The risk reducers

Regulatory and client demands for more risk management created an increased role for specialist risk officers. Against this background Nicholas Pratt talks to risk managers from three distinct investment management firms to see how change has affected them

It is a good time to be a risk manager and it is an even better time to be a chief risk officer (CRO). In comparison to the rest of the C-suite, the CRO role is relatively new, only appearing in the largest investment banks in the last ten years before cropping up in the fund management industry. This prominence is indicative of the growing focus on all things risk related.

Some years ago the main responsibility for a fund manager's risk manager was looking at investment risk. There were risk frameworks in place but it was not clear that they were the right frameworks or that they were being applied in an enterprise-wide context, as is the fashion in today's market.

Now fund managers are looking to respond to types of risk that they might not have looked at before, such as counterparty risk, as shown by the industry inquiry into stock-lending in the last two years. After years of fear-free stock lending, fund managers are now questioning the ability of their counterparties to meet their obligations and querying the quality of the collateral on offer.

There is also the issue of 'tail' risk – improbable but potentially franchise-threatening risks – which covers everything from straightforward investment fraud in the style of Bernard Madoff, to unknown but catastrophic exposure to failed structured products, as was the case with any fund manager caught up in the Lehman Brothers' default.

A lot of these changes have been charted in a series of industry surveys. For example, one carried out by risk systems provider MSCI Barra canvassed over 30 CROs at asset managers in Europe and the US to ascertain just how much had changed in the last year. The biggest surprise to the participants was the sudden and violent appearance of liquidity and counterparty risk and the need to better understand their impact on investments across all assets.

> ***'Good managers are in high demand because there are not too many of them'***

But the overriding theme of the survey was that all CROs anticipate further overhaul and significant investment in the risk management function over the next twelve months, suggesting that the risk manager of the future needs to be able to gain seniority, offer investment advice to fund managers rather than just beat them over the head with a compliance stick, and make significant investment in their risk management 'toolboxes'.

Similar conclusions are made in other industry studies. "Most major asset managers will say they have a risk management department but how many of them are fit for purpose?" says Pars Purewal, who heads up PwC's asset management business in the UK. PwC has addressed many of these changes in a report that talks of the awareness of new risks as well as the need to address risk on an enterprise-wide basis. The report also refers to the increasing appointment of CROs. In part, says Purewal, this is being driven by regulators. In the UK the FSA has been looking at fund managers' risk management functions to see if there is a dedicated executive for risk management and, if not, whether there should be one.

"It is not so much about having someone with the CRO title but about having a senior person in charge of risk," says Purewal. "Right now, most CROs report to the CFO but in the future they might be a board member in their own right." Not only would this give greater profile to the role of risk management, it forces boards to give more attention to the risk appetite and tolerance of the company, the presence of systems and processes to escalate risk management and the cultivation of a risk culture throughout the firm.

Purewal also says that the role need not be limited to the biggest firms in the market. "It is more about complexity of the business than its size." The main challenge facing asset managers, says Purewal, is that there is a shortage of suitable candidates for the CRO role.

"Good managers are in high demand because there are not too many of them. This shortage is not unique to the asset management industry – both the banking and insurance industries are also looking for good risk managers. But it is still early days and it will take time for there to be a surplus of good-quality candidates."

Investit, the UK-based management consultancy, is currently producing a report for its investment manager clients on risk management that looks at issues such as system selection and business processes. According to the report's author and investment principal consultant Alistair Byrne, a key issue for risk managers is finding the balance between the compliance function and the investment process in order to meet any regulatory or mandate requirements and to help with portfolio construction.

"The compliance function needs to understand the context of the risk numbers. For risk managers to play a role in portfolio construction, their approach has to be consistent with the investment process. They have to get the buy-in of the fund managers otherwise the fund managers will simply start using their own spreadsheets, leaving the risk managers very detached. Firms need to think about how engaged the risk team are with the investment teams. Is it just about compliance or are they actually collaborating? They need to create a culture where the risk teams know that their role is to support the investment teams."

What follows is a series of interviews with those responsible for overseeing the risk management function at a range of firms, including hedge funds and private equity. While there are differences in the specific approach taken by each risk manager, it is clear that there are some similarities – not least the point made by Byrne that risk managers must gain the respect and, ultimately, the cooperation, of their portfolio manager or trader colleagues if they are to succeed in establishing an effective risk management structure.

JEAN-MARC FOURRE, INVESTMENT RISK MANAGER, AXA INVESTMENT MANAGERS

Jean-Marc Fourré is an investment risk manager and the assistant to the global head of risk at Axa Investment Managers. The company has roughly 50 people working on the risk management side and as a global firm with several different entities operating in different countries, each entity has its own chief risk officer who each has an expertise in both the region and the business of the entity (eg, private equity, fund of hedge funds, etc).

While Axa Investment Managers has always had a risk function, the effect of the financial crisis has led the firm to make three key enhancements. The first of these involved strengthening the ties between all the risk managers and creating the new role of senior expertise risk managers (serms). "There were investment risk managers on one side and operational risk managers on another," says Fourre. "We were too segregated and not always able to take a global view of our risks, which is the purpose of the serm, for their respective expertise."

