Index

ABS (asset-backed securities):
  basic structure of, 129
collateral of, 124–126
credit risk assessment of, 131, 137–138
described, 120–123
families of, 131–135
issuers of, 127–128
priority of payments, 242–243
structural mitigation techniques, 243–247
tranches, 128–131

ABS CDOs:
  collateral, 293
collateral managers, 294
described, 284–285, 292–293
financial crisis and, 295–296
liability, 293–294

ABS CDSs, 282

Accounting guidelines:
  balance sheet, 82–84
cash flow statement, 85–86
CDSs, 274–276
consolidation of VIEs, 208–209
credit assets, 164–165
credit valuation, debit valuation, and own credit risk adjustments, 212–213
de-recognition of assets, 207–208
fundamental credit analysis, 80–88
hedge accounting, 211–212
IFRS 7, 213
impairment of debt securities, 206–207
knowledge of, and credit analysis, 79–80
loan impairment, 202–203
loan-loss accounting, 203–205
MTM, 74–75
netting, 209–210
overview, 80–81
P&L (income) statement, 84
requirements for loan-loss reserves, 205–206

Accounting Standards Codification (ASC) system, 201–202
Account receivables, as credit risk, 15–16
Acquisitions of exposures, 155
Active portfolio management and CVaR, 179–181
Adjusted exposure (AE), 47, 49–50
Advance payment bonds, 257
Affirmative covenants, 238
Agency conflict, 98–99
Aggregation of exposure, 145–146
Alignment of interests and regulation, 184–185
Allocation of capital in CPM, 150
Altman, Edward I., 58
Ambac, 247
Amortization, early, 246
Amortization effect, 74
Approval of guidelines, 23
Arbitrage CLOs, 286–290
ASC (Accounting Standards Codification) system, 201–202
Assessment:
  of ABS, 131, 137–138
  of collateral, 124–126
  of collateral managers, 298–299
  of seller motivation, 37
Asset-backed securities. See ABS
Asset managers, exposure to credit risk, 12
Assets. See also Collateral
  on balance sheets, 82
  claims to, credit risk in, 5–6
  consumer, 134
  credit, accounting for, 164–165
  credit enhancement of, 243–244
de-recognition of, 207–208
  intangible, 83, 94
  securitization of, 120–123
  unsecured, 123
Asset securitization, 120–123. See also ABS; Collateral debt obligations
Assuming credit risk, 122
Auctions, credit-event, 273–274
Audits of financial statements, 81
Authorization of transactions, 26–29
Auto industry, 186–187
Auto loan securitizations, 134

