



Creating Value Through Enhanced Risk Management

SigmaTwo Limited

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Risk Management Solutions



Agenda

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Foreword

- Risk Management is a **high added value** process.
- The list of banks or firms which suffered huge losses in the past is long.
- A “post mortem” analysis shows that all the losses could have been avoided by implementing a **Strong Risk Management Framework** based on the following key principles:

**Experience, Market Knowledge, Discipline,
Strong Controls, Transparency
and Corporate Governance.**

**SigmaTwo can help you implement
a Strong Risk Management Framework.**



About SigmaTwo

- SigmaTwo is an independent consulting firm specializing in Risk Management and Capital Market consulting services.
- SigmaTwo is registered in Sofia, Bulgaria with the aim of assisting banks and enterprises operating in CEE and in Asia.
- SigmaTwo was founded by the former Head of Risk of Market Activities in a major subsidiary of a large International banking group.
 - 15 years experience in Capital Market, Risk Management and Consulting.
 - Skilled in Market Risk, Credit and Counterparty Risk, Operational Risk, MO/BO, Capital Market and Asset Liability Management.
- SigmaTwo has developed a network of Risk, Banking, Management and IT professionals, offering Top level services to its clients.
- Core Partner West Indies Management s.r.o, with cumulative Financial Services experience of 80 years in 25 countries, provides Project and Programme Management, Change, Risk and Governance services to ensure delivery of quality implementations.



Areas of Expertise

Market Risk

FX, IR, EQTY and CTY risk. Trading, treasury and ALM. Value-at-Risk, back-testing, stress testing. Liquidity risk. Pricing models, valuation models.

Credit Risk

Credit scoring, credit limits system, rating scales, exposure on derivatives, credit spread risk, securitization, credit derivatives, credit-VaR, LGD, EAD, PD, Basel 2.

Operational Risk

Losses data base, risk self assessment, key risk indicators, business continuity management, disaster recovery plan, operational risk quantification, Basel 2.

FO/MO/BO Services

Procedures optimization, Software procurement, assistance during selection and implementation of Front/Back system, independent audit, operational losses reduction, new product committee implementation, treasury management advisory services.



Consulting Services

Audit Services	Market activities audit, Risk Management audit
Risk Assessment	Portfolio assessment, procedures review, market parameters validations, data quality control, help for launching of new activities.
IT Systems Advisor	Assistance for selection and implementation of new risk/FO/BO system, assistance during upgrade of systems, pricers validation.
Models Design	Proprietary model design, models validation, model risk analysis.
Basel 2, MiFID, Regulatory and Compliance	Basel 2 and/or MiFID identification and implementation support, internal models implementation.
Project/Program Support	Project/Programme Management, establishment of Centers of Excellence, PMO/PSO, Governance, Risk and Reporting.
Training and Knowledge	Staff & Executive Training/Mentoring, Knowledge Capture, ReUse and Transfer, Measures and Methods, Soft Skills training, integration of overall Organizational Development.
Recruitment Assistance	Technical assistance for recruitment of key collaborators.
Tailor-made Services	To be defined according to the client's needs.



Creating Value

■ Risk management creates value.

- **Risk audit:** Detect problems before things go wrong.
- **Risk procedures:** inappropriate procedures deteriorate profitability.
- **Credit Scoring:** Enhanced scoring model can significantly reduce default rate.
- **Portfolio valuation:** Are your assets correctly revalued?
- **Models validation:** A wrong model can have a disastrous impact on the value of your firm.
- **Risk System Selection:** Don't stay alone in the critical process of FO/Risk system selection. Seek expertise before committing your firm for the long term.

■ SigmaTwo creates value

- Expert opinion.
- Independent and objective opinion.
- Dedication to your projects.
- Flexibility.
- Efficiency.
- Strategic view
- Delivery of business case.
- Delivery of quality
- Build a long-term partnership



The Process

- **Step 0: Introduction to S2 Consulting Services**

- **Step 1: The Initial Meeting**

Together we define how S2 can help you meet your strategic objectives and create value for your firm.

- **Step 2: The Proposal**

S2 provides a written proposal clearly stating the opportunity, outlining the strategic and tactical objectives, the methodology, the deliverables, the timeframes, and the business case.

- **Step 3: The Final Meeting.**

We discuss again the details of the proposal and proceed to some "fine tuning" before agreeing the final terms of the service.

- **Step 4: The Service**

As soon as the terms are agreed upon, the contract and the confidentiality agreement are signed, Sigma Two starts delivering the service as per the proposal.

- **Professionalism**
- **Dedication**
- **Quality Delivery**
- **Creation of Value**



To Conclude ...

- *"Indeed too much public focus has been placed on the sophistication and precision of risk estimation models, and not enough on the more important managerial and judgmental elements of a strong risk management framework. In the end, experience, market knowledge, management discipline, internal risk transparency and strong internal controls will be the more important determinants of how well financial institutions fare when the next storm comes."*

Counterparty Risk Management Policy Group, June 1999



Thank You !

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