Model Status / To –Do

Patricia 3/2014

(unordered list)

* Non-zero loss at default
* Check/debut current LLR implementation and opportunity cost
  + \*\* make opportunity cost only apply to unused LLR funds (?)
* Implement abilty to make LLR 2-3x the size of expected losses, and/or allow for a difference between expected losses and actual losses in the portfolio
  + Opp cost only calculated on unused portion of LLR funds
* Post github reference for model and this to-do list on jive
* Plug zimring’s numbers into the model, see if it results in the same terms for the user
  + Probably a problem if it does
  + Could attempt to address mathematically if a 100% LLR would cost the same as an IRB for the same user terms.
  + Would the balancing-out of LSR and LPCR result in the same size reserve for a given set of user terms?
* Figure out how to implement bank risk preferences and/or value the uncertainty in default rate
  + May be necessary for differentiating IRB from LLR
* \*\*\* Figure out how to calculate and/or graph the “break even” point for a LLR – when (at what gvt cost of capital) the cost to gvt for the LLR is the same as the cost to gvt for an IRB, delivering the same terms to the user.
  + Plot gvt ‘break even’ cost of capital against (LLR/expected loss)