

Frontiers in Credit Risk

***Concepts and Techniques for
Applied Credit Risk Measurement***

Editor

Gordian Gaeta

Co-Editors

Shamez Alibhai and Justin Hingorani



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About the contributors

SCOTT D. AGUAIS

Scott Aguais is Senior Director and responsible for managing, marketing and developing Algorithmic's substantial product efforts for BIS II, Economic Capital and Credit Valuation. Prior to joining Algorithmics, Dr. Aguais was a Senior Manager in KPMG's Risk Solutions Practice focusing on credit risk management issues including analytic model development, business process design and technology linkages. He also headed KPMG's global Loan Analysis SystemSM (LAS) initiative. Dr. Aguais has extensive consulting experience in financial services including loan pricing, commercial default modeling, portfolio management strategy and policy design, credit card loan loss forecasting and credit risk MIS implementation. Prior to joining KPMG, he worked for AMS in New York and DRI/McGraw-Hill in Boston. Dr. Aguais education includes, University of Colorado, B.A. in Economics Cum Laude, and a Boston University, M.A. and Ph.D. in Economics.
email: saguais@algorithmics.com

SHAMEZ ALIBHAI

Shamez Alibhai works with Barclays Group Plc in London in the Retail Portfolio Management Unit. Mr. Alibhai is responsible for developing credit risk measurement approaches and risk transfer strategies for the groups' retail portfolio. Prior to joining Barclays, he was a director of Simplex Credit Advisory in Hong Kong, providing credit risk management technologies and solutions. Mr. Alibhai holds Master of Science degrees from McGill and Yale Universities and graduated with an Honours degree in Computer Engineering from the University of Waterloo, Canada.
email: s2alibhai@yahoo.com

EDWARD I. ALTMAN

Edward I. Altman is the Max L. Heine Professor of Finance at the Stern School of Business, New York University. Since 1990, he has directed the research effort in Fixed Income and Credit Markets at the NYU Salomon Center and is currently the Vice-Director of the Center. He received his MBA and Ph.D. in Finance from the University of California, Los Angeles. Professor Altman's primary areas of research include bankruptcy analysis and prediction, credit and lending policies, risk management in banking, corporate finance and capital markets. He has been a consultant to several government agencies, major financial and accounting institutions and industrial companies and has lectured to executives in North America, South America, Europe, Australia-New Zealand, Asia and Africa.

Professor Altman is also one of the founders and an Executive Editor of the international publication, the *Journal of Banking and Finance* and Advisory Editor of a publisher series, the *John Wiley Frontiers in Finance Series*. Professor Altman has published or edited almost two dozen books and over 100 articles in finance, accounting and economic journals including his most recent works on *Managing Credit Risk: The Next Great Financial Challenge* (1998) and *Bankruptcy, Credit Risk and High Yield Junk Bonds* (2002). His work has also appeared in many languages including French, German, Italian, Japanese, Korean, Portuguese and Spanish.
email: ealtman@stern.nyu.edu

NISSO BUCAY

Nisso Bucay is a Senior Manager in Group Risk Management at Royal Bank Financial Group where he is responsible for research and methodologies of portfolio credit risk models. Prior to joining RBC Mr. Bucay was a senior financial engineer at Algorithmics where he worked in credit risk research and client projects. Before joining Algorithmics, Mr. Bucay was a senior vice-president at Grupo Financiero Banamex-Accival, the largest financial group in Mexico. He also gained experience in modeling mortgage and retail loan portfolios and sundry debtor relief programs undertaken by the Mexican government. He has an M.A. in Economics from Harvard University.
email: nisso.bucay@rbc.com

KEVIN S BUEHLER

Kevin S. Buehler is a principal at McKinsey & Company, where he co-leads the Firm's North American risk management practice. Mr. Buehler's thinking on the topic of risk management can be found in the *Wall Street Journal*, *Euromoney*, *Risk Magazine*, and *The McKinsey Quarterly*. Previously, Dr. Buehler served as the Chief Operating Officer of International Equity Partners, L.P., an emerging markets private equity firm. Mr. Buehler received his J.D., *magna cum laude*, from Harvard Law School, where he served as an editor of the *Harvard Law Review*, and his A.B. in Economics, *summa cum laude*, from Harvard College.

