

**Jean-Pierre Fouque:** “Multiname and Multiscale Default Modeling,” (with Knut Solna and Ronnie Sircar)

Abstract:

Multiname default modeling is crucial in the context of pricing credit derivatives such as Collateralized Debt Obligations (CDOs). We consider here a simple reduced form approach for multiname defaults based on the Vasicek or Ornstein-Uhlenbeck model for the hazard rates of the underlying names. We analyze the impact of volatility time scales on the default distribution and CDO prices. We demonstrate how correlated fluctuations in the parameters of the name hazard rates affect the loss distribution and senior tranches of CDOs.