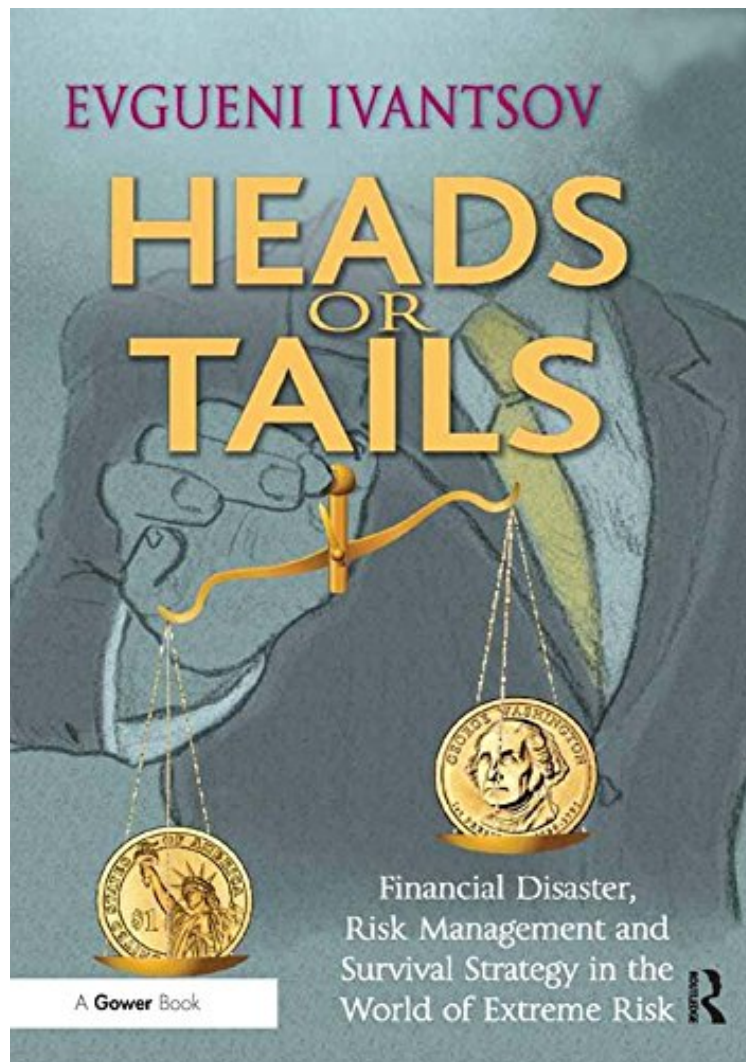


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# Heads or Tails: Financial Disaster, Risk Management and Survival Strategy in the World of Extreme Risk

*Evgueni Ivantsov*

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**Evgueni Ivantsov : Heads or Tails: Financial Disaster, Risk Management and Survival Strategy in the World of Extreme Risk** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Heads or Tails: Financial Disaster, Risk Management and Survival Strategy in the World of Extreme Risk:

In the wake of the global financial crisis, Heads or Tails answers the question: what changes should financial institutions undergo to ensure reliable protection against extreme risks? Recent massive failures among large and

respected financial institutions, clearly demonstrate that contemporary risk management and regulation fail to provide adequate responses to the challenges set by extreme risks. Dr Evgueni Ivantsov combines analysis of the nature of extreme risk (so-called tail risk), risk management practices and practical solutions to build a robust, enterprise-wide, extreme risk management framework which includes three lines of defence, ranging from strategic to tactical, designed to help address the tail risk during different stages of its development. The author also discusses: cent; Why modern 'sophisticated' risk management frameworks, strong capitalisation and liquidity do not prevent banks from failure in the face of systemic crisis; cent; What it means to build an effective defence against systemic and catastrophic losses; cent; What risk architecture should look like to ensure that extreme risk events are identified early and efficiently mitigated; cent; How modern management practices, regulation and risk and business culture need to change to guarantee sustainability. While the context of Dr Ivantsov's writing is financial services, the book contains an important message for specialists from any industries exposed to the extreme risks (oil/gas, energy, mining, chemical productions, transportation, etc.). Until the shortcomings of current risk management and regulation are resolved, financial services and other at risk industries will repeat the painful mistakes of the past, over and over again.

