Integrating Market and Credit Risks

Diane Reynolds
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Fundamentals

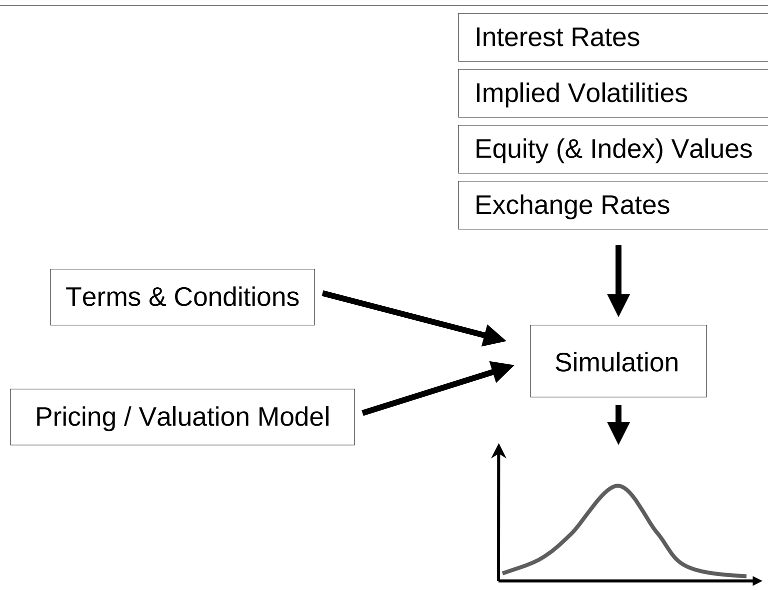
Bottom-Up Integration

Copula Approach

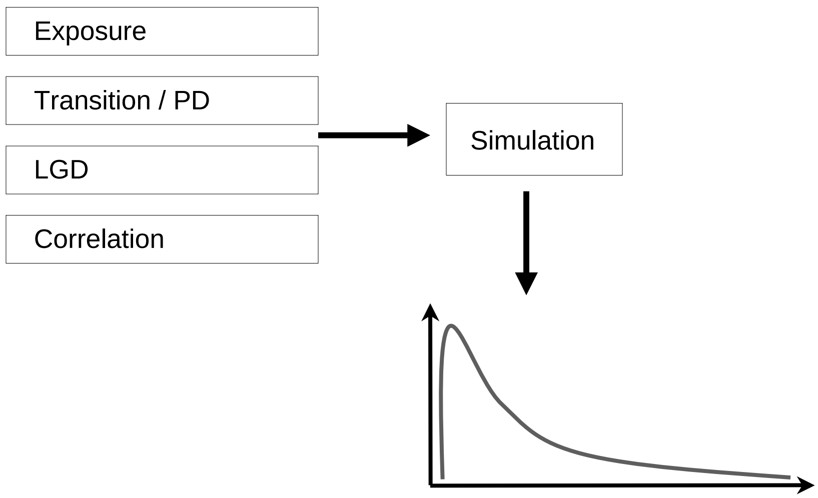
Comparison

Fundamentals

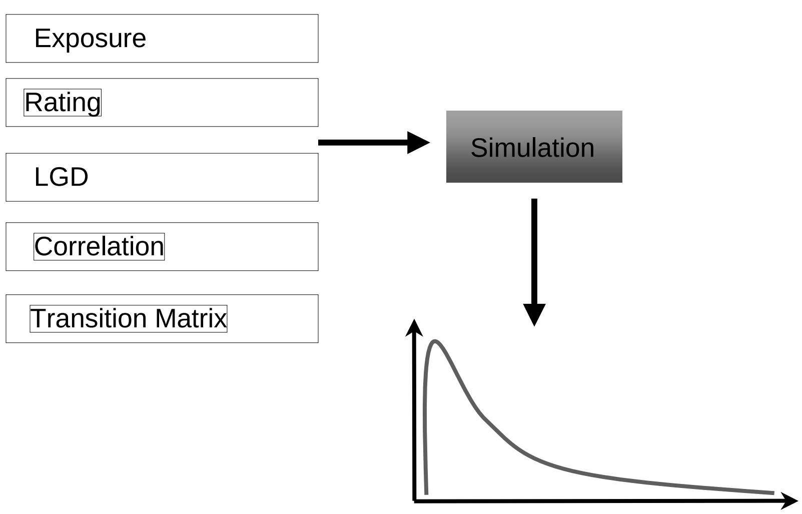
Market Risk



