

Contents

About the Editor	vii
About the Authors	ix
Introduction	xvii
PART I: COUNTERPARTY RISK MEASUREMENT AND MANAGEMENT	1
1 Systemic Counterparty Credit Risk	3
<i>Aaron Brown</i> AQR Capital Management	
2 Collateralised Credit Exposure	17
<i>Michael Pykhtin</i> Federal Reserve Board	
3 Efficient Calculation of Counterparty Exposure Conditional on Default	51
<i>David M. Rowe, Philip Koop and Daniel Travers</i> SunGard	
4 Effective, Enterprise-wide Collateral Management	63
<i>Darren Measures</i> JP Morgan	
5 Evolution of the US Legal Framework for Counterparty Risk Mitigation	81
<i>Lauren Teigland-Hunt</i> Teigland-Hunt LLP	
PART II: COUNTERPARTY RISK PRICING AND HEDGING	107
6 Pricing and Hedging Counterparty Risk: Lessons Re-learned?	109
<i>Eduardo Canabarro</i> Morgan Stanley	
7 The Counterparty Risk of Credit Derivative Products	137
<i>Jon Gregory</i> Ockham Financial Training and Consulting	
8 Contingent Credit Default Swaps	165
<i>Andrew P. Hollings, Shankar Mukherjee and Svein Stokke</i> Novarum Partners Ltd	

9 Funding Benefit and Funding Cost	185
<i>Yi Tang and Andrew Williams</i>	
Morgan Stanley	
10 Generalised Valuation of Collateralised Derivatives	199
<i>Patrick L. Chen, Katsuiichiro Uchiyama and Guanghua Cao</i>	
Morgan Stanley	
PART III: STRESS TESTING	219
11 Stress Testing and Scenario Analysis: Some Second Generation Approaches	221
<i>Greg Hopper</i>	
Goldman Sachs	
12 Computing and Stress Testing Counterparty Credit Risk Capital	245
<i>Dan Rosen; David Saunders</i>	
The Fields Institute for Research in Mathematical Sciences and R ² Financial Technologies; University of Waterloo	
PART IV: ECONOMIC AND REGULATORY CAPITAL	293
13 Back(testing) to the Future: From Market Risk to Counterparty Credit Risk Models	295
<i>Eduardo Epperlein; Sean Paul Hrabak; Wei Zhu, Alan Smillie</i>	
Citi; Financial Services Authority; Citi	
14 Economic Capital for Counterparty Credit Risk from Two Perspectives	327
<i>Evan Picoult</i>	
Citi and Columbia Business School	
Index	351