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Risk 2001 Europe

Risk magazine's 6th annual European derivatives and risk management congress

Paris, April 10-11 2001

Building on the success of last year's event, Risk 2001 Europe promises delegates five streams of cutting edge information delivered by the world's leading practitioners, academics and solutions providers. Risk 2001 Europe is a unique opportunity to network with the key players in your field and learn from industry specialists about how to optimise risk mitigation at the biggest annual derivatives and risk management congress of the year.

Five intensively researched streams:

- STREAM ONE:** Advanced risk management
- STREAM TWO:** Credit risk measurement and management
- STREAM THREE:** Derivatives modelling and analysis
- STREAM FOUR:** Risk management for investment managers and pension funds
- STREAM FIVE:** Risk management for retail banks

PLUS

9th April 2001

- Computational Finance Symposium 2001

Pre-congress seminar - April 9 2001

- Examining the latest approaches to measuring and managing operational risk

Post-congress seminar - April 12 2001

- Practical strategies for effectively pricing credit derivatives



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For constant updates and more information, please visit the Risk 2001 Europe website at www.risk-conferences.com/risk2001euro

Risk 2001 Europe

Letter from the editor of Risk magazine

Risk magazine's keynote European congress is once again taking place in Paris. The event takes place at the excellent modern venue of the Palais des Congr s on April 10 and April 11, and we are expecting to fill every seat in the house.

More than 500 delegates attended last year's congress, and Risk 2001 Europe could not be better timed as a forum for information and debate. The recent publication of the Basel Committee on Banking Supervision's proposals for a new Accord on bank capital will be high on the congress agenda. The latest developments in risk modelling have always been at the top of the agenda at Risk conference events, and delegates have come to expect the very best analysis and insight from our speakers, but the Basel reform process is a special incentive for you to attend Risk 2001 Europe and hear what the leading financial risk managers, quantitative analysts and leading market regulators have to say.

In addition, our Paris congress is also the venue for Risk magazine's annual awards presentation ceremony. This takes place on the evening of April 10th at the Pr  Catelan restaurant in the Bois de Boulogne, and all delegates are invited.

The editorial team of Risk magazine look forward to welcoming you at Risk 2001 Europe. If you are new to the congress, we are confident you will not be disappointed with an event that has become established as the number one European conference on financial risk management.

Yours Sincerely,



Matthew Crabbe

Exclusive

All delegates attending Risk 2001 Europe will receive a year's subscription to Risk (worth  465), the world's leading risk management magazine. Regular monthly copies of this essential magazine will ensure that as well as benefiting from the timely information delivered during your time in Paris, you will also be kept up to date with future developments in the marketplace. Risk is much more than a magazine - it is your complete information package.*

* Current subscribers are not eligible but may nominate a colleague to receive the free subscription.

A unique combination of choice, quality and innovation from the biggest European risk management event of the year

Risk recognises that each and every delegate has unique needs, interests and concerns. Risk 2001 Europe builds on our commitment to satisfy these needs by offering five intensively researched streams over two days with an unrivalled choice of top class presentations on the most challenging, contemporary issues in derivatives and risk management.

For the sixth consecutive year, Risk has enlisted internationally renowned senior practitioners and academics to examine in detail the latest theoretical and practical advances in integrated risk management, structured credit products, active portfolio management and pricing and hedging derivatives.

Building on last year's resoundingly successful introduction of the stream for investment and pension fund managers, Risk is proud to announce another first for 2001 by including an innovative stream on risk management for retail banks. Equipped with full documentation for seventy stream presentations, in addition to the seminal keynote presentations, timely cross-stream panel debates and controversial champagne roundtables, each delegate will be able to create a unique programme tailored to their needs. With so much choice on offer, as a Risk 2001 Europe delegate, you are guaranteed to discover new perspectives on risk management.

Selected highlights include:

- advanced capital allocation techniques for market and credit risk, accounting for regulatory requirements
- an examination of the latest tools in integrated risk management, incorporating operational and liquidity risk
- improving portfolio performance through securitisation and consistent credit risk pricing
- modelling and validating ratings of synthetic instruments
- quantifying model risks on pricing barrier options
- dynamic hedging of credit, weather and exotic derivatives
- perfecting performance measurement and risk management techniques for investment portfolios and hedge funds
- optimal application of credit risk models in investment management
- analysing the dynamics of administered rate products
- allocating credit risk capital in retail portfolios

Keynote speakers

Bob Litzenberger, Goldman Sachs



Bob Litzenberger, Managing Director and Firmwide Risk Manager at Goldman Sachs, is Risk magazine's Risk Manager of the Year 2001. This award is in recognition of his achievement in spear-heading the overhaul of Goldman's risk management practices. By concentrating on crisis exposure as well as mark-to-market exposure, he has brought an innovative new dimension to their market risk models. Prior to joining Goldman Sachs, he taught finance at the Wharton School of the University of Pennsylvania, where he was the Edward Hopkinson Professor of Investment Banking. He is co-author of Foundations of Financial Economics (1988), and has published more than 50 articles in the leading academic finance journals, with a focus on the theory of valuation and the empirical testing of asset pricing models.

Andrew Lo, Massachusetts Institute of Technology



Andrew Lo is one of the most distinguished pioneers of financial engineering and is internationally respected for his work. Currently the Harris & Harris Group Professor of Finance at the MIT Sloan School of Management and the director of MIT's Laboratory for Financial Engineering, he received his Ph.D from Harvard University before teaching at the University of Pennsylvania's Wharton School. His work has been extensively published in major finance and economics journals and his current research interests range from the empirical validation and implementation of financial asset pricing models to evolutionary and neurobiological models of individual risk preferences.

New for 2001: fifth stream dedicated to RISK MANAGEMENT FOR RETAIL BANKS

Risk consolidates its position at the forefront of development in risk management by introducing a unique forum designed to harness the continuing convergence of risk management practices. This stream is unmissable for retail bank risk managers and business leaders who need to capitalise on harmonising bank divisions to survive and succeed in an increasingly competitive market.

Three optional and separately bookable seminars

To maximise your time at Risk 2001 Europe in Paris, Risk offers three optional intensive seminars that provide a rigorous examination of a key element of risk management in depth:

- **Monday 9th April 2001 - Computational Finance Symposium 2001** led by Domingo Tavella, Editor of the Journal of Computational Finance including seven ground-breaking presentations in this nascent area of quantitative risk management.
- **Monday 9th April 2001 - Examining the latest approaches to measuring and managing operational risks** led by Carol Alexander, Professor of Finance & Chair of Risk Management, ISMA Centre, University Of Reading.
- **Thursday 12th April 2001 - Practical strategies for effectively pricing credit derivatives** led by Philipp Schönbucher, Bonn University.

Risk 2001 Europe Speakers

One of Risk's main assets is having the reputation necessary to consistently secure top industry leaders to participate in its events. Risk 2001 Europe will provide a forum for established experts and emerging pioneers to deliver their views, ideas and latest research.

Leading speakers include:

- Dr. Paul Shotton, THE CHASE MANHATTAN BANK
- Michael Ong, CRÉDIT AGRICOLE INDOSUEZ
- Ashvin Chhabra, JP MORGAN PRIVATE BANK
- Richard Martin, BNP PARIBAS
- Dr. Sebastian Fritz, DEUTSCHE BANK
- Luis Nario, UBS WARBURG
- Ali Hirs, MORGAN STANLEY DEAN WITTER
- Jesper Andreasen, BANK OF AMERICA & Risk's **Quant of the Year 2001**
- Donna Howe, ABN AMRO
- Erwin Martens, PUTNAM INVESTMENTS
- Shawn Convery, ALMONDE

Risk 2001 Europe

PROGRAMME AT A

9th April 2001 - Computational Finance Symposium 2001 - led by Domingo Tavella, Editor of the Journal of Computational Finance

