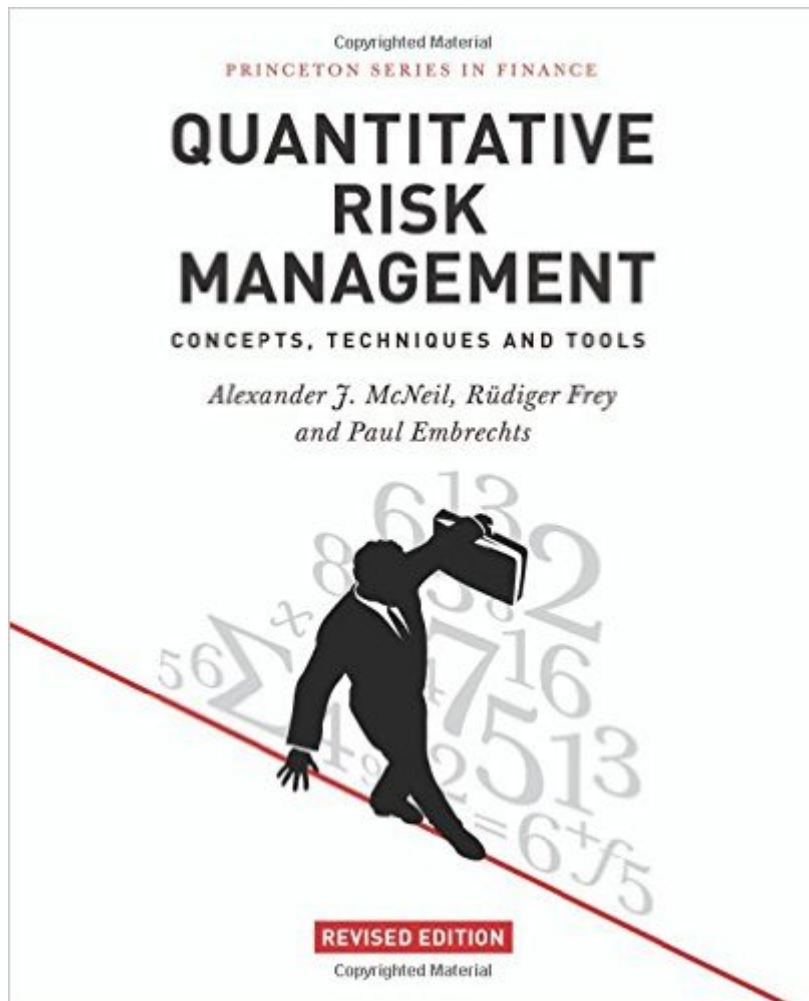


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# Quantitative Risk Management: Concepts, Techniques And Tools (Princeton Series In Finance)



## Synopsis

This book provides the most comprehensive treatment of the theoretical concepts and modelling techniques of quantitative risk management. Whether you are a financial risk analyst, actuary, regulator or student of quantitative finance, Quantitative Risk Management gives you the practical tools you need to solve real-world problems. Describing the latest advances in the field, Quantitative Risk Management covers the methods for market, credit and operational risk modelling. It places standard industry approaches on a more formal footing and explores key concepts such as loss distributions, risk measures and risk aggregation and allocation principles. The book's methodology draws on diverse quantitative disciplines, from mathematical finance and statistics to econometrics and actuarial mathematics. A primary theme throughout is the need to satisfactorily address extreme outcomes and the dependence of key risk drivers. Proven in the classroom, the book also covers advanced topics like credit derivatives. Fully revised and expanded to reflect developments in the field since the financial crisis. Features shorter chapters to facilitate teaching and learning. Provides enhanced coverage of Solvency II and insurance risk management and extended treatment of credit risk, including counterparty credit risk and CDO pricing. Includes a new chapter on market risk and new material on risk measures and risk aggregation.

## Book Information

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## Customer Reviews

Although not obvious, there is software available to implement the functionality described mathematically in the book. Alexander McNeil provides S-Plus code on his personal website, and

there is an R port of that code on CRAN called QRMLib. Most of the provided software is on fitting fat-tailed distributions. This is all very useful in practice, if you care to be statistically precise. Unfortunately, many practitioners would clearly prefer rules of thumb to quantitative methods only usable with statistical software that doesn't run in Excel. Excellent theoretical text with solid backing software.

If you want to read a book on risk management, this may be not the book to read. This book is interesting as an applied math book for say some application in risk management but not as a risk management book. The main application of this book is credit risk. What does the reader learn ? Nothing about how to compute the spread of a CDO's tranche, nothing about how to manage correlation risk, nothing about how to manage spread risk, nothing about the real value of the calibrated intensity and nothing about the real value of the spreads. Needless to say, you will learn nothing about the new indices such as i-traxx for calibration. As a risk management book, it is a rather poor book. However, you will learn many things on time series, stochastic intensity models, copula and so on. In fact, the right title is "Mathematical and Statistical methods for risk management in view". Bearing in mind that this is an applied math book, it is well written and contains a lot of material that can be interesting. As a consequence, this book is rated with 1 star as a risk management book but with 4 stars as an applied math book.

I'd add the word power in front of tools in the book title! Yes the book doesn't give you any step-by-step how to of doing any of the things like some have complained. Then again, it's not meant to be a how-to book. This is a "why" book and the authors explain the whys brilliantly. Even the chapters covering statistical background materials, the authors chose the exact level of details for coverage without wasting any pages. To appreciate the book, the reader does need a strong math background. Then every page of the book is worth it.

I read this a while ago, and while I was extremely impressed with the theoretical development, and am very happy to have it in my library, I was also struck by the somewhat limited perspective. My background in part is in information theory and statistical learning, which means that I incline to a Bayesian view of uncertainty. But this is an absolutist 'frequentist' book; it does not even seem to be aware of a whole box of powerful theoretical tools that I know (it doesn't acknowledge them even to dismiss them). I was fascinated recently to see that Ricardo Rebonato - in spite of quoted review above - seems to agree: in his new book (plight of the fortune tellers), he makes the same points

that occurred to me.

Yet another author showing off their considerable math and statistics skills. I've got a shelf full of books just like this. This one is not any better or worse than the rest. I have the background to read this thing, but most people don't. Just because I can read it doesn't mean I found it useful because I didn't. I have yet to see an author who could show the entire process of starting with theory and then moving forward to practice.

This is a typical theoretical book. With all pros and cons around that statement. As a mathematician I found it well written in terms of math introduction to the subject. BUT I would never recommend that book for the practical learning. It is SO FAR away from the practical quants everyday job, that one would never use that book. 3 stars=  $5/2(\text{theory})+1/2(\text{practice})$

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