email: kevin_buehler@mckinsey.com

EDUARDO CANABARRO

Eduardo Canabarro is the Head of Credit Quantitative Risk Modeling at Goldman Sachs. He is responsible for designing and engineering the quantitative models for measuring, pricing and managing the counterparty risk of various Goldman Sachs' businesses, in particular, over-the-counter derivatives. Prior to that position, he was the quant strategist for fixed-income derivatives (1999), Co-Head of the Fixed Income Quantitative Modeling Group (1998-1999) and a member of that group since 1995 when he joined Goldman Sachs from Salomon Brothers Inc. Dr. Canabarro holds Ph.D. (1993) and MS (1990) degrees in Business Administration (Finance) from the University of California, Berkeley, USA, as well as MBA (1988) and Electrical Engineering (1980) degrees from UFRGS, Brazil.

email: eduardo.canabarro@gs.com

JOHN B. CAQUETTE

John B. Caouette is Vice Chairman of the MBIA Assurance S.A. based in London where he oversees the company's international financial guarantee business and new business development. He joined MBIA in 1998 with the merger of MBIA Inc. and CapMAC Holdings Inc., of which Mr. Caouette had been Chairman and Chief Executive Officer since its inception in 1987. Prior to founding CapMAC, he served in a variety of capacities at Citicorp including as executive director of the Asia Pacific Capital Corporation in Hong Kong, a Citibank subsidiary, and as Vice President and General Manager in the Swaps and Eurosecurities Department. Mr. Caouette was Senior Vice President and General Manager of the Foreign Exchange and Money Market Division of the Continental Grain Company. Mr. Caouette

is lead author of the book *Managing Credit Risk: The Next Great Challenge*, published by John Wiley & Sons in October 1998.

email: jack.caouette@mbia.com

✓ **CHRISTOPHER C. FINGER**

Christopher C. Finger is Head of Credit Products at the RiskMetrics Group. He is primarily responsible for development of the CreditGrades, CreditManager and CDOManager product lines. Prior to his current position, Dr. Finger headed the research group, where he also has contributed to research into market risk, simulation methods, and the application of risk models in emerging markets. In addition, he has served as editor of the *RiskMetrics Journal*, formerly the *RiskMetrics and CreditMetrics Monitor*. Dr. Finger is a regular speaker at conferences on risk management, and is the author of numerous articles in the field. Before joining the RiskMetrics Group, Dr. Finger worked in Risk Management Services at J.P. Morgan, where he co-authored the CreditMetrics Technical Document, contributed to the RiskMetrics Technical Document, and wrote various articles pertaining to the two methodologies. He also worked on advisory assignments, implementing risk management methodologies for J.P. Morgan clients. Dr. Finger holds a Ph.D. in Applied Mathematics from Princeton University, and a B.S. in Mathematics and Physics from Duke University.

email: chris.finger@riskmetrics.com

LAWRENCE (LARRY) FOREST, JR

Lawrence (Larry) Forest, Jr, is a senior financial engineer in the Research Group. Since joining Algorithmics in 2000, Dr. Forest has worked on new credit applications such as the Credit Valuation System. He has over 10 years of experience in credit research, and has worked previously at KPMG, AMS, DRI/McGraw-Hill, and the Federal Reserve Board. Dr. Forest has a Ph.D. in Economics from the University of California, Berkeley.

email: lforest@algorithmics.com

GORDIAN GAETA

Gordian Gaeta is a director and founder of a range of consulting and advisory firms as well as private equity investment companies in services and light industries predominantly in Europe and Asia. He specializes in developing and implementing analytical solutions for complex strategic

issues in financial services and other industries undergoing significant change or being exposed to intricate risk issues.