Risk managers that want to survive the next ice age in the financial system must read this book. Ivantsov lucidly explains what went wrong in the Great Recession and why financial institutions and their regulators remain ill-prepared for the next extreme event. They need to change, and this book tells them how. Mark Zandi, Chief Economist of Moody's Analytics, cofounder of Economy.com and advisor to US policymakers *Heads or Tails* is an indispensable rethinking of extreme risks for the rebuilding of the financial services industry. Lee Howell, Managing Director and Member of the Managing Board, World Economic Forum *Editor in Chief, Global Risks 2013 Heads or Tails* is a thorough and readable account of the extreme dangers... Dr Ivantsov offers many suggestions as to how current risk management practices, regulation and culture should be changed to ensure that extreme risks are managed properly, to ensure the safety of the organisation and the stability of the financial system as a whole. --Michael Imeson, Associate Editor, Financial Times Live, Contributing Editor, The Banker Magazine This book is an excellent read for anyone that has been involved with, or wants to learn about, the recent financial crisis. The author provides thought provoking analysis and presents a very engaging section that challenges the regulatory response to the crisis. The book is a joy to read. It is written in a forthright style using irrefutable empirical evidence and effective demonstrative analogies to great effect. As a risk practitioner I thoroughly enjoyed this book however I believe the author has approached the subject in such an engaging manner that its appeal will span a much wider audience. Kevin O'Rourke, Chief Risk Officer General Manager, Mizuho Bank (Europe) Evgueni's book, which is studded with interestingly relevant examples, reminds us that there is more to ensuring banks do not fail than the regulator's more capital, more liquidity mantra. He encourages us to step outside the risk management comfort zone and think about managing tail risk by devising scenarios that push managers to consider extreme what-ifs, which can act as a flight simulator, so that they are better able to cope with tail risks when they crystallise. His is an important and very readable book for all those searching for a more creative approach to risk management. Simon Hills, Executive Director, the British Bankers Association In this book Evgueni explains in ways that are accessible to a broad range of persons, who may have no great command of financial mathematics, the role reliance on models played in the financial crisis. In particular he analyses the problems of the ballooning of risk in a crisis and the enormous problems associated with trying to model risk in extreme outcomes. He illustrates the limitations of risk models with clear and interesting examples and gives us some powerful insight aimed at improving our current regulator reaction to the crisis. Above all his message is Tail risk is different; I could not agree more. --Brandon Davies, Chairman, Premier European Capital and former Non-Executive Board Director and Chairman, Audit and Risk Committee, Gatehouse Bank A brilliant review of the financial crash and the problems associated with calculating actual risk exposure in the financial markets. Dr Ivantsov applies supreme logic and intellectual acumen when dissecting the topics of bank capital and risk management, and the result is incisive. Everyone with an interest in the events of 2007-2009, from students to CEOs to regulators, should read this clear, accessible and coherent account of the causes of the crash and its accompanying critique of the legislators' response that was Basel III. Unlike most authors on this subject, Dr Ivantsov also presents his recommended policy response, which is excellent. An absolute classic and an exceptional and worthy addition to the finance literature. Moorad Choudhry, Group Treasury, Royal Bank of Scotland and Visiting Professor, Department of Mathematical Sciences, Brunel University, UK Dr Ivantsov is one of the leading strategic thinkers in the risk industry today. Often firms establish conventional risk frameworks that capture transaction driven high-frequency low-impact events, and evaluate capital adequacy accordingly. Dr Ivantsov highlights the need to redirect our focus to the catastrophic events, the low-frequency high-impact incidents that really cause companies to fail, the compounding of sequences of extreme risk, and proposes approaches needed to tackle such extreme risks. This is a must read for risk managers across all disciplines and industries. Harry Rogers, Head of Risk Management, Bank of China, UK This book provides fresh and valuable insights into the extent of our continued ignorance of the changing nature of risk and the inadequacy of current responses. --Professor Ian Goldin, Director, Oxford Martin School, University of Oxford,

UKAbout the AuthorDr Evgueni Ivantsov is an internationally-recognised specialist in risk management. He is Chairman of the European Risk Management Council, a think tank of risk executives from leading financial institutions operating in Europe. He is also a member of the Advisory Group on Global Risks of the World Economic Forum. Dr Ivantsov works at Lloyds Banking Group as the Head of Portfolio Management and Strategy responsible for solutions mitigating risks and improving the portfolio risk/return profile. Prior to this role, he was the Head of Portfolio Risk and Strategy and the Head of Global Analytics at HSBC Group responsible for setting risk appetite, stress testing portfolios across HSBC European region and building risk models and tools for HSBC global portfolios. Prior to this, he worked as a Senior Manager of Credit Portfolio Group at ING Bank, and a Senior Financial Analyst of Large Corporate Rating Agency at BBL (Banque Bruxelles Lambert). Dr Ivantsov was an adjunct Professor of International Economics at Boston University and a Professor of Money, Banking and Credit at the United Business Institutes in Brussels. Evgueni Ivantsov holds MBA and a Ph.D. in Economics.