Review of: "An Empirical Examination of Collateralization in Financial Markets"

Tumellano Sebehela[1]

1 University of Witwatersrand

[A]   General Comments

- For equations (6) to (21C), I suggest that below each equation, where you state that such and such parameter/variable stands/represents…, you should also state that on the right-hand side (RHS) of that equation, the first term represents that and so on, on other terms. This makes it easier to understand your equations and follow up changes/additions/alterations as you build on your equations further, without constant need to go back to earlier terms in order to understand the newer equation in full.

- You stated that for propositions 1 to 3, payoffs cannot be evaluated separately. And they (payoffs) are probabilistic in nature. Thus, in order to incorporate the probabilistic nature, I suggest that at the end of the final formula/equation for each proposition, have, for example

$$y = mx + c \quad \left.\begin{array}{l} c = 1, survival \\ c = 0, defualt \end{array}\right\}$$

In this way, the intertwined multiparty and possible stages of each formula/equation, are all enculturated in one formula/equation.

- For tables 4 to 9, excluding 5, you presented encouraging results. However, they need to be strengthened and you can do this by contrasting/comparing your findings with prior studies in your literature review. If same/similar, just say similar/same with such and such study. And if different, in less than a paragraph, state why your findings are different to results in prior studies as synthesised in your literature review part. Basically, what are salient points/issues that create those differences. Note that be different is interesting and worth being noticed.

[B]   Specific Comments

- Please see the annotated version of the paper for specific comments.