INVESTMENT MANAGERS SHOULD NOT BE TERRITORIAL IN FINANCE

ZULFIKAR MOINUDDIN AHMED

I will make this concrete because my own interests are involved. There are several senior investment executives at Bank of New York Mellon that may be involved in investing in my efforts.

I personally know Ron Layard-Liesching who I consider a friend. We met when I was a Vice President of Quantitative Research at Gresham Investment Management in 2007 or so. He was positive and encouraging then. I have done some very high quality Finance work since even far from centers of Finance. I have one the world's very best closed form long memory stochastic volatility models that fit empirical volatility surfaces much more tightly than Steven Heston and David Bates models that is known by Robert Merton. I have produced beautiful universal alpha strategies in all asset classes and pioneered Medium Frequency pure arbitrage methods and D. E. Shaw is trading \$6 billion on it now. So for Ronald Layard-Liesching, I could be considered quite differently than other executives at Bank of Mellon New York. He might have a positive view of me as a Finance man and therefore likely to take a risk of \$0.5 billion more easily than someone else. His risk assessment for any project that I do might be more optimistic that others because that's a psychological effect of knowing someone professionally over a long period of time.

On the other hand Ms. Hanneke Smits has a more neutral view and could be considering the proposed project on its own merits. She does not know me for many years and therefore she might have a totally different risk assessment. She might examine my spotty resume where I have nothing for a decade and consider this a negative for risk of Bank of New York Mellon funds. She might consider the project proposal to have merit, but she might assess risk differently than Mr. Layard-Liesching.

In brief, the reasonable assessment of risk involved might be different for a \$0.5 billion allocation between two executives of the same firm. Let's generalise this situation to understand the point I will be making. In case in the same Finance firm two executives have different risk appraisal of the same project, neither is actually right or wrong. They ought to not clash on their risk assessments and be territorial. If H. Smits wants to put in \$0.5 billion in a project based on her assessment, or deny it, then that is a good decision for her assessment, and that is fine. Similarly if Mr. Layard-Liesching makes a decision to allocate it is on his assessment.

I don't think it's wrong for one to have a positive assessment and other a negative assessment. The one who wants to take a risk on behalf of BoNY Mellon ought to do so and the other ought not consider it an infringement of their 'territory' or authority. This is because the individual executive is bearing the risk on behalf of

Date: July 15, 2021.

BoNY Mellon, and individuals have different risk assessments. I think it is very bad for Finance when risk assessment is demanded that is uniform. That will not occur ever. Why? Because the future is unknown and risk assessment has many subjective elements when actual money is at stake. Experience endows Finance executives with all sorts of subjective elements. And they will necessarily differ. That is precisely why BoNY Mellon hired executives with experience. Differences in risk assessment is inevitable, and in the case of disagreement, the one with negative assessment ought to yield without negative feelings and simply consider it someone else's headache.