

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

Lech Grzelack<sup>1</sup>

<sup>1</sup> Utrecht University

**Potential competing interests:** No potential competing interests to declare.

The paper presents a new model for pricing financial instruments under different collateral arrangements and provides empirical evidence that asset prices in cleared markets are determined similarly to those in OTC markets. The study is based on data from 2005 to 2011.

However, it's important to note that the financial market has seen significant changes since then. Regulatory frameworks, technological advancements, and market dynamics have evolved, which could potentially impact the model's accuracy and its comparison with market prices.

The clearing process, in particular, has seen changes that have altered the risk structure affecting outcomes. This could lead to a divergence in how asset prices are determined in cleared markets compared to OTC markets. Therefore, discussing the model's limitations in the context of these changes could be beneficial.

It would also be interesting to see how the model performs with more recent data. This could strengthen the findings and make them more relevant to current market conditions.

The paper mentions that cleared derivatives are not economically equivalent to their OTC counterparts. However, more context or examples could make this point clearer to readers.

Overall, these suggestions could help refine the paper and make it more relevant to today's financial market landscape.