

Errata for “Quantitative Enterprise Risk Management”

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- Page 127: In Exercise 4.3, part (c), insert “and that $N \sim \text{Poisson}(\lambda = 1)$ ” after $f_2 = 0.6$.
- Page 152: In the formula for the Hill estimator, the sum should start from $k = j$ instead of $k = j + 1$.
- Page 158: In exercise 5.4, $Y = 1 + \xi(x - \mu)/\theta$ should be $Y = 1 + \xi(X - \mu)/\theta$.
- Page 198: In Exercise 6.4, part (b) (ii), $\Pr[|W| = |Z|]$ should be $\Pr[|Y| = |Z|]$.
- Page 239: In the second last line, “The bottom right path” should be “The bottom left path.”
- Page 288: In exercise 9.1, $\sigma^2 = h\sigma_S$ should be $\sigma^2 = h\sigma_S^2$ (twice).
- Page 334: In exercise 11.6, “Reddington’s” should be “Redington’s.”
- Page 416: In exercise 14.4, “returns each month are independent and lognormally distributed” should be “log-returns each month are independent and normally distributed”.
- Page 417: In Exercise 14.7 (i) For simulating from the GARCH model assume the time 0 daily log-return is $Y_0 = 0.0$, and that the time 0 volatility (daily) is $\sigma_0 = 0.017$. (ii) For the RSLN model, assume that the process is in Regime 1 at time 0. (iii) In part (b), the given RSLN probability should be $p(\text{RSLN2}|\mathbf{x}) = 0.15$.

- Page 440: In exercise 15.5, the exchange rate is inverted. It should be 1.06 Euros to one dollar.
- Page 492: Below Equation (17.10), the reference to 15% is wrong. It should be $1/15$, or $6\frac{2}{3}\%$.
- Page 530: In the standard deviation risk measure formula, the R should be k .
- Pages 532-539: The text mistakenly claims that the Co-VaR and Co-CTE allocation methods satisfy the symmetry criterion. The following errata relate to this error.
 - Page 532: The text below the EC_i formula should read "This allocation method satisfies the full allocation and consistency criteria, but does not in general satisfy the no undercut or symmetry criteria."
 - Page 536: The text mistakenly claims that the Co-CTE allocation method satisfies the symmetry criterion. This is not true. The text should read "The Co-CTE allocation satisfies all of the fair allocation criteria except symmetry."
 - Page 537: The section on symmetry should be deleted.
 - Page 539: The second sentence of the second paragraph should be replaced with "Euler allocation methods have attractive properties, as we have seen in the three cases discussed. For any positive homogeneous risk measure ρ , the Euler allocation will satisfy the full allocation and consistency criteria, and if ρ is sub-additive, the Euler allocation will also satisfy the no undercut criterion. Euler allocation does not in general satisfy the symmetry criterion."
- Page 552: Exercise 18.4 part (a) should read "Prove that the Co-Var allocation method is consistent." and part (b) should read "Prove that the Co-Var allocation method does not satisfy (i) the no undercut criterion (ii) the symmetry criterion."
- Page 583: The second part of equation (19.1) should be $-\lambda((-x^*)^\beta)$.
- Page 587 (bottom): $x = 31.98$ should be $x = 30.23$.