Agreement did not apply here, because the bond was, essentially, 'a nullity'. However, the court found that, even if the bond was void, Aon's waiver would still apply.[4]

THE AON–SOCGEN CREDIT DEFAULT SWAP

In a subsequent court case against SocGen for the enforcement of CDS#2, Aon argued that both CDS#1 and the litigation under CDS#2 were based on the same transactions and evidence regarding whether there was a failure to pay. Aon asked the court to reject SocGen's argument that the cases were distinct because the wording in certain sections of the CDS contracts differed somewhat. Aon's position rested on the argument that the same credit event had occurred in both cases. It also contended that SocGen was liable because a credit event occurred under the provisions of the CDS#2 contract defining a credit event as a sovereign event or as a failure to pay.

To the contrary, SocGen's argument was that the GSIS default was not a sovereign event because the Republic of the Philippines and GSIS are separate and distinct entities. Aon counter-argued that the 14th April, 2000, letter from the Philippine Government refusing to honour its statutory guarantee of GSIS's obligations did not deny that GSIS had authority to bind the Philippine Government, nor did it assert that the GSIS and the Philippine Government are separate and distinct entities. On 22nd February, 2005, the district court decided that, under the terms of the Aon/SocGen CDS contract, GSIS's default satisfied the definition of a sovereign event and thus constituted a credit event. SocGen was held liable to pay under CDS#2.

The lower district court concluded that the definition of a 'sovereign event', which includes 'a condition . . . that has the effect of . . . causing a failure to honor any obligation relating to . . . the government of the Reference Entity . . . requires only that the GSIS'[s] act have the effect of causing a failure to honor an obligation relating to the Philippine Government'. [5] The court determined that GSIS's failure to honour the bond constituted such an act, and therefore, its denial of liability constituted a sovereign (and therefore, a credit) event under the agreement.

Upon appeal, the appeals court disagreed with both Aon and the lower court principally because the earlier interpretations ignored the crucial word 'condition' at the beginning of the definition. GSIS's failure to pay on the bond may have been a failure to act, or an event, but it was not a *condition*.[6]

Because the CDS#2 ISDA Master Agreement named the Philippine Government as the reference entity, any failure to pay had to be a 'sovereign event'. However, the court did not believe that the definition of sovereign event included (1) the failure of a Philippine agency (GSIS) to honour its bond, thereby creating (2) a 'condition' that in turn caused (3) the failure of the agency to honour the same bond, irrespective of whether the bond was an obligation relating to an obligation of the Philippine Government.[7] The default was not a 'condition' that caused the failure of GSIS to honour its obligation. Nor was it caused by an 'act or failure to act by the Republic or its agency'. It resulted from GSIS's decision that it was not legally bound to honour its obligation to pay. The court's position was that the 'act or failure to act' by the Philippine Government that 'had the effect of causing [the] failure [of GSIS] to honor' the bond was something other than the failure to pay on the bond.

In other words, an 'act or failure to act' in the context of a 'sovereign event' referred to large-scale events such as the restructuring of national debt. Such debt restructuring by a national government might cause a general 'condition' throughout the country (eg currency devaluation, restriction on exports of US dollars, etc) that in turn could result in one or more defaults on one or more specific obligations against which a company or other entity doing business with or within the country would want to protect itself.[8]

The appellate court also held that it does not automatically follow from the occurrence of a credit event as defined in one contract that there was a credit event as defined in the other. That is, there was no reason to assume that the risk transferred to Aon was precisely the risk that it transferred or sought to transfer to SocGen. The court concluded that GSIS's default, which led to the CDS#1 credit event, was not a 'sovereign event' as that term was used in the CDS#2 contract and overturned the previous decision.

DISCUSSION

It is often the case that the reference asset that the protection buyer delivers to the protection seller following a credit event is the instrument that is being hedged. In emerging markets, however, an investor may decide that a particular credit risk is reasonably correlated with the performance of the sovereign entity, so that the investor may seek to hedge country risk with CDSs written on some portion of the sovereign's outstanding debt. In this respect, CDS agreements are different from insurance contracts. They do not, and are not meant to, indemnify the buyer of protection against any and all loss. Rather, CDS contracts allow parties to hedge specific risk by buying and selling risks at different prices and with varying degrees of correlation.

Aon bought from BSIL the risk of a credit event as defined by the CDS#1 contract. With the CDS#2 contract, Aon attempted to hedge the risk that it bought from BSIL by selling to SocGen the risk of a credit event as defined by the CDS#2 contract. But the risk transferred to Aon and the risk transferred by it were not identical. The terms of each credit swap agreement needed to be read independently.

