Surveying the risk management landscape

Which risk management system provider is right for your company? For the second year running, Funds Europe surveyed 15 leading firms to find out about their instrument coverage and their broader functionality

This year's risk vendor survey is the second such study undertaken by this magazine and, as is to be expected given the increased attention lavished on the risk management function, there has been an increase in both the number of entrants and the services that systems providers are offering to risk managers.

The principal aim of the survey is to give fund managers a rough guide to the kind of systems available to them as they undergo a reappraisal of their risk management strategy and structure. This guide includes basic information about the vendors themselves, the portfolio and instrument coverage of the systems and more comprehensive information on the risk-specific functionality offered by each system.

While there have been no seismic changes in the last twelve months, it is possible to see some trends in the various categories. In terms of risk coverage, there has been far more attention paid to counterparty risk and liquidity risk, underlining the fact that risk is no longer simply about market and credit risk.

Valuations has become another big issue for risk managers over the last two years when the fall of Lehman Brothers unveiled just how poorly this problem had been managed by market participants. Consequently most systems have or are in the process of developing links with independent valuations experts such as Markit Partners and market data providers such as Bloomberg.

There are also an increasing number of vendors making their systems available as a hosted solution rather than as an in-house installation, reflecting both the need for fund managers to save money where possible and also the improvements in the technology behind hosted solutions such as service-oriented architecture, cloud computing and software-as-a-service (SaaS).

These software models are particularly applicable for the alternatives market where managers will have less IT resources at their disposal, so it is no surprise that Sophis, among others, has released its iSophis offering over the last six months which offers a portfolio and risk reporting service to hedge fund managers using the SaaS delivery model.

The iSophis release also hints at another trend we have seen – increased specialisation in terms of manager types, such as hedge funds, and also specific risks. For example, FinAnalytica's Cognity is a market risk system that specifically addresses fat tails, volatility clustering, skewness and correlation asymmetry

Finally, it is difficult to talk about risk management without mentioning regulation and compliance. However, while there are a growing number of compliance-based systems available employing dashboards, reporting services and other techniques borrowed from the data management industry, these were not included in this year's risk systems survey as they are deemed more worthy of a survey in their own right.

FinAnalytica

1. Name of system
Cognity

2. Original release date, last update and next update
Launched in 2001, the current version, 3.0, was released in September 2009. The next release, 3.2, will be in April 2010

3. Number of customers
Close to 35

4. Target market
Focused exclusively on the buy-side – fund of funds, hedge funds, pension funds and diversified asset managers

5. Geographical coverage of customer base
Primarily North America, UK and Europe with Middle East and Asia recently added

6. Risk coverage
Market risk and portfolio risk with some liquidity and compliance applications

7. Risk functionality
Asset/manager screening; factor modelling; risk/exposure management; risk budgeting and reporting; stress testing; portfolio optimisation; what-if analysis

8. Portfolio coverage
Cognity supports global, multi-currency, multi-asset class portfolios including position-based equity, fixed income and hedge fund portfolios as well as returns-based multi-manager portfolios with mixed frequency returns

9. Instrument coverage
An expanding list of instrument types across equities, fixed income, money markets, derivatives, foreign exchange, futures, options and alternatives

10. Available formats
Available as both an ASP-hosted service and as an in-house installation

11. Additional features
A web-services API to facilitate integration with internal systems and connectivity with external databases and third-party applications

12. Fifty-word pitch
Cognity is the only market risk solution that directly addresses the real-world phenomenon of fat tails, volatility clustering, skewness and correlation asymmetry. This unique analytic insight is delivered within a transparent modelling framework. Cognity provides the flexibility, scalability and coverage demanded by today's market practitioners

Contact details
Michael Palmieri +1 212 880 2670
sales@finanalytica.com
www.finanalytica.com

FinAnalytica
Risk Solutions for the Real World

FinAnalytica is a leading provider of real world portfolio and risk management solutions for quantitative analysts and portfolio managers.

FinAnalytica's Cognity software suite incorporates the latest and most transparent advances in analytics, including comprehensive treatment of real world fat-tailed and skewed asset returns. Cognity holdings-based and returns-based market risk solutions offer research and risk professionals the most incisive view of risk through patented fat-tailed processes that accurately differentiate downside risks and upside opportunities. Cognity demonstrates to investors a clear grasp of forward looking, real world risks.

With offices in New York, London and Sofia, FinAnalytica supports leading asset managers, hedge funds, fund of funds, endowments, and pension funds globally. For further information, please visit **www.finanalytica.com**

New York
100 Park Avenue, 16th Floor
New York, NY 10017 USA
Telephone: +1 (212) 880 - 2670
Fax: +1 (212) 880 - 2679
e-mail: sales@finanalytica.com

London
1 Liverpool Street
London EC2M 7QD UK
Telephone: +44 (0)20 7956 2778
Fax:+44 (0) 20 7956 2001
e-mail: sales@finanalytica.com

Sofia, Bulgaria
1407 Sofia
21 Srebarna Str., Floor 5
Telephone: +359 2 962 4645
e-mail: sales@finanalytica.com