Day One 10 April 2001

7.45 Registration and breakfast

8.30 KEYNOTE ADDRESS: Bob Litzenberger, GOLDMAN SACHS

8.20 WELCOME ADDRESS: Matthew Crabbe, Risk MAGAZINE

9.10 KEYNOTE ADDRESS: Andrew Lo, MASSACHUSETTES INSTITUTE OF TECHNOLOGY

STREAM ONE ADVANCED RISK MANAGEMENT	STREAM TWO CREDIT RISK MEASUREMENT AND MANAGEMENT	STREAM THREE DERIVATIVES MODELLING AND ANALYSIS
11.30 Chairman's opening remarks Andrew Aziz ALGORITHMICS	11.30 Chairman's opening remarks	11.30 Chairman's opening remarks
STRESS TESTING AND CAPITAL ALLOCATION	ACTIVE PORTFOLIO MANAGEMENT	VOLATILITY AND CORRELATION
11.40 Integrating stress testing into capital allocation Dr. Paul Shotton THE CHASE MANHATTAN BANK	11.40 Analysing techniques for validating internal credit risk rating systems Dr. Sebastian G. Fritz DEUTSCHE BANK	11.40 The effect of model risk on the valuation of barrier options Ali Hirsä MORGAN STANLEY DEAN WITTER
12.20 Improving best practice in capital allocation Gary Robinson TOKAI BANK EUROPE	12.20 A simple closed form formula to price credit spreads Jean-Pierre Lardy JP MORGAN	12.20 Principal component analysis of volatility smiles and skews Professor Carol Alexander ISMA CENTRE, UNIVERSITY OF READING
1.00 Lunch and opportunity to visit the exhibition - sponsored by  Raft International plc		
2.30 Measuring economic capital for different forms of credit risk Evan Picoult CITIGROUP	2.30 Using securitisation to improve loan portfolio performance Véronique Ormezzano BNP PARIBAS	CREDIT RISK MODELLING 2.30 Pricing exotic credit derivatives Dr. Philipp Schönbucher BONN UNIVERSITY
INTEGRATED RISK MANAGEMENT	3.10 Consistent credit risk pricing and enterprise portfolio modelling Dan Rosen ALGORITHMICS	3.10 The misuse of "risk neutrality" in credit derivative pricing Joseph Pimbley SMBC CAPITAL MARKETS, INC.
3.10 Understanding the role and value of an integrated risk management framework across the organisation Jens-Peter Jensen SAP AG	3.50 Shifting paradigms: effect of modern portfolio theory and Basle reform on CLO and other ABS structuring Luis Nario UBS WARBURG	INTEREST RATE MODELLING 3.50 Term structure dynamics endogenously induced by multi-asset markets Dr. John Schoenmakers WEIERSTRAUSS INSTITUTE BERLIN
4.30 Afternoon break and opportunity to visit the exhibition		
5.10 Copulas as an integrated risk management tool Roger Kaufmann ETH ZURICH	5.10 Using wrong way credit exposure to manage counterparty risk Jörg Behrens ARTHUR ANDERSEN	5.10 Entropy and information in the interest rate term structure Professor Lane Hughston KING'S COLLEGE LONDON
5.50 Chairman's closing remarks		
Champagne round table 6.00 Why quantify operational risk? David Woods, ABN AMRO Dr. Dominic Wallace, CITIGROUP Douglas Hoffman, OPERATIONAL RISK ADVISORS	Champagne round table 6.00 Is there a future for telecoms capacity trading? Nick Topham, TELEMONDE Marcello Romano, ENRON Oliver Frankel, GOLDMAN SACHS Guy Willner, IX EUROPE	Champagne round table 6.00 What is the role of computational finance in risk management? Domingo Tavella, OCTANTI ASSOCIATES Ben Golub, BLACKROCK Jean-Marc Eber, LEXIFI TECHNOLOGIES & Risk Award Winner
6.40 Cocktail reception sponsored by  db RiskOffice™ the next generation of BAROC 2002™  Deutsche Bank - db RiskOffice		
7.40 Congress Dinner and Risk Awards Presentation		

GLANCE - DAY ONE

Pre-congress seminar (9th April 2001) - Examining the latest approaches to measuring and managing operational risk - led by Prof. Carol Alexander, University of Reading & the ISMA centre

9.50 PANEL DISCUSSION: Assessing the practical impact of e-commerce and ASPs on risk management
Daniel Globerson, DEUTSCHE BANK

10.50 Morning break and opportunity to visit the exhibition

STREAM FOUR RISK MANAGEMENT FOR INVESTMENT MANAGERS AND PENSION FUNDS

11.30 Chairman's opening remarks
Peter Davies
ASKARI

11.40 The risk measurement and management needs of hedge funds versus more traditional fund management products
Malcolm Kemp
ZURICH SCUDDER INVESTMENTS LIMITED

12.20 Understanding the tracking error of a portfolio
Dr Peruvemba Satish
ASKARI

STREAM FIVE RISK MANAGEMENT FOR RETAIL BANKS

11.30 Chairman's opening remarks
Chuck Rowland
IPS SENDERO

11.40 Risk management for the individual retail investor
Ashvin B. Chhabra
JP MORGAN PRIVATE BANK

12.20 Transfer pricing techniques for retail banks
David Ide
ABN AMRO

2.30 Performance measurement, portfolio insurance and portable alpha: Excess return or unpriced risks?
David K. A. Mordecai
UNIVERSITY OF CHICAGO GSB

3.10 Modifying VAR for long term investment horizons - a 'style' based approach
Stephen Rees
BARING ASSET MANAGEMENT

3.50 Understanding core satellite
Bernd Scherer
DEUTSCHE BANK

2.30 Sourcing and applying accurate and appropriate risk management data
Shawn Convery
ALMONDE

3.10 Case study: "Futureperfect" - using bank and life balance sheets to hedge and sell internally
Jim Cull
STANDARD LIFE

3.50 Analysing the dynamics of administered rate products
Raymond Hawkins
BEAR STEARNS

5.10 Practical tools for monitoring and managing investment portfolio risk: what's in a risk measure?
Kenrick Ramlochan
BANK OF AMERICA

Champagne round table
6.00 What is the potential for the weather derivatives market?
Ross McIntyre
ENRON

5.10 Liquidity risk management strategies for retail banks
Richard Ferrett
BANK OF BUTTERFIELD

Champagne round table
6.00 What impact will regulatory requirements have on retail bank risk management?
Robert Nimmo, FIRST UNION CORPORATION
Chuck Rowland, IPS SENDERO

Congress Dinner and Risk Awards Presentation

Following the cocktail reception, delegates will be taken the short distance to the exclusive restaurant where there will be a brief presentation for Risk award winners followed by a gourmet congress dinner.

Le Pré Catelan

Le Pré Catelan boasts **two Michelin stars** and refined cuisine in majestic surroundings in the heart of the lakes and flowers of the beautiful Bois de Boulogne. Relax in the refinement of this elegant turn of the century building, featuring Caran D'Ache painted ceilings and Louis XVI decorated borders in the dining rooms. The name Pré Catelan commemorates Theophile Catelan, Captain of the Hunt of Loius XIV. Chef Frédéric Anton is famed for his delicious creations of character and excellence.

Congress Cocktail Reception

At the end of a day packed with valuable new insights into risk management, the Risk 2001 Europe cocktail party, sponsored by **Deutsche Bank - db RiskOffice**, provides the perfect setting to unwind and relax with fellow delegates and speakers before dinner.

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Risk 2001 Europe

PROGRAMME AT A

Day Two 11 April 2001

7.45 Registration and breakfast

8.20 Chairman's opening remarks

STREAM ONE ADVANCED RISK MANAGEMENT	STREAM TWO CREDIT RISK MEASUREMENT AND MANAGEMENT	STREAM THREE DERIVATIVES MODELLING AND ANALYSIS
<p>9.30 Chairman's opening remarks Jörg Behrens, Manager ARTHUR ANDERSEN</p>	<p>9.30 Chairman's opening remarks</p>	<p>9.30 Chairman's opening remarks Eric Reiner UBS WARBURG</p>
INTEGRATED RISK MANAGEMENT	LATEST INNOVATIONS IN STRUCTURED CREDIT PRODUCTS	PRICING AND HEDGING DERIVATIVES
<p>9.40 MASTERCLASS Integrating market, credit and operational risk: a theoretical framework for valuation integrity Dr. Elena Medova UNIVERSITY OF CAMBRIDGE</p>	<p>9.40 Ratings and risk modelling of synthetic CBOs and CLOs Klaus Toft GOLDMAN SACHS & CO.</p>	<p>9.40 The pricing of Bermudan swaptions Jesper Andreasen BANK OF AMERICA Risk's Quant of the Year 2001</p>
<p>10.20 MASTERCLASS CONTINUED Integrating market, credit and operational risk: a practical perspective Kanwardeep Ahluwalia BEAR STEARNS INTERNATIONAL</p>	<p>10.20 Assessing the latest agency credit derivatives ratings methodologies STANDARD & POOR'S</p>	<p>10.20 Pricing and hedging in incomplete markets Professor Hélyette Geman UNIVERSITÉ DE PARIS DAUPHINE & ESSEC</p>
<p>11.00 Morning break and opportunity to visit the exhibition</p>		
OPERATIONAL RISK	<p>11.40 Capital management techniques: a comparative analysis Alberto Thomas UBS WARBURG</p>	<p>11.40 Jump diffusion models for pricing and hedging equity derivatives Dr. Marcus Overhaus DEUTSCHE BANK</p>
<p>11.40 Incorporating behavioural finance in operational risk Elliot Noma MERRILL LYNCH INVESTMENT MANAGERS</p>	<p>12.20 Credit derivatives vs. cash securitisation Piya Dhanwan DEUTSCHE BANK</p>	<p>12.20 Pricing and optimal exercise of defaultable callable convertibles Professor LCG Rogers UNIVERSITY OF BATH</p>
<p>12.20 Case study: Developing and implementing an effective transaction processing risk management framework Markus Börner UBS WARBURG</p>	<p>1.00 Lunch and opportunity to visit the exhibition</p>	
<p>2.30 The influence of regulatory capital and corporate governance reporting on operational risk modelling techniques and infrastructure requirements Chris Rachlin ROYAL BANK OF SCOTLAND</p>	<p>2.30 Collateralised loan obligation as a long term funding mechanism Nicholas Sparks ABN AMRO</p>	<p>2.30 An exact expansion method for Asian and basket options Eric Reiner UBS WARBURG</p>
MARKET AND LIQUIDITY RISK	<p>3.10 Moody's approach to rating European cash flow arbitrage CDO's Ebo Coleman MOODY'S INVESTORS SERVICE</p>	<p>3.10 Dynamic hedging with a deterministic local volatility function model Professor Thomas F. Coleman CORNELL UNIVERSITY</p>
<p>3.10 Financial crises, stress testing and risk assessment Allan Malz THE RISKMETRICS GROUP</p>	<p>3.50 Assessing the latest synthetic securitisations Speaker to be confirmed See website for latest details</p>	<p>3.50 Pricing and hedging spread options with transform techniques Professor Michael Dempster UNIVERSITY OF CAMBRIDGE</p>
<p>3.50 From liquidity risk management to liquidity risk capital Edmund Bosworth NATIONAL AUSTRALIA BANK</p>	<p>4.30 Afternoon break and opportunity to visit the exhibition</p>	
<p>5.10 Building an enterprise wide risk management framework Bennett Golub Charles Hallac BLACKROCK</p>	<p>5.10 Hedging and risk management of basket and dynamic default swaps Jean-Paul Laurent UNIVERSITY OF LYON & ADVISOR TO BNP PARIBAS</p>	<p>5.10 Wick calculus and pricing weather derivative options Dr. Dorje Brody IMPERIAL COLLEGE</p>
<p>5.30 Chairman's closing remarks</p>		

