Bocconi

Università Commerciale Luigi Bocconi

Department of Decision Sciences – Carlo F. Dondena Centre for Research on Social Dynamics

Convex Risk Measures Beyond Bounded Risks

Gregor Svindland

Mathematics Institute, University of Munich

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Abstract

We establish a one-to-one correspondence between law-invariant convex risk measures on the space of bounded risks and law-invariant convex risk measures on the space of integrable random variables. Moreover, we discuss difficulties related to the extension of risk measures from the space of bounded risks to larger spaces.

In particular, we compare several approaches to this extension problem.

Department of Decision Sciences

Via Röntgen 1 - 20136Milano

Tel. 02 5836.5632

Fax 02 5836.5630