

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

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Potential competing interests: No potential competing interests to declare.

This paper presents a new model for pricing financial instruments under different collateral arrangements. In this paper, Dr. Lee developed clean nice models for valuation with collateralization. Dr. Lee designed a smart way empirically by comparing pairs of contracts to extract information about credit risk and collateral risk. But I have some concerns regarding the linear regression in the empirical results. First the data type is not clarified, from the context, the data seems to be cross sectional data. Then the assumptions for linear regression should be checked before the model run. Second the explanation of the regression result is not correct. In the paper, the dependent is model implied premium spread, predictor is the market premium spread.  $R^2$  represents how much variation in implied premium is explained by market premium spread, but the author presented opposite. Besides, there is one typo in the 6th paragraph of introduction part, "very" in the first line should be "vary". In all, this is a well-written and well explained paper to read.