**BEM 109 “Fixed Income and Credit Risk Derivatives”**

**Instructor:** Jakša Cvitanić; 203 Baxter, 395-1784, cvitanic@hss.caltech.edu

**Class meetings:** Mo, Wed 2:30-3:55

**Prerequisites:**
A basic knowledge of calculus based probability/statistics and knowledge of the material covered in BEM 105 Options.

**Grading:** 50% homeworks, equally weighted, 50% final project, or final exam. For those taking the course on Pass/Fail: you must obtain a passing grade for the final exam or the project and you must receive 50% of the grade for each homework to pass the course. Penalty for late submission of homework: 10% per day. Penalty for late submission of final: 33% per day.

**Collaboration Policy:** Discussions of class material are allowed; on homeworks fellow students can give hints - but please report them; no collaboration allowed on the final exam. Homeworks and final are open-book, open-notes. You are not allowed to consult others on the final exam.

**Course Material:**
Recommended books are:
- Credit Risk Modeling, by David Lando
- Quantitative Risk Management by Alexander J. McNeil, Rudiger Frey, and Paul Embrechts,
- A book with a lot of details for practical implementation of various models is Brigo and Mercurio: Interest Rate Models - Theory and Practice. Moreover, the students will be provided with preliminary lecture notes written by Grasselli and Hurd, and lecture notes by Kay Giesecke.