ECONOMIC CAPITAL ASSESSMENT : AN APPLICATION USING A CONDITIONAL COPULA APPROACH

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Abstract

In this paper we focus on an approach of Economic Capital assessment. The latter is based on the notion of conditional copula and uses a Monte Carlo simulation. Our application concerns two Swiss hydro power plants; the risks taken into account for each plant are the hydrological risk and the failure of machine risk. The aim of the approach is to assess the Economic Capital related to sum of the four mentioned risks.