Post-congress seminar (12th April 2001) - Practical strategies for effectively pricing credit derivatives led by Philipp Schönbucher, Bonn University

GLANCE - DAY TWO

8.30 PANEL DISCUSSION: Evaluating the impact of the revised Basle Consultation Paper on risk management practices

Walter Gontarek, RBC DOMINION SECURITIES
Michael Ong, CREDIT AGRICOLE INDOSUEZ

STREAM FOUR RISK MANAGEMENT FOR INVESTMENT MANAGERS AND PENSION FUNDS

9.30 Chairman's opening remarks
Peter Davies
ASKARI

9.40 Providing hedge fund transparency to institutional investors
Kelsey Biggers
MEASURISK

10.20 Analysing risk decomposition and portfolio performance attribution
Pim Poppe
ROBECO GROUP

11.40 Risk aggregation - a buy-side perspective
BARRA INC

12.20 The role of credit risk models in investment management
Donna Howe
ABN AMRO

2.30 MASTERCLASS How will risk management impact the primary investment decisions?
Michael de Marco
PUTNAM INVESTMENTS

3.10 MASTERCLASS CONTINUED
Erwin Martens
PUTNAM INVESTMENTS

3.50 Best practices in risk budgeting
Michelle McCarthy
DEUTSCHE BANK

5.10 Investment strategy and the decline of local influence in global equities
Edward Fishwick
AXA INVESTMENT MANAGEMENT

STREAM FIVE RISK MANAGEMENT FOR RETAIL BANKS

9.30 Chairman's opening remarks
Chuck Rowland
IPS SENDERO

09.40 Credit risk capital for retail portfolios
Robert Nimmo
FIRST UNION BANK

IPS SENDERO together with senior retail bank risk managers will present the remaining sessions. Please visit:
www.risk-conferences.com/risk2001euro for latest details. Topics in this section will include:

Quantifying operational risk capital for retail banks

Assessing the new challenges posed by the internet for retail banks

Evaluating and implementing an ALM model for a retail bank

Reviewing the impact of retail bank consolidation

Modelling core deposits effectively: time & long term deposits

Optimally pricing products with optionality

Exclusive free Risk subscription offer

All Risk 2001 Europe delegates will receive a free one-year subscription to Risk magazine, the world's leading financial risk publication, to ensure that you maintain the knowledge gained at the congress with information on the latest developments. This offer includes Risk's industry-leading topical supplements and research guides.

Risk 2001 USA (Boston, 12 & 13 June 2001) is the definitive US conference for risk management and derivatives professionals. Comprising four streams with presentations by the leading practitioners and academics in the industry, this event will provide delegates with comprehensive coverage of the latest trends and innovations in the markets.

For more information visit
www.risk-conferences.com/risk2001usa

Risk Books

Delegates to this year's Risk 2001 Europe are exclusively entitled to **save up to 30%** off the price of Risk Books. Visitors are welcome to browse the full range of professional books on offer at the show. For more details please visit www.riskbooks.com or call +44 (0) 20 7484 9757

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Risk 2001 Europe

Day One 10 April 2001

7.45 Registration and breakfast

8.30 **KEYNOTE ADDRESS:** Bob Litzenberger, GOLDMAN SACHS

8.20 **WELCOME ADDRESS:** Matthew Crabbe, Risk MAGAZINE

9.10 **KEYNOTE ADDRESS:** Andrew Lo, MASSACHUSETTES INSTITUTE OF TECHNOLOGY

STREAM ONE ADVANCED RISK MANAGEMENT	STREAM TWO CREDIT RISK MEASUREMENT AND MANAGEMENT	STREAM THREE DERIVATIVES MODELLING AND ANALYSIS
11.30 Chairman's opening remarks Andrew Aziz ALGORITHMICS	11.30 Chairman's opening remarks	11.30 Chairman's opening remarks
STRESS TESTING AND CAPITAL ALLOCATION	ACTIVE PORTFOLIO MANAGEMENT	VOLATILITY AND CORRELATION
<p>11.40 INTEGRATING STRESS TESTING INTO CAPITAL ALLOCATION</p> <ul style="list-style-type: none"> Objectives of stress testing and capital allocation Risk appetite, worst-case loss and the "going concern" argument for capital allocation Overview of stress testing techniques Specific vulnerability identification and the role of desk-based stress testing Unobservable parameters and the role of market risk reserves Use of VAR and stress testing in capital allocation Putting it all together; shareholder value added, performance measurement and managing exposure to capital <p>Dr. Paul Shotton, Managing Director, Head of Market Risk Management, Europe, Africa, Middle East THE CHASE MANHATTAN BANK</p>	<p>11.40 ANALYSING TECHNIQUES FOR VALIDATING INTERNAL CREDIT RISK RATING SYSTEMS</p> <ul style="list-style-type: none"> Short description of different rating systems/ methodologies Description of validation techniques A practical example Summary and outlook <p>Dr. Sebastian G. Fritz, Head of Risk Analytics & Instruments DEUTSCHE BANK AG</p>	<p>11.40 THE EFFECT OF MODEL RISK ON THE VALUATION OF BARRIER OPTIONS</p> <ul style="list-style-type: none"> Calibration of VG, Local Vol, and CEV to the empirical stock distribution Calibration of VG, Local Vol, and CEV to vanilla option prices (S&P 500) Computational technique for pricing barrier options under VG Comparison of barrier option prices from VG, Local Vol, and CEV Conclusions on model risk in the pricing of barrier options <p>Ali Hirsra, Quantitative Research/ Risk Manager MORGAN STANLEY DEAN WITTER</p>
<p>12.20 IMPROVING BEST PRACTICE IN CAPITAL ALLOCATION</p> <ul style="list-style-type: none"> Best practice in capital allocation: CAPM & RAROC How best practice destroys value: critique of CAPM; critique of RAROC Illustration of how CAPM & RAROC destroy value A superior capital allocation mechanism: an alternative allocation mechanism Illustration of how it creates value <p>Gary Robinson, Head of Risk TOKAI BANK EUROPE</p>	<p>12.20 A SIMPLE CLOSED FORM FORMULA TO PRICE CREDIT SPREADS</p> <ul style="list-style-type: none"> Background & assumptions Price process and default Probabilities and credit spread Drivers of credit spread Theoretical sensitivities Practical use: <ul style="list-style-type: none"> single name credit pricing and risk management portfolio risk management estimation of key volatility and correlation parameters <p>Jean-Pierre Lardy JP MORGAN</p>	<p>12.20 PRINCIPAL COMPONENT ANALYSIS OF VOLATILITY SMILES AND SKEWS</p> <ul style="list-style-type: none"> Associated research Applications to delta hedging and scenario analysis The key is to model fixed-strike deviations from ATM volatility Relation with sticky models of binomial trees How to model parallel and non-parallel shifts in the volatility skew Empirical results for FTSE100: quantification of fixed strike volatility sensitivities to price changes for effective delta hedging <p>Carol Alexander, Professor of Finance & Chair of Risk Management, ISMA Centre UNIVERSITY OF READING</p>