Axa Investment Managers also tried to focus on the risks that had been overlooked in the years prior to the financial crisis, including risk to do with over-the-counter (OTC) instruments. "We have increased our coverage of liquidity risk – particularly for the less liquid assets we hold such as OTC derivative contracts, counterparty and collateral risk as a result of Lehman Brothers – and increased coverage of concentration risk and modelling risk. We have always used VaR [value at risk] but now we are paying more attention to stress tests and to modelling extreme events."

The third area that Axa has focused on is making risk management more accessible to senior management. "We found that we needed to get the regular attention of the board. In the past there were a lot of different risk committees, but when market conditions became difficult, it was hard to focus on specific risks." The new governance around risk committees makes this easier, says Fourre.

There are now three main risk and control committees. The first is a weekly global risk committee chaired by the head of all control functions and involving all of the top management. This committee looks at the risks facing the company as a whole.

> ***'We have quarterly training on risk governance. Through this we can ensure that this risk management culture will continue'***

The second committee has a similar structure to the first but focuses purely on risks resulting from new business.

The third committee meets quarterly and comprises the management board. Its role is to look at all risks on a consolidated and global level.

"This new governance enables us to focus on specific risk issues and, with the weekly committee meetings, enables us to get an immediate view on our consolidated risks and to be able to act much more quickly," says Fourre. "We can detect risk issues, set internal trading limits, detect breach of alert levels and submit these to a committee for a decision. The quick reaction time is critical because market conditions are still challenging."

The attention given to the risk management function has also highlighted just what a complex role it has become, not least in how it fits into the organisation as a whole.

"Our role is two-fold. Firstly we are a control function that operates independently from the fund managers, but we have also seen the need to work more closely with the fund managers so that we can anticipate and act on risks before they arise," says Fourre. "So for instance when we are defining or monitoring internal limits we can discuss it with the portfolio managers and make sure that we fully understand the risk profile of the fund."

He adds: "We are also using the crisis to ensure a better risk management culture so that every Axa Investment Managers employee is conscious that risk management is their responsibility too. We have quarterly training on risk governance and risk techniques. Through this we can ensure that even when conditions improve, this risk management culture will continue."

The firm's head count for risk management has increased by 20% in the last two years, most notably in those areas where it has added risk experts for each part of the business and in each region.

"It was not easy to recruit these experts and we had to look outside of the fund management world in many cases, such as the prop trading desks at the investment banks where there is much more experience of stress tests and advanced modelling. Ideally these experts working within the global risk management function will be able to share their expertise and their experience and continually communicate across the business...

"For example, we are available to accompany sales staff when they visit clients in order to explain the risk management approach of the company. In this regard, risk management is becoming a valuable marketing tool. With the RFPs we are getting now, they are asking us to provide more detailed and extensive information on our risk management – the specific systems that we use, how we calibrate our daily VaR and so on."

For the future, Fourre says his firm is looking to improve risk management in two other key areas. "We want to be even more proactive and able to anticipate risk. We produce regular 'insomnia' reports for the top management so that they can be aware of what the main areas of risk are.

"Back in September we highlighted interest rate risk and sovereign risk. And in June we will be running another set of tests on liquidity as we feel this is still an important issue.

"The second area we are focusing on is enhancing our dashboard, which provides the senior management with a consolidated view of all of the risks facing us, both on account of our clients and on our own account."

KARSTEN LANGER, TRANSACTING PARTNER BENELUX AND FRANCE, THE RIVERSIDE COMPANY

The Riverside Company is a US-owned private equity investor with operations in Europe. Its chief risk officer is its chief financial officer, who is supported by colleagues from legal and financial backgrounds. Riverside considers risk in two main categories – the risks related to the companies that Riverside invests in (essentially a due diligence role performed by the investment teams); and the risks faced by Riverside itself, such as execution risk related to large flows of money.

"Private equity is also referred to as risk capital so obviously risk is an important feature of the industry," says Karsten Langer, transacting partner for Benelux and France. Although there have been no radical changes to the company's risk management set-up, there is a concerted effort to be more proactive this year, says Langer and there are several areas of risk management where awareness has been heightened.

"For example, as a US-owned company we have to comply with federal anti-bribery regulations, but we have taken this a step further by hiring a third party to train our portfolio companies in complying with the regulations," says Langer. He also highlights a whistleblower report line that Riverside has set up over the last twelve months to enable employees to report suspected issues at any portfolio company. "We insist on full disclosure and we are very open with our investors and counterparties," says Langer. "This has helped us to create a culture of risk awareness throughout the company."

"Risk management cannot be a function that works in isolation," says Langer. "It has to be embedded throughout the organisation and not just left to a few people sat in a basement room poring over a series of reports."

In order to help formalise this principle Riverside has also built its own proprietary risk system for all of its portfolio companies to upload their monthly financials so that Langer and his risk management colleagues are able to monitor the performance of each company and to head off any potential risks before they grow to unmanageable proportions.

