

GBM #2 – Risk Management

18 September 2024



MEETING OVERVIEW

- **What is Risk Management?**
 - **In regards to a Bank, Asset Manager, Hedge Fund?**
- **What are the different areas of Risk? What does someone in each position do?**
 - **Market Risk, Quant Risk, Credit Risk, Enterprise Risk**
 - **What positions should you aim for/avoid?**
- **What was my position in Risk at Fidelity like?**
- **What is the recruitment process like?**
 - **Who are they looking for? When to apply? Where to apply? Interview Questions?**
- **What are some typical salaries for Risk positions?**



WHAT IS RISK MANAGEMENT?

Risk Management in terms of a Bank, Asset Manager or Hedge Fund is the act of creating or maintaining processes that minimize the loss of Assets (physical or intangible) that occurs while doing business.

This can be done in a few ways...

- Through Vendor risk - vetting vendors before relying on them for information
- Through Credit risk - vetting retail or institutional clients before loaning them money or securities
- Through Liquidity risk - calculating the overall liquidity of an institution in constant preparation of a financial emergency
- Through Reputation risk - making sure the firm maintains an objectively good public image
- etc.

Risk is a broad field with many different areas of interest. On the next few slides I'll go over what **I think** are the “big 4” of Risk.



MARKET RISK

Market risk can be done in a few ways...

- A (traditional) trader at a firm will be in and out of positions throughout the day. A market risk analyst will work with that trader daily to ensure they aren't overexposed in their positions or losing too much money for the firm.
- Another example of Market Risk could be a Risk Analyst monitoring an actively managed portfolio to ensure the portfolio's Sharpe ratio (or whatever risk metric the firm uses) is within a given range.

The importance (for you all) of Market Risk is that you're "close to the money". Everything you do is potentially "saving" the firm money. Without you, traders or whoever you support in the front office, can and will run wild.



MARKET RISK



(Clip from “Margin Call” (2011) Play at 3:10)



QUANT RISK

Quant Risk differs from market risk but is similar in some ways...

- An example of Quant Risk is “Model Validation”. Analysts in this field are actively creating or optimizing models used to calculate risk, project returns on investments, or optimize portfolios.

Quant Risk typically requires an undergraduate degree in STEM + Finance, or just STEM. In some cases, depending on the severity of the model, a Quant Risk Analyst may need a Master’s in Financial Engineering, Physics, Applied Math, etc.

The relation to Market Risk is that you’re also “close to the money”. The models you’re creating or optimizing allow the traders and other risk analysts to do their everyday tasks. Without those models the firm wouldn’t exist.



CREDIT RISK

Credit Risk could look like the following...

A Credit Risk Analyst will be vetting clients for loans, aka credit.

- An example of what a Credit Risk Analyst might do is work with the lending and credit departments of a firm to evaluate the credit-worthiness of clients looking to take on loans in the future. They'll also monitor the performance of the clients they've already approved in the past.

While Credit Risk isn't as glamorous as Market or Quant Risk, it is still a necessary function for any financial institution that deals with loans. You aren't as close to the money, but are still a necessary function.



ENTERPRISE RISK

Enterprise Risk is a large field, but some examples could be...

- “True” Enterprise Risk - Evaluating the risk associated with all areas of the Firm’s business. An analyst may perform Quality Assurance Reviews and gather internal financials from groups.
- Vendor Risk - vetting vendors before relying on them for information.
- Liquidity Risk - calculating the overall liquidity of an institution in constant preparation of a financial emergency.
- Reputational Risk - making sure the firm maintains an objectively good public image.



WHAT I DID FOR FIDELITY

- Prime Services Risk
 - Prime Services = The business in which Asset Managers and Hedge Funds communicate and transact.
 - Measured the risk of hedge fund portfolios, Utilized quantitative models to calculate margin requirements, Communicated with Hedge Fund PMs to negotiate margin reqs
 - Worked in the Quant Model to better find ways to improve it to better calculate security risk
 - Daily, Weekly, Monthly tasks such as reviewing margin requirements and answering PMs, scanning the market for risky securities and then cross referencing HF portfolios, attending client meetings and team meetings, helping to create Monthly PowerPoint reviews



WHAT I DID FOR FIDELITY



RECRUITMENT PROCESS

- Looking for Business Majors, STEM majors.
 - Market and Quant Risk roles are more strict, looking for Finance + STEM majors (Either a combination of the two or one of the other)
- Same Timeline as banks/asset managers
 - Recruitment for Internships and Full-Time jobs is happening now and will start to close in November and open up again in March
- Look up “2025 Risk” on LinkedIn and places to apply will come up.
 - Besides that, apply to every Asset Manager, Bank, and Hedge Fund you can think of
- Interview Questions are a good mix of both behavioral and technical. Market and Quant Risk will have harder questions than Credit and Enterprise



