

# The Xva Of Financial Derivatives Cva Dva And Fva Explained Financial Engineering Explained

XVA

The Evolution of Derivatives Valuation After the Financial Crisis  
 A Practical Approach to Xva  
 Counterparty Credit Risk  
 Quantitative Analysis, Derivatives Modeling, and Trading Strategies  
 Theory and Practice  
 A Technical Guide  
 Counterparty Credit Risk, Collateral and Funding  
 Counterparty Risk, Funding, Collateral, Capital and Initial Margin  
 Hedging Derivatives  
 The xVA Challenge  
 With Pricing Cases For All Asset Classes  
 Valuation In A World Of Cva, Dva, And Fva : A Tutorial On Debt Securities And Interest Rate Derivatives  
 Financial Derivatives Pricing  
 The Evolution of Derivatives Valuation After the Financial Crisis  
 A Continuing Challenge for Global Financial Markets  
 Stochastic Modelling of Electricity and Related Markets  
 The Greeks and Hedging Explained  
 Mathematical Analysis and Practical Applications  
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 A Guide to Mitigating Counterparty Risk  
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 Theory and Practice of CSA and XVA Pricing, Exposure Simulation and Backtesting  
 The new challenge for global financial markets  
 Pricing Derivative Securities  
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 Computational Methods in Finance  
 XVA Desks - A New Era for Risk Management

*The Xva Of Financial Derivatives Cva  
 Dva And Fva Explained Financial  
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## CABRERA KYLEE

XVA John Wiley & Sons

Weather derivatives provide a tool for weather risk management, and the markets for these exotic financial products are gradually emerging in size and importance. This unique monograph presents a unified approach to the modeling and analysis of such weather derivatives, including financial contracts on temperature, wind and rain. Based on a deep statistical analysis of weather factors, sophisticated stochastic processes are introduced modeling the time and space dynamics. Applying ideas from the modern theory of mathematical finance, weather derivatives are priced, and questions of hedging analyzed. The treatise contains an in-depth analysis of typical weather contracts traded at the Chicago Mercantile Exchange (CME), including so-called CDD and HDD futures. The statistical analysis of weather variables are based on a large data set from Lithuania. The monograph includes the research done by the authors over the last decade on weather markets. Their work has gained considerable attention, and has been applied in many contexts.

*The Evolution of Derivatives Valuation After the Financial Crisis*  
 OUP Oxford

An incisive and essential guide to building a complete system for derivative scripting In Volume 2 of Modern Computational Finance Scripting for Derivatives and xVA, quantitative finance experts and practitioners Drs. Antoine Savine and Jesper Andreasen deliver an indispensable and insightful roadmap to the interrogation, aggregation, and manipulation of cash-flows in a variety of ways. The book demonstrates how to facilitate portfolio-wide risk assessment and regulatory calculations (like xVA). Complete with a professional scripting library written in modern C++, this stand-alone volume walks readers through the construction of a comprehensive risk and valuation tool. This essential book also offers: Effective strategies for improving scripting libraries, from basic examples—like support for dates and vectors—to advanced improvements, including American Monte Carlo techniques Exploration of the concepts of fuzzy logic and risk sensitivities, including support for smoothing and condition domains Discussion of the application of scripting to xVA, complete with a full treatment of branching Perfect for quantitative analysts, risk professionals, system developers, derivatives traders, and financial analysts, Modern Computational Finance Scripting for Derivatives and xVA: Volume 2 is also a must-read resource for students and teachers in master's and

PhD finance programs.

*A Practical Approach to Xva* Springer

Insight into collateral management and its increasing relevance in modern banking In the wake of recent financial crises, firms of all sizes have adjusted their policies to incorporate more frequent instances of collateral management. Collateral Management: A Guide to Mitigating Counterparty Risk explains the connection between the need for collateral management in order to alleviate counterparty risk and the actions that firms must take to achieve it. Targeted at middle and back office managers seeking a hands-on explanation of the specifics of collateral management, this book offers a thorough treatment of the subject and attends to details such as internal record management, daily procedures used in making and receiving collateral calls, and settlement-related issues that affect the movements of cash and securities collateral. An expert in financial topics ranging from trade lifecycle to operational risk, author Michael Simmons offers readers insight into a field that, so far, is struggling to produce enough expertise to meet its high demand. Presents hands-on advice and examples from a bestselling, internationally renowned author who introduces his third book on operations and operations-related activities Explains the relationship between collateral management and preventing institutional defaults, such as the recent Lehman Brothers downfall Since 2008, firms have recognized and embraced the importance of collateral management, but this book will provide practitioners with a deeper understanding and appreciation of its relevance.