'Risk management cannot be a function that works in isolation. It has to be embedded throughout the organisation and not just left to a few people sat in a basement room'

"When things go wrong, it often starts with a slackening of reporting, so this is a great way to mitigate that risk," says Langer.

Of course, it is all very well talking about risk management but it is results that count and the difficulty in measuring the effectiveness of risk management is something the industry has often struggled with. In Langer's view, there are a number of different ways that risk management can be measured. "We have had very few instances of litigation against us and our loss of capital ratio is well below the industry average."

MATTHEW WEIR, CHIEF RISK OFFICER, BLUECREST CAPITAL

Matthew Weir was appointed as the chief risk officer (CRO) at London-based hedge fund BlueCrest Capital in August 2009. BlueCrest has offices in New York, Singapore and Boston, as well as the head office in London, and is planning an office in Geneva. In total there are 13 dealing desks in all working on a variety of trading strategies.

Weir is responsible for monitoring the risk faced by all of BlueCrest's various funds and dealing desks and this is achieved through three main processes. The first is to run regular risk reports that cover the whole of the company and all of its exposures. In addition to this primary role, Weir also has to regularly communicate with the company's traders and to communicate his findings to senior management and throughout the rest of the organisation.

"We have a set of daily reports that include VaR measures, sensitivity analysis and stress tests. We look at the liquidity and concentration risk at all levels within the organisation including trader, desk and fund level, and we impose risk limits on each individual trader based on their stop losses – if they lose more than a certain percentage of their allocated capital in a year we will first halve their capital allocation and then, if the losses continue, we will withdraw their allocation of capital so that they cannot trade anymore."

In addition to these rigid limits, Weir and his team also use a system of risk flags including stress flags to raise early awareness of potential trading risks and which involve a discussion with the trader. These discussions occur daily but are complemented by a series of monthly meetings where traders discuss their top five investment strategies and the risks that exist.

Internally the organisation is divided up into desks according to the different trading strategy – credit trading, relative value trading, rates trading and so on. "Each of these desks has different characteristics so you have to assess the risks in different ways. For example, on an emerging market desk we would look at the loss given default by region and the level of leverage that the traders are working with."

In order to cover the various different desks, Weir has a team of seven risk managers, each with their own specific skills, be it quantitative trading or credit portfolios. "I have allocated specific trading desks to each one and they have to liaise daily with those desks and produce one-page reports which we send out to senior managers on a daily basis that highlight the key risks. It also allows each risk manager to build up a relationship with the traders, something which Weir acknowledges is critical to the role.

"The traders are typically the ones that understand the market the most so will give you the best information. The skill for a risk manager is to get all of the relevant information you need from the traders but still retain that independence. The best way to do that is to add value to the business. If you can provide them with relevant and useful information on a real-time basis, you will get their buy-in and will be able to build that relationship." It is a task that is easier to do in a hedge fund environment rather than the banking side, says Weir, because as partners you are all essentially batting for the same side.

Weir has previously worked on the investment banking side with Credit Suisse First Boston and then in hedge funds with Brevan Howard and Newsmith Capital Partners before moving to BlueCrest. "There's a different skill set involved when managing risk at a hedge fund. It's a much smaller team so I'm doing everything from the reporting to meeting external investors as well as communicating everything throughout the company."

There is a relative shortage of senior risk managers in the hedge fund industry, says Weir, not least because it can be difficult to adjust from working at a senior level at a bank to operating at grassroots level again. "It is a big change and one I think you have to make at a certain age or you risk being too senior with the wrong skill set to take over those roles. But someone who has had a few years experience at a bank is often perfect to make the transition to a junior level in the hedge fund industry because they have the core risk training."

So what makes a good CRO? "You have to have good oversight, be able to communicate, be flexible and be able to react to changes in the market. It is not something you can learn form a text book, it is more about practical application. I think you have to experience some stressful market events and learn from them." **fe**

Surveying the risk management landscape

Which risk management system provider is right for your company? For the second year running, Funds Europe surveyed 15 leading firms to find out about their instrument coverage and their broader functionality

This year's risk vendor survey is the second such study undertaken by this magazine and, as is to be expected given the increased attention lavished on the risk management function, there has been an increase in both the number of entrants and the services that systems providers are offering to risk managers.

The principal aim of the survey is to give fund managers a rough guide to the kind of systems available to them as they undergo a reappraisal of their risk management strategy and structure. This guide includes basic information about the vendors themselves, the portfolio and instrument coverage of the systems and more comprehensive information on the risk-specific functionality offered by each system.

While there have been no seismic changes in the last twelve months, it is possible to see some trends in the various categories. In terms of risk coverage, there has been far more attention paid to counterparty risk and liquidity risk, underlining the fact that risk is no longer simply about market and credit risk.

Valuations has become another big issue for risk managers over the last two years when the fall of Lehman Brothers unveiled just how poorly this problem had been managed by market participants. Consequently most systems have or are in the process of developing links with independent valuations experts such as Markit Partners and market data providers such as Bloomberg.

