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Goodwill
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Banking
Financial services law & regulation
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Loans
Options
Credit
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Sommario/riassunto

Contingent credit lines (CCLs) are widely used in bank lending and also play an important role in the functioning of short-term capital markets. Yet, their pricing and hedging has not received much attention in the finance literature. Using a financial engineering approach, the paper analyzes the structure of simple CCLs, examines methods for their pricing, and discusses the problems faced in hedging CCL portfolios.