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| 1. Record Nr. | UNINA9910972470803321 |
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| Titolo | Portfolio Credit Risk and Macroeconomic Shocks : : Applications to Stress Testing Under Data-Restricted Environments // Miguel Segoviano |
| Pubbl/distr/stampa | Washington, D.C. : , : International Monetary Fund, , 2006 |
| ISBN | 9786613829078 9781462330621 1462330622 9781452762241 1452762244 9781283516624 1283516624 9781451909968 1451909969 |
| Edizione | [1st ed.] |
| Descrizione fisica | 1 online resource (52 p.) |
| Collana | IMF Working Papers |
| Soggetti | Risk Bank investments Bank loans Bank capital Asset and liability management Asset valuation Asset-liability management Banking Banks and Banking Banks and banking Banks Business Fluctuations Capital and Ownership Structure Credit risk Credit Cycles Depository Institutions Dynamic Analysis Econometric and Statistical Methods: Other Finance Finance: General |

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 Optimization Techniques
 Programming Models
 Stress testing
 Value of Firms
 Denmark

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| Lingua di pubblicazione | Inglese |
| Formato | Materiale a stampa |
| Livello bibliografico | Monografia |
| Note generali | "December 2006." |
| Nota di bibliografia | Includes bibliographical references (p. 45-50). |
| Nota di contenuto | ""Contents""; ""I. INTRODUCTION""; ""II. PORTFOLIO CREDIT RISK""; ""III. PROPOSAL TO IMPROVE PORTFOLIO CREDIT RISK MEASUREMENT""; ""IV. PROPOSED PROCEDURE FOR STRESS TESTING""; ""V. STRESS TESTING: EMPIRICAL IMPLEMENTATION IN DENMARK""; ""VI. ANALYSIS OF STRESS TESTING RESULTS""; ""VII. CONCLUSIONS""; ""Appendix 1: Entropy in a Nutshell""; ""References"" |
| Sommario/riassunto | <p>Portfolio credit risk measurement is greatly affected by data constraints, especially when focusing on loans given to unlisted firms. Standard methodologies adopt convenient, but not necessarily properly specified parametric distributions or simply ignore the effects of macroeconomic shocks on credit risk. Aiming to improve the measurement of portfolio credit risk, we propose the joint implementation of two new methodologies, namely the conditional probability of default (CoPoD) methodology and the consistent information multivariate density optimizing (CIMDO) methodology. CoPoD incorporates the effects of macroeconomic shocks into credit risk, recovering robust estimators when only short time series of loans</p> |

exist. CIMDO recovers portfolio multivariate distributions (on which portfolio credit risk measurement relies) with improved specifications, when only partial information about borrowers is available.

Implementation is straightforward and can be very useful in stress testing exercises (STEs), as illustrated by the STE carried out within the Danish Financial Sector Assessment Program.