There are also an increasing number of vendors making their systems available as a hosted solution rather than as an in-house installation, reflecting both the need for fund managers to save money where possible and also the improvements in the technology behind hosted solutions such as service-oriented architecture, cloud computing and software-as-a-service (SaaS).

These software models are particularly applicable for the alternatives market where managers will have less IT resources at their disposal, so it is no surprise that Sophis, among others, has released its iSophis offering over the last six months which offers a portfolio and risk reporting service to hedge fund managers using the SaaS delivery model.

The iSophis release also hints at another trend we have seen – increased specialisation in terms of manager types, such as hedge funds, and also specific risks. For example, FinAnalytica's Cognity is a market risk system that specifically addresses fat tails, volatility clustering, skewness and correlation asymmetry

Finally, it is difficult to talk about risk management without mentioning regulation and compliance. However, while there are a growing number of compliance-based systems available employing dashboards, reporting services and other techniques borrowed from the data management industry, these were not included in this year's risk systems survey as they are deemed more worthy of a survey in their own right.

Algorithmics

1. Name of system
Algo Risk and Algo Risk Service

2. Original release date, last update and next update
Algo Risk Service was introduced in 2007. The last update for both Algo Risk (4.7) and Algo Risk Service was November 2009

3. Number of customers
75 buy-side clients and 400 clients across our full product range

4. Target market
Insurance, pensions, asset managers, hedge funds, prime brokers/broker dealers, corporate treasuries

5. Geographical coverage of customer base
Global

6. Risk coverage
All risk types

7. Risk functionality
Generic risk measures: stress testing; exposures (gross, net, derivative); VaR; expected shortfall/tail measures; tracking error; volatility/correlation; Sharpe, Sortino, etc ratios. Generic asset specific risk measures: fixed income, equities and derivatives; scenario-based simulation; what-if scenarios; valuation models

8. Portfolio coverage
All portfolio types and all investment strategies can be modelled

9. Instrument coverage
Equities/private equity; FX; corp/govt bonds; municipal bonds; inflation linked securities; MBS/ABS; derivatives (futures, options, swaps, credit derivatives etc)

10. Available formats
Algo Risk Service is a managed services offering providing a hosted environment unique to each client. Algo Risk is an in-house installation

11. New features
New features introduced in 2009 include counterparty credit exposures, liquidity risk measures, earnings and cashflow analytics as well as support for scheme management across pension assets and liabilities

12. Fifty-word pitch
Coverage: all risk factors, asset classes and investment strategies – consistently integrating risk assessment and portfolio construction
Flexibility: dedicated environment for each client; full range of configuration choices – data, valuation, scenario generation, risk analytics, portfolio modelling
Usability: interactive user interface for risk enquiry and portfolio construction analyses. Supports range of on-demand 'what-if' stress-testing, portfolio optimisation tools

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Barrie and Hibbert

1. Name of system
ESG

2. Original release date, last update and next update
1995. Current Version: V.6.2 Oct 2009. Next Version: V.7.0 Q3 2010

3. Number of customers
120

4. Target market
Asset managers, pension funds, life and general insurance

5. Geographical coverage of customer base
We provide global coverage, with customers in Europe, America and Asia-Pacific supported by our offices in Edinburgh, London, Hong Kong and New York

6. Risk coverage
Market risk, credit risk, liquidity risk, portfolio risk

7. Risk functionality
Scenario generation (stochastic), intergrated risk modelling, stochastic stress testing, economic research

8. Portfolio coverage
Equity funds, bond funds, private equity funds, hedge funds, commodities, property funds, inflation linked, MBS, FRNs

9. Instrument coverage
Interest rates, equities, bonds, derivatives, MBS, FRNs

10. Available formats
Can be implemented as an in-house installation, as a Scenario set downloaded from our website, or as a report. The ESG is a .Net software product but the resulting output scenario set can be imported into in-house ALM systems

11. New features
Consultancy on modelling approaches for asset and instrument coverage

12. Fifty-word pitch
Our world-class stochastic asset modelling solutions help our clients face risk management challenges in complex and volatile markets. Our ESG creates coherent economic and asset scenarios, helping measure and manage balance-sheet risk, price and design products and communicate risk

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Calypso Technology

1. Name of system
Calypso Trading and Risk Management Platform

2. Original release date, last update and next update
Launched in 1997. The current version, 11.1, was released in January 2010

3. Number of customers
110+ customers

4. Target market
Sell-side and buy-side. Global banks, regional banks, investment management firms, hedge funds, insurance companies, exchanges and clearing houses, corporate treasuries

5. Geographical coverage of customer base
North America, Europe, South Africa, Asia, Middle East and Australia

6. Risk coverage
Market risk, credit risk, liquidity risk, counterparty risk

7. Risk functionality
Risk factor sensitivities (all standard Greeks); risk modelling; market/credit risk exposure measurement; hedge recommendations; stress testing; back testing; value-at-risk (historical and Monte Carlo simulation); scenario generation; regulatory capital adequacy; reporting for all scenarios and simulations

8. Portfolio coverage
Calypso is used globally to serve a diverse number of fund strategies and portfolios covering multiple asset classes

9. Instrument coverage
Foreign exchange; foreign exchange derivatives; money markets; fixed income; interest rate derivatives; credit derivatives; equities; equity derivatives; commodities; precious metals; hybrids

10. Available formats
The Calypso system is available as an in-house enterprise platform or through our Software-as-a-Service model.

