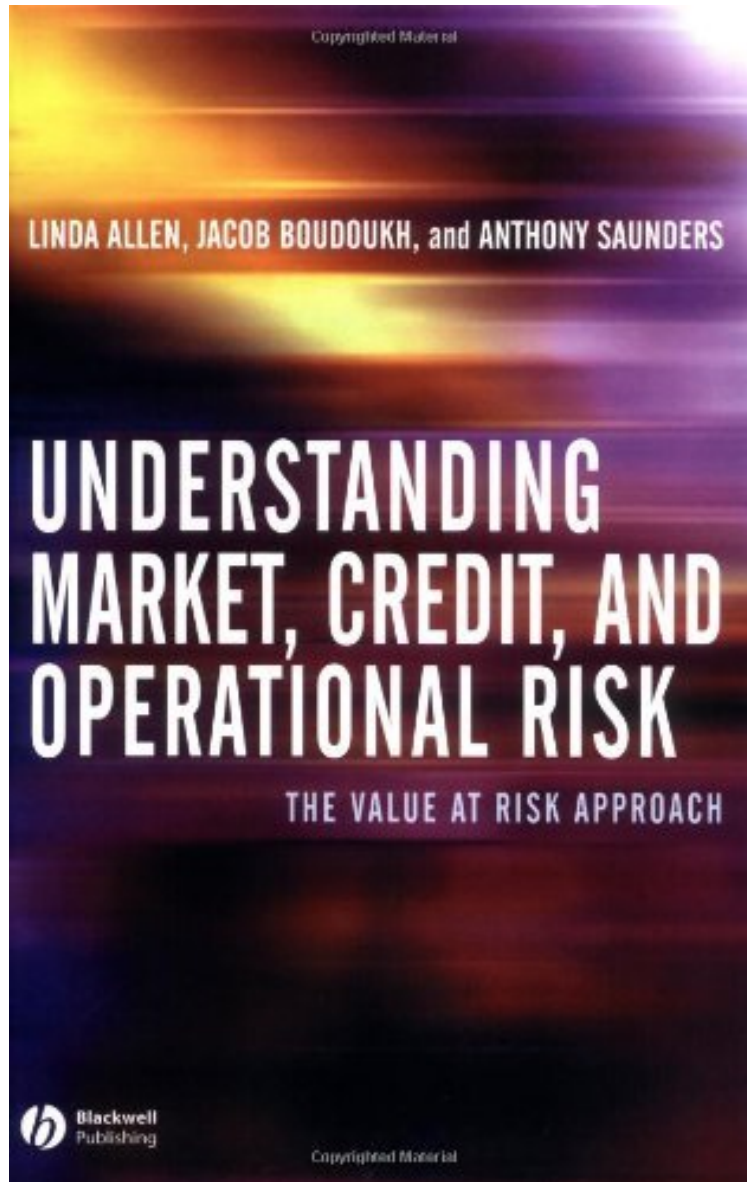


Understanding Market, Credit, and Operational Risk: The Value at Risk Approach

Linda Allen, Jacob Boudoukh, Anthony Saunders
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Linda Allen, Jacob Boudoukh, Anthony Saunders : Understanding Market, Credit, and Operational Risk: The Value at Risk Approach before purchasing it in order to gauge whether or not it would be worth my time, and all praised Understanding Market, Credit, and Operational Risk: The Value at Risk Approach:

11 of 11 people found the following review helpful. First few chapters are strong introduction. Second half is too

superficial. By David R. Harper Prior to 2008, the first three chapters were assigned by the global association of risk professionals (GARP) to Financial Risk Manager (FRM) candidates as part of an introduction to quantitative finance. More recently, Chapter Two (Quantifying Volatility in value at risk models) and chapter five (extending value at risk to operational risks) have been assigned to FRM candidates. The weakness of the book is that it tries to cover all three risk major buckets. For each of market, credit and operational risk, there are better texts with better, and more current, treatments. It is an adequate introduction on each. The credit section is the weakest. Also, the assigned Chapter 5 on operational risk is a brisk conceptual catalog; my students (risk learners) have typically found the catalog of opRisks to be a bit too superficial and generally begs further exploration (e.g., there are no case study examples, and some of the operational risk approaches really need to be illustrated to be understood). In short, the book is not recommended for the ideas conveyed by the title. However, the book's strength is the beginning, the first three chapters. That is, mostly, the quantitative setup for the rest. These introductory chapters are robust discussions of traditional volatility/VaR and especially their limitations. So, students of risk can learn valuable, lasting lessons; e.g., normality cannot be salvaged, scaling parametric volatility/VaR is a bit doomed, practical volatility calculation issues. So, these first three chapters are recommended.

A step-by-step, real world guide to the use of Value at Risk (VaR) models, this text applies the VaR approach to the measurement of market risk, credit risk and operational risk. The book describes and critiques proprietary models, illustrating them with practical examples drawn from actual case studies. Explaining the logic behind the economics and statistics, this technically sophisticated yet intuitive text should be an essential resource for all readers operating in a world of risk. Applies the Value at Risk approach to market, credit, and operational risk measurement. Illustrates models with real-world case studies. Features coverage of BIS bank capital requirements.

"This book is a clear explanation of the science and art of the Value at Risk approach to risk measurement. There is no better explication of both the theory underlying the approach and its practical implementation. It is an invaluable tool to anyone involved in any type of risk management." Mark Zandi, Economy.com From the Back Cover

A step-by-step, real-world guide to the use of Value at Risk (VaR) models, this text applies the VaR approach to the measurement of market risk, credit risk, and operational risk. The book describes and critiques proprietary models, illustrating them with practical examples drawn from actual case studies. Explaining the logic behind the economics and statistics, this technically sophisticated yet intuitive text should be an essential resource for all readers operating in a world of risk. The text uses VaR techniques to analyze loans, derivatives, equity prices, foreign currencies and other financial instruments. Featuring comprehensive coverage of the BIS bank capital requirements, and including the latest proposals for the New Capital Accord, the book also describes the newest application of VaR techniques to operational risk measurement. The text examines the promise and the pitfalls of these risk measurement models, and makes recommendations for future research into this important area.

About the Author Linda Allen is Professor of Finance at the Zicklin School of Business at Baruch College, City University of New York, and Adjunct Professor of Finance at the Stern School of Business, New York University. She is also the author of *Capital Markets and Institutions: A Global View* and co-author of *Credit Risk Measurement: New Approaches to Value at Risk and Other Paradigms*, (2nd edition). She is an associate editor of the *Journal of Banking and Finance*, *Journal of Economics and Business*, and *Multinational Finance Journal*, and has published extensively in top academic journals in finance and economics.

Jacob Boudoukh is Professor of Finance and the founding director of the Caesarea Edmond Benjamin de Rothschild Center for Capital Markets and Risk Management at the Arison School of Business, IDC; as well as holding positions at the Stern School of Business, New York University. Formerly with and currently visiting Stern-NYU; and a member of the NBER. His work has been published in academic journals such as *The American Economic Review*, and *The Journal of Financial Economics*, as well as practitioner journals such as *Risk*.

Anthony Saunders is John M. Schiff Professor of Finance and Chair of the Department of Finance at the Stern School of Business, and Economics and Finance Department Chair at New York University. He is also editor of the *Journal of Banking and Finance* and the *Journal of Financial Markets, Institutions and Instruments*, and has published *Financial Institutions and Management* (2nd/4th edition). Professor Saunders has published widely in top journals such as *Journal of Finance*.