1.00 Lunch and opportunity to visit the exhibition - sponsored by  Raft International plc

<p>2.30 MEASURING ECONOMIC CAPITAL FOR DIFFERENT FORMS OF CREDIT RISK</p> <ul style="list-style-type: none"> Different uses and definitions of economic capital Forms of credit risk: lending risk, issuer risk, counterparty pre-settlement risk Credit exposure and credit risk Measuring credit exposure: lending exposure vs. counterparty pre-settlement exposure Measuring economic capital for a loan portfolio <ul style="list-style-type: none"> assuming only loss due to default assuming loss due to fall of credit sensitive economic value, including default Measuring economic capital for counterparty pre-settlement risk <ul style="list-style-type: none"> Assuming only loss due to default Assuming loss due to fall of credit sensitive economic value, including default <p>Evan Picoult, Managing Director, Head of Risk Methodologies and Analytics CITIGROUP</p>	<p>2.30 USING SECURITIZATION TO IMPROVE LOAN PORTFOLIO PERFORMANCE</p> <ul style="list-style-type: none"> Impact of securitisation on regulatory capital: today/tomorrow Impact of securitisation on economic capital Does securitisation really improve the return on equity? How can securitisation help developing the business? Which risks do we really want to transfer? At which price? Securitisation as a tool for portfolio management Challenges and pitfalls <p>Véronique ORMEZZANO, Head of Capital & Loan Portfolio Management BNP PARIBAS</p>	<p>CREDIT RISK MODELLING</p> <p>2.30 PRICING EXOTIC CREDIT DERIVATIVES</p> <ul style="list-style-type: none"> The building blocks of a good credit risk model Recovery modelling Construction of a clean credit spread curve: Input data, calibration Calibration of the dynamics of the model Closed-form prices for options on default swaps Simulation and modelling of default correlation with copula functions Pricing of First-to-Default Swaps <p>Dr. Philipp Schönbucher BONN UNIVERSITY</p>
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9.50 PANEL DISCUSSION: Assessing the practical impact of e-commerce and ASPs on risk management

10.50 Morning break and opportunity to visit the exhibition

STREAM FOUR RISK MANAGEMENT FOR INVESTMENT MANAGERS AND PENSION FUNDS

11.30 Chairman's opening remarks

Peter Davies
ASKARI

11.40 THE RISK MEASUREMENT AND MANAGEMENT NEEDS OF HEDGE FUNDS VERSUS MORE TRADITIONAL FUND MANAGEMENT PRODUCTS

- Absolute vs relative performance
- Fund management flair vs portfolio construction disciplines
- Comparisons with competitors
- Shortened time horizons
- Value-at-Risk vs tracking error vs downside risk
- What investors want to see vs what fund managers want to release
- Integrating risk management into the investment process

Malcolm Kemp, Executive Director, Head of Quantitative Research
ZURICH SCUDDER INVESTMENTS LIMITED

STREAM FIVE RISK MANAGEMENT FOR RETAIL BANKS

11.30 Chairman's opening remarks

Chuck Rowland
IPS SENDERO

11.40 RISK MANAGEMENT FOR THE INDIVIDUAL RETAIL INVESTOR

- Tools and risk management techniques (sensitivity analyses, tax aware investing, cash flow immunization, VAR) used by derivative trading desks as well as Institutional and wealthy Private Investors are equally applicable to all investors regardless of their net worth
 - The declining cost of computing power together with the mass delivery capability of the internet argues that retail banks will make these tools available to the retail investor
 - The next revolution in Risk Management will be the incorporation of these risk management techniques in the customized portfolio construction for the retail investor
 - The challenge is to make these tools easily customizable so as to be relevant for the individual retail investor without sacrificing clarity, scalability or cost
 - An innovative framework for risk management for the individual investor is outlined
- Ashwin B. Chhabra, Head of Analytics, Morgan Advice Lab
J.P. MORGAN PRIVATE BANK

12.20 UNDERSTANDING THE TRACKING ERROR OF A PORTFOLIO

- Tracking error as a prospective risk measure and retrospective performance measure
- Sources of tracking error: portfolio and market dynamics
- Attribution of tracking error: events versus factors
- Usefulness of tracking error: the same words with different meanings
- What else do we need to complement tracking error?

Dr. P. K. Satish, CFA, Managing Director/Head of Financial Engineering & Research
ASKARI

12.20 TRANSFER PRICING TECHNIQUES FOR RETAIL BANKS

- Essential elements of an effective FTP framework
- Alternative transfer pricing methodologies
- Assigning credits/charges for embedded options
- Retail Deposits
- Mortgages
- Investment Securities
- The value of liquidity
- Interpreting the results

David J. Ide, 1st Vice President, Deputy Director
ABN AMRO NORTH AMERICA

2.30 PERFORMANCE MEASUREMENT, PORTFOLIO INSURANCE AND PORTABLE ALPHA: EXCESS RETURN OR UNPRICED RISKS?

- Enhanced indexing and alternative asset-classes as portfolio insurance
- The inherent risk and reward profiles of various structured products
- Measuring portfolio performance against benchmarks
- Choosing factors for hedge fund performance
- Hedge fund return analysis: Measuring correlation between trading strategies (e.g. risk arbitrage, convertible arbitrage, market neutral strategies)
- Risk disclosure for hedge funds - what does an institutional investor require?
- How should investment managers elicit risk / return preferences?
- Time diversification: skewness, kurtosis and compounded returns

David K. A. Mordecai, Research Fellow in Advanced Residence
UNIVERSITY OF CHICAGO GSB
& Steering Committee - IAFE Investor Risk Committee

2.30 SOURCING AND APPLYING ACCURATE AND APPROPRIATE RISK MANAGEMENT DATA

- Selecting the best information
- Assembling information correctly for analysis
- Deciding on the right degree of aggregation
- Disseminating risk management data throughout an organisation
- Finding the correct IT system for your needs
- Integrating legacy systems with middleware
- Data warehousing

Shawn Convery, President
ALMONDE



Conference delegates will also have the opportunity to discover more about the latest developments in risk management software and services at the Risk 2001 Europe exhibition open exclusively to conference delegates. To find out how your organisation could secure a prominent position in the exhibition hall, call **Karlie Rogers** on **+44 (0)20 7484 9733** or email **krogers@riskwaters.com**

Champagne roundtables

Risk has introduced five stimulating panel debates, with industry experts debating some of the most contentious issues in risk management. Active audience participation is encouraged for a vigorous exchange which may be continued informally at the cocktail reception and congress dinner.