11. Additional features
A large set of APIs that make it easy to plug into existing infrastructures. The system is also delivered with a number of out-of-the-box interfaces

12. Fifty-word pitch
Calypso offers financial institutions an integrated trading, risk and processing software platform which provides a solid foundation for growth. Over 110 customers, including eight of the top ten banks, use Calypso to better manage positions and risk globally, across assets

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DST Global Solutions

1. Name of system
Askari – Risk Management

2. Original release date, last update and next update
Askari was launched in 1996 and has evolved extensively since then

3. Number of customers
Over 140 users worldwide across 20 client installations

4. Target market
Asset managers; large hedge funds; pension funds; insurance companies; sovereign wealth funds

5. Geographical coverage of customer base
Global including Europe, America, Canada, Asia and Australia

6. Risk coverage
Askari offers an integrated solution including counterparty risk and portfolio liquidity risk which is being completed with funding liquidity risk to measure the distribution and worst cash crunch resulting from resets, collateral and margin calls at every point in the future

7. Risk functionality
Integrated market and credit risk including counterparty risk with netting and collateral agreements; full-revaluation methodology; scenario analysis; stress testing; position management; query and reporting module; proxy management tools; advanced analytics including VaR and ex-ante tracking error; sensitivity measures

8. Portfolio coverage
Supports nearly all types of portfolios and strategies

9. Instrument coverage
Askari incorporates an array of instrument and pricing models

10. Available formats
Available on an in-house license basis or as an ASP offering.

11. Additional features
DST Global Solutions offers risk and financial engineering consulting services for risk management policies and procedures

12. Fifty-word pitch
Askari's flexible and transparent risk solutions empower clients to manage risks across all asset classes. With its full-revaluation methodology and stress-testing capability, Askari helps risk managers test the most creative scenarios and provides actionable information to build risk management into investment processes

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EM Applications

1. Name of system
Excerpt; FASTVaR

2. Original release date, last update and next update
Excerpt – ten years, version four due by end Q1 2010
FASTVaR – new, to be released by end Q1 2010

3. Number of customers
We have approx 50 installations around the world

4. Target market
Predominantly traditional asset managers but also hedge funds and sell-side (servicing asset managers). We are seeing more interest from hedge funds launching Ucits funds

5. Geographical coverage of customer base
Global, installations in 20 cities

6. Risk coverage
Market Risk & Portfolio Risk with Risk Attribution (source of risk)

7. Risk functionality
Risk/exposure measurement; risk modelling; stress testing; risk reporting; portfolio analytics; tracking error; VaR; theme betas; marginal contributions, etc

8. Portfolio coverage
Excerpt is a multi-asset system but covers only liquid assets and derivatives based on liquid assets. Consequently, private equity and property are covered at the fund level but not at the underlying asset level

9. Instrument coverage
Excerpt is a multi-asset system covering all liquid assets and their derivatives

10. Available formats
Excerpt is supplied as an in-house installation but is also available on a serviced basis from IRML (Independent Risk Monitoring Limited)

11. Additional features
There is an API which allows for integration into larger systems

12. Fify-word pitch
EMA's Excerpt with FASTVaR is a unique combination of a robust statistical model with user-definable sectors and fundamental scores and a daily GARCH volatility forecast to provide meaningful risk attribution plus both the stability of a longer-term risk estimate and the responsiveness of a very short-term risk forecast

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Fernbach

1. Name of system
FlexFinance

2. Original release date, last update and next update
FlexFinance has been on the market since 2002 and is regularly updated

3. Number of customers
Fernbach has over 50 clients and 50,000 seats installed globally

4. Target market
Both buy- and sell-side

5. Geographical coverage of customer base
Europe, Middle East, Africa and Asia

6. Risk coverage
Market risk, credit risk, operational risk and liquidity risk

7. Risk functionality
Risk modelling; scenario analysis (stress testing, reverse stress testing etc.); analytics; reporting engine; risk data management; risk processing engine

8. Portfolio coverage
Equity funds, hedge funds, fund of funds, fund of hedge funds, private equity funds and property funds.

9. Instrument coverage
In addition to most traditional asset classes, FlexFinance also covers derivatives such as swaptions, options and futures

10. Available formats
ASP hosted service, in-house installation, pre-configured/off-the-shelf, or fully bespoke

11. Additional features
SOA architecture (which enables scalability); Integrated ETL tool for data input and output; certified implementation methodology for large-scale clients; Redwood job scheduler for efficient technical optimisation and scalability

12. Fifty-word pitch
Fernbach is a global leader of analytical solutions for the finance industry. Modular software bundles for multi-GAAP accounting, risk, compliance and lending enable our customers to optimise business processes. Fernbach offers a sophisticated, component-based solution portfolio which ensures faster time to market and rapid implementation of banking requirements thus mitigating risk and ensuring quality.