Two years ago, he co-founded Simplex Credit Advisory, a specialized quant based consulting and applied systems development firm in the area of credit risk measurement using a core model developed by Simplex Risk. In the area of credit and business risk, he brings a wealth of analytical and practical experience as an investor and having been a partner of Booz.Allen & Hamilton Inc dedicated to financial services and strategy related assignments, both at micro and macro economic level. Previously an academic and a bank executive in several countries, Gordian Gaeta holds a doctorate and master in law from the universities of Vienna and Salzburg and read Business Administration at the Zurich Institute of Technology and mathematics at the Vienna Institute of Technology. For the past twenty years, he has been living in Asia but has worked in most developed economies globally.

email: gaetag@netvigator.com

JAMES M. GERARD

Jim Gerard is a Senior Quantitative Analyst in the Fixed Income Division of Fidelity Investments. At Fidelity, Dr. Gerard has worked on mortgage securities valuation models, active portfolio risk exposure analysis and optimization and, most recently, on joint market/credit risk management analytics for the Money Markets Division. Prior to joining Fidelity, Dr. Gerard was a quantitative research analyst at Morgan Stanley in New York. He began his work in finance as an assistant professor of economics at Rutgers University. He holds a B.A. in Physics with a secondary specialization in applied mathematics from Northwestern University, and an M.A. and Ph.D. degree in applied economic theory from the California Institute of Technology.

email: james.gerard@fmr.com

TOM HESKES

Tom Heskes received M.Sc. and Ph.D. degrees in physics from the University of Nijmegen, The Netherlands, in 1989 and 1993, respectively. After one year postdoctoral work at the Beckman Institute in Champaign-Urbana, Illinois, he (re)joined the Dutch Foundation for Neural Networks (SNN) at the University of Nijmegen, where he is currently an assistant professor. Since 1997, Dr. Heskes runs the company SMART Research BV. SMART stands for Statistical Modeling and Artificial Reasoning Technology

and builds intelligent solutions for finance, forecasting, pattern recognition, and decision support in many different application areas. He is a member of the editorial board of *Neurocomputing* and serves as a referee for many international journals on neural networks and machine learning. His research interests are on the interplay between artificial intelligence and statistics.
email: tom@snn.kun.nl

JUSTIN HINGORANI

Justin Hingorani works with Maple Securities (UK) Ltd. in London developing both bespoke structured credit products for clients and Maple's internal credit research practice. Maple is a global financial services company with headquarters in Toronto and offices in London, Jersey City, Frankfurt, Milan and Amsterdam. Mr. Hingorani was formerly a director of Simplex Credit Advisory in Hong Kong, providing credit risk management technologies and solutions. Prior to that he worked with Simplex Risk Management in Hong Kong and Tokyo as well as KPMG in Toronto. He is a designated Chartered Accountant who graduated with a Masters in Accounting, Bachelor of Mathematics and minor in Computer Science from the University of Waterloo, Canada.
email: jhingora@yahoo.co.uk

✓ **SEAN C. KEENAN**

Sean C. Keenan is currently a Vice President in Citigroup's Risk Architecture Group. He is involved in the development of quantitative tools and methodologies for assessing credit risk including debt rating models for C&I lending, default prediction and early warning systems for large corporate obligors, and risk assessment methodologies for a variety of asset-backed and structured loan products. Prior to joining Citigroup, Dr. Keenan was with Moody's Risk Management Services, where was involved in the development and validation of quantitative credit scoring and default prediction, and default-rate forecasting models, and was the primary author of several Moody's annual corporate bond default studies. Dr. Keenan holds a Ph.D. in Economics from New York University.
email: sean.keenan@citigroup.com

JONGWOO KIM

Jongwoo Kim is Director of the Asian Market at the RiskMetrics Group. He is responsible for developing business and providing risk management research and consulting services to institutions throughout the Asian market. Prior to his current position, he worked in research, where he developed methodologies for long horizon VaR, conditional transition matrices of credit ratings, hypothesis tests of default correlations, and risk management for individual investors. Before joining the RiskMetrics Group, Dr. Kim worked in the Risk Management Services Group at J.P. Morgan, as a researcher and a junior economist in the Monetary Management Department of the Bank of Korea, the central bank in Korea. He holds a Ph.D in Economics from Rutgers University, a M.A. in Finance and a B.Sc. in Business from Seoul National University.

