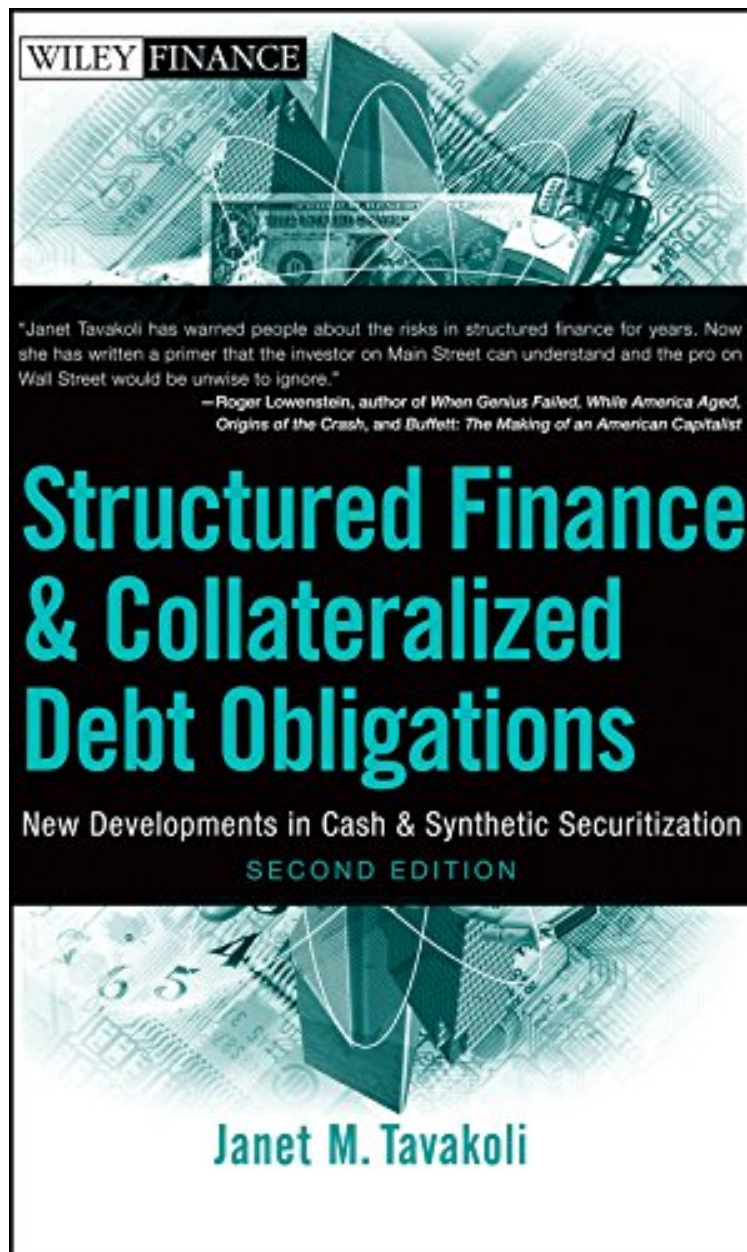


[Mobile ebook] Structured Finance and Collateralized Debt Obligations: New Developments in Cash and Synthetic Securitization (Wiley Finance)

Structured Finance and Collateralized Debt Obligations: New Developments in Cash and Synthetic Securitization (Wiley Finance)

Janet M. Tavakoli

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Janet M. Tavakoli : Structured Finance and Collateralized Debt Obligations: New Developments in Cash and Synthetic Securitization (Wiley Finance) before purchasing it in order to gage whether or not it would be worth my

time, and all praised *Structured Finance and Collateralized Debt Obligations: New Developments in Cash and Synthetic Securitization* (Wiley Finance):

31 of 33 people found the following review helpful. Informative, acerbic and fun look at credit derivatives
By A. J. Sutter
I echo the praises of this book sung by previous reviewers. But I can also say in all sincerity that this is the most fun book I can ever recall reading about finance. The book isn't an overview of the current credit crisis per se, but a detailed look at some of the building blocks that came tumbling down (as well as some that might collapse in the future, such as total-rate-of-return (TRO) swaps). It's addressed to a professional audience, so if you're shy about reading books with some equations you might not enjoy it so much. Most of these are pretty simple, though, and none involve calculus. Still, I'd recommend that you not be put off by the quantitative bits and professional terminology. To a greater extent than most other finance books, Tavakoli uses diagrams to explain the deal structures. The pictures aren't always understandable separately from the text, but they are generally very lucid and valuable. Most importantly, interspersed with the material for practitioners are extended narrative, historical and critical passages, which will give you an insider's insights into the role human nature plays in quantitative finance. Although she's a financial professional herself, Tavakoli isn't afraid to call 'em how she sees 'em, often with a bit of appropriate cynicism, e.g. "Hedge funds have made massive leveraged credit bets, knowing that their upside is billions in fees and their downside is millions in fees" @ 430. I even laughed out loud in a couple of places, which was a personal first for a book of this genre. Occasionally Tavakoli uses terminology that isn't explained until later (such as "value at risk" (VaR), which is mentioned @ 87 but not explained until the next chapter, @ 94ff); unfortunately, the index is an erratic aid in this situation (e.g., VaR's first entry in the index is for page 97). But these are very minor quibbles, and shouldn't discourage you from reading this terrific book.

