# An Introduction to Credit Derivatives #2012 #158 pages #9780080982984 #Moorad Choudhry #Butterworth-Heinemann, 2012

The increasing importance of credit derivatives in modern nance over at least the last two decades is undisputed, although their role in â€“ even, more contentiously, their responsibility for â€“ the nancial crisis beginning in 2007 remains open to debate and continuing research. Despite the shock apparently experienced by many practitioners, the bafement of most outsiders and antipathy among politicians when the severity of the crisis became clear, the place of such derivatives seems assured, albeit subject to greater regulation and external scrutiny.Â  Choudhryâ€™s book covers all three, although its main contribution is on the rst, to explain how the most widely traded credit derivatives actually work. Credit derivatives consist of a privately held, negotiable bilateral contract between two parties in a creditor/debtor relationship. It allows the creditor to transfer to a third party the potential risk of a debtor defaulting. Various types of credit derivatives include: Credit default swaps.Â  A credit derivative allows the creditor to transfer to a third party the potential risk of the debtor defaulting, paying a fee to do so. Credit derivatives include credit default swaps, collateralized debt obligations, total return swaps, credit default swap options, and credit spread forwards. How a Credit Derivative Works.Â  Credit Default Swaps: An Introduction. Fixed Income Essentials. Asset-Backed Security (ABS) vs. Collateralized Debt Obligation (CDO). Introduction To Credit Derivatives Stephen P. Dâ€™Arcy and Xinyan Zhao.Â  19. Credit Derivatives Market Participants Source:British Bankers Association (BBA). 20. For the protection seller (the risk buyer)

- â€“ diversification
- â€“ leveraged exposure to a particular credit
- â€“ access to an asset which may not

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- otherwise be available to the risk buyer
- sourcing ability
- â€“ increase yield

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