



Call for Papers

Bank of Finland, CEPR, Journal of Financial Intermediation and SUERF jointly organize a two-day conference on

The Future of Risk Management

on 22-23 September 2011 in Helsinki

Given the tremendous advances in financial risk measurement, why did risk management fail in large and complex financial institutions prior to the global financial crisis? Problems have been identified at least in 1) corporate governance as regards the position and true influence of risk management and in 2) risk measurement methodologies. Related to the first, compensation structures have a close connection with risk taking incentives and hence have a strong bearing on risk management. Methodological issues in turn are part of the larger question of what future emphases economic and financial modeling should take in the light of the crisis and the developments that led to it. The endogenous nature of risk will have to be taken more seriously in risk management. Better understanding and modeling of systemic risks have to be built. However, how much of systemic risks can be expected to be addressed by individual institutions and how much is left to institutions representing public interest is an important question. Overall, risk management may need to put more emphasis on economic theory dealing with market frictions and incompleteness. It should not only rely on financial engineering which is often based on the assumptions of perfect and complete markets with no problems of asymmetric information. Some of these aspects may be very difficult to translate into quantitatively reliable models. Therefore, risk management may have to be supplemented with a much stronger qualitative approach than has often been the case in the previous years.

Original papers subject to high academic standards and preferably with important policy or practical implications are invited, for example, on the following topics, though not restricted to them:

- risk management and corporate governance in financial institutions
- transparency of risk models, within and outside the organization

- compensation, risk-taking and risk management
- endogenous risk, liquidity risk and systemic risk
- benefits and pitfalls of reduced-form models in risk management
- models versus judgment in managing risks; accounting for model risk
- systemic implications of counterparty risk measurement and management
- risk measurement, capital budgeting and risk-weighted capital requirements
- managing the risks of central bank (FX) reserves
- insurance risks
- macroeconomic risks and risk management

Authors willing to submit their paper to the conference should send their paper by 31 March 2011 to Marjut Salovuori (firstname.lastname@bof.fi).

The Journal of Financial Intermediation will publish a special issue on the basis of the conference. Papers submitted to the conference should indicate their intention to be considered for the JFI special issue if accepted to the conference program. If a paper is accepted to the program and has indicated a desire to be considered for the JFI special issue, its JFI submission fee will be waived and it will go through the normal JFI refereeing process.

Papers accepted for the conference will be notified by 1 June 2011 by the Program Committee (Philipp Hartmann (ECB, SUERF); Esa Jokivuolle (BoF, SUERF); Dimitri Vayanos (LSE, CEPR) and Jouko Vilmunen (BoF))

Presenters and discussants from academic non-profit institutions without access to their own funding will have previously agreed travel and accommodation costs met by the Bank of Finland. There will be no charge for participating but other participants should expect to pay their own travel and accommodation costs. For additional information please contact Ms Marjut Salovuori in the e-mail address provided above.