

IMPLEMENTING AN AMA FOR OPERATIONAL RISK

Federal Reserve Bank of Boston

MAY 18–20, 2005



Biographies of Conference Participants

Kevin Bailey serves as the OCC's Deputy Comptroller for Capital and Regulatory Policy. He has direct responsibility for formulating and disseminating OCC policy on bank capital issues and assessing supervisory issues associated with novel bank products and activities. Mr. Bailey oversees the OCC's efforts to develop policies and regulations for implementing proposed revisions to the Basel Capital Accord. He represents the OCC as a member of the Capital Task Force of the Basel Committee on Banking Supervision and serves as Chairperson of the Operational Risk Subgroup of the Basel Committee on Banking Supervision's Accord Implementation Group. A graduate of Boston College and the Villanova University School of Law, Mr. Bailey is a Chartered Financial Analyst.

Susan Schmidt Bies took office in 2001 to a full term as a member of the Board of Governors of the Federal Reserve System. Before becoming a member of the Board, Dr. Bies was Executive Vice President for Risk Management and Auditor at First Tennessee National Corporation, Memphis, Tennessee. She has been Associate Professor of Economics, Rhodes College, Memphis, Tennessee; Assistant Professor of Economics, Wayne State University, Detroit, Michigan; and Chief Regional and Banking Structure Economist at the Federal Reserve Bank of St. Louis. Dr. Bies has been active in leadership positions for various organizations, including the Emerging Issues Task Force of the Financial Accounting Standards Board, the Committee on Corporate Reporting of the Financial Executives Institute, the End Users of Derivatives Association, the American Bankers Association, and the Bank Administration Institute. She received a B.S. in education from the State College of New York at Buffalo and an M.A. and Ph.D., both in economics, from Northwestern University.

Dan Brown is a Vice President and Manager of the Risk Measurement Group at the Northern Trust Company. Dan oversees development of quantitative processes and analytical models to produce Basel II regulatory capital and economic capital estimates for credit, operational, and market risks. Prior to joining Northern Trust in 2001, Dan worked in risk measurement and management roles at Wachovia Corporation, the Board of Trade Clearing Corporation, and in the futures and options markets. Dan received a B.S. degree in economics and an M.B.A. degree in finance and statistics from the University of Chicago, and is a Chartered Financial Analyst.

Valerie Chavez-Demoulin holds a Post Doc position at ETH Zurich within the National Center of Competence in Research Financial Valuation and Risk Management (NCCR FINRISK). She studied Mathematics at the Swiss Federal Institute of Technology in Lausanne. Then she obtained a Ph.D. in statistics at the same institute. Her main areas of interest are the domains of Extreme Value Theory and semi-parametric external models for risk management. Dr. Chavez-Demoulin is also lecturer at University of Geneva, Department of Econometrics and consults for a hedge fund company in Switzerland.

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MAY 18–20, 2005



Joseph Chow is Executive Vice President and Chief Risk and Corporate Administration Officer for State Street, responsible for risk management, compliance, regulatory affairs, community affairs, and the new Basel Capital Accord Implementation program. He is a member of the Operating Group, the company's most senior strategy and policy-making management committee. Mr. Chow served previously as Head of Credit and Risk Policy, responsible for companywide credit policy and the oversight of other major risks, including fiduciary, operational and market risks. Before joining State Street, Mr. Chow held a number of international and corporate banking positions with the Bank of Boston. He received a bachelor of arts in economics from Brandeis University, a master's degree in city planning from the Massachusetts Institute of Technology, and a master of science in management (finance) from the MIT Sloan School of Management.

Roger Cole is Senior Associate Director in the Division of Banking Supervision and Regulation at the Federal Reserve Board. In this capacity, he heads the policy function with responsibilities for policy development, financial analysis, accounting and disclosure. Mr. Cole chairs the Risk Management Group of the Basel Committee on Banking Supervision. Prior to joining the Board in 1979, Mr. Cole was vice president of the financial services subsidiary of The Wyatt Company, and a financial analyst at the Federal Reserve Bank of Boston. He graduated from Bucknell University. Following military service in the U.S. Army, he earned a Masters in economics from Johns Hopkins University. Mr. Cole is a Chartered Financial Analyst.