27 of 30 people found the following review helpful. As close as you will get to the deal table
By David R. Harper
I'm told Ms. Tavakoli is doing a booming business these days helping plaintiffs with synthetic CDO lawsuits. If so, there may be some justice in the world. She is a rare creature of finance, hard-working genius grounded in ethics that should define the profession (i.e., due diligence on behalf of clients. What a concepts). As others have rightly noted, the book contains something you can't find *anywhere* else: myriad details of real-world transactions and actual practices as they vary from theory. In short, the straight scoop from the inside. Briefly, my only nit, which is unrelated to Ms. Tavakoli's genius and generosity: the organization and editing of the book are, at times, a bit too much brisk swerving narrative and not enough pedagogy (e.g., there isn't quite enough help understanding the synthetic CDO and equity CDO case studies, I doubt many readers will suffer the details in the way they are presented). She knows too much stuff. On some of the transactions, I struggled to keep up. A full reading of the book would have taken less time if they had polished the final, tightened the organization, and paused to explain in a few areas. She is five stars and then some, the book is four stars for degree of difficulty. The first half of book is generally an introduction to credit derivatives, the building blocks that constitute the more sophisticated CDO technologies; e.g., CDS, CLN, role of SPE/SPV, early CDO technology, credit enhancement (very important!), CDOs backed by RMBS. The best part of the book is the second half. Selected highlights: * Great stuff on CDO tranches; e.g., senior tranches tend to bear the systemic risk while junior (1st to default) tranches bear the name or idiosyncratic risk * The best part of the book, for me, is the detailed compare/contrast between a synthetic arb CDO and cash arb CDO; e.g., cash CDO has a market risk hedge counterparty (interest rate and currency), synthetic CDO does not; synthetic CDO has a super senior tranche; * Several brilliant anecdotes related to model risk in practice (mis-applications of models). If she doesn't prove to you that "approximately right" is a better goal than "precisely wrong," nothing will budge you. * Helpful due diligence questions for an investor to ask of CDO manager; e.g., have you been deposed in last 5 years? * Stinging take down of Basel regulatory framework ("Basel II is part of a series of failures by various financial regulators to capture the most fundamental risk in the banking system: lending money to someone who may not pay you back"..."as securitizations began to come back on the balance sheets in 2007, it was clear that BIS had no idea of the problems that leverage, synthetics, and securitizations could pose") * Best expose of the super senior tranche. It's unbelievable and stranger than fiction. * Funny digs at the roles of regulators, economists and lawyers. You gotta love her. It occurs to me she may be fearless, in part, because she makes a habit of doing the right thing. * Dense, important material about the nuances of hedging ineffectiveness; e.g., single-tranche CDO * What does she conclude in the chapter "The Credit Crunch and CDOs?" There is no other way to say this, it's a broadside against the credit rating agencies. On several levels, by the way (motives, application of statistics). She says, "My own view is that for structured products, the NRSRO designation should be revoked." She makes the point that "savvy investors ignore ratings" (i.e., knowing they are wrong).

10 of 12 people found the following review helpful. Rosetta Stone
By Hilary F. Till
This book provides an insider view into the opaque world of structured finance and collateralized debt obligations. With its clear explanations of numerous structured-finance innovations, I expect this book to become the "Rosetta Stone" for deciphering these markets. In addition, the book includes a lot of nuggets of wisdom on applying a value-investor discipline to structured finance. This is something that I hadn't expected since the complexity of structured-finance instruments would give one the impression that this field is (and was) only a realm for rocket scientists. For example, in Chapter 5, Janet Tavakoli describes "The Leverage Paradox" whereby leveraging up equity

(or even commodity) positions that are deeply distressed can make sense as a systematic strategy since the dramatic returns for correct bets can compensate for the inevitable downturns from such a strategy. But when leverage is applied to non-distressed debt securities, as was the fashion during the credit boom, disastrous results can (and did) happen with any air-pocket in the market, whether it is because of isolated cases of fraud or temporarily difficult liquidity conditions.

An up-to-date look at the exploding CDO and structured credit products market In this fully updated Second Edition, financial expert Janet Tavakoli provides readers with a comprehensive look at the CDO and structured credit products market amid recent developments. In addition to a detailed overview of the market, this book presents key issues in valuing structured financial products and important quality control issues. Tavakoli shares her experiences in this field, as she examines important securitization topics, including the huge increase in CDO arbitrage created by synthetics, the tranches most at risk from new technology, dumping securitizations on bank balance sheets, the abuse of offshore vehicles by companies, the role of hedge funds, critical issues with subprime, Alt-A, and prime mortgage securitizations, and securitizations made possible by new securitization techniques and the Euro. While providing an overview of the market and its dynamic growth, Tavakoli takes the time to explore the types of products now offered, new hedging techniques, and valuation and risk/return issues associated with investment in CDOs and synthetic CDOs.

