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.