Econometric and statistical methods for retail finance

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January 20, 2016, 16:00 Uhr s.t.
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Structured products for retail clients, or retail structured products (RSPs), are an important asset class for retail investors with a total investment volume of around EUR 75.2 billion (April 2015) in Germany alone. One of the main features of these products, by securitizing the associated risks, is the possibility to invest in a large variety of national and international markets. However, particularly for less sophisticated retail clients, there is quite an information gap between investors and the issuing banks.

In this talk we will present an overview over new approaches from sensible risk classification to pricing transparancy suited to protect those retail clients. As these, however, highly depend on the underlying model and distribution assumptions, we shall in particular focus on various suitable econometric and statistical methods ranging from Markov-Switching models to functional data analysis of volatility and correlation surfaces.