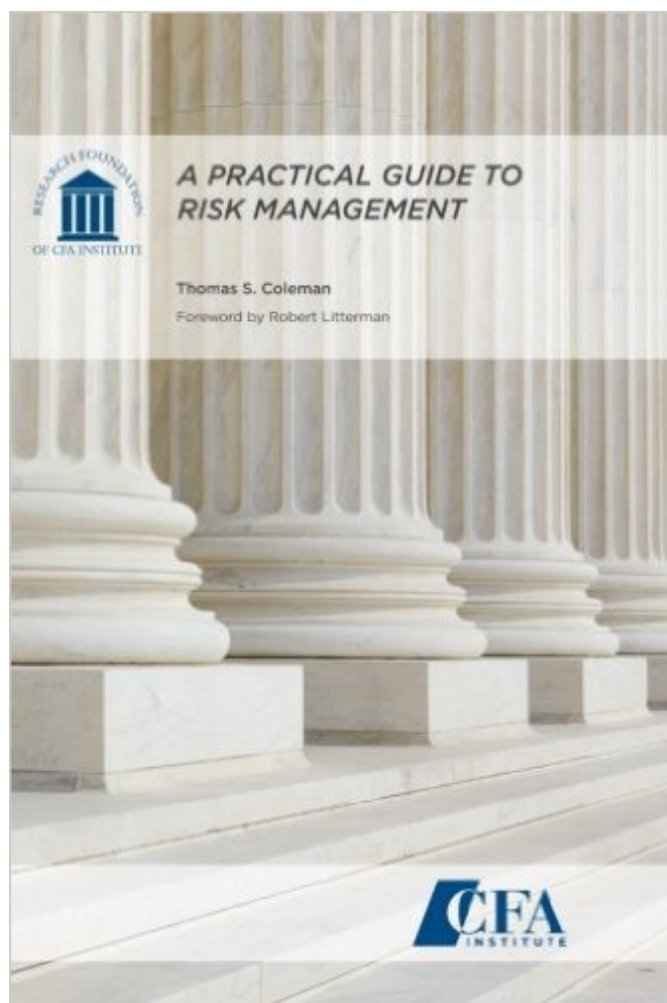


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# A Practical Guide To Risk Management



## Synopsis

Managing risk is at the core of managing any financial organization. Risk measurement and quantitative tools are critical aids for supporting risk management, but quantitative tools alone are no substitute for judgment, wisdom, and knowledge. Managers within a financial organization must be, before anything else, risk managers in the true sense of managing the risks that the firm faces.

## Book Information

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## Customer Reviews

This book is focused on risk management for a financial firm, and is mainly devoted to the analysis of financial risk. Some interesting ideas arise: (i) Risk management is too important a responsibility for managers to delegate it. (ii) Risk management is about taking advantage of opportunities: *controlling the downside and exploiting the upside* (distinguishing between downside risk and upside opportunity). (iii) The only outcome that matters is future cash flow and profits of the firm. Here I summarize some of the main ideas from each Chapter: In Chapter 1 the author presents some concepts about risk measurement and management. Chapter 2 has a very interesting discussion on probability and intuition, including a nice set of examples on how intuition might fool you in measuring probabilities. It discusses Frequency type and Bayesian type probabilities. In Chapter 3 Coleman shows the importance of soft managerial skills in risk management discussing the importance of managing people, processes, data, etc. In my opinion this discussion is too light and brief given its importance in the final outcome. In the section Organizational Structure, there is an interesting discussion regarding the structure of the risk management department and the role of the CRO. In Chapter 4 the author lists and discusses several financial disasters. They are separated into Idiosyncratic and Systemic problems. There is not much more than that, but the data in

interesting. The list of lessons learned in Page 119 is worth reading. Chapter 5 presents quantitative risk measurement techniques, with a strong emphasis on VaR (including a brief discussion on the models to estimate it) and volatility.

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