Risk Management: Foundations for a Changing Financial World

ISBN: 9780470903391

Table Of Contents:

Foreword xiii
Acknowledgments xv
Introduction 1 (4)

PART I OVERVIEW—TWO DECADES OF RISK MANAGEMENT 5 (2)

1990-1999

Chapter 1 A Framework for Understanding Market Crisis 7 (18)
Richard M. Bookstaber

Chapter 2 Practical Issues in Choosing and Applying Risk Management Tools 25 (14)
Jacques Longerstaey

Chapter 3 The Three P’s of Total Risk Management 39 (22)
Andrew W. Lo
Chapter 4 Reporting and Monitoring Risk Exposure 61 (12)  
Robert W. Kopprasch

2000-PRESENT

Chapter 5 Risk Management: A Review 73 (40)  
Sebastien Lleo

Chapter 6 Defining Risk 113 (12)  
Glyn A. Holton

Chapter 7 Value and Risk: Beyond Betas 125 (8)  
Aswath Damodaran

Chapter 8 A Simple Theory of the Financial Crisis; or, Why Fischer Black Still Matters 133 (6)

Tyler Cowen

Chapter 9 Managing Firm Risk 139 (14)  
Bluford H. Putnam

Chapter 10 Risk Measurement versus Risk Management 153 (8)  
D. Sykes Wilford

PART II MEASURING RISK 161 (160)

Chapter 11 What Volatility Tells us About Diversification and Risk Management 163 (12)  
Max Darnell

Chapter 12 Risk2: Measuring the Risk in Value at Risk 175 (14)  
Philippe Jorion

Chapter 13 How Risk Management Can Benefit Portfolio Managers 189 (16)  
Michelle McCarthy

Chapter 14 Merging the Risk Management Objectives of the Client and Investment Manager 205 (14)

Bennett W. Golub

Chapter 15 The Mismeasurement of Risk 219 (14)  
Mark Kritzman

Don Rich

Chapter 16 Riskiness in Risk Measurement 233 (16)  
Roland Lochoff

Chapter 17 The Second Moment 249 (4)
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Authors</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 18 The Sense and Nonsense of Risk Budgeting</td>
<td>Don Ezra</td>
<td>253(20)</td>
</tr>
<tr>
<td>Chapter 19 Understanding and Monitoring the Liquidity Crisis Cycle</td>
<td>Arjan B. Berkelaar, Adam Kober, Masaki Tsumagari</td>
<td>273(10)</td>
</tr>
<tr>
<td>Chapter 20 Why Company-Specific Risk Changes over Time</td>
<td>James A. Bennett, Richard W. Sias</td>
<td>283(18)</td>
</tr>
<tr>
<td>Chapter 21 Black Monday and Black Swans</td>
<td>John C. Bogle</td>
<td>301(16)</td>
</tr>
<tr>
<td>Chapter 22 The Uncorrelated Return Myth</td>
<td>Richard M. Ennis</td>
<td>317(4)</td>
</tr>
<tr>
<td>PART III MANAGING RISK</td>
<td></td>
<td>321(2)</td>
</tr>
<tr>
<td>ALTERNATIVE INVESTMENTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chapter 23 Risk Management for Hedge Funds: Introduction and Overview</td>
<td>Andrew W. Lo</td>
<td>323(30)</td>
</tr>
<tr>
<td>Chapter 24 Risk Management for Alternative Investment Strategies</td>
<td>Leslie Rahl</td>
<td>353(14)</td>
</tr>
<tr>
<td>Chapter 25 Sources of Change and Risk for Hedge Funds</td>
<td>Clifford S. Asness</td>
<td>367(12)</td>
</tr>
<tr>
<td>Chapter 26 Risk Management in a Fund of Funds</td>
<td>S. Luke Ellis</td>
<td>379(12)</td>
</tr>
<tr>
<td>Chapter 27 Hedge Funds: Risk and Return</td>
<td>Burton G. Malkiel, Atanu Saha</td>
<td>391(16)</td>
</tr>
<tr>
<td>CREDIT RISK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chapter 28 Credit Risk</td>
<td>Jeremy Graveline, Michael Kokalari</td>
<td>407(20)</td>
</tr>
<tr>
<td>Chapter 29 Tumbling Tower of Babel: Subprime Securitization and the Credit</td>
<td></td>
<td>427(20)</td>
</tr>
</tbody>
</table>
NONFINANCIAL RISK

Chapter 43 A Behavioral Perspective on Risk Management 657(10)
Andrew W. Lo

Chapter 44 Behavioral Risk: Anecdotes and Disturbing Evidence 667(6)
Arnold S. Wood

Chapter 45 The Ten Commandments of Operational Due Diligence 673(8)
Robert P. Swan III

Chapter 46 Models 681(8)
Emanuel Derman

Chapter 47 The Use and Misuse of Models in Investment Management 689(12)
Douglas T. Breeden

Chapter 48 Regulating Financial Markets: Protecting Us from Ourselves and Others 701(14)
Meir Statman

PENSION RISK

Chapter 49 Budgeting and Monitoring Pension Fund Risk 715(20)
William F. Sharpe

Chapter 50 The Plan Sponsor's Perspective on Risk Management Programs 735(10)
Desmond MacIntyre

Chapter 51 Evaluating a Risk-Management Program 745(10)
Christopher J. Campisano

Chapter 52 Developing and Implementing a Risk-Budgeting System 755(16)
Leo J. de Bever

Chapter 53 Liability-Driven Investment Strategies for Pension Funds 771(10)
Roman von Ah

About the Contributors 781(2)

Index 783
Author Notes:

Walter V. "Bud" Haslett Jr., CFA, is Head, Risk Management, Derivatives, and Alternative Investments for CFA Institute. Mr. Haslett has served CFA Institute as an exam grader and member of the Council of Examiners as well as an ad hoc reviewer for the Financial Analysts Journal and abstractor for the CFA Digest. He is past president of the CFA Society of Philadelphia and former board member of the New York Society of Security Analysts. He holds a Master of Liberal Arts from the University of Pennsylvania and an MBA from Drexel University. Prior to joining CFA Institute, Mr. Haslett was head of option analytics for Miller Tabak & Co., LLC, and spent much of his career managing risk on the option trading floors at the Philadelphia Stock Exchange.

Inside Flap:

Praise for Risk Management

"A timeless collection of thought-provoking ideas from the rock stars of risk management."

—Don M. Chance, James C. Flores Endowed Chair of MBA Studies, Louisiana State University

"Risk management has taken quite a beating recently. In this collection of modern and classical papers, Bud Haslett shows how risk management is still alive and kicking. But the war is never ending; use this book as an inspiration for new arms and building an arsenal for the next battle."

—Paul Wilmott, author, researcher, and designer of the Certificate in Quantitative Finance (CQF) and wilmott.com

Seminal research and expert analysis on the most important topic in modern finance

Risk management has become virtually as important as portfolio construction and asset selection—even more so after the financial crisis of 2008. Those who understood the finer points of risk management were better able to cope with the recent carnage in the markets than those who depended entirely on the field's quantitative aspects. It is these finer points of risk management that this work brings to the surface, thereby enlightening the reader. Collecting key readings on the subject from the world's preeminent organization representing financial analysts—CFA Institute—Risk Management: Foundations for a Changing Financial World offers investment professionals a solid grounding in the philosophy, background, and development of the practice of risk management.
From the evolution of risk management to credit risk; risk measurement; and managing the risk of derivatives, alternative investments, pension funds, and international investments, the book's expert contributors cover the key topics investment professionals worry about daily.