Colorado

CAFÉ SCIENTIFIQUE

Tuesday 12 April 2011

at the **Wynkoop Brewing Company**

http://www.wynkoop.com/

Corner of 18th and Wynkoop in LoDo, Denver

About a block from Light Rail. Thirteen minutes by foot from Auraria.

THE ROLE OF FINANCIAL DERIVATIVES

IN THE CRISIS THAT ALMOST WRECKED THE WORLD ECONOMY

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When people discuss the mistakes leading up to the recent financial crisis, they mention easy mortgages, fraudulent loans, inadequate credit evaluations by the bond rating agencies, and poor regulation. Then they add some acronyms: CDO's and CDS's. CDO's are "Collateralized debt obligations" and CDS's are "Credit Default Swaps", both "financial derivatives". These derivatives did play a role. Credit default swaps were like bond insurance that insurance companies had provided for decades on municipal bonds. But they were not like bond insurance in some important ways. Collateralized debt obligations were packages of various types of mortgage loans and other miscellaneous debt. They were like the asset-backed securities invented in the mid 1980's that were almost perfect performers. But CDOs were **not** perfect performers. New financial regulations—The Dodd-Frank Wall Street Reform and Consumer Protection Act (DF)—seek to alter how these financial derivatives are traded. Many CDS's may be traded on exchanges where traders need to post margin and where position limits may apply. According to the DF Act, CDO's and other asset-backed securities created by financial institutions can't be sold off in their entirety; the institution creating them must retain a portion. Is this going to make us safe? Will it help the economy recover?

EVERYONE IS WELCOME. **The discussion starts at 6:30 in the Mercantile Room (no food service there). Come before 6 PM to leave yourself time to get something to eat, or stay and eat afterwards. We end around 8 PM.**

There's no charge. The Wynkoop is generously providing the facility; we buy our own drinks. It is first come, first seated, and **seating is limited** so that everyone can take part in the discussion.

The Colorado Café Scientifique is organized by an informal group of faculty from CU and institutions up and down the Front Range, as well as science fans from industry, government and elsewhere. We welcome your input, including ideas for speakers and topics. Bring them with you to the next Café, or e-mail them and any questions to John.Cohen@UCDenver.edu

Essential information about the topic and the event on our Web site at:

http://CafeSciColorado.org