

ROUTLEDGE ADVANCES IN RISK MANAGEMENT

# Managing Currency Options in Financial Institutions

Vanna-Volga method

Yat-fai LAM and Kin-keung LAI



# Managing Currency Options in Financial Institutions

This book presents practices for managing currency options with the Vanna-Volga method. It describes the underlying theories and applications of the Vanna-Volga method in managing currency options of a financial institution while conforming to the Basel III regulatory requirements, which demand a high consistency between the valuation and market risk calculation methodologies of financial instruments.

The book includes technical details that shed understanding on the major applications, including valuation, volatility recovery, dynamic portfolio replication and value-at-risk. Those who study finance, risk management, quantitative finance or similar areas, as well as practitioners who wish to learn how to value, hedge and manage the market risk of currency options with more advanced models and techniques, will find the book of invaluable use.

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# **Managing Currency Options in Financial Institutions**

Vanna-Volga method

**Yat-fai LAM and Kin-keung LAI**

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