**Counterparty Credit Risk** John Wiley & Sons

This book is a collection of original papers by Robert Jarrow that contributed to significant advances in financial economics. Divided into three parts, Part I concerns option pricing theory and its foundations. The papers here deal with the famous Black-Scholes-Merton model, characterizations of the American put option, and the first applications of arbitrage pricing theory to market manipulation and liquidity risk. Part II relates to pricing derivatives under stochastic interest rates. Included is the paper introducing the famous Heath-Jarrow-Morton (HJM) model, together with papers on topics like the characterization of the difference between forward and futures prices, the forward price martingale measure, and applications of the HJM model to foreign currencies and commodities. Part III deals with the pricing of financial derivatives considering both stochastic interest rates and the likelihood of default. Papers cover the reduced form credit risk model, in particular the original Jarrow and Turnbull model, the Markov model for credit rating transitions, counterparty risk, and diversifiable default risk.

*Quantitative Analysis, Derivatives Modeling, and Trading Strategies* John Wiley & Sons

Solve the DVA/FVA Overlap Issue and Effectively Manage Portfolio Credit Risk Counterparty Risk and Funding: A Tale of Two Puzzles explains how to study risk embedded in financial transactions between the bank and its counterparty. The authors provide an analytical basis for the quantitative methodology of dynamic valuation, mitigation, and hedging of bilateral counterparty risk on over-the-counter (OTC) derivative contracts under funding constraints. They explore credit, debt, funding, liquidity, and rating valuation adjustment (CVA, DVA, FVA, LVA, and RVA) as well as replacement cost (RC), wrong-way risk, multiple funding curves, and collateral. The first part of the book assesses today's financial landscape, including the current multi-curve reality of financial markets. In mathematical but model-free terms, the second part describes all the basic elements of the pricing and hedging framework. Taking a more practical slant, the third part introduces a reduced-form modeling approach in which the risk of default of the two parties only shows up through their default intensities. The fourth part addresses counterparty risk on credit derivatives through dynamic copula models. In the fifth part, the authors present a credit migrations model that allows you to account for rating-dependent credit support annex (CSA) clauses. They also touch on nonlinear FVA computations in credit portfolio models. The final part covers classical tools from stochastic analysis and gives a brief introduction to the theory of Markov copulas. The credit crisis and ongoing European sovereign debt crisis have shown the importance of the proper assessment and management of counterparty risk. This book focuses on the interaction and possible overlap between DVA and FVA terms. It also explores the particularly challenging issue of counterparty risk in portfolio credit modeling. Primarily for researchers and graduate students in financial mathematics, the book is also suitable for financial quants, managers in banks, CVA desks, and members of supervisory bodies.

**Theory and Practice** Springer

The rewards and dangers of speculating in the modern financial markets have come to the fore in recent times with the collapse of banks and bankruptcies of public corporations as a direct result of ill-judged investment. At the same time, individuals are paid huge sums to use their mathematical skills to make well-judged investment decisions. Here now is the first rigorous and accessible account of the mathematics behind the pricing, construction and hedging of derivative securities. Key concepts such as martingales, change of measure, and the Heath-Jarrow-Morton model are described with mathematical precision in a



style tailored for market practitioners. Starting from discrete-time hedging on binary trees, continuous-time stock models (including Black-Scholes) are developed. Practicalities are stressed, including examples from stock, currency and interest rate markets, all accompanied by graphical illustrations with realistic data. A full glossary of probabilistic and financial terms is provided. This unique book will be an essential purchase for market practitioners, quantitative analysts, and derivatives traders.

