

# RMI Luncheon Talk Series 2009



## Jeffrey R. Bohn

Head, Risk Appetite  
Standard Chartered Bank

**Date:** 4 November 2009  
**Time:** 12.00nn – 2.00pm  
**Venue:** RMI Seminar Room, Level 1  
21 Heng Mui Keng Terrace, I<sup>3</sup> Building ([Directions to RMI](#))

[Registration](#) is required. Free admission for RMI affiliated researchers, NUS staff and NUS / RMI students, on first-come-first-serve basis. General public - \$20

## Performance Management at Financial Institutions: Where Theory and Practice Collide

### ABOUT THE SPEAKER

Jeffrey R. Bohn, Ph.D. is Head, Risk Appetite at Standard Chartered Bank in Singapore. Previously, he led the Financial Strategies group at Shinsei Bank in Tokyo. Before moving to Asia, he led Moody's KMV's (MKMV's) Global Research group and MKMV's Credit Strategies group. During his time at MKMV, he also managed MKMV Asia. He is fluent in Japanese. Dr. Bohn has been directly involved in developing several of the models and products currently sold by MKMV. His research group developed, maintained, and improved the models underlying MKMV's product offerings. At Standard Chartered, Dr. Bohn oversees work related to the bank's risk appetite and capital allocation for business lines, product lines, and customer segments. He conducts research in the areas of private and public firm risk assessment, correlation estimation, portfolio risk assessment, collateralized debt obligation risk assessment, credit instrument valuation, credit-trading strategies, bank-funding strategies, bank capital management and management of financial institutions. Dr. Bohn has published widely in the area of credit risk. Recently, he co-authored with Dr. Roger Stein the text *Active Credit Portfolio Management in Practice* (Wiley, 2009). Currently, Dr. Bohn teaches a credit risk modeling course in the Masters of Financial Engineering program at the University of California, Berkeley and teaches a similar course at Tokyo University. He also serves on the board for the International Association of Credit Portfolio Managers (IACPM). He received his Ph.D. in Finance from the University of California, Berkeley.

### ABSTRACT

The recent financial crisis has highlighted the importance of performance management and compensation at financial institutions. While the theory underlying how to develop efficient incentives using allocated capital and cost of capital has been around for years, practical implementations of these metrics face a host of challenges. This presentation will explore these challenges. Dr. Bohn has experience implementing performance management metrics at a number of global financial institutions. He will discuss the theory-practice tensions that arise in the context of the following:

- Short-term profits vs. longer term risks
- Perception vs. reality
- Economic vs. regulatory
- Required data vs. available data
- Best vs. "good enough"
- Complicated "correct" metrics vs. simple "approximate" metrics
- Organizationally desirable vs. organizationally possible

In the end, effective performance management requires tools, education and management buy-in. The theoretically best approaches are not always aligned with what can actually be done to increase shareholder value. Dr. Bohn will contribute his views to this topical debate.