Product Information

Name: FTD Trust Brazil/Colombia  
Issuer: Merrill Lynch  
ISIN: XS0225841203  
Issue Date: 7/29/2005  
Maturity Date: 7/29/2015  
Nominal: 100,000.00 €  
Coupon: 8.25%  
Coupon frequency: Annual  
Type: Bullet  
Day count convention: Act/360  
Rating: -  
Source: Bloomberg

Product Description

A coupon of 8.25% is paid annually until either there is a default event on one of the two reference countries or maturity, whichever happens sooner.

At maturity, the notional is returned only in the case of no default event happening during the life of the bond.

Other information

Product Value: 99,684.07 €

Pricing Information

We use Monte Carlo simulation to obtain a series of correlated defaulting times for Colombia and Brazil. These times are used to compute the simulated cash flows and the simulated price for the bond.

Discount factors were constructed using Euribor ZCC. We calculate probability that cash flows are going to be paid using MERRILL LYNCH CDS senior curve.

The fair price of the bond will be the average of the present values obtained on each simulated event using Libor Market Model.

Figure 1: Brazil and Colombia CDS Senior curves

[Diagram showing Brazil and Colombia CDS Senior curves]
Figure 2: Euribor Zero Coupon Curve

Figure 3: Merrill Lynch CDS Senior Curve