**A Technical Guide** Cambridge University Press

The markets for electricity, gas and temperature have distinctive features, which provide the focus for countless studies. For instance, electricity and gas prices may soar several magnitudes above their normal levels within a short time due to imbalances in supply and demand, yielding what is known as spikes in the spot prices. The markets are also largely influenced by seasons, since power demand for heating and cooling varies over the year. The incompleteness of the markets, due to nonstorability of electricity and temperature as well as limited storage capacity of gas, makes spot-forward hedging impossible. Moreover, futures contracts are typically settled over a time period rather than at a fixed date. All these aspects of the markets create new challenges when analyzing price dynamics of spot, futures and other derivatives. This book provides a concise and rigorous treatment on the stochastic modeling of energy markets. Ornstein-Uhlenbeck processes are described as the basic modeling tool for spot price dynamics, where innovations are driven by time-inhomogeneous jump processes. Temperature futures are studied based on a continuous higher-order autoregressive model for the temperature dynamics. The theory presented here pays special attention to the seasonality of volatility and the Samuelson effect. Empirical studies using data from electricity, temperature and gas markets are given to link theory to practice.

**Counterparty Credit Risk, Collateral and Funding #N/A**

A thoroughly updated and expanded edition of the xVA challenge. The period since the global financial crisis has seen a major re-appraisal of derivatives valuation, generally expressed in the form of valuation adjustments ('xVAs'). The quantification of xVA is now seen as fundamental to derivatives pricing and valuation. The xVA topic has been complicated and further broadened by accounting standards and regulation. All users of derivatives need to have a good understanding of the implications of xVA. The pricing and valuation of the different xVA terms has become a much studied topic and many aspects are in constant debate both in industry and academia. • Discussing counterparty credit risk in detail, including the many risk mitigants, and how this leads to the different xVA terms • Explains why banks have undertaken a dramatic reappraisal of the assumptions they make when pricing, valuing and managing derivatives • Covers what the industry generally means by xVA and how it is used by banks, financial institutions and end-users of derivatives • Explains all of the underlying regulatory capital (e.g. SA-CCR, SA-CVA) and liquidity requirements (NSFR and LCR) and their impact on xVA • Underscores why banks have realised the significant impact that funding costs, collateral effects and capital charges have on valuation • Explains how the evolution of accounting standards to cover CVA, DVA, FVA and potentially other valuation adjustments • Explains all of the valuation adjustments - CVA, DVA, FVA, ColVA, MVA and KVA - in detail and how they fit together • Covers quantification of xVA terms by discussing modelling and implementation aspects. Taking into account the nature of the underlying market dynamics and new regulatory environment, this book brings readers up to speed on the latest developments on the topic.

**Counterparty Risk, Funding, Collateral, Capital and Initial Margin** John Wiley & Sons

This book combines academic research and practical expertise on alternative assets and trading strategies in a unique way. The asset classes that are discussed include: credit risk, cross-asset derivatives, energy, private equity, freight agreements, alternative real assets (ARA), and socially responsible investments (SRI). The coverage on trading and investment strategies are directed at portfolio insurance, especially constant proportion portfolio insurance (CPPI) and constant proportion debt obligation (CPDO) strategies, robust portfolio optimization, and hedging strategies for exotic options.

**Hedging Derivatives** World Scientific

The 2008 financial crisis shook the financial derivatives market to its core, revealing a failure to fully price the cost of doing business then. As a response to this, and to cope with regulatory demands for massively increased capital and other measures with funding cost, the pre-2008 concept of Credit Valuation Adjustment (CVA) has evolved into the far more complex hybrid Cross Valuation Adjustment (XVA). This book presents a clear and concise framework and provides key considerations for the computation of myriad adjustments to the price of financial derivatives, to fully reflect costs. XVA has been of great interest recently due to heavy funding costs (FVA), initial margin (MVA) and capital requirements (KVA) required to sustain a derivatives business since 2008, in addition to the traditional concepts of cost from counterparty default or credit deterioration (CVA), and its

mirror image -- the cost of one own's default (DVA). The book takes a practitioner's perspective on the above concepts, and then provides a framework to implement such adjustments in practice. Models are presented too, taking note of what is computationally feasible in light of portfolios typical of investment banks, and the different instruments associated with these portfolios.

