

Prof. Yoonjung Lee of the Statistics Department
invites you to join her...

Stat 170/270 Class on
THURSDAY, APRIL 30, 2009 at
10:00–11:30 AM in
Science Center 309 for:

**“Some Undelusional Work a Statistician Can Do to
Help Control Risks in a Financial Institution”**

Rostislav Protassov

ABSTRACT

The events in the financial markets have been receiving extensive coverage in the media. Some of the publications and commentary, typically intended for a layman, is quick to put blame on supposedly Frankenstein-type activity of the so-called “quants,” or people who do quantitative work supporting business activities of financial institutions. This image is distorted as it is often not accurate in terms of technical and operational details and as it squarely lumps together different kinds of quantitative work.

In fact, the crisis has highlighted the importance of valid quantitative reasoning, in particular the quantification of financial risks in a portfolio. This is an example of work where a statistical mindset is very helpful.

In this talk I will briefly touch upon media “mis-coverage,” types of work “quants” do, and then proceed to focus on the statistical aspects and challenges of the quant work based on my experience working on Citi’s Cross-Product Margining (CPM) platform. CPM is used to margin portfolios Citi finances for clients. CPM, inter alia, protects Citi by preventing a client from taking on risks the client cannot really afford.