SOME TYPICAL SALARIES

- Enterprise Risk will typically have the lowest salary
 - Ranging from 55-70k starting in NYC, with bonuses between 5-15%
- Credit Risk Follows this
 - Ranging from 65-75k starting in NYC, with bonuses between 10-20%
- Market and Quant Risk tend to be around the same
 - Ranging from 80-95k starting in NYC, with bonuses sitting between 15-30%
- Sign-on for all roles tend to be between 0-10k

***Not to be taken as fact** (the ranges may differ) but this is what I've seen in my experience with Risk Management*

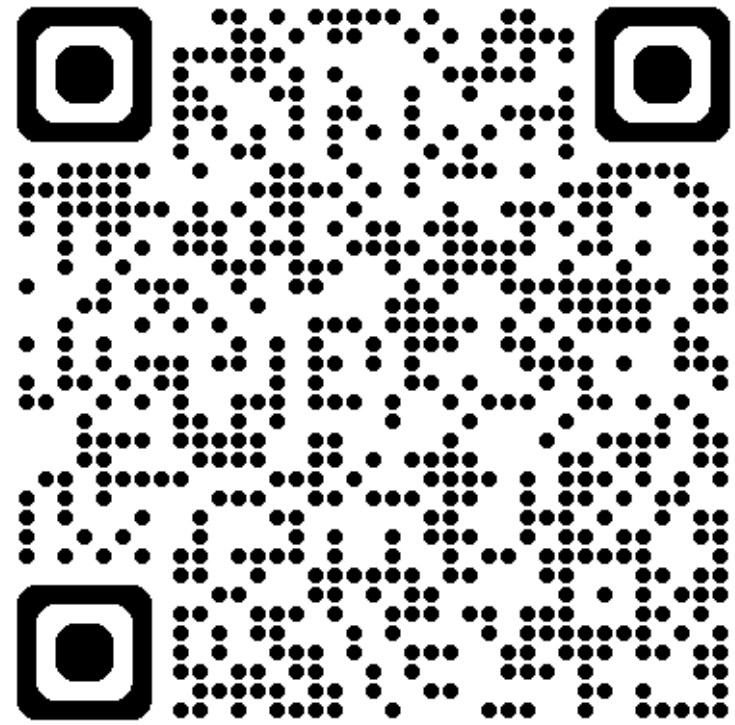


MY OPINIONS + EXIT OPPORTUNITIES

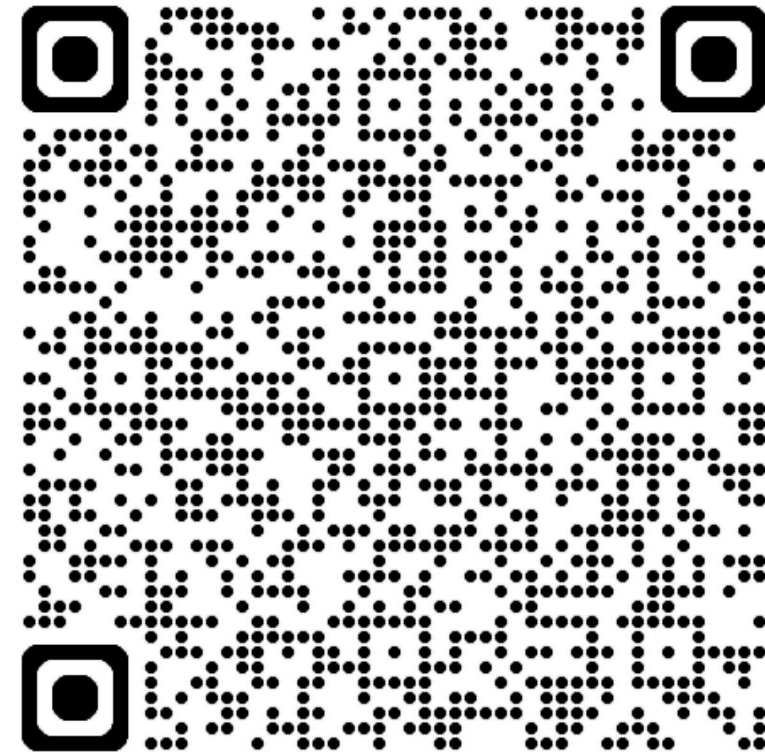
- Market and Quant Risk can easily lead to a career in any of the following...
 - Sales and Trading (Bank)
 - Hedge Fund Trading
 - Asset Management Trading
 - Portfolio Manager (HF or AM)
 - Quantitative Analyst (Bank, HF, or AM)
 - Wealth Manager (WM Firm, Bank, AM)
- Or you could climb up the ladder and become an MD. Salaries for Market/Quant Risk MDs can range anywhere from 350k-600k. With bonuses between 70-120%
- Hours for Market and Quant Risk Analysts tend to be between 40 and 60/week



MUFG HIRING EVENT 9/25/24



Interest Form



Risk Management



Corporate Finance



FOURIER FUND



Thank you!

Attendance



Website / Mailing List

NEW WEBSITE
INCOMING...

Discord

