CORRECTIONS AND IMPROVEMENTS TO THE BOOK : CONTINGENT CONVERTIBLE NOTES

Chapter 7 : Application on the Credit Suisse BCN
Exhibit 7.8 (correction)

Using the following pricing parameters (February 18th, 2011) :

- S =$46.87
- q =3%
- r =2.47%
- credit spread = 455 bps
- σ=32%

The corrected version of figure 7.8 shows how the CoCo spread ($c_{Coco} = 455$) does not automatically lead to an implied trigger level in this particular Credit Suisse BCN. The volatility would need to be as high as 50.4% in order for the credit rule of thumb to generated a value for S_T^*.
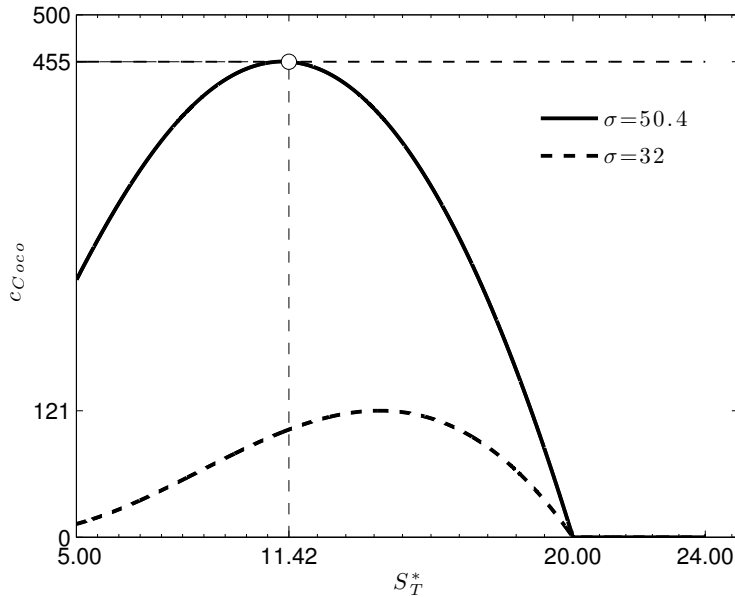

FIGURE 1

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