CONTENTS

Preface 5

Authors 8

QUANTIFYING
AGGREGATE CREDIT EXPOSURE

1 Aggregating Credit Exposures:
The Primary Risk Source Approach 13
David M. Rowe of Bank of America

2 Aggregating Credit Exposures:
The Simulation Approach 23
David Lawrence of Citibank International

PROBABILITY OF DEFAULT

3 Probability of Default:
A Derivatives Perspective 35
Jerome S. Fons and Lea V. Carty
of Moody's Investors Service

4 Managing Default Risk in Portfolios
of Derivatives 49
Stephen Kealhofer of KMV Corporation

PRICING CREDIT RISK:
APPROACHES AND APPLICATIONS

5 Pricing Credit Risk
Introduction 67
John Hull and Alan White of the University of Toronto
and A-J Financial Systems

The Forex Analogy 72
Robert Jarrow and Stuart Turnbull of Cornell University
and Queen's University
The Price of Default
John Hull and Alan White of the University of Toronto
and A-J Financial Systems

6 Pricing Default Risk:
The Interest Rate Swap Example
Eric H. Sorensen and Thierry F. Bollier of Salomon
Brothers and Long-Term Capital Management

INTEGRATED APPROACHES
TO CREDIT RISK

7 Measuring Credit Risk and Required Capital
Douglas J. Lucas of Salomon Swapco Inc

8 Integrated Credit Risk Measurement
Robert M. Mark of CIBC

9 Integrated Risk Management
James C. Lam of FGIC Capital Market Services Group

NEW STRUCTURES:
OTC CLEARING AND DERIVATIVE
PRODUCT COMPANIES

10 Multilateral Netting and the OTC
Clearing House Concept
Evrard Van Herten of Renaissance Software

11 Structuring Derivative Product Companies:
Risks and Safeguards
Reza Bahar and Mark Gold of Standard & Poor's

12 Evaluating Derivative Product Companies
Daniel A. Curry, Jeremy A. Gluck, William L. May
and Alan C. Backman of Moody's Investors Service

Appendices
Glossary
Index