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<p>INTEGRATED RISK MANAGEMENT</p>	<p>3.10 CONSISTENT CREDIT RISK PRICING AND ENTERPRISE PORTFOLIO MODELLING</p> <ul style="list-style-type: none"> Enterprise credit risk modelling: bringing the retail, commercial and trading books together Developing a "product based" pricing approach for credit risk Understanding the impact of structure and optionality in corporate loans pricing and risk management Developing multi-factor credit risk models to price credit structures Consolidating pricing, counterparty exposures and portfolio credit risk in an integrated methodology Calibrating in practice default and migration credit risk models to historical data and to market prices Developing a consistent framework to support origination, real time pre-deal limits, hedging, transfer pricing, credit risk measurement and capital allocation <p>Dan Rosen, Director of Research ALGORITHMICS INC.</p>	<p>3.10 THE MISUSE OF "RISK NEUTRALITY" IN CREDIT DERIVATIVE PRICING</p> <ul style="list-style-type: none"> Risk neutrality as a foundation of derivative analysis Misunderstanding and misuse of risk neutrality Cox-Ross and Harrison-Pliska Equity derivative examples Credit default swap example <p>Joseph Pimbley, Senior Vice President and Credit Derivative Product Manager SMB CAPITAL MARKETS, INC.</p>
<p>3.10 UNDERSTANDING THE ROLE AND VALUE OF AN INTEGRATED RISK MANAGEMENT FRAMEWORK ACROSS THE ORGANISATION</p> <ul style="list-style-type: none"> Building blocks of an integrated solution Integrating market, credit and operational risk? From risk controlling to active risk management Adding value outside risk management <p>Jens-Peter Jensen, Business Developer SAP AG</p>	<p>3.50 ANALYSIS AND MANAGEMENT OF CREDIT VAR IN DERIVATIVES PORTFOLIOS</p> <ul style="list-style-type: none"> Analytical techniques for deriving credit (counterparty) VaR, VaR contributions, and marginal VaR Generalisation to stochastic exposures Derivatives portfolios have two sources of risk concentration/diversification: counterparty risk and market risk Why loan equivalents do not work (do not fully take into account stochastic exposures; ignore the correlations in market risk) Software demonstration <p>Richard Martin (with Christopher Browne), Quantitative Analyst, Fixed Income Capital Management Team BNP PARIBAS</p>	<p>3.50 SHIFTING PARADIGMS: EFFECT OF MODERN PORTFOLIO THEORY AND BASLE REFORM ON CLO AND OTHER ABS STRUCTURING</p> <ul style="list-style-type: none"> Key differences in structuring a securitisation for regulatory and economic capital relief Using portfolio models to measure economic capital relief of a CLO How to measure cost/value tradeoffs Does securitisation for capital management make sense outside Basel framework? Impact of latest Basle reform proposals on CLO structures and market <p>Luis Nario, Executive Director, Securitisation UBS WARBURG</p>
<p>4.30 Afternoon break and opportunity to visit the exhibition</p>	<p>5.10 COPULAS AS AN INTEGRATED RISK MANAGEMENT TOOL</p> <ul style="list-style-type: none"> Introduction to copulas: <ul style="list-style-type: none"> correlation breakdown correlation pitfalls modelling dependence via copulas dependence-scenario testing in IRM using copulas to model joint extremes some useful copula families Case studies: <ul style="list-style-type: none"> credit risk: stress testing default correlation market risk: going beyond normal dependence <p>Roger Kaufmann, RiskLab researcher, Department of Mathematics ETH ZÜRICH</p>	<p>INTEREST RATE MODELLING</p> <p>3.50 TERM STRUCTURE DYNAMICS ENDOGENOUSLY INDUCED BY MULTI-ASSET MARKETS</p> <ul style="list-style-type: none"> "Pure risky" multi asset systems Induced HJM structure in the Markovian case Finite factor models A closed stock economy modelled by a homogeneous diffusion system Connection between stock index, market price of risk and The short rate dynamics <p>Dr. John Schoenmakers, Deputy Leader Research Group WEIERSTRAUSS INSTITUTE BERLIN</p>
<p>5.10 COPULAS AS AN INTEGRATED RISK MANAGEMENT TOOL</p> <ul style="list-style-type: none"> Introduction to copulas: <ul style="list-style-type: none"> correlation breakdown correlation pitfalls modelling dependence via copulas dependence-scenario testing in IRM using copulas to model joint extremes some useful copula families Case studies: <ul style="list-style-type: none"> credit risk: stress testing default correlation market risk: going beyond normal dependence <p>Roger Kaufmann, RiskLab researcher, Department of Mathematics ETH ZÜRICH</p>	<p>5.10 USING WRONG WAY CREDIT EXPOSURE TO MANAGE COUNTERPARTY RISK</p> <ul style="list-style-type: none"> Counterparty Exposure: <ul style="list-style-type: none"> Knowing the relevant risk factors How to reduce risk by setting the appropriate limits The role of collateral Aggregation techniques How to manage exposure for high risk counterparties Overcoming the pitfalls with traditional counterparty risk systems <p>Jörg Behrens, Manager ARTHUR ANDERSEN</p>	<p>5.10 ENTROPY AND INFORMATION IN THE INTEREST RATE TERM STRUCTURE</p> <ul style="list-style-type: none"> Information geometry as a new foundation for interest rate theory The system of admissible term structures as a convex space of smooth Density functions How to represent HJM interest rate dynamics as a measure valued process Value processes for perpetual bonds and the first moment of the term structure Maximum entropy characterisation of the term structure as new basis for interest rate calibration methodology, with examples Canonical exponential models as examples of positive interest term structures State variable models driven by homogeneous diffusion processes String models as measure valued processes Stability analysis of relative movements of term structures with common dynamics but differing initial conditions <p>Lane P. Hughston, Professor of Financial Mathematics KING'S COLLEGE LONDON</p>
<p>5.50 Chairman's closing remarks</p>	<p>5.50 Chairman's closing remarks</p>	<p>5.50 Chairman's closing remarks</p>
<p>6.00 Champagne roundtable WHY QUANTIFY OPERATIONAL RISK?</p> <p>David Woods, Managing Director, ABN AMRO Dr. Dominic Wallace, Director, CITIGROUP Douglas Hoffman, President, OPERATIONAL RISK ADVISORS</p>	<p>6.00 Champagne roundtable IS THERE A FUTURE IN TELECOMS CAPACITY TRADING?</p> <p>Nick Topham, TELEMUNDE Marcello Romano, Director, Bandwidth Trading & Origination, ENRON Oliver Frankel, Managing Director, GOLDMAN SACHS Guy Willner, Chief Executive Officer, IX EUROPE</p>	<p>6.00 Champagne roundtable WHAT IS THE ROLE OF COMPUTATIONAL FINANCE IN RISK MANAGEMENT?</p> <p>Domingo Tavella, Principal, OCTANTI ASSOCIATES Ben Golub, Managing Director, BLACKROCK Jean-Marc Eber, Founder & CEO, LEXIFI TECHNOLOGIES & Risk Award Winner</p>
<p>6.40 Cocktail reception sponsored by  <small>the next generation of RAROC 2002™</small>  Deutsche Bank - db RiskOffice</p>		
<p>7.40 Congress Dinner and Risk Awards Presentation</p>		

Congress Dinner and Risk Awards Presentation

Following the cocktail reception, delegates will be taken the short distance to the exclusive restaurant where there will be a brief presentation for Risk award winners followed by a gourmet congress dinner.

3.10 MODIFYING VAR FOR LONG TERM INVESTMENT HORIZONS - A 'STYLE' BASED APPROACH

- Problems with volatility/tracking error as a long term risk measure
 - Translating VAR from the securities to investment businesses - long term issues
 - Modelling the VaR 'drift' term with APT Risk Factors
 - The appropriateness of 'investment styles' (e.g. value, growth) as risk factors
 - Backtesting the approach with Monte-Carlo simulations
- Stephen Rees, Director, Quantitative Research
BARING ASSET MANAGEMENT

3.10 CASE STUDY: "FUTUREPERFECT" - USING BANK AND LIFE BALANCE SHEETS TO HEDGE AND SELL INTERNALLY

Futureperfect is a 25 year capped mortgage that combined the strength of Standard Life's core business and the ability of Standard Life Bank to originate large volumes of mortgage business. This case study illustrates the key product features, rationale for the product and the degree to which the product has tapped a pocket of demand in the UK market previously unsatisfied.

Jim Cull, Risk Manager & Futureperfect Project Leader
STANDARD LIFE

3.50 UNDERSTANDING CORE SATELLITE

- Allocating between active and passive managers
 - Budgeting of manager risk
 - Enhanced indexing versus core satellite: evaluating the alternatives
- Dr. B. Scherer, Director, Advanced Applications Group
DEUTSCHE ASSET MANAGEMENT

3.50 ANALYSING THE RATE DYNAMICS OF ADMINISTERED RATE PRODUCTS

- Administered rates: an overview
 - Fundamental assumptions and econometric models
 - Rate dynamics as anelastic relaxations: a simpler approach
 - Anelastic partial adjustment models: easy implementation & interpretation
 - Anelastic relaxations and observed product-rate dynamics: a review of two bank products
 - Implications: relaxations, market friction, and market evolution
- Raymond J. Hawkins, Associate Director
BEAR, STEARNS SECURITIES CORPORATION

5.10 PRACTICAL TOOLS FOR MONITORING AND MANAGING INVESTMENT PORTFOLIO RISK: WHAT'S IN A RISK MEASURE?

- Review of the traditional risk measures used in investment management today
 - Introduction to alternative measures that can assist in the creation of portfolios
 - With the acceptance that assets and hedging instruments exhibit non-normal behaviour, it is important that risk measurement tools remain relevant. The presentation provides practical approaches to dealing with this problem, using methods already familiar to practitioners.
- Kenrick Ramlochan, Principal, Manager Global Risk Analysis - EMEA
BANK OF AMERICA

5.10 LIQUIDITY RISK MANAGEMENT FOR RETAIL BANKS

- Assessing the robustness of liquidity management
 - Methodologies for measuring liquidity
 - Options for managing liquidity, both short-term and long-term
 - Understanding and factoring in customer behaviour
 - What should be in your liquidity policy
 - Dealing with extreme market shocks - contingency planning
- Richard Ferrett, Executive Vice President & Chief Financial Officer
BANK OF BUTTERFIELD

5.50 Chairman's closing remarks

5.50 Chairman's closing remarks

6.00 Champagne roundtable WHAT IS THE POTENTIAL FOR THE WEATHER DERIVATIVES MARKET?

Ross McIntyre, Global Weather Portfolio Manager
ENRON

6.00 Champagne roundtable WHAT IMPACT WILL REGULATORY REQUIREMENTS HAVE ON RETAIL BANK RISK MANAGEMENT?

Chaired by Chuck Rowland, Managing Director, IPS SENDERO
Robert Nimmo, Chief Risk Officer, FIRST UNION CORPORATION