From the Inside Flap The structured finance landscape has changed radically in the last several years, especially when it comes to collateralized debt obligations (CDOs). New technologies, tools, and products have opened the door to many profitable opportunities within this market, and an equal number of debacles have arisen due to misunderstandings, misuse, and outright fraud. In order to achieve success and use structured technology in a beneficial fashion, as well as avoid potential pitfalls, you need to gain a firm understanding of how to operate within such a dynamic environment. That's why financial expert Janet Tavakoli has created *Structured Finance and Collateralized Debt Obligations, Second Edition*. Filled with in-depth insights and practical advice, this updated guide provides you with everything you need to value structured financial products. Incorporating a comprehensive overview of the CDO market and the elements of structured finance amid recent developments, Tavakoli provides the substance necessary to evaluate structured products while making clear that mechanical models most often used by institutions and professionals have critical shortcomings. The models, she asserts, will inevitably fail if one does not understand how to evaluate fundamental value and handle quality control. Chapter by chapter, Tavakoli shares her extensive experiences in this field, as she explores important securitization topics, including cash versus synthetic arbitrage CDOs; recent changes in the CDS market posed by CDSs on asset-backed securities (CDSs of ABS); synthetic indexes; subprime and Alt-A securitization; the role of hedge funds in this arena; securitizations made possible by the emergence of the Euro; and much more. Along the way, Tavakoli takes the time to detail the different types of products now available, highlight new hedging techniques, and outline various valuation and risk/return issues associated with investing in CDOs and synthetic CDOs. She also looks at some instances of fraud and what can be done to recognize and remedy such situations, and focuses on some gray areas of opportunity presented by today's structured products. Written with the serious financial professional in mind, *Structured Finance and Collateralized Debt Obligations, Second Edition* skillfully puts this discipline in perspective. It sheds much-needed light on how existing structuring technology has benefited new markets and has the potential to create even better products and it provides a clearer understanding of these products so that you can confidently participate in this market and make more-informed decisions within it.

From the Back Cover Praise for *Structured Finance Collateralized Debt Obligations Second Edition* "Janet Tavakoli warned the world this disaster was coming well in advance. Now she explains it again for those who did not listen before as well as why it is not over yet. You need to read this book to understand the biggest credit bubble in world history." — Jim Rogers, author of *A Bull in China*, *Hot Commodities*, *Adventure Capitalist*, and *Investment Biker* "Janet Tavakoli's new book provides an insider view into the opaque world of structured finance and collateralized debt obligations. With its clear explanations of numerous structured-finance innovations, I expect this book to become the 'Rosetta Stone' for deciphering these markets. This book is a service to the investment community." — Hilary Till, Cofounder, *Premia Capital Management, LLC* "Janet Tavakoli explains the complex world of structured finance with unusual flair and colorful anecdotes from securitization's front lines. An indispensable and up-to-date guide for anyone seeking greater understanding of the CDO market." — Charles C. Henneman, CFA, Head, Educational Programs and Events, *CFA Institute* "Janet Tavakoli has been able to dissect, with a brisk style, the intricacies of many structured products. Not only does she explain in a clear and insightful manner how certain things work, but more important, why others do not work!" — Arturo Cifuentes, PhD, Managing Director, *R.W. Pressprich Co.* "Stan O'Neal, Marcus Ospel, and more than a few other bold-face names in finance might still have jobs if they'd taken the trouble to read this book. Janet Tavakoli takes the complexities of today's derivatives markets and makes them both comprehensible and digestible for everybody from the practitioner to the interested observer." — Greg Newton, Founding Publisher, *MAR/Hedge* "Janet Tavakoli is exceptional in having worked extensively both in mortgage securitization and structured credit at

major financial institutions. In this clearly written book, she shares her in-depth knowledge of structuring, valuation, and risk management of structured products. This book is a must read for regulators and risk managers to keep up with the latest developments in structured finance." —Joseph Masri, PhD, Barclays Global Investors, Regional Director, Professional Risk Managers' International Association (PRMIA)

About the Author Janet M. Tavakoli is the President of Tavakoli Structured Finance, a Chicago-based consulting firm to financial institutions, institutional investors, and hedge funds. She gave advance warning of major collapses regarding Long-Term Capital Management, First Alliance Mortgage, the thrift industry, and the current credit bubble. BusinessWeek's profile called Tavakoli "The Cassandra of Credit Derivatives." She has over twenty years of experience trading, structuring, and marketing derivatives and structured products. Tavakoli is a former adjunct associate professor in the Finance Department of the University of Chicago's Graduate School of Business, where she taught derivatives. She is also the author of the first edition of *Collateralized Debt Obligations and Structured Finance and Credit Derivatives and Synthetic Structures*, now in its second edition. Tavakoli is frequently published and quoted in numerous financial publications including the Wall Street Journal, the Financial Times, BusinessWeek, Journal of Structured Finance, Derivatives Week, and many others. She also appears frequently on CNN, CNBC, CBS Evening News, Bloomberg TV, and First Business Morning News.