J. David Cummins is a Harry J. Loman Professor of Insurance and Risk Management at the University of Pennsylvania Wharton School of Business and the Executive Director of the S.S. Huebner Foundation. His research interests include insurance economics, financial risk management, productivity and efficiency, and securitization. Dr. Cummins has taught at Wharton since 1973, being named a Harry J. Loman Professor in 1983. He has held visiting appointments at the University of South Carolina and Georgia State University. He is a member of the editorial boards of several academic journals and his work has been published in journals such as *Journal of Financial Economics*, *Journal of Law and Economics*, and *Journal of Financial Intermediation*. Dr. Cummins received his Ph.D. from the University of Pennsylvania in 1972.

Patrick de Fontnouvelle is an Assistant Vice President and Economist in the Supervision, Regulation and Credit Department at the Federal Reserve Bank of Boston. As head of the Department's Quantitative Analysis Unit, he provides analytical support for the supervisory assessment of internal risk modeling and capital allocation at large banking organizations. Patrick is also involved in Federal Reserve System projects, recently working on issues related to the quantification of credit risk and operational risk. Prior to joining the Bank, Patrick served as a financial economist at the Securities and Exchange Commission. He has also taught economics at Iowa State University. Patrick received his B.A. in mathematics from Princeton University, and his Ph.D. in economics from the University of Wisconsin.

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Federal Reserve Bank of Boston

MAY 18–20, 2005



Rudi De Koker is Co-Head of Risk Analytics at Citigroup. His responsibilities include operational risk analytics, risk capital allocation methodologies and business advisory projects. Until recently, Rudi headed Risk and Capital Analysis for Citigroup International, where he worked across emerging market businesses on country risk management, capital management and risk-return optimization. Before joining Citigroup, Rudi was a management consultant at McKinsey and Company, specializing in strategic finance and risk projects for leading financial institutions, commodity businesses and private equity firms in the US, Europe and Australia. Rudi holds a Ph.D. in theoretical biophysics from Stanford University.

Ashish Dev is Executive Vice President, Risk Management at KeyCorp. As a member of all the three high-level risk committees of KeyCorp viz. ALCO, CREDCO and ORCO, he is involved in decision making in all areas of risk in the bank. Operational Risk is one of Ashish's responsibilities. Over the last four years, Ashish has been active in deliberations at all levels relating to Basel II. Ashish is listed as one of the most published authors amongst cutting-edge papers in Risk magazine during the period 1994-2003. Prior to joining KeyCorp, Ashish was head of Quantitative Research and Analysis in Bank One. Ashish has a Ph.D. in economics and holds the CFA professional designation.

Paul Embrechts is Professor of Mathematics at the ETHZ (Swiss Federal Institute of Technology, Zurich) specializing in actuarial mathematics and mathematical finance. Previous academic positions include the Universities of Leuven, Limburg and London (Imperial College). His areas of specialization include insurance risk theory, integrated risk management, the interplay between insurance and finance, and the modeling of rare events. Together with C. Klueppelberg and T. Mikosch he is a co-author of the influential book "Modeling of Extremal Events for Insurance and Finance," Springer, 1997. Dr. Embrechts consults for a number of leading financial institutions and insurance companies, and is a member of the Board of Directors of companies in insurance and finance.

Marie Gaudioso is a Managing Director at The Bank of New York and is responsible for the development of the overall Operational Risk Management framework. Prior to establishing the Operational Risk Management division, she worked in Credit Policy where she designed and developed credit risk monitoring systems and models. Prior to joining The Bank of New York, Ms. Gaudioso worked at JP Morgan, and Coopers and Lybrand (now PWC). She represented The Bank of New York as a member of the Working Group on Operational Risk (WGOR), an industry sub group of the IIF. She was a member of the Financial Services Roundtable Working Group, which developed the *Guiding Principles in Risk Management for U.S. Commercial Banks* (June 1999) and a member of the sub-group that developed the Operational Risk Management guiding principles.

IMPLEMENTING AN AMA FOR OPERATIONAL RISK

Federal Reserve Bank of Boston

MAY 18–20, 2005



Eric Hirschhorn is a Senior Financial Economist in the Credit Policy Division of the Office of Thrift Supervision. Mr. Hirschhorn has participated in the development and implementation of the Basel II operational risk component since 2003. He is also involved in various aspects of credit risk under Basel II. He has worked at OTS since 1988. Before that, he worked in the Division of Research and Statistics at the FDIC. Mr. Hirschhorn holds a Ph.D. in economics from the University of Chicago.

