

1^{er} SEMINAIRE PARISIEN DE VALIDATION DES MODELES FINANCIERS

15 mars 2010

Institut Telecom, amphi Grenat, 46 rue Barrault, 75013 Paris.

Programme :

15h00 – 16h00. **Rama Cont** (Université Paris VI et CNRS)

Measuring Model Uncertainty

16h00 – 16h15. Questions

16h15 – 16h30. Pause

16h30 – 17h30. **Alberto Elices** (Model Validation Group, Risk Methodology, Grupo Santander)



Bespoke Model Validation

17h30 – 17h45. Questions

17h45. Cocktail

Deadline for registration 11/03/2010
Reply to ModelValidation@zeliade.com

Abstracts :

Measuring Model Uncertainty

While validation procedures for pricing models have traditionally focused on 'technical' aspects such as implementation and accuracy, the increasingly important role of models in trading and risk management is such that model misspecification -sometimes called "model risk"- has become a major risk which cannot be ignored in a validation procedure. It is therefore important to quantify "model uncertainty" and incorporate in order to achieve a robust risk management framework.

We propose a quantitative measure of "model uncertainty" for derivative instruments, which is both theoretically well-founded and simple to implement. This measure leads

to a simple method for provisioning for "model risk" in derivatives portfolios. We discuss several examples of implementation, in the context of equity correlation products.

Bespoke Model Validation

After the crisis in the second half of 2008, a big concern about pricing models and their associated risk has been raised. This talk presents a general model validation philosophy complemented by a provision calculation policy as a way to reconcile Front Office and Risk department interests. Both provisions and model validation will be illustrated through several real worked examples.

About the speakers :

Rama Cont is CNRS Research Scientist at Laboratoire de Probabilités et Modèles Aléatoires (Université Paris VI-VII). His research has focused on applied probability, computational finance and mathematical modeling of financial risks. He has worked as a risk management consultant for various financial institutions and regulators in Europe, Asia and the US. He has taught probability and finance at Columbia University (New York), Ecole Polytechnique (France) and EDHEC (France) and is a regular speaker in training courses for risk management professionals. He is Editor in Chief of the Encyclopedia of Quantitative Finance (Wiley, 2010) and author of Financial Modeling with Jump Processes (CRC Press, 2004).

Alberto Elices earned a PhD in Power Systems Engineering at Pontificia Comillas University (Madrid, Spain) and a Masters in Financial Mathematics in the University of Chicago. He is a senior quant team member in the Model Validation Group of the Risk Department at Grupo Santander in Madrid after working in a hedge fund in New York.

Les organisateurs:



Le groupe de travail

Le Séminaire Parisien de Validation des Modèles financiers a pour objectif de réunir des chercheurs universitaires et des professionnels du milieu financier et bancaire autour du thème de la validation des modèles financiers. Le séminaire se réunit sur une base trimestrielle autour de deux communications, l'une d'un chercheur académique et l'autre d'un praticien des marchés. Un temps d'échange entre les participants clôture chaque séance.

The Parisian Model Validation Seminar

The purpose of the Parisian Model Validation Seminar is to gather academic researchers and practitioners involved in the field of model risk and model validation. The seminar has a session every three months, organized around an academic talk followed by a practitioner one. A time of discussion/networking follows each session.

*****Modalités pratiques & Inscription*****

La participation au séminaire est gratuite et ouverte à tous sur inscription préalable, dans la mesure des places disponibles.

Pour vous inscrire, envoyez votre nom, prénom, affiliation professionnelle et vos coordonnées (e-mail, téléphone) par e-mail à ModelValidation@zeliade.com avant la date limite.

*****Practical matters & Registration*****

The Seminar can be attended free of charge. An email registration will be required to check for available seats.

To register, please send your name, surname, professional affiliation and contacts (e-mail, phone) by e-mail to ModelValidation@zeliade.com before the registration deadline.

Comité d'organisation

Jean-Michel Beacco, Pierre Contencin, Patrick Henaff, Claude Martini.

Contact

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