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Risk 2001 Europe

Day Two 11 April 2001

7.45 Registration and breakfast

8.20 Chairman's opening remarks

STREAM ONE ADVANCED RISK MANAGEMENT	STREAM TWO CREDIT RISK MEASUREMENT AND MANAGEMENT	STREAM THREE DERIVATIVES MODELLING AND ANALYSIS
<p>9.30 Chairman's opening remarks Jörg Behrens ARTHUR ANDERSEN</p>	<p>9.30 Chairman's opening remarks</p>	<p>9.30 Chairman's opening remarks Eric Reiner UBS WARBURG</p>
INTEGRATED RISK MANAGEMENT	LATEST INNOVATIONS IN STRUCTURED CREDIT PRODUCTS	PRICING AND HEDGING DERIVATIVES
<p>9.40 MASTERCLASS: INTEGRATING MARKET, CREDIT AND OPERATIONAL RISK: A THEORETICAL FRAMEWORK FOR VALUATION INTEGRITY · Consistent model-based risk valuation · Market, credit and operational risk thresholds · Capital allocation for integrated risk management · Parameter estimation of profit and loss distributions with the hierarchical Bayesian Monte-Carlo model Dr. Elena Medova, Centre for Financial Research THE JUDGE INSTITUTE OF MANAGEMENT STUDIES, UNIVERSITY OF CAMBRIDGE</p>	<p>9.40 RATINGS AND RISK MODELLING OF SYNTHETIC CBOs AND CLOs · Synthetic securitisations: a growing market - transaction structure - why use synthetic securitisations? · Credit portfolio analysis techniques - ratings model: to structure the transaction - risk model: to assess the risk of the tranches accurately - valuation model: to hedge and risk-manage synthetic securitisations in a mark-to-market environment Klaus Bjerre Toft, Head of Credit Derivatives Strategies Group GOLDMAN SACHS & CO.</p>	<p>9.40 THE PRICING OF BERMUDAN SWAPTIONS · Factor dependence of Bermudan swaptions: fact or fiction? · The importance of auto-correlation and mean-reversion · An old model in new clothes · Getting volatility skews and smiles right · Using the BGM model for calibration · Efficient numerical implementation · Hedging considerations and some new results Jesper Andreasen, Principal BANK OF AMERICA Risk's Quant of the Year 2001</p>
<p>10.20 MASTERCLASS CONTINUED: INTEGRATING MARKET, CREDIT AND OPERATIONAL RISK: A PRACTICAL PERSPECTIVE · Risk management fundamentals · Regulatory influences on risk management · Market risk seen as credit risk · Turning credit risk into market risk · Bringing operational risk into the picture · OTC risk management Kanwardeep Ahluwalia, Head of Risk Management (Europe and Asia) BEAR STEARNS INTERNATIONAL</p>	<p>10.20 ASSESSING THE LATEST AGENCY CREDIT DERIVATIVES RATINGS METHODOLOGIES STANDARD & POOR'S</p>	<p>10.20 PRICING AND HEDGING IN INCOMPLETE MARKETS · Jumps and stochastic volatility in plain-vanilla and exotic options · Scenario measures and acceptable risk versus superreplication of contingent claims · Non-tradability of weather as a major source of incompleteness · A financial/ actuarial approach to weather derivatives · Hedging weather derivatives with electricity derivatives · Insurance derivatives and extreme weather events Professor Hélyette Geman UNIVERSITÉ DE PARIS DAUPHINE & ESSEC</p>
<p>11.00 Morning break and opportunity to visit the exhibition</p>		
OPERATIONAL RISK	CAPITAL MANAGEMENT TECHNIQUES: A COMPARATIVE ANALYSIS	JUMP DIFFUSION MODELS FOR PRICING AND HEDGING EQUITY DERIVATIVES
<p>11.40 INCORPORATING BEHAVIOURAL FINANCE IN OPERATIONAL RISK · The psychology of extreme events · Extrapolating into the unknown - surmounting the availability heuristic · Assessing the likelihood of rare events - understanding the subjective probability · Quantifying risk tolerance for rare events - utility theory - prospect theory · Anticipating other people's errors · Decision heuristics · Gamblers fallacy · The illusion of control Elliot Noma, Vice President, Risk and Performance Analysis MERRILL LYNCH INVESTMENT MANAGERS</p>	<p>· Better allocation and use of regulatory capital through securitisation, credit derivatives and capital securities · Analysing the regulatory impact of these instruments · Using a combination of these instruments to act simultaneously on the assets and liabilities to achieve the capital objectives of a bank (i.e. acting at the same time on the reduction of regulatory capital and on its creation) · Comparing the economics Alberto Thomas, Director UBS WARBURG</p>	<p>· The importance of the dynamics of volatility: example forward starting options · Volatility models for capturing volatility skew: local vol and stochastic vol models · The Heston model with jumps in asset and volatility · Examples of pure jump models based on activity: variance gamma and CGMY · Hedging jumps and incomplete markets · Comparisons of the different models · Applications to flexi baskets Dr. Marcus Overhaus, Managing Director, Global Head of Quantitative Research DEUTSCHE BANK</p>
<p>12.20 DEVELOPING AN OPERATIONAL RISK CONTROL FRAMEWORK · Definition and Policy · Similarities Market and Credit Risk Control · Operational Risk Control: ex-ante and ex-post measures · Operational Risk Quantification · Industry and Regulators Markus Borner, Director, Operational Risk Control UBS WARBURG</p>	<p>12.20 CREDIT DERIVATIVES VS. CASH SECURITISATION Piya Dhawan, Director, Structured Products Group DEUTSCHE BANK See website for latest details</p>	<p>12.20 PRICING AND OPTIMAL EXERCISE OF DEFAULTABLE CALLABLE CONVERTIBLES · Optimal conversion in a default-free model · The firm's calling rule in a default-free model · When to call and when to default · When to convert and when to surrender in a defaultable situation · Whether to convert to save the firm from bankruptcy LCG Rogers, Professor, Department of Mathematical Sciences UNIVERSITY OF BATH</p>

8.30 PANEL DISCUSSION: Evaluating the impact of the revised Basle Consultation Paper on risk management practices
Walter Gontarek, RBC DOMINION SECURITIES
Michael Ong, Chief Risk Officer, CREDIT AGRICOLE INDOSUEZ

STREAM FOUR RISK MANAGEMENT FOR INVESTMENT MANAGERS AND PENSION FUNDS

9.30 Chairman's opening remarks
Peter Davies
ASKARI

9.40 PROVIDING HEDGE FUND TRANSPARENCY TO INSTITUTIONAL INVESTORS

- Total hedge fund assets in 2000 were \$400 billion - largely individual, and endowment money
- This alternative asset class is expected to grow dramatically in the coming years and is attracting keen interest from institutional investors
- Will the rules of the game need to change as investors demand increased transparency of hedge fund exposures and risks?
- What alternatives are there for hedge funds to provide increased transparency while maintaining the proprietary nature of their positions?

Kelsey Biggers, President, CEO
MEASURISK

10.20 RISK DECOMPOSITION AND PERFORMANCE ATTRIBUTION

- Consistency in portfolio construction, risk management and performance attribution
- Tracking error: a tool for risk control, risk budgeting and portfolio construction
- Estimating the tracking error
- Practical problems with performance attribution and risk measurement
- Examples of mutual reinforcement of risk management and performance measurement
- Organization, responsibilities and monitoring

Pim Poppe, Risk Manager
ROBEKO GROUP

11.40 RISK AGGREGATION - A BUYSIDE PERSPECTIVE

- Extending portfolio risk management methodologies across the firm
- Challenges of effective data management and integration
- Integration and aggregation across asset classes
 - Compounding of bets
 - Uncompensated exposures to risk
 - Over diversification
- Developing comprehensive knowledge of your aggregate risks
- Technology requirements of aggregating and slicing of firm's risks
- Data management
 - Market, terms and conditions, fundamental, historical
 - Update
 - Modelling
 - Multi factor equity, fixed income and currency model
 - Integration of models

BARRA INC

12.20 THE ROLE OF CREDIT RISK MODELS IN INVESTMENT MANAGEMENT

- Ensuring adequate returns on investments through accuracy of long-term pricing and risk management
- Overcoming the difficulties of pricing the additional return earned from taking credit risk
- Assessing the impact of non-continuous return distributions and substantially different (longer) horizons for measuring return
- Illiquidity of pricing and the embedded nature of credit risk pricing
- Percentage of specific risk is non-constant over time and behaves differently across the credit curves
- Bounding the problem with logic and rules-based systems that can be used to ensure arbitrage-free decision making
- Profiting from ever more liquid markets

