

# Master of Science in Finance and Banking

## WHEN THEORY MEETS PRACTICE

**A series of meetings with experienced professionals on key topics in Finance and Banking organized by Stefano Herzel (University of Rome Tor Vergata) and Luca Lotti (Cassa Depositi e Prestiti)**

### 4. BEHAVIORAL VALUE ADJUSTMENTS

**Riccardo Cogo**

**(CDP - Risk Management, Senior quantitative analyst)**

Assets or liabilities with embedded prepayment/extension options can be subject to behavioral risk, due to the unpredictable exercise strategy followed by the option holder not acting purely on the strength of financial convenience. When seen from the viewpoint of the option seller, such behavior results in a lower option value and an additional source of uncertainty in future cash flows. We propose a general framework to model behavioral risk and discuss the pricing of contracts with embedded options by introducing the concept of behavioral risk adjustment ( $\beta$ VA), in line with the recent development of XVA methodology.

**Tuesday, February 20  
14:30-16:00  
at TL room  
Building A, ground floor**

**School of Economics  
Via Columbia, 2 Roma**

Università di Roma



**MASTER OF SCIENCE IN  
FINANCE AND BANKING**

**The meeting is open to all**