

Excellence in Risk Exposure Mitigation



Winner: Risk Limited Corporation

Risk management for the purposes of this Award is defined as the measurement, management and execution of risk control. Some of the major concerns important here relate to the mitigation of credit, counterparty, price and volume risk (including pre- and post-trade risk management). And with the commodity markets becoming increasingly convergent, advances in the portfolio risk management approach are also important. Risk Management starts from the point of data capture and encompasses the identification of risk and the strategic development and management of the risk process.

This year's winner of the Award for Excellence in Risk Exposure Mitigation is presented to Risk Limited Corporation. The new RiskRank counterparty credit system from Risk Limited Corp is a major innovation of the last year and a breakthrough in that it provides a better credit risk management toolset, a more comprehensive assessment of counterparty credit default risk probability, and an alternative to the sole reliance on credit rating agency ratings (which have been shown to be unreliable in periods of high volatility and structural change, and subject to significant underestimation of systemic risk).

It also offers mid- and smaller-size companies the means (which most did not have before the RiskRank.com introduction) to model or gauge credit risk on counterparties, and prospective counter parties, who may not have ratings from the credit rating agencies. It is innovative and contributive to credit risk management development.

The credit system includes other tools, such as market watch, news filtering for portfolio names, a credit line allocation tool, and easy references to the fundamentals of credit risk analysis to reduce any 'black box' aspects of models and credit limit recommendations. It is also offered on a secure web-enabled basis, which lowers the costs and provides a more efficient delivery of the information and related tools for a consolidated credit risk management approach. Basically, this web approach provides some rather complex things, like ratings models, in a very simple way from the user's standpoint.

All-in the RiskRank is an innovation that was much needed by the commodity-trading segment, which continues to have significant counterparty credit risk exposure.

"We found that there are quite a few challenges in developing and offering such a service (which may at least partially explain the lack of alternatives developed for a function that is in high demand). Foremost of the challenges is the complexity of developing a better default probability algorithm and methodology. That is the intellectual and quantitative research achievement," says Luigi Ceneri, Managing Director, Risk Limited Corporation.

There is also a creativity achievement in the credit portal for web-enabled delivery. Offering a web-enabled system has its own challenges, although these are generally technical design issues and programming challenges, particularly when creating a secure content management system (CMS) type of client access.

The Award for Excellence in Risk Exposure Mitigation was presented to Luigi Ceneri, Managing Director, Risk Limited Corporation, by Gyles Brandreth, celebrated British author, broadcaster, actor and former Conservative Member of Parliament.