candidates should be able to:

Demonstrate knowledge of convertible bond arbitrage. Including:

* Define and describe the classic convertible bond arbitrage trade.
* Define convertible bonds and apply the unbundling approach for pricing convertible bonds.
* Define busted, hybrid, and equity-like convertibles.
* Define, describe, and apply the concept of delta, gamma and theta and how they relate to the convertible arbitrage position.
* Explain and determine the effects of gamma and volatility on the profitability of a delta-neutral position.
* Discuss short selling in the context of convertible arbitrage.
* Recognize the role of a complexity premium to convertible bond arbitrage.
* Identify the four reasons that issuers may continue to offer convertible bonds at attractive prices.
* Understand the specifics of delta hedging, including the potential profit on a delta-hedged position.
* Recognize and discuss return drivers and risks of convertible bond arbitrage.
* Summarize the key observations on historical convertible arbitrage returns that are consistent with economic reasoning.