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Misfortune for oldest name in travel business

Sigh of relief for others- Derivatives & it's protective benefits

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One of the oldest names in the travel business has collapsed due to bad business decisions, inability to adapt and integrate to new technology for competing in this burgeoning digital world of travel business.

This was not a sudden 'out of the blue' collapse, as they had been seeking help since 2011. Despite these clear signs, the airlines fail to "transform", thinking that reputation, customer loyalty would shield them and now paid the ultimate price.

The collapse of the 178 years old UK travel agent is distinctly unpleasant for everyone involved; more than 20,000 employees out of job, 150,000 travelers stranded abroad, and the share-holders and lenders facing severe losses. On top of that, and now we have the auditors involved under the scrutiny of regulators.

There were some smiley faces when the news of the complete failure of the company was announced. Those who had bought insurance in the form of Credit Default Swaps (CDS) could finally have a sigh of relief. They would finally pocket the payout owed.

Credit derivatives could be used as insurance or for speculative purposes if trouble has been seen. We should be aware there is no guarantee of payouts. Payouts would only trigger if certain factors occurred. It is imperative to understand of all the legal details and how these key factors would trigger the default of swaps when dealing in CDS, like any derivatives. These instruments are extremely useful and a full understanding of them is needed when trading them or speaking to clients on their validity.



Caption: Over 150,000 travelers left stranded aboard when Thomas Cook, one of the oldest name in the UK travel business collapsed.

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