Donna Marie Howe, Head of Market Risk for North America
ABN AMRO

STREAM FIVE RISK MANAGEMENT FOR RETAIL BANKS

9.30 Chairman's opening remarks
Chuck Rowland
IPS SENDERO

09.40 RISK CAPITAL ALLOCATION IN RETAIL BANKING

- Discuss current state of credit capital allocation for whole loan portfolios; securitised portfolios; warehouse portfolios
- Discuss limitations of current practices
- Discuss where future best practices will take us through convergence of traditional lender practices and evolving securities markets practices
- Potential impact of risk capital regulations

Robert Nimmo, Chief Risk Officer
FIRST UNION CORPORATION

IPS SENDERO together with senior retail bank risk managers will present the remaining sessions. Please visit www.risk-conferences.com/risk2001euro for latest details. Topics in this section will include:

QUANTIFYING OPERATIONAL RISK CAPITAL FOR RETAIL BANKS

- Assessing the regulatory status
- Generic risk management development processes
- Specific requirements for retail banks
- Integrating reporting systems
- Implementing changes in the organisational structure
- Managing the risk associated with centralisation and outsourcing
- Developing strategies for crisis management
- Business contingency planning

ASSESSING THE NEW CHALLENGES POSED BY THE INTERNET FOR RETAIL BANKING

- Reviewing the pros and cons of the internet for retail banking
- Assessing the strategies of different market players: high street banks vs. internet banks
- Quantifying the legal risks

Networking opportunities and hospitality suites

With over 500 attendees at last year's event, Risk 2001 Europe promises plenty of networking opportunities with delegates and speakers. To take advantage of these opportunities, there will be hospitality suites sponsored by Raft International plc, RiskMetrics and Risk Waters Group available throughout the congress.

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1.00 Lunch and opportunity to visit the exhibition

2.30 THE INFLUENCE OF REGULATORY CAPITAL AND CORPORATE GOVERNANCE REPORTING ON OPERATIONAL RISK MODELLING TECHNIQUES AND INFRASTRUCTURE REQUIREMENTS

- External factors and their influence
- Resource issues
- Meeting the needs of different users
- Data standards
- Data sources and maintenance

Chris Rachlin, Head of Group Operational Risk
ROYAL BANK OF SCOTLAND

2.30 COLLATERALISED LOAN OBLIGATION AS A LONG TERM FUNDING MECHANISM

- CLOs as funding mechanism
- Cost of capital for a CLO
- Eligibility criteria and substitution
- Structuring a funding CLO

Nicholas Sparks, Senior Risk Manager
ABN AMRO

2.30 AN EXACT EXPANSION METHOD FOR ASIAN AND BASKET OPTIONS

- Geometric and arithmetic averages and relations between them
- Characteristic function for geometric averages
- Expansion of the characteristic function for arithmetic averages
- f function, e function, order, and volatility expansions
- Moment and convergence properties
- Extensions to other payoffs

Eric Reiner, Managing Director
UBS WARBURG

MARKET AND LIQUIDITY RISK

3.10 MARKET STRESS AND RISK MODELS INCORPORATING LIQUIDITY RISK

- Expectations before, during and after crises: the view from the cash, futures and option markets
- Credit and liquidity indicators
- Crises and stress testing
- Stress and warning signals from forward and option markets
- Option-implied probability distributions

Allan Malz, Head of DataMetrics
RISKMETRICS

3.10 MOODY'S APPROACH TO RATING EUROPEAN CASH FLOW ARBITRAGE CDO'S

- Structural features of the European high yield market
- Legal issues
- Moody's recovery rate tool-kit
- Modelling approach

Ebo Coleman, Vice-President - Senior Analyst
Pascale Viala, Vice-President - Senior Analyst
MOODY'S INVESTORS SERVICE

3.10 DYNAMIC HEDGING WITH A DETERMINISTIC LOCAL VOLATILITY FUNCTION MODEL

- Comparing the dynamic hedging performance of the deterministic local volatility function approach with the implied/constant volatility method
- Illustrating that a suitably implemented volatility function method can estimate the local volatility function sufficiently accurately to generate more accurate hedge parameters
- Demonstrating that the average absolute hedging error using the volatility approach is smaller than that of the implied/constant volatility method for a sufficiently long horizon, using S&P 500 index option data as well as futures option data

Professor Thomas F. Coleman, Director, Financial Industry Solutions Center, New York
CORNELL UNIVERSITY

3.50 FROM LIQUIDITY RISK MANAGEMENT TO LIQUIDITY RISK CAPITAL

- Background:
 - responding to changes in the regulatory environment
 - the National's adoption of EVA
- Process:
 - measuring the cost of a 'name crisis'
 - attributing liquidity risk capital to different parts of the business
 - integrating measured liquidity risk capital into the National's capital allocation process
- Conclusion

Edmund Bosworth, Group Manager, Capital Allocation and EVA
NATIONAL AUSTRALIA BANK

3.50 ASSESSING THE LATEST SYNTHETIC SECURITISATIONS

Speaker to be confirmed
See website for latest details

3.50 PRICING AND HEDGING SPREAD OPTIONS WITH TRANSFORM TECHNIQUES

- Increasing importance of spread options in new derivative markets
- Uses of spread options to hedge temporal, spatial and operations gaps
- Survey of existing spread option models
- Pricing and hedging options with the Fast Fourier Transform
- New multifactor spread option models and their market calibration
- Computational results
- Future research directions

Professor Michael Dempster, Director, Centre for Financial Research, Judge Institute of Management
UNIVERSITY OF CAMBRIDGE

4.30 Afternoon break and opportunity to visit the exhibition

5.10 BUILDING AN ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK

- Risk measurement
- Risk technology / analytics
- Internal management / processes, guideline compliance issues
- Operational risk management

Bennett Golub, Managing Director
Charles Hallac, Managing Director
BLACKROCK
Risk's Asset Management Risk Manager of the Year

5.10 HEDGING AND RISK MANAGEMENT OF BASKET AND DYNAMIC DEFAULT SWAPS

- Dynamic hedging strategies involving credit default swaps
- Joint hedging of default risk and credit spread risk
- Hedging basket credit derivatives: firm value and reduced form models, different correlation issues, management of the carry
- Hedging variable credit exposure
- Hedging credit spread options

Jean-Paul Laurent
Professor, UNIVERSITY OF LYON
Advisor, BNP PARIBAS

5.10 WICK CALCULUS AND PRICING WEATHER DERIVATIVE OPTIONS

- Elements of Wick calculus
- Weather as fractional Brownian motion (FBM)
- Integration with FBM
- HDD and conventional weather derivatives
- Temperature based weather derivative options
- Arbitrage-free pricing of weather related options

Dr. Dorje C. Brody, The Royal Society University Research Fellow
IMPERIAL COLLEGE

5.50 Chairman's closing remarks



2.30 MASTERCLASS: HOW WILL RISK MANAGEMENT IMPACT THE PRIMARY INVESTMENT MANAGEMENT DECISIONS ?

- Part 1:** A reality check
- What are institutional clients doing and why ?
 - who has adopted risk management practices ?
 - who provides technology and support ?
 - what is influencing the decision makers ?
- A review of the terminology
- Part 2:** Let's speculate: how could this impact your investment management decisions ?
- A framework for thinking about the future.
 - Your perspective:
 - what should you be asking your asset managers ?
 - what should your trustees be asking you ?

Michael de Marco, Senior Vice President
PUTNAM INVESTMENTS

EVALUATING AND IMPLEMENTING AN ALM MODEL FOR A RETAIL BANK

- Developing and effective securitisation policy
- Accounting for mortgage pre-payment risk
- Assessing the Impact of ALM on a retail bank's profitability

3.10 MASTERCLASS CONTINUED

Erwin Martens, Managing Director
PUTNAM INVESTMENTS
See website for latest details

REVIEWING THE IMPACT OF RETAIL BANK CONSOLIDATION

- Integrating processes and systems
- Harmonising credit risk modelling, measurement and management
- How does the changing market place affect risk management practices?

3.50 BEST PRACTICES IN RISK BUDGETING

- How does risk budgeting differ from asset allocation?
- Different styles of risk budgets
- Practical aspects of implementing a risk budget
- Avoiding common problems in communicating quantitative risk information to asset management clients
- Beware: Where quantitative risk information is weak

Michelle McCarthy, Managing Director, db RiskOffice
DEUTSCHE BANK GROUP

MODELLING CORE DEPOSITS EFFECTIVELY: TIME & LONG TERM DEPOSITS

- Choosing the right modelling technique for your company's needs
- Assessing the worth of core deposits
- Stress testing to assess the impact of extreme events

5.10 INVESTMENT STRATEGY AND THE DECLINE OF LOCAL INFLUENCE IN GLOBAL EQUITIES

- Influences on security return - markets, sectors, and specifics
- Structural changes and the determination of return
- The changing nature of risk
- The changing nature of return
- Some implications for active strategies

Edward Fishwick, Head of Investment Process
Research
AXA INVESTMENT MANAGEMENT

OPTIMALLY PRICING PRODUCTS WITH OPTIONALITY

- Defining option adjusted value and spread
- Assessing how to hedge optionality
- Efficiently pricing optionality
 - knowing when an option is priced well
- Deciding whether to securitise more

"Risk 2000 Europe was a fantastic event. The gathering of professionals from the financial services, energy, telecommunications and academic sectors created a wonderful environment for the exchange of ideas on current risk issues."