**The xVA Challenge** World Scientific

From the late 1990s, the spectacular growth of a secondary market for credit through derivatives has been matched by the emergence of mathematical modelling analysing the credit risk embedded in these contracts. This book aims to provide a broad and deep overview of this modelling, covering statistical analysis and techniques, modelling of default of both single and multiple entities, counterparty risk, Gaussian and non-Gaussian modelling, and securitisation. Both reduced-form and firm-value models for the default of single entities are considered in detail, with extensive discussion of both their theoretical underpinnings and practical usage in pricing and risk. For multiple entity modelling, the now notorious Gaussian copula is discussed with analysis of its shortcomings, as well as a wide range of alternative approaches including multivariate extensions to both firm-value and reduced form models, and continuous-time Markov chains. One important case of multiple entities modelling - counterparty risk in credit derivatives - is further explored in two dedicated chapters. Alternative non-Gaussian approaches to modelling are also discussed, including extreme-value theory and saddle-point approximations to deal with tail risk. Finally, the recent growth in securitisation is covered, including house price modelling and pricing models for asset-backed CDOs. The current credit crisis has brought modelling of the previously arcane credit markets into the public arena. Lipton and Rennie with their excellent team of contributors, provide a timely discussion of the mathematical modelling that underpins both credit derivatives and securitisation. Though technical in nature, the pros and cons of various approaches attempt to provide a balanced view of the role that mathematical modelling plays in the modern credit markets. This book will appeal to students and researchers in statistics, economics, and finance, as well as practitioners, credit traders, and quantitative analysts

**With Pricing Cases For All Asset Classes** World Scientific

A practical guide to basic and intermediate hedging techniques for traders, structurers and risk management quants. This book fills a gap for a technical but not impenetrable guide to hedging options, and the 'Greek' (Theta, Vega, Rho and Lambda) - parameters that represent the sensitivity of derivatives prices. *Valuation In A World Of Cva, Dva, And Fva : A Tutorial On Debt Securities And Interest Rate Derivatives* John Wiley & Sons As today's financial products have become more complex, quantitative analysts, financial engineers, and others in the financial industry now require robust techniques for numerical analysis. Covering advanced quantitative techniques, *Computational Methods in Finance* explains how to solve complex functional equations through numerical methods. The first part of the book describes pricing methods for numerous derivatives under a variety of models. The book reviews common processes for modeling assets in different markets. It then examines many computational approaches for pricing derivatives. These include transform techniques, such as the fast Fourier transform, the fractional fast Fourier transform, the Fourier-cosine method, and saddlepoint method; the finite difference method for solving PDEs in the diffusion framework and PIDEs in the pure jump framework; and Monte Carlo simulation. The next part focuses on essential steps in real-world derivative pricing. The author discusses how to calibrate model parameters so that model prices are compatible with market prices. He also covers various filtering techniques and their implementations and gives examples of filtering and parameter estimation. Developed from the author's courses at Columbia University and the Courant Institute of New York University, this self-contained text is designed for graduate students in financial engineering and mathematical finance as well as practitioners in the financial industry. It will help readers accurately price a vast array of derivatives.

**Financial Derivatives Pricing** World Scientific

The book's content is focused on rigorous and advanced quantitative methods for the pricing and hedging of counterparty credit and funding risk. The new general theory that is required for this methodology is developed from scratch, leading to a consistent and comprehensive framework for counterparty credit and funding risk, inclusive of collateral, netting rules, possible debit valuation adjustments, re-hypothecation and closeout rules. The book however also looks at quite practical problems, linking particular models to particular 'concrete' financial situations across asset classes, including interest rates, FX, commodities, equity, credit itself, and the emerging asset class of longevity. The authors also aim to help quantitative analysts, traders, and anyone else needing to frame and price counterparty credit and funding risk, to develop a 'feel' for applying sophisticated mathematics and stochastic calculus to solve practical problems. The main models are illustrated from theoretical formulation to final implementation with calibration to market data, always keeping in mind the concrete questions being dealt with. The

authors stress that each model is suited to different situations and products, pointing out that there does not exist a single model which is uniformly better than all the others, although the problems originated by counterparty credit and funding risk point in the direction of global valuation. Finally, proposals for restructuring counterparty credit risk, ranging from contingent credit default swaps to margin lending, are considered.

