2019-10-18 Meeting notes

Date

18 Oct 2019

Attendees

- Elisa Kendall
- Pete Rivett
- jfttierney
- Jefferson Braswell

Agenda

1) Use Case reminder

2) Where we are on our road map.

3) Open Action Items

4) JIRA Issues Review - https://jira.edmcouncil.org/projects/IND/issues/IND-17?filter=allopenissues

5) Todays content discussion.

     SMIF OWL-UML

     SKOS

     RDF/S

6) For next week.

Proceedings:

John provided a list of equity and bond indices for us to consider including in our use cases and for the ontology. These include:

Equities - US

Dow Jones Industrial Average

Dow Jones Transportation Average

Dow Jones Utility Average

S & P 500

S & P Midcap 400

S & P Smallcap 600

S & P 1500

Russell 1000

Russell 2000

Russell 3000

Wilshire 5000

CBOE Equity Volatility (VIX)

Nasdaq Composite

Nasdaq 100

Equities – International

Stoxx Europe 600 - Europe

CAC 40 - France

DAX - Germany

FTSE 100 - UK

FTSE 250 - UK

Shanghai Composite - China

Hang Sang – Hong Kong

Nikkei Stock Japan

MSCI World Index – Developed Countries

MSCI EAFE Index – Developed countries ex US and Canada

MSCI AC World – Developed and Emerging Markets

MSCI Emerging Markets Index

Bonds - US

Bloomberg Barclays

Broad Market or Aggregate

US Corporate High Yield

High Yield

Mortgage Backed

ICE BofA ML

Investment Grade

High Yield

S & P Leveraged Loan Index

CDX. IG – Investment grade default swap index

CDX.HY – High Yield default swap index

Commodities

Bloomberg Commodity Index

S & P GSCI Index

Thomson Reuters/Core Commodity CRB Index

Gold

Oil – WTI

Oil – Brent

Copper

We may not represent all of these outright, but this list provides the primary ones we should consider representing, as individuals, including having some representative examples of the values of at least some of them *at some point in time* so that people using the ontology can understand how to use the ontology to manage this sort of information. The goal is to reference the definitive source of the information so that someone can automate populating it as needed for their internal purposes.

Also sent John and Jeff the current draft credit events ontology (general) to review since our credit indices ontology references it. Some that are under consideration for ACTUS include:

1. Default
2. First to Default
3. Downgrade
4. Fall in price
5. Bankruptcy
6. Insolvency
7. Restructuring
8. Obligation Acceleration
9. Repudiation
10. Moratorium

We have most of these, but not all of them, so we need to review the ontology and revise it again accordingly, at which point it may be good enough to release once we have some restrictions that are relevant to distinguish them from one another.

Definition of first to default:

For example, a variant of the credit default swap is the "first-to-default" put. In this case, assume a Bank holds a portfolio of four high yield loans rated B, each one with a nominal value of $100 million, a maturity of five years and an annual coupon of Libor plus 200 bp. The loans are chosen such that default correlations are very small, i.e., such that there is a very low ex-ante probability that more than one loan will default over the time until the expiration of the put, say two years. A first-to-default put gives the Bank the opportunity to reduce its credit risk exposure, by being compensated in case one of the loans in the pool of four loans defaults at any time during the two-year period. If more than one loan defaults during this period, the Bank is only compensated for the first loan that defaulted.

We also need to consider a cross-default provision, which means if an organization has, for example, 6 different bonds out there, and defaults on one of them, then that is considered to be a default on all of them - see first to default, above.

Generic downgrade is missing - distressed ratings downgrade should be a subclass of that. If you are downgraded below a certain level then there may be consequences, such as a distressed ratings downgrade, more of a trigger. In order to be an event you have to pass a certain threshold. Same for fall in price.

Decisions:

Action items

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