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FinAnalytica

1. Name of system
Cognity

2. Original release date, last update and next update
Launched in 2001, the current version, 3.0, was released in September 2009. The next release, 3.2, will be in April 2010

3. Number of customers
Close to 35

4. Target market
Focused exclusively on the buy-side – fund of funds, hedge funds, pension funds and diversified asset managers

5. Geographical coverage of customer base
Primarily North America, UK and Europe with Middle East and Asia recently added

6. Risk coverage
Market risk and portfolio risk with some liquidity and compliance applications

7. Risk functionality
Asset/manager screening; factor modelling; risk/exposure management; risk budgeting and reporting; stress testing; portfolio optimisation; what-if analysis

8. Portfolio coverage
Cognity supports global, multi-currency, multi-asset class portfolios including position-based equity, fixed income and hedge fund portfolios as well as returns-based multi-manager portfolios with mixed frequency returns

9. Instrument coverage
An expanding list of instrument types across equities, fixed income, money markets, derivatives, foreign exchange, futures, options and alternatives

10. Available formats
Available as both an ASP-hosted service and as an in-house installation

11. Additional features
A web-services API to facilitate integration with internal systems and connectivity with external databases and third-party applications

12. Fifty-word pitch
Cognity is the only market risk solution that directly addresses the real-world phenomenon of fat tails, volatility clustering, skewness and correlation asymmetry. This unique analytic insight is delivered within a transparent modelling framework. Cognity provides the flexibility, scalability and coverage demanded by today's market practitioners

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GlobeOp Risk Services

1. Name of system
GoRisk

2. Original release date, last update and next update
GoRisk was launched in 2000 and underwent major enhancements in May 2008 and July 2008

3. Number of customers
Confidential

4. Target market
Hedge funds, managed account platforms, funds of funds, commodity trading advisors/managed futures, institutional investors, custodian banks

5. Geographical coverage of customer base
Global

6. Risk coverage
Primary focus is market risk but can be configured for some counterparty and liquidity risk measurement

7. Risk functionality
Exposures and concentrations; sensitivities including Greeks analysis; VaR based on historical simulation, Monte Carlo simulation and variance/co-variance; scenario analysis/stress testing

8. Portfolio coverage
Most hedge fund strategies including: relative value fixed income; global macro; long/short equity; credit arbitrage; convertible arbitrage; CTA/managed futures; funds of funds; Ucits III funds and managed account platforms

9. Instrument coverage
Cash instruments; exchange-traded and OTC derivatives based on the following underlyings: equities; fixed income; convertibles; credit; interest rates; foreign exchange; commodities; volatility

10. Available formats
Offered on a full-service ASP basis rather than as a deployed software solution

11. Additional features
Customisation for market data, static data, risk measures and analyses and reporting; full integration with GlobeOp Administration platform; 24/5 support by a team of risk professionals

12. Fifty-word pitch
Leading edge analytics and data provide in-depth portfolio risk information that is independent, transparent and robust. Full integration with GlobeOp's middle and back office and fund administration platform verifies the integrity of position data. Online daily reports can be customised in terms of content and format to specific requirements.

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Misys

1. Name of systems
Misys Summit Invest

2. Original release date, last update and next update
Launched in January 2009. V5.4 October 2009. V5.5 July 2010

3. Number of customers
Over 10% of Misys Summit's 147 customers are buy-side focused

4. Target market
Insurance, asset managers, hedge funds and asset servicers

5. Geographical coverage of customer base
Global

6. Risk coverage
Market risk, credit risk and liquidity risk

7. Risk functionality
The solution measures risk on trades, positions and portfolios; it supports 'what-if?' deals and stress testing; risk can be reported in real time or overnight; real-time displays allow drill-down from portfolios to individual risks. Limits can be set against these risks and the numbers are available to be exported to other systems in real-time or batch processing. The solution also includes a valuation service with interfaces to third parties and external calculations, and a margin/collateral management module for OTC trades

8. Portfolio coverage
Offers cross-asset support and is used mainly by fixed income funds and hedge funds. It features multi-level support for hierarchies and legal entities

9. Instrument coverage
OTC derivatives (credit, interest rate, equities, FX, commodities), fixed income including bonds, ABS and repos, MM, structured products, FX. Exchange-traded coverage includes futures and options and cash equities

10. Available formats
Hosted solution (Summit ASP) or in-house

11. New features
In October 2009 we added support for externally sourced valuations and our next release will feature enhancements to allocations and interfaces to external parties

12. Fifty-word pitch
Misys Summit Invest enables asset managers, hedge funds and asset servicers to operate efficiently and minimise risk when handling cross asset portfolios of exchange-traded and OTC instruments. The solution leverages our 20 years expertise and market experience in derivatives measuring risk, calculating positions and valuations and managing the full trade lifecycle in one solution

