

Risk management practice in the financial industry

Geraldo Filgueiras
F F Capital Partners

Most financial firms are self-proclaimed risk managers. Nevertheless only a subset of the industry delivers effective risk management (ERM): enabling the optimization of the firm's risk allocation and/or mitigating life-threatening losses. Among other things, the latest credit crisis made this point clear. It separated those that follow sound risk management practices from those that provided only a lip service. This mini course will go through key differences in the industry practice as well as how ERM can drive value.

The presentation will focus on some of the challenges faced when building and performing ERM. We start by motivating and providing a critical view of the function in general. Then we discuss what some in the industry have also called "in business" risk management (vs. "risk control"). The goal with the mini course is to show how ERM usage has been trending in the recent years. We will argue that while a *robust universal* framing of the function seems unattainable; some players have tackled it effectively by using a coordinated but dynamic mixture of practical areas/inputs. Finally we will provide some practical illustrations of the use of the value-added function, sometimes driving the development of new products and/or businesses.