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2nd Emerging Scholars in Banking & Finance Conference: Further contemporary issues in financial institutions and markets

Are there benefits to being naked? The returns and diversification impact of capital structure arbitrage

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Notes

- 1 Generally, practitioners refer to capital structure arbitrage as holding, for example, a short naked CDS position and an equivalent sized position in the equity of the same firm. However, this is not necessarily the case. For example, one could hold a long position of CDS and alter the capital structure of the firm. This is not the case in this paper. Other investments in capital structure arbitrage include holding a long position in the equity of a firm and a short position in the equity of a firm.
- 2 Source: [Banks in Europe](#), [Rings of Power](#), [US House of Representatives](#), [Official No. 111-62, 5-11-11](#).
- 3 Wall Street Journal, [Gregory Zuckerman](#), [Assets and Liabilities](#), [hence the](#).
- 4 Source: [Banks in Europe](#), [Rings of Power](#), [US House of Representatives](#), [Official No. 111-62, 5-11-11](#).

8 We gratefully acknowledge the assistance of Thomson Reuters and CMA in assisting in building the instrument baskets. Thomson Reuters DataStream CMA currently provides sector-level basket data using the cross section of assets available in the CMA database and we use this list to build our CDS sector funds.



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