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| Nota di contenuto | Front cover; Title page; Copyright page; Table of contents; Preface; About the Book; Acknowledgments; Contributors; CHAPTER 1: Value at Risk, Capital Management, and Capital Allocation; 1.1 An Introduction to Value at Risk; 1.2 Capital Management and Capital Allocation: The Structure of the Book; CHAPTER 2: What Is "Capital" Management?; 2.1 Regulatory Capital and the Evolution toward Basel II; 2.2 Overview of the Basel II Capital Accord; 2.3 Bank Estimates of Required Capital and the Different Notions of Bank Capital; 2.4 Summary; 2.5 Further Reading; CHAPTER 3: Market Risk 3.1 The Variance-Covariance Approach 3.2 Simulation Approaches: Historical Simulation and Monte Carlo Simulation; 3.3 Value at Risk for Option Positions; 3.4 Extreme Value Theory and Copulas; 3.5 Expected Shortfall and the Problem of VaR Nonsubadditivity; 3.6 Back-Testing Market Risk Models; 3.7 Internal VaR Models and Market Risk Capital Requirements; 3.8 Stress Tests; 3.9 Summary; 3.10 Further Reading; CHAPTER 4: Credit Risk; 4.1 Defining Credit Risk: Expected and Unexpected Losses; 4.2 Agency Ratings 4.3 Quantitative Techniques for Stand-Alone Credit Risk Evaluation: Moody's/KMV EDF and External Scoring Systems 4.4 Capital |

Requirements for Credit Risk under Basel II; 4.5 Internal Ratings; 4.6 Estimating Loss Given Default; 4.7 Estimating Exposure at Default; 4.8 Interaction between Basel II and International Accounting Standards; 4.9 Alternative Approaches to Modeling Credit Portfolio Risk; 4.10 Comparison of Main Credit Portfolio Models; 4.11 Summary; 4.12 Further Reading; CHAPTER 5: Operational Risk and Business Risk 5.1 Capital Requirements for Operational Risk Measurement under Basel II 5.2 Objectives of Operational Risk Management; 5.3 Quantifying Operational Risk: Building the Data Sources; 5.4 Quantifying Operational Risk: From Loss Frequency and Severity to Operational Risk Capital; 5.5 Case Study: U.S. Bank Progress on Measuring Operational Risk; 5.6 The Role of Measures of Business Risk and Earnings at Risk; 5.7 Measuring Business Risk in Practice: Defining a Measure of Earnings at Risk; 5.8 From Earnings at Risk to Capital at Risk; 5.9 Summary; 5.10 Further Reading CHAPTER 6: Risk Capital Aggregation 6.1 The Need for Harmonization: Time Horizon, Confidence Level, and the Notion of Capital; 6.2 Risk Aggregation Techniques; 6.3 Estimating Parameters for Risk Aggregation; 6.4 Case Study: Capital Aggregation within Fortis; 6.5 A Synthetic Comparison of Alternative Risk Aggregation Techniques; 6.6 Summary; 6.7 Further Reading; CHAPTER 7: Value at Risk and Risk Control for Market and Credit Risk; 7.1 Defining VaR-Based Limits for Market Risk: Identifying Risk-Taking Centers 7.2 Managing VaR Limits for Market Risk: The Links between Daily VaR and Annual Potential Losses

Sommario/riassunto

While the highly technical measurement techniques and methodologies of Value at Risk have attracted huge interest, much less attention has been focused on how Value at Risk and the risk-adjusted performance measures such as RAROC or economic profit/EVA_o can be effectively used to improve a bank's decision making processes. Academic books are typically concerned primarily with measurement techniques, and devote only a small section to describing the applications, usually without discussing the problems that changing organizational processes in banks may have on business units' behaviour. Practitioners' books are often based on a single experience, presenting the approach that has been pursued by a single bank, but often do not adequately evaluate that approach. In actual practice, the choice of how to use Value at Risk and risk-adjusted performance measures has no single optimal solution, but requires effective decision making that can identify the solution that is consistent with the bank's style of management and coordination mechanisms, and often with characteristics of individual business units as well. In this book, Francesco Saita of Bocconi University argues that even though risk measurement techniques have greatly improved in recent years for market, credit and now also operational risk, capital management and capital allocation decisions are far from becoming purely technical and mechanical. On one hand, decisions about capital management must consider handling different capital constraints (e.g. regulatory vs. economic capital) and face remarkable difficulties in providing a measure of "aggregated" Value at Risk (i.e. a measure that considers the overall value at risk of the bank after diversification across risk types). On the other hand, the aim of using capital more efficiently through capital allocation cannot be achieved only through a sort of centralized asset allocation process, but rather by designing a Value at Risk limit system and a risk-adjusted performance measurement system that are designed to provide the right incentives to individual business units. This connection between sophisticated and cutting edge risk measurement techniques and practical bank decision making

about capital management and capital allocation make this book unique and provide readers with a depth of academic and theoretical expertise combined with practical and real-world understanding of bank structure, organizational constraints, and dec...