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Murex

1. Name of system
MX.3

2. Original release date, last update and next update
MX.3 is was released in 2007. Releases of the MX.3 platform are done on a quarterly basis. The current release v3.1.19 was released in December 2009. v3.1.20 will be released in March 2010

3. Number of customers
Approximately 200

4. Target market
Asset managers; hedge funds; corporates and commodity companies

5. Geographical coverage of customer base
Global

6. Risk coverage
Market risk (hedging and limits), portfolio risk (hedging and limits), counterparty and issuer risk, liquidity risk, collateral management, VaR

7. Risk functionality
Enterprise-wide risk consolidation and exposure measurement, stress testing based on macroeconomic scenario or historical scenario, VaR, collateral management, pre- and post-trade compliance, portfolio level analytics, targeting, benchmarking

8. Portfolio coverage
Equity cash and derivatives, fixed income, FX and FX derivatives, credit derivatives, commodity derivatives, fund of funds, non-quoted investments

9. Instrument coverage
Coverage includes product types on all asset classes: cash, futures, swaps, floors, exotics, vanilla options, forward-start options, CFDs, hybrids, etc

10. Extra features
The workflow functions allow users to define validation and affirmation workflow around trades, auto or manual match them, instruct the custodian to make a payment. The system accessibility framework allows users to interface the workflow with external systems such as OMSs, trading platforms, external pricers etc

11. Available formats
In-house installation.

12. Fifty-word pitch
Murex is recognised as a leader in software development. Our motto, "pioneering again", sums it all up: for nearly two decades, Murex has reinvented itself time and again to escort capital markets revolutions each time offering innovative software solutions to the industry.

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RiskMetrics Group

1. Name of system
RiskManager

2. Original release date, last update and next update
RiskManager has been sold in its current ASP form since 2000. The current release of RiskManager is 4.6. 4.7 is scheduled for mid-2010

3. Number of customers
360

4. Target market
Our clients are drawn from both the buy-side and the sell-side. On the buy-side, we sell to both hedge funds and large traditional asset managers.

5. Geographical coverage of customer base
Global, roughly 45% in the Americas, 45% in Emea and 10% in Asia.

6. Risk coverage
Market risk and counterparty risk

7. Risk functionality
RiskManager is an interactive web-based risk application that computes and reports various types of exposure statistics, sensitivities, value-at-risk statistics, and stress testing statistics for a portfolio of complex financial instruments. RiskManager can provide total plan exposure down to the security level, and allows users to break down this information by any category including asset class, country, region and sector. This can be measured on an absolute basis relative to any benchmark portfolio

8. Portfolio coverage
RiskManager can model any type of fund from the position level, or we can model the fund based upon returns data

9. Instrument coverage
RiskManager supports positions in over 90 instruments including equities, bonds, derivatives (both OTC and exchange-traded), futures, options, etc

10. Available formats
RiskManager is offered on both an ASP and local basis

11. Fifty-word pitch
RiskManager's sophisticated risk solutions allow clients to manage risk across multiple asset classes, from the security level up to the enterprise-wide level. With its highly efficient workflow, new modeling transparency and sophisticated reporting features, RiskManager is the solution of choice for risk managers at leading financial institutions around the globe.

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SimCorp

1. Name of system
SimCorp Dimension

2. Original release date, last update and next update
The Risk Management module was released in 2006. New versions are released semi-annually. Release of version 4.8 is in August 2010

3. Number of customers
33 customers have bought SimCorp Dimension

4. Target market
Pension funds, insurance, fund management, asset management, private wealth

5. Geographical coverage of customer base
Europe, North America, Asia-Pacific and the Middle East

6. Risk coverage
Market risk, operational risk, counterparty risk, compliance risk

7. Risk functionality
A broad range of key ratios across the full asset class coverage, allowing firms to measure, monitor and manage risk: parametric, Monte Carlo and historical value-at-risk simulation; ex-ante volatility; back-testing; standard, predictive and look-back stress testing; sensitivity analysis; multi-factor risk models and simulation-based models

8. Portfolio coverage
All kind of portfolios, including the possibility to decompose funds, index derivatives, structured products and multi layer fund of funds structures. Aggregation structures can group the holdings and apply the models giving numerous slicing and dicing possibilities.

