



risks

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Model Risk in Finance

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Message from the Guest Editor

Financial model risk analysis attacks a question that is both simple and complex: What happens if we use the wrong model or if use the model incorrectly? Paradoxically put, this is a question that we simultaneously both cannot answer and cannot not answer.

This Special Issue aims to compile high quality papers that offer a discussion of the state-of-the-art or introduce new theoretical or practical developments in this area. We welcome papers related, but not limited to, the following topics:

- Out-of-sample performance time- and product-wise of different models calibrated to the same instruments; it could be extensions of the analyses in for instance [Schoutens, Simons & Tistaert \(2004\)](#) and [Jessen, & Poulsen \(2013\)](#).
- The effects uncertainty/ambiguity from both axiomatic and practical angles and for both derivative pricing (as for instance [Cont \(2007\)](#)) and optimal portfolio choice (as for instance in [Garlappi, Uppal & Wang \(2007\)](#)).
- Regulatory aspects of model risk in light of [Federal Reserve Supervisory Letter SR 11-7](#) in which ‘model’ is used in a broader sense than is otherwise common among readers of this journal.



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Special Issue



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Message from the Editor-in-Chief

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- contribute with insight, outlook, understanding and overview, no matter how simple they are;
- show creativity in pedagogical tricks and techniques;
- help the transfer of theoretical research to public and private application;
- show responsibility for societal impact.

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