email: jongwoo.kim@riskmetrics.com

SERGEY LYALKO

Sergey Lyalko is a Consultant Software Developer in the Risk Management Department, responsible for quantitative analysis in credit risk. He is employed by Fidelity since 1998. Prior to his role in financial research, he worked as an applied mathematician in several companies abroad and in the US. He received his B.Sc., M.Sc. and Ph.D. in Mathematics from Kiev University in the Ukraine.

email: sergey.lyalko@fmr.com

PAUL NARAYANAN

Paul Narayanan is a credit and financial risk consultant to major financial institutions in the US and abroad on credit and portfolio risk. He has developed and implemented credit risk models and worked in Chase Manhattan Bank, Bank of Boston, Meritor PSFS, and the Resolution Trust Corporation. Mr Narayanan has authored articles in the *Journal of Banking and Finance* and *Financial Analysts Journal*. He has been a speaker in various forums including NYU Stern School, and The Wharton School. He has taught at Drexel University where he also presented a seminar on Financial Dimensions of e-Commerce. He is a co-builder of the Zeta credit risk model, and coauthor of *Managing Credit Risk - The Next Great Financial Challenge*.

email: pauln@mcr2000.com

W. RANDALL PAYANT

Randy Payant an experienced banker, author and consultant, joined The IPS-Sendero Institute in 1993. He conducts research in emerging financial risk management concepts, teaches A/L management workshops, and consults on financial management issues. He has spoken at industry workshops and conferences in over 72 countries worldwide. Before joining IPS-Sendero, he was a senior vice-president with a US-based bank - eight years in credit management and six years in investment and funds management. Mr. Payant graduated from the University of Wisconsin and completed the Stonier Graduate School of Banking program in 1988 where he has returned to the school as a faculty member. He is a guest lecturer at the BAI Graduate School of Banking, the Financial Managers Society and several universities. He also holds the designation of a Certified Risk Professional.
email: randy.payant@ips-sendero.com

MANFRED PLANK

Manfred Plank is a Director in the Credit and Country Risk Measurement Group at UBS AG. Before that, Dr. Plank worked for two years in the Credit Portfolio Management Unit of UBS Switzerland. Prior to joining UBS AG in 2000, Dr. Plank spent three years as a bank regulator. He was member of the working group on the New Capital Accord in Brussels. He holds a Ph.D. in mathematics from the University of Vienna and worked there for four years as an Assistant Professor at the Department of Mathematics and Finance. Dr. Plank has published papers in mathematics, physics, operations research and economics in several academic journals and spoke at a number of conferences.
email: manfred.plank@ubs.com

✓ DAN ROSEN

Dan Rosen is Vice President of Marketing at Algorithmics Incorporated. His responsibilities include setting the strategic direction of Algorithmics' solutions, as well as solutions management, strategy, and marketing communications. Prior to his current role, Dr. Rosen was VP Research and New Solutions. Since joining Algorithmics in 1995, he has headed the design of various market risk management tools, credit risk methodologies, advanced simulation and optimization techniques, as well as their application to several industrial settings. Dr. Rosen is an Adjunct Professor at the University of Toronto's program in Mathematical Finance. He holds

several degrees, including an M.A.Sc. and a Ph.D. in Applied Sciences from the University of Toronto.

email: drosen@algorithmics.com

PAUL S. SERFATY

Paul Serfaty is a director of Asian Capital Partners, an investment bank, and of Vietnam Enterprise Investments Ltd., a Dublin-listed direct investment fund. Based in Hong Kong, he has extensive experience in acquiring debt and equity linked portfolios in the Asian region and managing them from credit and profit centre perspectives. Mr. Serfaty has worked as a banker, lawyer, consultant and entrepreneur, initially in Europe but for the last 14 years in Asia. He established the Asian corporate banking business of Creditanstalt, was its Chief Representative in Tokyo and later General Manager in Hong Kong of Bank Austria. Mr. Serfaty has degrees in science and law from Trinity College, Cambridge and is a barrister.