Balance sheet, 81, 82–84
Balance sheet CLOs, 290–292
Bank for International Settlements, 184, 190–191, 192–193
Bankruptcy:
described, 3, 301–303
of Eastman Kodak, 307–308
of large public companies, 309
of MF Global, 308–310
MTM and, 75
patterns of companies in, 303–306
signaling actions for, 306–307
Banks:
creditworthiness of, 16
exposure to credit risk, 10–12
prime brokerage operations of, 230
regulators of, 205
Basel III directive, 192–193
Basis risk and CDSs, 277
Bid bonds, 256–257
Bilateral transactions, 218, 227–229, 232
Black, Stanley, 101, 105
Bond prices, 116–118
Bonds:
catastrophe, 137
surety, 255–258, 264–265
Breach of guidelines, 24–25
Broker dealers, regulation of, 196–197
Buffett, Warren, 13, 267
Business models, flaws in, and bankruptcy, 303–304
Calculating:
default probability, 51–52
exposure, 46–50
mark to market, 73–76
Calculation agents, 222
Capital:
described, 160
economic or risk, 160–161
regulatory, 161–162, 183
requirements for, 199
shareholder, 162
Capital markets:
bond prices and, 116–118
credit-default-swap prices and, 110–116
EDFs™ and, 104–110
Capital structure, 94, 100–101
Cash flow balance sheet CLOs, 290
Cash flow CDOs, 284
Cash-flow hedges, accounting for, 211–212
Cash flow statements, 81, 85–86
Cash reserves, 244–245
Cash settlements, 271–274
Catastrophe bonds, 137
CDO market and monoline insurance companies, 247
CDOs. See Collateral debt obligations
Central counterparty clearing, 227–229, 232
Chapter 7 bankruptcy, 302
Chapter 11 bankruptcy, 302
Chinese walls, 156
Clearinghouses, 228–229, 232
CLOs. See Collateralized loan obligations
CMBS (commercial mortgage backed securitization), 130, 134
COGS/sales ratio, 96
Collateral:
defined, 123
geographic location of, 133
quality of, 297
secured loans and, 236–237
for securitization, 123–126
types of, 126
valuation of, 48–49
Collateral debt obligations (CDOs). See also Collateralized loan obligations
ABS, 292–296
credit analysis of, 296–299
described, 283–285, 299
Collateralization, mitigation of risk through:
acceptable collateral, 223–224
analyzing and setting of threshold, 220–222
calculation and valuation agents, 222
described, 218–220
haircuts, 224, 225
segregation of money, 224–225
Collateralized loan obligations (CLOs): arbitrage, 286–290
balance sheet, 290–292
described, 284, 286–287
structure and pricing, 285
Commercial bonds, 257–258
Commercial loans, 234–236
Commercial mortgage backed securitization (CMBS), 130, 134
Commodity markets and corporates, 17
Concentration of portfolios, 35
Confidence level and CVaR, 169–170
Conservatorship, 186
Consolidation of variable interest entities, 208–209
Content of guidelines, 24
Contingent claims:
credit risk in, 6
on reinsurers, 13, 14–15
Contingent credit exposure, 63
Contract bonds, 256–257
Contracts:
economic value of, 71–73
legally binding, 3
terms of, 4
Corporates:
exposure to credit risk, 15–17
transactions with, 234–240, 241
Cost in excess, 83
Cost structure, flaws in, and bankruptcy, 304–305
Counterparties. See also Counterparty credit risk; Default probability
central counterparty clearing, 227–229, 232
in credit risk, 3
rating, 52–59
Counterparty credit risk:
measurement of, 217–218
mitigation of, 218–225
VaR measure of, 218
Court bonds, 257–258
Covenants, 238–239
CPM. See Credit portfolio management
Credit agreements, 234
Credit assets, accounting for, 164–165
Credit bureaus, 125
Credit card securitization, 134
Credit committees, 28–29
Credit-default-swap prices:
caveats for, 115–116
credit risk and, 110–111
as early warnings, 113–114
finding, 111–112
using, 112–113
volatility in, 116, 117
Credit-default-swaps (CDSs). See also Credit-default-swap prices; Credit derivatives
ABS CDOs and, 295
for credit and price discovery, 280
described, 267–270
insurance and, 280
types of, 280–282
uses of, 276–279
Credit derivatives. See also Credit-default swaps
described, 267–270
settlement process, 270–274
valuation and accounting treatment, 274–276
CreditEdge™ (Moody’s), 104, 106
Credit enhancement of assets, 243–244
Credit-event auctions, 273–274
Creditex, 273
Credit insurance:
coverage types, 252
credit limits, 252–253
described, 250
market participants, 250–251
political-risk insurance, 254–255
providers’ point of view on, 263–264
strengths and weaknesses of, 253–254
Credit lines/limits:
in CPM, 147
setting, 25, 35
Credit-linked notes, 136–137, 267
Creditors, unequal treatment of, 186
Credit portfolio management (CPM):
acquisitions or swaps of exposures, 155
active (level 3), 153–155
aggregation of exposure, 145–146
allocation of capital, 150
basic (level 1), 145–149
credit limits, 147
data requirements, 177–179
evolution of, 143–144
hedging strategy, 152
intermediate (level 2), 149–153
mitigation, 149
organizational set-up and staffing, 155–156
quantification of capital at risk, 149–150
rebalancing transactions, 152–153
Credit portfolio management (continued)
reporting, 146
resources needed for, 144
role of, 143, 156–157
stress testing, 151
surveillance, 147–149
transfer pricing, 154
Credit reports:
background of company, 89
capital structure, 94
competitor ratios, 97
in CPM, 146
debt service, 96
as deliverable of credit analysis, 79
financial statement summary, 93–94
format for, 88–89
general information sections, 89–90
liquidity and cash flow, 94–95
management, 92–93
ownership structure, 91–92
political economic, and regulatory environment, 90–91
profitability, 96–97
pro-forma financials, 97
qualitative assessment sections, 90–93
quantitative assessment sections, 93–97
rating and recommendation, 89–91
relationship and approval process, 89–90
strategy and key risk factors, 91
transaction, 89
Credit risk. See also Counterparty credit risk; Exposure to credit risk; Measurement of credit risk; Transfer of risk
alternative estimations of, 103–104
defined, 3
importance of understanding of, 36–37
losses from, 4
sources of, by entity type, 8
sources of, by instrument, 7–8
types of transactions that create, 5–9
Credit risk analysis. See Fundamental credit analysis
Credit risk management, 18–19. See also
Credit portfolio management; Fundamental credit analysis; Transfer of risk
Credit valuation adjustments, 212–213
Credit value at risk (CVaR):
active portfolio management and, 179–181
caveats, 171
described, 165, 182
confidence level, 169–170
loss distribution, 167–169, 171–179
tail, 170–171
time horizon, 165–167
current assets, 82
current liabilities, 83
CVaR. See Credit value at risk

