

Chapter 8.3  
Rehypothecation



# Outline

- Problem and model assumptions
- Borrowing without rehypothecation
- Allowing rehypothecation
- Summary

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# Uncollateralized borrowing



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- ▶ If exerting effort, they also bear the **effort costs**
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- Problem and model assumptions
- Borrowing without rehypothecation
- Allowing rehypothecation
- Summary**

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