Preface and Acknowledgments

There is a growing number of books on the subject of credit risk management, a field that has attracted some extremely distinguished academics in recent years. My goal in taking on this project was to create a book that could be used not only by practitioners in North America (where my experience lies) but by banks throughout the world, for the topic is of global relevance. For that reason I have tried to deal with the subject using minimal mathematics and formulae, and even fewer Greek symbols. The intent is to provide information and views that can be used in practice by those who are charged with the management of credit risk assets on a daily basis.

For this third edition there are two major areas of change:

- First, the continued arrival of important products and innovations has been reflected in particular in discussions of new models and databases for credit risk evaluation, as well as in some material changes to existing models.

- Second, I have continued to add the experiences and opinions of many other commentators and authors in this field.

There is not one clear path to success, and a contrast in views can be a positive thing for those grappling with a complex subject. For the most part, however, the book reflects experiences (some good, some less so) and opinions that are my own.

I left Bank of Montreal at the end of 2004 to pursue some teaching and other opportunities but did so with some sorrow in that the bank always provided me with tremendous opportunity, support, and encouragement — not only in my day-to-day work but also in the development and maintenance of this book. My colleagues have helped whenever asked; indeed, the degree of support has been such that it precludes my listing all those who gave their time willingly and valuably. Stuart Brannan, Stephen Bates, Ramsay Brown, and Scott Purdy in particular made many valuable comments. Outside of my own organization, many others have helped. Thanks in particular to Jim Heitman, Kathryn Leberre, and Leonard Matz for their comments. I am also grateful to some of the leading thinkers in this field who continue to provide me with ideas and material, in particular Scott Aguais of Barclays Capital and Don Van Deventer of Kamakura Corporation.

This list would not be complete without adding the names of Stephen Kealhofer and Mac McQuown. Time has shown that their energy, foresight, and innovative thinking have made a fundamental change in the study and understanding of credit risk. I am grateful for their friendship and for the opportunity to learn so much from them.

I also have to thank all those in Bank of Montreal in particular who helped me learn about credit risk management and always encouraged new ideas and approaches. To Jeff Chisholm and Matt Barrett, who gave me the chance to enter this discipline, and to Neil Macmillan, who showed me how much I still have to learn, I will always be grateful.

I do have to thank my colleagues and friends in HIM Monegy who have seen me devote time to the book and supported me throughout. They have put many of the ideas in this book into practice on a daily basis and continue producing outstanding results. Thanks in particular to Linda Watts, whose output is fortunately prodigious, and to Sara Delapa and Elizabeth De Almeida, who never tire of helping anyone who asks.

Of course the project would not have begun or ended without the publisher, Sheshunoff. Thanks to Margaret Talbot and Cory Leahy for their deft editorial help and suggestions.

Last but of course not least I have to thank my wife, Trisha, and my daughters, Nicola and Sarah. A commitment such as this could never be undertaken without their unwavering support.

Brian J. Ranson, Toronto, May 2005