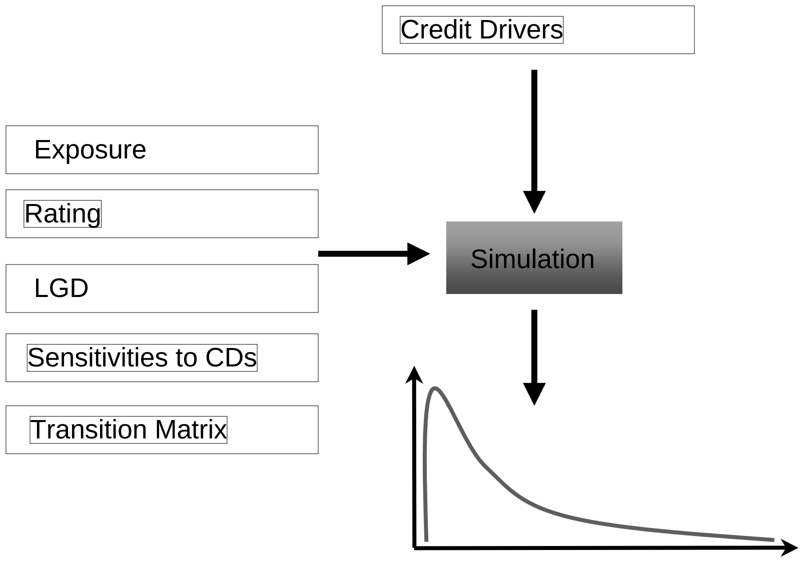
Credit Risk



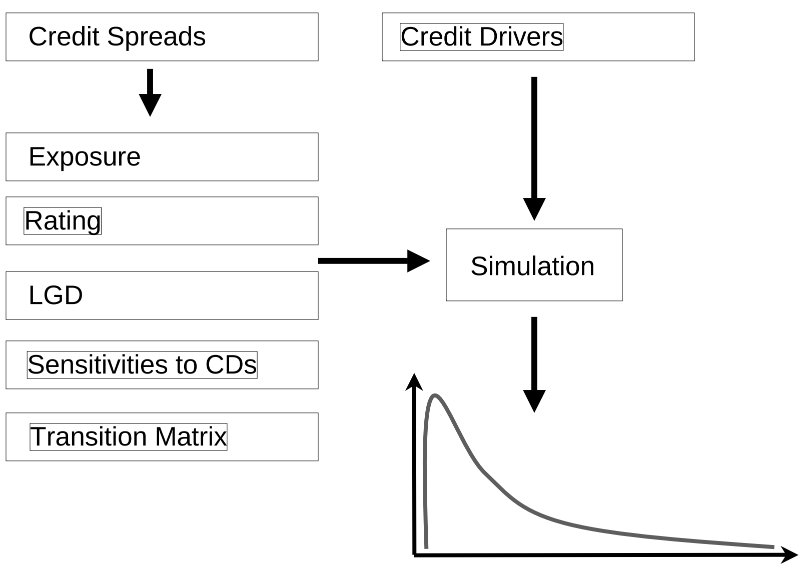
Credit Risk



Credit Risk

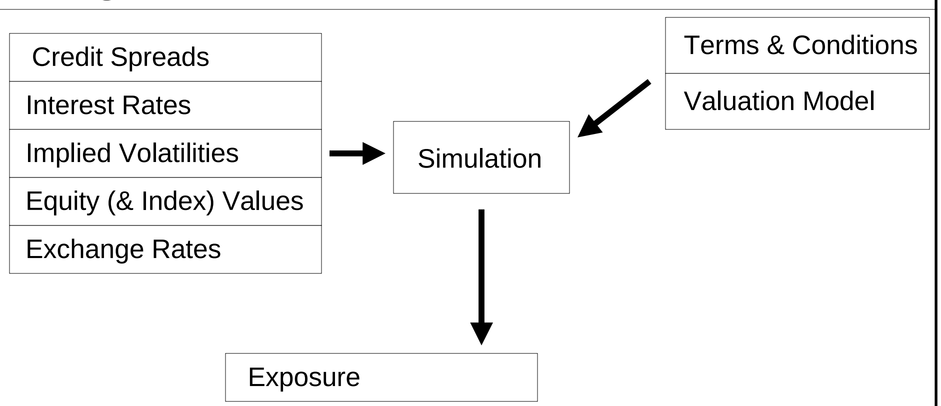


Credit Risk

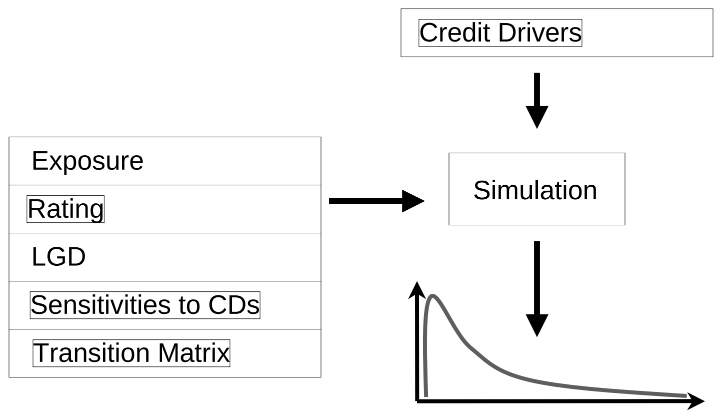


Bottom-Up Integration

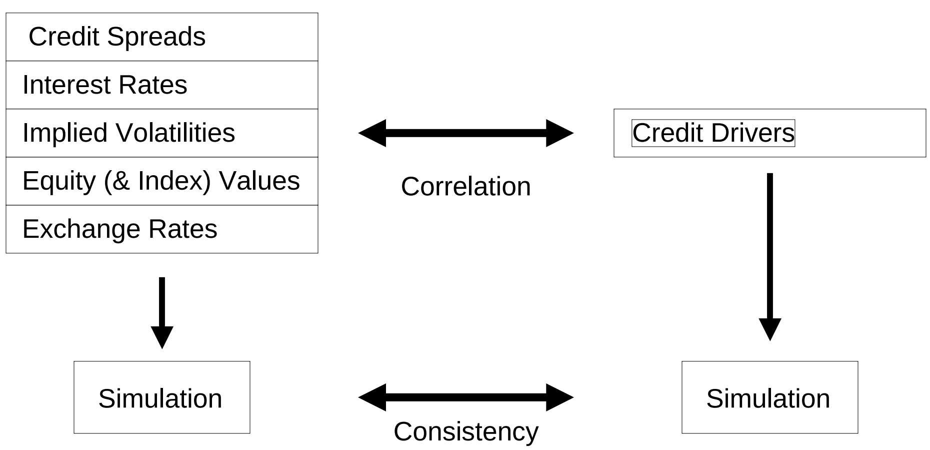
Integrated Risk: Market+



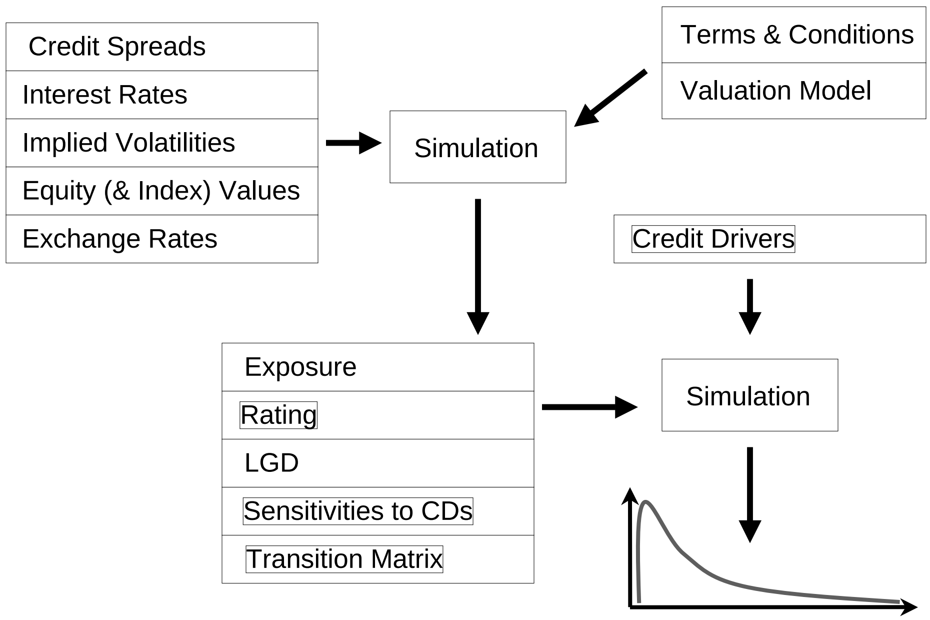
