

Counterparty Risk and Funding

A Tale of Two Puzzles

“The landscape of the rates and credit markets has changed so drastically since the 2008 crisis that older textbooks are barely relevant and, from an analytic perspective, appropriate methods have to be rethought from scratch. The present volume is one of the best contributions in this direction, featuring a clear description of the various ‘value adjustments,’ new models for portfolio credit risk, a unified analytic framework based on BSDEs, and detailed treatment of numerical methods.”

—Mark Davis, Professor of Mathematics, Imperial College London

“Understanding the subtle interconnections between credit and funding is key to a modern valuation of derivatives. This timely contribution, written by world-class academics who are also well-recognized experts in the field, offers a rigorous and comprehensive treatment of the main theories underpinning the new valuation principles. Numerical examples are also provided to help the reader grasp key concepts and ideas of the advanced models and techniques here presented. Overall, an excellent textbook. Brigo’s dialogue is the icing on the cake.”

—Fabio Mercurio, Head of Derivatives Research, Bloomberg LP

“A big hooray for this book on CVA, DVA, FVA/LVA, RVA, TVA, and other three letter acronyms.”

—Peter Carr, Global Head of Market Modeling, Morgan Stanley, and Executive Director, Masters in Math Finance Program, NYU Courant Institute

Features

- Analyzes counterparty risk, funding, and the interaction between them
- Shows how to address the DVA/FVA overlap problem
- Presents dynamic copula models of portfolio credit risk, including the Markov copula common-shock model
- Gives a unified perspective on funding and counterparty risk models in terms of marked default times

K15071



CRC Press
Taylor & Francis Group
an informa business
www.crcpress.com

6000 Broken Sound Parkway, NW
Suite 300, Boca Raton, FL 33487
711 Third Avenue
New York, NY 10017
2 Park Square, Milton Park
Abingdon, Oxon OX14 4RN, UK

Counterparty Risk and Funding

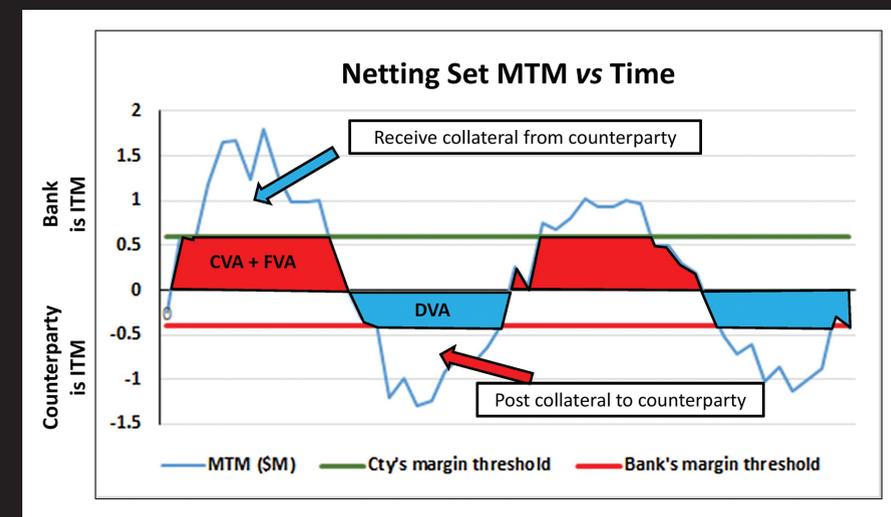
Crépey and Bielecki
with Brigo



Stéphane Crépey and Tomasz R. Bielecki
With an Introductory Dialogue by Damiano Brigo

Counterparty Risk and Funding

A Tale of Two Puzzles



Chapman & Hall/CRC FINANCIAL MATHEMATICS SERIES