Nordic Insights: Risk Management

Stockholm (HedgeNordic.com) – Risk Management is playing an ever increasing role in all segments of the financial industry. Even more in the aftermath of the turbulences of 2008, this is especially true for hedge funds. Risk management takes place and affects many areas of a fund and asset managers operations, from trading, operational set up, legal structure, data and infrastructure to name a few.

Together with Northern Trust, HedgeNordic invited a panel of regional experts to discuss Risk Management and how it is applied in theory and practice within Nordic hedge funds. We were thrilled to be joined by a distinguished, diverse group ranging from risk managers, portfolio managers and academics from across the Nordics and beyond. The topics we discussed in a lively and informative meeting were:

1. What do you incorporate in the definition of risk?

2. May risk and extreme events be defined differently depending on the nature and risk appetite of the specific firm (and person) defining it?

3. Do regulatory requirements mitigate extreme events (so called “fat tail” events) and/or help make their effects less severe?

4. What competencies are needed to handle those “impossible events” defined as “fat tail event”? 5. Do finance professionals already work with preventive measures regarding extreme events?

The format chosen to compose this paper intends to let the reader participate as close as possible and “listen in” to the discussion among industry professionals in their own words.

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