Sam Harris, Product Strategy Manager for Risk Dimensions, SAS Institute

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Michael Zerbs, VP, Research & Marketing, Algorithmics

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Computational Finance Symposium 2001 - Paris, 9th April 2001

Risk is delighted to present a series of cutting-edge talks focusing on the application of computational finance to risk management led by Domingo Tavella, Editor of the Journal of Computational Finance. Delegates will hear the latest thinking from the brightest minds on this fascinating area of quantitative risk management.

Symposium programme:

- Numerical issues in financial pricing with finite differences
Domingo Tavella, OCTANTI ASSOCIATES, INC.
- Effective finite difference strategies for complex path-dependencies
Curt Randall, SCICOMP, INC.
- Numerical methods for stochastic differential equations in finance
Eckhard Platen, Department of Mathematical Sciences, UNIVERSITY OF TECHNOLOGY, SYDNEY

- Options on extremes and averages: Latest developments in path-dependent options
Farid AitSahlia, FINANCIAL ENGINES, INC.
- Efficient numerical techniques for derivatives pricing on pure jumps
Ali Hirs, MORGAN STANLEY DEAN WITTER
- Application of wavelets to high-dimensional financial pricing
Michael Dempster, CAMBRIDGE UNIVERSITY
- Recent advances in the application of copulas to non-linear value at risk
Alessandro Juri, Department of Mathematics, ETH ZURICH

All non-subscribers who register for this symposium before the end of February 2001, will receive a free 6-month subscription to JCF

Pre-congress seminar - April 9 2001

EXAMINING THE LATEST APPROACHES TO MEASURING AND MANAGING OPERATIONAL RISK

Professor Carol Alexander, Chair of Risk Management at the ISMA centre at the University of Reading has coordinated with the other seminar leaders to provide a comprehensive and balanced programme that examines in detail the essential issues in operational risk management.

A FRAMEWORK FOR THE ACCURATE QUANTIFICATION OF OPERATIONAL RISK

- Why do we need to examine operational risk?
 - Examining the key issues presented by operational risk
 - What are the challenges of quantifying operational risk?
 - An evolutionary approach to measurement of operational risks
 - Frequency and impact
 - Which operational risks should be the focus of good risk management practice and which should be the focus for risk capital requirements?
 - Loss distributions and key performance indicators
 - High frequency low impact risks: a causal modelling approach
 - Low frequency high impact risks: an extreme value theory approach
- Professor Carol Alexander, Chair of Risk Management, ISMA CENTRE AT THE UNIVERSITY OF READING

ALLOCATING OPERATIONAL RISK CAPITAL: TECHNIQUES AND NEW REGULATORY FRAMEWORK

- Perspective on regulatory discussions
 - Review of latest Basle Accord developments
 - Evaluating alternative techniques for accurate capital allocation; bottom up vs. top down approach
- Dr. Jacques Pezier, CAL-FP BANK

ESSENTIAL OPERATIONAL RISK MANAGEMENT STRATEGIES

- When and where should alternative measurement techniques be applied?
 - Capital allocation: different perspectives and approaches
 - qualitative vs. quantitative
 - top down vs. bottom up
 - Key lessons learned from capital calculation and allocation cases
 - Achieving buy-in from senior and line management
 - The nexus of risk measurement and management
 - An implementation plan with key action steps
- Douglas Hoffman, President
OPERATIONAL RISK ADVISORS

DATA ISSUES

- Alternative sources for data
 - Quantitative and qualitative data
 - Alternatives for collecting data, including loss data consortia
 - Aggregation of operational risks
- Mark Laycock, Group Operational Risk, DEUTSCHE BANK

EXTREME VALUE MODELS FOR LOW FREQUENCY HIGH IMPACT OPERATIONAL RISKS

- The goals of modelling and the implications for the model structure
 - Explanation of the 'peaks-over-threshold' model and its VaR applications
 - Modelling frequency with a Poisson process
 - Operational VaR as an extension of market VaR and credit VaR
 - Lack of data and the use of Monte Carlo techniques
- Dr. Elena Medova, THE JUDGE INSTITUTE OF MANAGEMENT, UNIVERSITY OF CAMBRIDGE

BAYESIAN NETWORKS FOR MODELLING HIGH FREQUENCY LOW IMPACT OPERATIONAL RISKS

- Introduction to Bayesian methods
 - Bayesian belief networks
 - Empirical examples:
 - Transactions processing: settlement loss and the number of fails
 - Human risks: using Bayesian networks with key performance indicators
 - Incorporating management decisions to a Bayesian belief network framework
- Professor Carol Alexander, Chair of Risk Management, ISMA CENTRE AT THE UNIVERSITY OF READING

SECURITIZATION AND INSURANCE OF OPERATIONAL RISKS

- Overview of operational risk linked products
 - Example: Pricing a catastrophe bond
 - Developments in the operational risk securitisation and insurance markets
 - Will regulators recognize the insurance of operational risk in defining capital charges?
- Speaker to be confirmed
Please see the website for latest details

Post-congress seminar - April 12 2001

MASTERCLASS: PRACTICAL STRATEGIES FOR EFFECTIVELY PRICING CREDIT DERIVATIVES - led by Dr. Philipp Schönbucher, Bonn University

1. ANALYSING THE KEY DRIVERS IN PRICING CREDIT DERIVATIVES

- 1.1 Quantitative factors
 - Corporate spreads
 - Correlation
 - Interest rates
- 1.2 Qualitative factors
 - Documentation
 - Characteristics of the default event
 - Time of maturity
- 1.3 Replication pricing techniques

2.1 OVERCOMING THE CHALLENGES OF CONSTRUCTING THE CREDIT CURVE

- Utilising yield curve construction methods
- How to deal with correlation traits when constructing the credit curve
- Connection between the credit curve and default probability theory
- Sourcing and applying accurate data for credit curve construction

2.2 PRACTICAL WORKED EXAMPLE: CONSTRUCTING THE CREDIT CURVE

- Different scenarios and how to overcome the inherent difficulties
- Practical approaches to spreads and defaults

3 EVALUATING THE PRACTICAL APPLICATION OF ALTERNATIVE THEORETICAL PRICING TECHNIQUES

- 3.1 Effectively applying existing academic modelling techniques for default probability
 - Duffie/Singleton
 - BGM, HJM, Schönbucher

- expected loss approach
- credit rating transition approach Jarrow/Turnbull/Lando
- Merton/KMV
- Jarrow/Madan with jumps
- 3.2 Implementing the default diffusing approach and linking it to market elements
- 3.3 Alternative modelling techniques for pricing credit derivatives
 - Monte Carlo techniques
 - trees and finite trees
- 3.4 Practical worked example: pricing a total return swap
- 3.5 Practical worked example: pricing a credit spread option

4. COMPARATIVE ANALYSIS OF COMMERCIAL PORTFOLIO MODELS FOR PRICING PORTFOLIO AND CORRELATION-BASED CREDIT DERIVATIVES

- Correlation analysis: impact of correlation on portfolio credit risk
- Data limitations and their impact
- Moody's loss score model
- Factor models in the Merton framework

5. THE VALUATION OF BOOKS OF CREDIT DERIVATIVES

- Sources of data for pricing credit
- Empirical curve fitting for single credits
- Unravelling credit and liquidity in the bond markets
- Generic curve fitting for less liquid credits
- Applying credit curves to collateral valuation
- Applying credit curves in portfolio modelling

Tom McNerney, Head of Securities & Risk
TORONTO DOMINION SECURITIES

The Risk Awards



Risk's annual awards are presented in recognition of innovation and excellence in the derivatives industry and the science of risk management.

Winners will be presented with their awards at the Risk2001 Europe Congress Dinner.

www.risk.net/riskawards2001

- Lifetime Achievement Award
- Derivatives House of the year and Interest Rates Derivatives House of the year
- Currency Derivatives House of the year
- Equity Derivatives House of the year
- Credit Derivatives House of the year
- Energy and Commodity Derivatives House of the year
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- Corporate Risk Manager of the year
- Asset Management Risk Manager of the year
- Alternative Risk Solutions House of the year
- Derivatives Exchange of the year
- Software Product of the year
- Technological Development of the year
- Quants of the year

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