**The Evolution of Derivatives Valuation After the Financial Crisis** John Wiley & Sons

The 2008 financial crisis shook the financial derivatives market to its core, revealing a failure to fully price the cost of doing business then. As a response to this, and to cope with regulatory demands for massively increased capital and other measures with funding cost, the pre-2008 concept of Credit Valuation Adjustment (CVA) has evolved into the far more complex hybrid Cross Valuation Adjustment (XVA). This book presents a clear and concise framework and provides key considerations for the computation of myriad adjustments to the price of financial derivatives, to fully reflect costs. XVA has been of great interest recently due to heavy funding costs (FVA), initial margin (MVA) and capital requirements (KVA) required to sustain a derivatives business since 2008, in addition to the traditional concepts of cost from counterparty default or credit deterioration (CVA), and its mirror image -- the cost of one own's default (DVA). The book takes a practitioner's perspective on the above concepts, and then provides a framework to implement such adjustments in practice. Models are presented too, taking note of what is computationally feasible in light of portfolios typical of investment banks, and the different instruments associated with these portfolios.

**A Continuing Challenge for Global Financial Markets** World Scientific

**The XVA of Financial Derivatives: CVA, DVA and FVA Explained** Springer

*Stochastic Modelling of Electricity and Related Markets* CRC Press This latest addition to the Financial Engineering Explained series focuses on the new standards for derivatives valuation, namely, pricing and risk management taking into account counterparty risk, and the XVA's Credit, Funding and Debt value adjustments.

**The Greeks and Hedging Explained** World Scientific

A thoroughly updated and expanded edition of the xVA challenge. The period since the global financial crisis has seen a major re-appraisal of derivatives valuation, generally expressed in the form of valuation adjustments ('xVAs'). The quantification of xVA is now seen as fundamental to derivatives pricing and valuation. The xVA topic has been complicated and further broadened by accounting standards and regulation. All users of derivatives need to have a good understanding of the implications of xVA. The pricing and valuation of the different xVA terms has become a much studied topic and many aspects are in constant debate both in industry and academia. • Discussing counterparty credit risk in detail, including the many risk mitigants, and how this leads to the different xVA terms • Explains why banks have undertaken a dramatic reappraisal of the assumptions they make when pricing, valuing and managing derivatives • Covers what the industry generally means by xVA and how it is used by banks, financial institutions and end-users of derivatives • Explains all of the underlying regulatory capital (e.g. SA-CCR, SA-CVA) and liquidity requirements (NSFR and LCR) and their impact on xVA • Underscores why banks have realised the significant impact that funding costs, collateral effects and capital charges have on valuation • Explains how the evolution of accounting standards to cover CVA, DVA, FVA and potentially other valuation adjustments • Explains all of the valuation adjustments - CVA, DVA, FVA, ColVA, MVA and KVA - in detail and how they fit together • Covers quantification of xVA terms by discussing modelling and implementation aspects. Taking into account the nature of the underlying market dynamics and new regulatory environment, this book brings readers up to speed on the latest developments on the topic.

**Mathematical Analysis and Practical Applications** World Scientific Publishing Company

A practical guide to counterparty risk management and credit value adjustment from a leading credit practitioner. Please note that this second edition of Counterparty Credit Risk and Credit Value Adjustment has now been superseded by an updated version entitled *The XVA Challenge: Counterparty Credit Risk, Funding, Collateral and Capital*. Since the collapse of Lehman Brothers and the resultant realization of extensive counterparty risk across the global financial markets, the subject of counterparty risk has become an unavoidable issue for every financial institution. This book explains the emergence of counterparty risk and how financial institutions are developing capabilities for valuing it. It also covers portfolio management and hedging of credit value adjustment, debit value adjustment, and wrong-way counterparty risks. In addition, the book addresses the design and benefits of central clearing, a recent development in attempts to control the rapid growth of counterparty risk. This uniquely practical resource serves as an invaluable guide for market practitioners, policy makers, academics, and students. *Practical Approach To Xva, A: The Evolution Of Derivatives Valuation After The Financial Crisis* Springer