Data vendors, 57, 58
Dealers in derivatives market, 226–227
Debit valuation adjustments, 213
Debt/EBITDA ratio, 96
Debt/equity ratio, 87
Debtor-in-possession financing, 303
Debt securities, impairment of, 206–207
Decision making, uneconomic, 189
Default:
assessing value of loss upon, 172–173
defined, 3
events of default, 239
Merton view of, 101–102
predicting, 103
priority of payments in, 234–236
Default probability (DP):
calculating, 51–52
described, 50–51
impact of structural mitigants on, 239–240
joint default probability, 173–177
Moody’s Analytics Expected Default Frequency (EDF™), 104–110
rating counterparties, 52–59
for single exposures, 172
using historical data, 59–60
Default view of credit losses, 163
Defined-benefit pension funds, 305
Delegation of authority, 27–28
De-recognition of assets, 207–208
Derivative products. See also Counterparty credit risk; Credit derivatives
banks and, 11
corporates and, 17
credit risk in, 6, 8–9, 69
dealers versus end-users, 226–227
described, 68–69
dynamic credit exposure with, 69–71
legal documentation for transactions, 225–226
regulation of, 184, 185, 190, 195–196
Index

Direct credit exposure, 63
Distribution of risk. See Transfer of risk
Diversification of borrower pool, 125
Diversified payment rights, 135
Documentation. See Credit reports; Legal
documentation
Dodd-Frank Wall Street Reform and
Consumer Protection Act (2010), 184,
185, 191–192, 193, 194, 197
DP. See Default probability
Dry powder, 36
Dynamic credit exposure:
in derivative products, 68–71
described, 65
in long-term supply agreements, 66–68
MTM and, 71–76
VaR and, 76–78

Early amortization of ABS, 246
Eastman Kodak, bankruptcy of, 307–308
EBIT (Earnings Before Interest and Taxes),
96–97
EBITDA (Earnings Before Interest, Taxes,
Depreciation, and Amortization), 87–88, 96
Economic capital, 160–161. See also Credit
value at risk
EDF™ (expected default frequency), 104–110
End-users in derivatives market, 226–227
European regulatory agencies, 191, 193, 197
Events of default, 239
Excess spread, 244–245
Exit strategies, 40–41
Expected default frequency (EDF™), 104–110
Expected loss of transactions, 63–64
Exposure to credit risk. See also Dynamic
credit exposure
corporates, 15–17
direct versus contingent, 63
by entity, 9–10
financial institutions, 10–15
hedging, 276–277
individuals, 18
measurement of, 45–50
reducing, 40–41
surveillance activities, 40
Fair Isaac Corporation (FICO), 125
Fair-value hedges, accounting for, 211
FGIC, 247
FICO score, 125

