Meeting Minutes – Issuer / Guarantor Mapping for CDS (XVA, MRB, SR-VAR)

Date: [Not specified]

Participants: Risk Managers, MRB team (Kumar), Credit Trading (Sylvia, Terence), Explorer/XVA team (Dan, Shui, Ruth, others)

Subject: Alignment of Issuer / Guarantor Enrichments across MRB, SR-VAR, XVA, and Hedgebook

# 1. Background

Discussion centered around how issuer enrichment is handled differently in MRB (CR01), SR-VAR, and XVA for CDS and bonds. Current processes diverge:  
- MRB uses guarantor/RF issuer  
- SR-VAR uses direct issuer/primary issuer curve  
- AC mapping exists but is not authoritative for MRB  
Issue: inconsistencies in risk aggregation, reporting, and netting between functions.

# 2. Current Approaches

## MRB (SABRE Risk Book)

- Independent of AC mapping.  
- For CDS: Uses guarantor at issuer level (RF issuer).  
- CR01 reported against RF issuer.  
- Enrichments existed before AC mapping; AC mapping added later.

## SR-VAR

- Uses the direct entity curve on which the CDS is written.  
- No roll-up to guarantor.  
- Example: CDS on Gen-M Capital Laban → curve is Gen-M Capital, even if guaranteed by Genting Malaysia.  
- Pricing & VAR aligned to primary issuer.

## XVA / Hedgebook

- Current proposal: Use AC mapping (issuer primary) for consistency between VAR and sensitivities.  
- Challenge: CR01 may aggregate differently from group standards if XVA depends on AC mapping alone.  
- Discussion: Need possibly to use both primary issuer + guarantor field.

## Indices

- CDS indices enrichments already handled.  
- No dependency on AC mapping.  
- No immediate open issues.

# 3. Key Examples

Genting:  
- CDS reference: Gen-M Capital Laban Ltd (primary issuer).  
- Guarantor: Genting Malaysia Berhad.  
- SR-VAR → Uses Gen-M Capital curve.  
- MRB CR01 → Uses Genting Malaysia as RF issuer.  
- Result: VAR and CR01 show exposure to different issuers for same CDS.

BMW:  
- Example: BMW China Capital vs BMW AG.  
- Curve mapping shows divergence depending on whether issuer primary or RF issuer is chosen.

# 4. Risks / Issues

1. Inconsistent Aggregation: VAR (issuer primary) vs CR Delta/CR01 (guarantor RF issuer).  
2. Reporting Limitations: Current reports display only one issuer field.  
3. Temporary Workarounds: Collapsing into guarantor risks losing visibility of true issuer.  
4. Single-Name CDS vs No Curve: If no single-name curve, guarantor/rating/country become relevant.  
5. Risk Ratings: RF issuer rating not populated for CDS; farm model change not relevant.

# 5. Decisions / Agreements

- Divergence between MRB and SR-VAR enrichments acknowledged as by design.  
- Indices: No pending issues.  
- Risk Managers to define enrichment rules (issuer vs guarantor).  
- Hedgebook: continue with AC mapping for issuer primary, but explore guarantor separately.  
- Sabre Store: can unify enrichment logic, but not mandatory.

# 6. Open Points / Next Steps

1. Risk Managers to define clear enrichment requirements (issuer vs guarantor).  
2. Explorer/XVA internal discussion before aligning with Credit Trading.  
3. Technical check: can Hedgebook support two issuer fields?  
4. Align with Credit Trading once internal agreement is reached.  
5. Confirm CDS ratings not impacted by RF issuer rating field.

# 7. Summary

- MRB/CR01 = Guarantor (RF issuer).  
- SR-VAR = Direct Issuer (primary).  
- Mismatch impacts reporting and netting.  
- Path forward: Risk Managers → internal alignment → Credit Trading → potential Sabre Store solution.

# 📌 Action Items

- [ ] Risk Managers to draft unified enrichment requirements

- [ ] Explorer/XVA to test Genting & BMW cases internally

- [ ] Technical check on two issuer fields in Hedgebook reports

- [ ] Follow-up with Credit Trading after internal alignment