This book addresses selected practical applications and recent developments in the areas of quantitative financial modeling in derivatives instruments, some of which are from the authors' own research and practice. It is written from the viewpoint of financial engineers or practitioners, and, as such, it puts more emphasis on the practical applications of financial mathematics in the real market than the mathematics itself with precise (and tedious) technical conditions. It attempts to combine economic insights with mathematics and modeling so as to help the reader to develop intuitions. Among the modeling and the numerical techniques presented are the practical applications of the martingale theories, such as martingale model factory and martingale resampling and interpolation. In addition, the book addresses the counterparty credit risk modeling, pricing, and arbitrating strategies from the perspective of a front office functionality and a revenue center (rather than merely a risk management functionality), which are relatively recent developments and are of increasing importance. It also discusses various trading structuring strategies and touches upon some popular credit/IR/FX hybrid products, such as PRDC, TARN, Snowballs, Snowbears, CCDS, and credit extinguishers. While the primary scope of this book is the fixed-income market (with further focus on the interest rate market), many of the methodologies presented also apply to other financial markets, such as the credit, equity, foreign exchange, and commodity markets. Contents: Theory and Applications of Derivatives Modeling: Introduction to Counterparty Credit Risk Martingale Arbitrage Pricing in Real Market The Black-Scholes Framework and Extensions Martingale Resampling and Interpolation Introduction to Interest Rate Term Structure Modeling The Health-Jarrow-Morton

Framework The Interest Rate Market Model Credit Risk Modeling and Pricing Interest Rate Market Fundamentals and Proprietary Trading Strategies: Simple Interest Rate Products Yield Curve Modeling Two-Factor Risk Model The Holy Grail — Two-Factor Interest Rate Arbitrage Yield Decomposition Model Inflation Linked Instruments Modeling Interest Rate Proprietary Trading Strategies  
Readership: Advanced readers who work or are interested in the fixed-income market. Keywords: CVA; Credit Valuation Adjustment; Counterparty Credit; BGM Model; HJM Model; RS Model; Martingale; Derivatives Modeling; Martingale Resampling; Orthogonal Exponential Spline; Stat Arb; Nonexploding Bushy Tree; NBT; PRDC; TARN; Snowball; Snowbear; CCDS; Credit Extinguisher  
Reviews: "This state of the art text emphasizes various contemporary topics in fixed income derivatives from a practitioner's perspective. The combination of martingale technology with the author's expert practical knowledge contributes hugely to the book's success. For those who desire timely reporting straight from the trenches, this book is a must." Peter Carr, PhD Director of the Masters in Math Finance Program Courant Institute, NYU "It is quite obvious that the authors have significant practical experience in sophisticated quantitative analysis and derivatives modeling. This real world focus has resulted in a text that not only provides clear presentations on modeling, pricing and hedging derivatives products, but also provides more advanced material that is usually found only in research publications. This book has innovative ideas, state of the art applications, and contains a wealth of valuable information that will interest academics, applied quantitative derivatives modelers, and traders." Peter Ritchken Kenneth Walter Haber Professor Department of Banking and Finance, Weatherhead School of Management, Case Western Reserve University "Written

by two experienced production Quants, this book contains a wealth of practical methods and useful insights that have been tried and tested. In addressing new tasks, most Quants worry about best practice. Along with specialist published papers, etc, this book is a must to help calibrate judgment. Presently one of the dozen select math-finance books that really should be on one's shelf!" Alan Brace University of Technology Sydney School of Finance and Economics Key Features: Covers various advanced interest rate models, such as the HJM framework, Markovian HJM models (multi-factor RS model in particular), and BGM models, as well as counterparty credit pricing models. It also touches upon some credit models, such as the Copula model, the factor model, and risky market model for credit spread Addresses various practical applications of modeling, such as martingale arbitrage modeling under real market situations (such as using the correct risk-free interest rate, revised put-call parity, defaultable derivatives, and hedging in the presence of the volatility skew and smile, as well as brief discussions on secondary model calibration for handling the un-hedgeable variables, models for pricing and models for hedging) Presents practical numerical algorithms for the model implementation, such as martingale interpolation and resampling for enforcing discrete martingale relationships in situ in numerical procedures, modeling of the volatility skew, and a nonexploding bushy tree (NBT) technique for efficiently solving non-Markovian models, such as the multi-factor BGM market model, under the backward induction framework Introduces the basics of the interest rate market, including various yield curve modeling, such as the well known Orthogonal Exponential Spline (OES) model, as well as proprietary trading strategies, stat arb in particular

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