CONCLUSIONS

In March 2000, Ecobel Land Inc. defaulted on a US$10m Bear Stearns International loan believed to be backed by a surety bond from an agency of the Philippine Government. Bear Stearns International had hedged the non-payment risk with a CDS with Aon Corporation. Aon Corporation, in turn, believed it had hedged the Bear Stearns International position with a CDS with SocGen. However, documentation errors in the Aon–SocGen CDS resulted in Aon Corporation being in an unhedged position. Aon Corporation was liable for the unhedged US$10m plus legal fees and associated costs resulting from honouring the swap and the related litigation.[9]

This paper highlights the importance of documentation in establishing appropriate hedges. Specifically, there are three important points with respect to documentation risk to draw from this series of law suits. First, the courts enforce CDSs strictly according to the terms laid out in the ISDA Master Agreements. Secondly, differences in the wording that defines credit events are important. Parties to CDSs should not automatically assume that facts constituting a credit event in one CDS necessarily constitute a credit event in a related CDS unless the contractual language is identical. Thirdly, identification of reference entities is important. Affiliated reference entities in different CDS contracts do not represent the same risk. In particular, identifying a sovereign government (as the reference entity) does not automatically include all of its agencies.

Acknowledgment

The section on credit default swap documentation was drawn from ISDA materials available from www.isda.org.

References

1 The information in this paper was drawn from a number of legal documents and similar sources, in the interest of brevity, several simplifications in legal assignments have been made. For example, the credit default swaps were arranged by Aon Financial Products, a wholly owned subsidiary of Aon Corporation which guaranteed all of its transactions. Aon Financial Products subsequently ceased operations. Accordingly, Aon Corporation is identified as the principal throughout this paper. Similarly, many of the banking assignments have been overlooked and references are made directly to the principals involved.

2 The determination of a credit event under CDS#1 was made without regard to: '(1) any lack or alleged lack of authority or capacity of GSIS or Ecobel to enter into the bond or loan; (2) any actual or alleged unenforceability, illegality, or invalidity with respect to the bond or loan agreement; or (3) the failure of GSIS or Ecobel to make any payment as a result of compliance with any applicable law, order, regulation, decree, or notice.' See *Ursa Minor Limited and Bankers Trustee Company Limited against Aon Financial Products Inc and Aon Corporation*, United States District Court for the Southern District of New York, 2000 US Dist. Lexis 10166 at p. 16.

3 J. Fernando U. Campaña, former Vice President of the Government Service Insurance System for International Operations, was charged with graft on 7th February, 2000 in connection with the alleged illegal grant of a US$10m surety bond to Ecobel Land Inc. The Philippine Government alleged that Campaña's actions allowed Ecobel to secure the loan from BSIL, despite posting insufficient collateral. An investigation by the Philippine Ombudsman revealed that Campaña issued, without authority, three documents certifying that the bond was genuine and would be transferred to the lender upon Ecobel's request; that GSIS was engaged in the insurance business and its transactions were guaranteed by the Philippine Government; and confirming the existence of a loan transaction between BSIL and Ecobel which had supposedly facilitated the drawdown of the loan. In 2000, after having been informed that the bond had been cancelled by the GSIS central office due to irregularities, Campaña nonetheless accepted the US$330,004 premium payment from Ecobel. According to the Ombudsman, this caused 'extreme prejudice and exposure to injury' on the state pension fund and, by extension, the Philippine Government. Information drawn and paraphrased from Tabingo, P. J. G. (2008) 'Sacked GSIS exec charged with graft', Malaya News Online, 8th February, available at: http://www.malaya.com.ph/feb08/metro2.htm (accessed 14th July, 2009).

4 See *Ursa Minor Limited and Bankers Trustee Company Limited against Aon Financial Products Inc and Aon Corporation*, United States District Court for the Southern District of New York, 2000 US Dist. Lexis 10166 at p. 23.

5 See *Aon Financial Products v Société Générale*, No. 00 Civ. 5863, United States District Court for the Southern District of New York, 2005 US Dist. Lexis 2719 at p. 4.

6 *Aon Financial Products Inc and Aon Corporation v Société Générale*, United States Court of Appeals for the Second Circuit, No. 06-1080-cv at p. 13.

7 This is linked to the low historical probability of default. Only approximately 0.2 per cent of investment-grade companies default in any year. See Table 1: Default rates based on data from Standard & Poor's CreditPro™, 1998 edition — version 2.0 (© McGraw-Hill Companies Inc.) 1981–96 and Moody's; as reported in Fons, J., Kimball, S. and Andrew, E. (1991) 'Corporate bond

defaults and default rates 1970–90', *Journal of Fixed Income*, June, available at: http://www.efalken.com/banking/html's/defaultcurves.htm (accessed 14th July, 2009).

8 An example would be where 'the government of the Republic of Argentina, in the grip of economic crisis, initiated a voluntary debt exchange'. See *Eternity Global Fund Limited v Morgan Guaranty Trust Company of New York and JPMorgan Chase Bank*, United States Court of Appeals for the Second Circuit, No. 03-7652, p. 1.

9 See *Ursa Minor Limited and Bankers Trustee Company Limited against Aon Financial Products Inc and Aon Corporation*, United States District Court for the Southern District of New York, 2000 US Dist. Lexis 7455.