Integrated Risk: Credit



Integrated Risk: Correlation



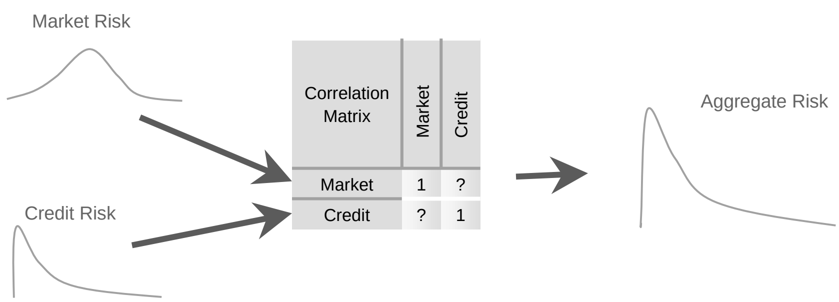
Integrated Risk



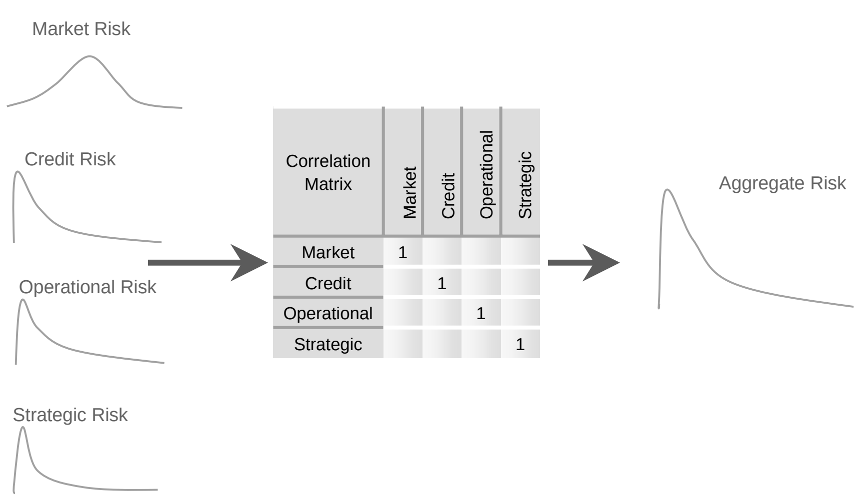
Copula

Approach

Copula Approach



Including Additional Risk Types



Comparison

Comparison

Bottom-Up	Copula
Focus on certain risks	Easy to extend to varied risk types
Correlations are straightforward	Correlations are hard to obtain
Results are objective	Results can be seen as biased
Computationally Intensive	Little additional computation
Leverages existing methods, may require new, integrated system	Leverages existing systems

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