email: yenji@consultant.com

J. LEE SCOGGINS

J. Lee Scoggins is Managing Director of Transparent Solutions, a risk technology company currently developing new methods for measuring operational and credit risk. Previously, Mr. Scoggins worked with McKinsey & Company as a member of the firm's Risk Management Practice where he worked with major investment banks and insurance firms. Mr. Scoggins has worked closely with the Federal Reserve Board of Governors and the Office of Comptroller of Currency on matters of credit cycles, risk measurement, and bank regulation. Prior to McKinsey, Mr. Scoggins developed neural network technology for measuring corporate credit risk. Mr. Scoggins' work on credit risk has appeared in *The Wall Street Journal*, the *McKinsey Quarterly*, and *The International Herald Tribune*.

email: leescoggins@att.net

ROMAN SCOTT

Roman Scott is a Vice President in the Boston Consulting Group's Singapore office and a senior member of BCG's global financial services practice with over 16 years of experience across 50 financial institutions and agencies. He started work in the UK financial markets, and has since lived and worked in Europe, South Africa, Japan and South East Asia. Mr. Scott leads BCG's

banking risk management and crisis restructuring work in the region. Besides risk management, his expertise also includes corporate strategy, privatization of state owned banks, and private banking. His previous work in Japan's insurance market was the subject of a best-selling business book. He has advised the Singapore Government and Australia's Finance Ministry on capital markets operations. More recently, he has been an advisor to the Indonesian government/IBRA on bank restructuring, and is currently involved in the restructuring, risk management efforts and privatization preparation of the top four banks in Indonesia. Mr. Scott holds an M.Phil. from Pembroke College, Oxford University, and a B.Sc. (Hons) from Manchester University.

email: scott.roman@bcg.com

MARK D. SHAPIRO

Mark D. Shapiro is a Director in McKinsey & Company's New York office where he serves clients in the financial services and professional services industries. Mr. Shapiro has been active in shaping corporate strategy for several major investment banks and was instrumental in founding McKinsey's Risk Management Practice. Mr. Shapiro's work on credit risk has appeared in *The Wall Street Journal*, the *McKinsey Quarterly*, and several leading financial publications. Mr. Shapiro received an M.B.A. degree from Harvard Business School, where he was a Fulbright Scholar. He also holds an M.A. degree in philosophy and economics from the University of Oxford.

email: mark_shapiro@mckinsey.com

✓ **JORGE R. SOBEHART**

Jorge R. Sobehart is a vice president at Citigroup's Risk Architecture. He is currently involved in the probabilistic assessment of credit risk for portfolio risk management. Previously, he was a member of Moody's Standing Committee on Quantitative Tools and VP/Senior Analyst in Moody's Risk Management Services, where he developed and validated two credit risk models: RiskCalc for public firms and RiskScore. Dr. Sobehart has advanced degrees in Physics and postdoctoral experience at the Los Alamos National Laboratory (a US nuclear-weapons facility). During his career, he has worked and acted as scientific consultant for several prestigious companies and institutions. He has tens of refereed articles, contributions to

conferences, and technical reports in different fields, and acted as referee for several professional journals.

email: jorge.r.sobehart@citigroup.com

JAN-JOOST SPANJERS

Jan-Joost Spanjers received his M.Sc. degree in physics from the University of Nijmegen in 1999. After this, he joined the Dutch Foundation for Neural Networks (SNN) to work on the application of neural network technology to real-world problems. Under contract by SMART Research BV, he researched and implemented applications of neural networks for credit risk analysis and sales forecasting.

email: janj@snn.kun.nl

✓ **ROGER M. STEIN**

Roger Stein currently heads Moody's development of quantitative and predictive models in credit analysis since joining in 1989. Prior to that he worked rating CBOs and other structured transactions and developing various quantitative methodologies for a number of credit applications at Moody's. Mr. Stein lectures frequently at the NYU Stern School of Business, has published numerous articles and chaired academic and professional conferences on quantitative modeling and data mining. His recent research emphasis includes methodologies for validating the predictive power of quantitative credit models and co-chairing Moody's Academic Advisory and Research Committee.