Financial Accounting Standards Board, 201
Financial covenants, 238–239
Financial crisis:
ABS CDOs and, 295–296
arbitrage CLOs and, 286–287
credit risk management in, 19
creditworthiness of banks in, 16
nonagency mortgage-backed securities in,
123–124
regulation and, 183
securitization activity and, 119–120, 140
stress testing and, 151
Financial guaranty, 246–247
Financial Industry Regulatory Association, 196
Financial institutions and exposure to credit
risk, 10–15
Financial risk indicative ratios, 97
Financial Stability Board, 184, 190, 191, 196
Financial Stability Oversight Council, 191, 192
Financial statements:
balance sheet, 82–84
cash flow, 85–86
in credit reports, 93–94
elements of, 81–82
P&L (income), 84
smell test for, 86–88
Financial structure, flaws in, and bankruptcy,
305–306
Frank, Barney, 187
FSA, 247
Fundamental credit analysis:
accounting basics, 80–88
agency conflict, 97–98
capital structure, 100–101
of CDOs, 296–299
collateral assessment, 124–126
credit reports, 88–97
elements of, 79–80
of issuer of asset-backed securities,
127–128
Merton model, 101–102
misalignment of incentives, 99–100
of securities, 131
Future flow transactions, 135
G-20 and regulation of derivatives, 184, 185,
190, 196
GAAP (U.S. Generally Accepted Accounting
Principles), 201. See also Accounting
guidelines
Gamesmanship, 188–189
GE (gross exposure), 47–48, 50, 76–78
Global default rates, 60, 61
Goodwill, 83, 94
Governance system:
guidelines, 22–25
limits on risk, 25, 35
oversight and staffing, 29–31
principles for, 22
regulation as, 185
transaction authorization, 26–29
Governments, default probability of, 51
Gross exposure (GE), 47–48, 50, 76–78
Guidelines, 22–25
Haircuts, 224, 225
Hedge accounting, 211–212
Hedge funds, 12–13, 144
Hedging credit exposures, 276–277
Hedging strategy in CPM, 152
Hierarchy of ratings, 58–59
Historical data for probability of default, 59–60

IACPM (international Association of Credit Portfolio Managers), 156
ICISA (International Credit Insurance & Surety Association), 264
IFRS (International Financial Reporting Standards), 201, 202, 212, 213
Impairment:
of debt securities, 206–207
of loans, 202–203
Incentives, misalignment of, 99–100, 187
Income statements, 81, 84
Independence of risk management unit, 29–30
Indexes, credit-default swap, 281
Individuals:
exposure to credit risk, 18
risk analysis for, 125
Insider trading, 155–156
Insolvency, defined, 3
Insurance. See also Credit insurance
credit-default swaps and, 280
political-risk, 254–255
Insurance industry:
exposure to credit risk, 13–15
LoCs in, 261–262
regulation of, 194–195
Insurance-Linked Securities, 137
Intangible assets, 83, 94
International Accounting Standards, 201, 202, 212
International Association of Credit Portfolio Managers (IACPM), 156
International Credit Insurance & Surety Association (ICISA), 264
International Financial Reporting Standards (IFRS), 201, 202, 212, 213
International Swaps and Derivatives Association (ISDA), 191, 225–226, 269
INTEX, 138
Investments:
corporates and, 16–17
in credit, 277–278
insurance companies and, 13–14
pension funds and, 15
ISDA (International Swaps and Derivatives Association), 191, 225–226, 269
“Issuer” rating, 54
Issuers of asset-backed securities, 127–128
Joint default probability, 173–177
Junior debt, 236

