

A remark on credit risk models and copula

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Abstract. Copula models with finite parameters are widely used to describe the joint distribution of default times. But it is not clear whether these copula models are dynamically consistent. The authors show that the set of copula models that are dynamically consistent and satisfy some technical regularity conditions, is a set of the first category in the Baire sense in a certain space of copula functions with finite parameters.

Key words: copula, credit risk, default times