9. Instrument coverage
Bonds, FRNs, index linked bonds, structured bonds, deposits, CPs, CDs, loans, futures (fixed income, CTD, equity, index), options on futures, FRAs, IRFs, options on FRAs/IRFs, option and futures on equity and equity index, caps/floors/collars, IRS, CIRS, CMS, fixed-in-arrear/zero coupon/amortising swaps, swaptions, equities, rights, index securities, ADR/GDRs, warrants, FX spots/forwards/swaps/options, funds and cash. Exotic derivatives and hybrid products

10. Available formats
An in-house installed, modular system. It can also be delivered as an ASP solution, where SimCorp's client is the ASP provider

11. Fifty-word pitch
Being part of the overall processing system, SimCorp Dimension's Risk Management solution enables investment managers to be in full control of the market risk measurement process whilst minimising operational risk. This is a highly flexible and scalable solution, now also offering multi factor risk models powered by Sungard APT

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Sophis

1. Name of systems
Sophis VALUE

2. Original release date, last update and next update
Launched 2001; version 4.0 released June 2009; version 4.1 to be released April 2010

3. Number of customers
70+

4. Target market
VALUE has a large range of clients among the institutional asset managers and the hedge fund community

5. Geographical coverage of customer base
Global

6. Risk coverage
Market, credit, counterparty, collateral, operational and compliance

7. Risk functionality
Real-time market risk monitoring, stress testing, scenario analysis, VaR calculation, collateral management, performance/risk reporting, compliance management

8. Portfolio coverage
Equity funds, FI funds, monetary funds, commodity funds/hedge funds, structured funds, index funds, ETFs, private equity funds, property funds

9. Instrument coverage
Sophis VALUE has full cross asset coverage: cash instruments; equity & equity derivatives; equity finance; fixed income/IR derivatives; credit derivatives; FX & FX derivatives; commodities & commodity derivatives; hybrid & structured products; funds

10. Available formats
Packaged software solution installed in-house and customisable

11. New features
Sophis released iSophis in September 2009, a Software-as-a-Service (SaaS) portfolio management and risk reporting service for hedge funds. It is currently available in the US only

12. Fifty-word pitch
Sophis is a leading provider of portfolio and risk management solutions for the fund management industry. Our solutions are at the cutting edge of financial research and engineering in terms of instrument coverage, valuation and portfolio modelling and risk management. It has been adopted by more than 80 managers worldwide from start-up hedge funds to global asset managers.

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StatPro Group

1. Name of system
StatPro Seven – Risk Management (previously SRM – StatPro Risk Management)

2. Original release date, last update and next update
Originally released: 2000
Latest version: SRM 5.50 – June 2009
Next Version: StatPro Seven – April 2010

3. Number of customers
40

4. Target market
SRM has a universal cross-asset approach, making it suitable to any player, from asset managers to banks, from pension funds to hedge funds

5. Geographical coverage of customer base
11 countries – US, UK, Germany, Luxembourg, Netherlands, Ireland, France, Italy, Switzerland, Belgium, Austria

6. Risk coverage
Market risk; credit risk; counterparty risk; liquidity risk

7. Risk functionality
Absolute and relative risk on five main risk figures; integration of market and credit risk; risk decomposition; ex-ante risk attribution; stress testing; Greeks and sensitivity analysis; customisable reporting and pricing

8. Portfolio coverage
We cover all asset classes and all types of portfolios, eg long; short; long/short; fund-of-funds

9. Instrument coverage
We cover all asset classes, from equity to credit derivatives, commodity derivatives, etc

10. Available formats
We support both the ASP and in-house solution

11. New features
From April 2010 we are adding a new module for market liquidity including liquidity risk measurement, decomposition and stress testing

12. Fifty-word pitch
SRM is a software solution supported by an extensive data service. We cover all asset classes, including derivatives and exotic derivatives and deliver more than 250 pricing functions. The proprietary credit dynamic model based on CDS spreads has performed well in the credit crisis and allows users to have a very reactive and timely integrated market and credit risk.

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SunGard

1. Name of systems
SunGard Adaptiv: Adaptiv Analytics; Adaptiv Credit Risk, Adaptiv 360, Adaptiv Operations; Adaptiv Collateral, Adaptiv Risk Cube

2. Original release date, last update and next update
SunGard Adaptiv has been in the market for over ten years. All products are developed on a twice-yearly release cycle. The latest release, 2009.2 was made available in October. The next release, 2010.1, will be available in Spring 2010

3. Number of customers
Not available

4. Target market
Buy- and sell-side

5. Geographical coverage of customer base
Global

6. Risk coverage
Market risk, counterparty credit risk, settlement risk, issuer risk, economic capital

7. Risk functionality
Risk metrics include: VaR (parametric, historical and Monte Carlo); stress testing; backtesting; potential future exposure; EE/EPE/EEPE (Basel-II credit measures); CVA. Also limits setting, monitoring and administration and collateral agreement management to create and monitor margin calls under ISDA CSA agreements

8. Portfolio coverage
Funds may be set up in the system and monitored as part of clients' portfolios

9. Instrument coverage
All the major asset classes – equity; fixed income; FX; credit; commodities – and coverage ranges from simple cash products through futures and options to structured products and hybrids

10. Available formats
In-house installed packages or hosted in SunGard's data centres.

11. Fifty-word pitch
SunGard's Adaptiv provides enterprise-wide credit and market risk management and operations solutions. Adaptiv assists financial institutions to deploy technology to meet both internal and regulatory requirements for risk management and operational control. Adaptiv helps institutions from the banking, hedge fund, asset management, insurance and corporate sectors with our deep understanding of risk management and operational processes.

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