email: roger.stein@moodys.com

ROBERT J. TUCKETT

Robert Tuckett, who joined Fidelity in 1984, is the Director of Counterparty Research and has been managing the Counterparty Research Group since 1995. Prior to his current position, Mr. Tuckett was a fixed income research analyst, covering financial institutions for Fidelity's money market and corporate bond funds. From 1993 to 1995, he was the Director of Fixed Income Research. Before joining Fidelity, Mr. Tuckett worked for six years at the Federal Reserve Bank of Boston, in the Bank Credit Analysis section. He received his B.Sc. from Northeastern University, and earned his M.B.A. at Boston University.

email: bob.tuckett@fmr.com

MARKUS UNTERHOFER

Markus Unterhofer is an Associate Director in the Alternative Investments Unit of UBS Wealth Management & Business Banking. Prior to this, he spent over two years in the Credit Portfolio Management of UBS, responsible for managing credit risks in the Swiss loan portfolio. There the focus was on risk transformation via secondary market transactions and securitization of parts of the portfolio. Before starting to work for UBS, Mr. Unterhofer was a risk controller for market and credit risks at ABB World Treasury Center in Switzerland, and a portfolio management assistant at Erste Bank AG in Austria. He has two master's degrees from the University of Vienna, one of which in mathematics.

email: markus.unterhofer@ubs.com



Preface

When we were asked to pull together and edit a book on credit risk measurement, we planned a publication that would harness a wide spectrum of topics covering both the analytical aspects and the practicalities of the subject. This should best serve the goal of stimulating and progressing the discussion, criticism and ultimately adoption of credit risk measurement among the credit risk community.

As with any relatively new theme or intellectual progress, many approaches are possible. Differing or overlapping, even contradictory perspectives are commonplace. However, they each contribute in their own way to the furthering of the subject of risk measurement and thus should be considered in support of the objectives for this book. Equally, some contributions have already appeared – in specialized journals – but not including them would deprive the reader from a rounded set of themes.

Conversely, gaps may be perceived as were by some referees. They argued for an inclusion of Basel and the central banks as well as up-to-date data on some of the time series. We countered that structural and forward-looking concepts and ideas do not necessarily extend to multiple areas of implementation or short-term data validation. The longevity and power of the concepts should stand up for itself.

As a result, contributions from a variety of authors with varying points of view, inevitably lack the coherence of a traditional monograph. The subtitle “Concepts and Techniques” already indicates that not all aspects or indeed every particular aspect is fully or comprehensively treated. Yet, the resulting publication covers a wide range of important topics that should be interesting to all parties involved in the credit management process. If we have only contributed in some small way to progressing the views, perspectives and opinions of the reader, our objective is accomplished.

As always, there are a lot of people to thank for their efforts. Most importantly, we thank our publisher John Wiley & Sons, in particular Nick Wallwork, who once he proposed the idea, relentlessly pursued us in keeping to the timetable – which we did not keep even remotely – and forgave us on the way all idiosyncracies that are germane to practitioners, analysts and thinkers alike. Our thanks also go to Janis Soo for the publishing and patient administrative work and support. Given the diverse nature and origin of the contributions, consistency in presentation and language is a formidable challenge for both the editor and the publisher. Thus in many cases concessions had to be made along the principle “where necessary unity but in doubt freedom”.

We extend our appreciation and respect to Prof. Dr. Francis Longstaff who was at the origin of the fundamental, structured SCA model approach. In this vein, Simplex Risk Management with Yoshihiro Mikami, Dr. Pratap Soudhi and others contributed greatly to these concepts from which we benefitted.

However, all contributors together have shouldered the largest part of the burden. Thank you for being part of this effort and we hope you are pleased with the outcome. To the many who could not participate, we wish the very best of luck in their efforts to bringing this necessary subject to a wider audience.

Gordian Gaeta, Editor

Shamez Alibhai & Justin Hingorani, Joint Co-Editors

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