

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

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Potential competing interests: No potential competing interests to declare.

## Referee's Report

Title: An Empirical Examination of Collateralization in Financial Markets

This paper presents a new financial instrument pricing model under different collateral arrangements and verifies the effectiveness of the model. Empirical evidence shows that asset prices in the clearing market are determined in a similar way to those in the over-the-counter market, but the liquidation process has changed the risk structure affecting the outcome, so this liquidation method should be reconsidered.

The results are new, with a strong application background. Some suggestions are list as follows

1. The concept of "model-implied price" in the abstract should perhaps be explained.
2. The function  $h(s, \Gamma_s)$  in Equation (1) should be given some explicit expressions.
3. Page 9, line 5, the introduction to probability space is incomplete, it is recommended to supplement it. The authors can refer to X. Mao, Stochastic Differential Equations and Applications, Elsevier, 2007.