Kamakura Default Probability, 110
Kealhofer, McQuown, and Vasicek (KMV) model, 102, 105–106, 107
Kealhofer, Stephen, 105
Leases, credit risk in, 5
Legal documentation:
credit agreements, 234
for credit derivatives transactions, 269
for derivatives transactions, 225–226
in securitization process, 122–123
for transactions, 38
Letters of credit (LoCs):
default risk and, 234
described, 258–259
examples of, 259–262
exposure and, 63
providers’ point of view on, 265
Leverage, defined, 125
Leveraged loans, 235, 286
Liabilities on balance sheets, 83–84
LIBOR (London Interbank Offered Rate), 69
Limits on risk, setting, 25, 35
Liquidity, 144, 223
Loan CDSs, 281
Loan-loss reserves, 203–206
Loans. See also Collateralized loan obligations
commercial, 234–236
credit risk in, 5, 10–11
impairment of, 202–203
secured versus unsecured, 236–237
Loan seasoning, 133–134
Loan-to-value (LTV) ratio, 125, 132–133
LoCs. See Letters of credit
London Interbank Offered Rate (LIBOR), 69
Long credit, 277–278
Long-term assets, 82
Long-term liabilities, 83–84
Long-term supply agreements, 66–68
Loss distribution:
creating, 171–179
CVaR and, 167–169
data requirements, 177–179
joint default probability, 173–177
portfolio management to tighten, 180
probability of default and, 172
value of loss upon default, 172–173
Losses, defining, 163–164
Loss given default, 62
LTV (loan-to-value) ratio, 125, 132–133
Macro hedges, accounting for, 212
Maintenance of guidelines, 23–24
Managers:
asset, exposure to credit risk, 12
collateral, 294, 298–299
Mapping ratings, 59
Market capitalization, 88
Market risk management, 78
Markit, 273, 281
Mark to market (MTM):
calculations for, 73–76
credit losses and, 163–164
described, 71–73
valuation of derivative contracts, 218
VaR and, 76–77
Master netting agreements, 210
MBIA, 247
MBS (mortgage backed securities), 132–134
McQuown, John, 105
Measurement of credit risk:
of counterparties, 217–218
default probability, 50–60
dimensions of, 45
direct versus contingent exposure, 63
expected loss, 63–64
exposure, 45–50
recovery rate, 60–62
tenor, 62–63
Merton model, 101–102, 104–105
MF Global, bankruptcy of, 308–310
Minimum transfer amount, 221
Mitigants, defined, 38
Mitigation. See also Structural mitigation of counterparty credit risk, 218–225
in CPM, 149
Monitoring credit exposure, 40
Monoline insurance companies, 247, 250–251
Moody’s Analytics:
Expected Default Frequency (EDF™), 104–110
Global Correlation Model (GCorr™), 178–179
Moody’s Investors Services:
CreditEdge™, 104, 106
long-term issuer credit ratings, 56
Moral hazard, 187
Mortgage-backed securities (MBS), 132–134
Mortgages, as secured loans, 236–237
MTM. See Mark to market
Municipal obligation CDSs, 282
National Association of Insurance Commissioners, 194
Negative basis trade, 295–296
Negative covenants, 238
Net exposure (NE), 47, 48–49, 50
Net income, 86–87
Netting, accounting for, 209–210
Non-performance of collateral, 123–124
Nonpublic information, 155–156
Notch, defined, 240
Notes to financial statements, 81
Notional amount, 269
Obligors, defined, 3
Off-balance-sheet obligations, 94
Offsetting, accounting for, 209–210
One-off transactions, accepting, 34–35
Operating income, 96–97
Options pricing, 101, 105
Index

Origination:
  asset-backed securities, 124–125
  checklist for, 34–41
  defined, 33
  drivers of, 21–22
    in securitization process, 121–122
Orphans, creating, 35–36
Overcollateralization, 245, 298
Own credit risk adjustments, 213
Ownership structure, 91–92

