# CR01 / AC Mapping Deep-Dive — Detailed Summary

## 1. Scope & Objective

CR01 enrichment logic and data sourcing for HedgeBook vs Credit Trading,

with a special focus on (i) AC mapping behavior (issuer/guarantor, ratings, curve assignment) and

(ii) credit indices constituent breakdown.

Systems/Artifacts mentioned: SABRE/MRB batch, AC mapping (“recipe”), CR delta report, VAS2, sanity attributes,

MDS, ICI (customer account), RF issuer, index curve.

People referenced: Dan, John, Ruth, Sylvia, Terence, Kumar/KUMA (not on the call), Xiong.

## 2. Key Discussion Points

- Whether AC mapping enrichment logic matches credit trading (issuer/guarantor treatment).

- Known issue for credit indices if AC mapping is applied (multi-underlying not handled).

- Need to confirm alignment for SRVAR vs CR01; HedgeBook vs Credit Trading.

- KUMA has a conference page on enrichment (single vs multiple underlyings).

## 3. Current Data / Enrichment Flows

- HedgeBook CR01 currently takes CR delta report joined with VAS2 for enrichment (names & ratings).

- Sanity attributes (MTM) have limited info.

- MDS quality concern: SD entity → multiple LEIDs mapping can mislead enrichment.

- Customer account may read ICI directly, bypassing SD entity linkages.

## 4. Indices Problem

- Need CR01 reported by constituents (e.g., 40 names).

- Example: HedgeBook total CR01 ~400k must be split to constituents (~10k each illustrative).

- Current gap: No platform support to lookup all constituent names & ratings → special enrichment needed.

- Agreement: VAR uses index curve; CR01 uses constituent breakdown aligned with credit trading.

## 5. Single-Name CDS / Guarantor Issue

- Credit trading logic: Guarantor-first (RF issuer risk entity); else primary issuer.

- Expectation: AC mapping should replicate this logic.

- Observation: MRB CR delta enrichment uses guarantor; AC mapping may fall back to primary issuer.

- Example (12 Aug, Genting Malaysia CDS):

\* Guarantor: BBB– rating.

\* AC mapping: chose B curve (primary issuer, NR defaulted to B).

\* Result: VAR on primary; reporting on guarantor → inconsistency.

## 6. Indices as Hedges & Basis

- Credit trading: indices are macro hedges; basis risk accepted.

- XVA desk: already hedge in nature; when using CDS indices as hedges, reporting requirement remains issuer-level constituents.

## 7. Explicit Questions

- Gap between CR01 HedgeBook vs Credit Trading? → Yes, especially for indices.

- For single-name CDS, are we aligned? → Not yet; depends on data source (MRB vs AC mapping differ).

- Does VAR curve assignment use guarantor? → Should be guarantor (per waterfall), but observed behavior shows primary in some cases.

## 8. Hypotheses Raised

- AC mapping may not respect guarantor logic consistently.

- Default NR → B may mask intended guarantor choice.

- Overrides/recipes may influence curve selection.

- Fallback bond→CDS curve behavior needs validation.

- MDS linkage ambiguity may cause wrong issuer/rating.

- Customer account to ICI may bypass expected linkage.

## 9. Open Questions

- Will AC mapping adopt guarantor-first like MRB?

- Validate Genting case end-to-end (issuer, curve, rating, overrides).

- How to implement constituent enrichment for indices CR01?

- Which source is golden for exposure enrichment (topic deferred)?

- Which sanity attributes are reliable vs need external sources?

## 10. Action Items

- Review KUMA’s enrichment guidance (single vs multiple underlyings).

- Schedule follow-up with Kumar and same audience.

- Investigate AC mapping behavior for Genting case (12 Aug).

- Check curve waterfall config (RF issuer, guarantor-first consistency).

- Define index enrichment path for constituent-level CR01.

- Assess MDS linkage issues.

## 11. Agreements

- Indices: VAR uses index curve; CR01 reporting uses constituent-level.

- Focus now only on fair value/CR01; exposure enrichment discussion postponed.

- HedgeBook is fair value pricing (no CVM model).

## 12. Risks & Impact

- Mapping all constituents to one rating is unacceptable.

- VAR on primary vs reporting on guarantor causes CR01 misalignment.

- No constituent lookup = inaccurate HedgeBook CR01 reporting.

## 13. Parking Lot

- Exposure-side enrichment (netting set vs true issuer) was deferred for later discussion.