Parameters of credit-sensitive transactions, 27
  “Pass-through” security structure, 132
Pension Benefit Guaranty Corporation, 195, 302
Pension funds:
  CVaR and, 182
  defined-benefit, costs of, 305
  exposure to credit risk, 15
Performance bonds, 257
Physical settlement, 271–272
P&L (profit and loss) statement, 81, 84
Political risk and credit risk, 4
Political-risk insurance, 254–255
Portfolios. See also Credit portfolio management
  active management of, and CVaR, 179–181
  assessing new transactions within context of, 35–36
  supporting, 159–160
Prepayment:
  of goods and services, 5
  of mortgages, 133–134
Pricing. See also Credit-default-swap prices
  concepts in, 181
  for new transactions, 39
  options, 101, 105
  transfer, 39, 154
Prime brokers, 229–230
Probability of default. See Default probability
Profitability of companies, 86–87, 96–97
Profit and loss (P&L) statement, 81, 84
Pro-forma financials, 97
Promulgation of guidelines, 23–24
Property, plant, and equipment, 83
Protection of credit exposures, 276–277
Public Company Accounting Oversight Board, 205
Qualified special purpose entities (Q-SPEs), 208–209
Quantification of capital at risk, 149–150
Rating agencies, 52–57, 118, 138
Rating counterparties, 52–59
Ratings, from EDFs™ to, 109–110
Ratings arbitrage, 188–189
Ratings transitions, 166
Rebalancing transactions in CPM, 152–153
Recovery rate, 60–62, 240, 241
Recovery value, 310
Reference entities (REs), 270
Regulated entities:
  doing business as, 189–190
  doing business with, 184–189
Regulation:
  benefits from, 184–185
  financial regulators, 197–199
  key directives, 190–197
  of loan-loss reserves, 205–206
  objections to, 199
  overview, 183–184
  pitfalls from, 186–189
Regulation Fair Disclosure, 57
Regulatory arbitrage, 188
Regulatory capital, 161–162, 183
Reinsurance recoverables, 13, 14–15
Repurchase agreements (repos), 230–232
Residential mortgage-backed securities, 132–134
Reverse repos, 231
Revolving collateral, 126
Risk. See Credit risk; Risk transfer; Systemic risk
Risk capital, 160–161
Risk management unit, 29–31
Risk-taking activities, 21
Risk transfer. See also Credit derivatives
  with credit insurance, 250–255, 263–264
  with letters of credit, 258–262, 265
  participants and products, 250
  securitization for, 135–137
  with surety bonds, 255–258, 264–265
  techniques for, 249, 266
Sales, credit risk in, 5
Scholes, Myron, 101, 105
Scoring systems for small companies, 57–58
Secured loans, 236–237
Securities and Exchange Commission (SEC), 196
Securitization. See also ABS; Collateral debt obligations of assets, 120–123
building blocks of, 129
collateral, 123–126
functions in process of, 121–122
history of, 119–120
issuer, 127–128
for risk transfer, 135–137
structured credit risk and, 119
tranches, 128–131
Segmentation of commercial loan market, 234, 235
Segregation of accounts, 224–225
Seizure and lack of orderly disposition, 186–187
Sellers, assessing motivations of, 37
Senior debt, 236
Servicing transactions, 122
Settlement process:
cash settlement and credit-event auction, 272–274
cash versus physical settlement, 271–272
credit events, 270–271
SG&A/sales ratio, 96
Shareholder capital, 162
Shareholders’ equity, 84
Shorting credit, 278–279
Short-term assets, 82
Signaling actions of bankruptcy, 306–307
Solvency and regulation, 185
Solvency II directive, 193–194
Special purpose entities (SPEs), 208
Special purpose vehicles (SPVs):
assessment of, 127–128
CDOs and, 283
consolidation of, 208
securitization and, 120, 121
transactions with, 240, 242–247
Spread, 269
Staffing of risk management unit, 29–31
Standard & Poor’s (S&P), 55, 240, 241
Static collateral, 126
Strategy, fitting transactions into, 34–35
Stress testing in CPM, 151
Structural mitigation:
CDOs and, 298
described, 233–234
transactions with corporates, 234–240, 241
transactions with SPVs, 240, 242–247
Structured credit, 119. See also Securitization
Student loan securitization, 134
Subordination technique, 236
Supply agreements, long-term, 66–68
Surety bonds:
described, 255–256
principal families of, 256–258
providers’ point of view on, 264–265
Surveillance activities, 40, 147–149
Swaps of exposures, 155
Synthetic balance sheet CLOs, 291–292
Synthetic CDOs, 284
Systemic risk, 185, 227–228
Taleb, Nassim Nicholas, 181
Tenor and default probability, 62–63
Time:
CVaR and, 165–167
default probability and, 51, 62
gross exposure calculation, 48
in MTM calculation, 74
as risk, 4
Trade finance, LoCs in, 260
Tranches, 128–131
Transactions:
authorization of, 26–29
bilateral, 218, 227–229, 232
checklist for origination, 34–41
with corporates, 234–240, 241
in credit reports, 89
expected loss of, 63–64
future flow, 135
guidelines for, 22–25
repurchase agreements, 230–232
securitization process, 121–122
with special purpose vehicles, 240,
242–247
that create credit risk, 5–9
Transfer of risk. See also Credit derivatives with credit insurance, 250–255, 263–264
with letters of credit, 258–262, 265
participants and products, 250
securitization for, 135–137
with surety bonds, 255–258, 264–265
techniques for, 249, 266
Transfer pricing, 39, 154
2007 crisis. See Financial crisis
Underwriting:
MBSs, 132–133
in securitization process, 122
Unsecured assets, 123
Unsecured loans, 237
Usage given default, 49–50
U.S. Generally Accepted Accounting Principles (GAAP), 201. See also Accounting guidelines

Vacisek, Oldrich, 105
Valuation agents, 222
Valuation of CDS, 274–276

Value at risk (VaR). See also Credit value at risk
criticism of, 181–182
described, 76–78
measurement of counterparty credit risk, 218
Variable interest entities (VIEs), 208–209
Warehousing risk, 138–139
Weighted-average rating factor, 297
Whole-business securitizations, 135
Z-score, 58