Klaas Knot is currently Division Director of Supervisory Policy at De Nederlandsche Bank NV, where he is responsible for developing prudential standards and instruments for banks, insurance companies, pension funds, and securities firms. He is Chairman of the Basel Committee's Risk Management and Modeling Group, as well as CEIOPS' Financial Stability Committee. Before taking up his current position, he was at the Pension and Insurance Authority, De Nederlandsche Bank, and the International Monetary Fund. He holds a Ph.D. from the University of Groningen and has published several scientific contributions on financial economics.

Mike Macchiaroli is the Associate Director of the Division of Market Regulation at the U.S. Securities and Exchange Commission.

Michael McGlenn is a Senior Vice President and the Chief Operational Risk Officer at the Northern Trust Company, Chicago. Mike is responsible for implementing and managing the Advanced Measurement Approach for Operational Risk as defined in the 2004 Basel II Accord. Mike also oversees the Product Risk function. Mike began his career at Northern Trust in 1981, and has served in various management and leadership roles throughout the corporation, including Department Head of Risk and Performance Services, Director of E-Commerce, and Technology Manager. He received a B.S. degree, cum laude, from Kansas University and an M.B.A. degree from the University of Chicago.

Cathy Minehan is the President and Chief Executive Officer of the Federal Reserve Bank of Boston. She began her career with the Federal Reserve System in 1968 at the Federal Reserve Bank of New York, where she held various positions and ultimately became Senior Vice President with responsibility for the Funds, Securities, and Accounts Group. In 1991, Ms. Minehan was named First Vice President of the Federal Reserve Bank of Boston. She held that position until she became President of the Bank in July 1994. Active in civic and community affairs, Ms. Minehan serves on the boards of many professional and educational organizations. She earned a Master's Degree in Business Administration from New York University in 1977 and was graduated from the University of Rochester in 1968 with a Bachelor of Arts Degree in political science.

IMPLEMENTING AN AMA FOR OPERATIONAL RISK

Federal Reserve Bank of Boston

MAY 18–20, 2005



Johanna Neslehova holds a Post Doc position within RiskLab, the ETH competence center for Quantitative Risk Management. Before joining RiskLab in October 2004, she worked as a Research Assistant at the University of Oldenburg (2000 - 2004) where she completed a Ph.D. in mathematics (2004, Prof. D. Pfeifer) on Dependence of Non-continuous Random Variables. She studied mathematics at the Charles University of Prague and the University of Hamburg, obtaining her diploma in 2000 at the University of Hamburg. Her main research interests are in dependence modeling in finance and insurance with specific applications to quantitative risk management. She is also involved in a larger scale e-learning project, a topic on which she co-authored a book for Springer in 2004.

Jay Newberry is Managing Director, Head of Operational Risk for Citigroup. Jay's operational risk responsibilities include policy, measurement and methodologies, and reporting for Citigroup. In this role, Jay works closely with the responsible members of audit, the businesses and, where appropriate, the legal entities to ensure that operational risks throughout Citigroup are effectively identified, managed, and assessed as well as consistently monitored. Jay earned his B.A. in economics from Middlebury College where he graduated *magna cum laude* and was elected to Phi Beta Kappa. He earned his MBA from the Tuck School at Dartmouth, where he graduated with *high distinction* and was elected an Amos Tuck Scholar.

Mark O'Dell joined the OCC in 1978 and was commissioned as a national bank examiner in 1983. He has served in a variety of supervisory positions, including Director for Analysis in the Multinational Banking Division, Director for Bank Technology, and Director for Year 2000 Supervision. Prior to becoming Deputy Comptroller for Operational Risk in January 2004, Mr. O'Dell was the Deputy Comptroller for Core Policy. In his present position, Mr. O'Dell oversees policy and examination procedures development addressing operational risk issues. The Operational Risk division is also the focal point for the OCC's core policy platforms that govern how the OCC supervises national banks. Mr. O'Dell also manages policies and activities underlying the OCC's supervision by risk philosophy. In addition, he chairs the Supervisory Policy Committee. Mr. O'Dell holds a BS in mathematics and an MBA from Colorado State University. He is also a Chartered Financial Analyst.

Timothy Robison is Executive Vice President and Chief Risk and Compliance Officer for Mellon Financial Corporation and is a member of Mellon's Senior Management Committee. He has served as head of Risk Management since November 2002 and is responsible for managing Credit, Operational, Market and all other risks. Mr. Robison joined Mellon in 1977 in the Finance Department and has held positions in Financial Accounting, Corporate Treasury and Management Accounting. Prior to assuming responsibility for Risk Management, he was Corporate Chief Auditor. Mr. Robison holds a Bachelor's degree in Economics from Washington & Jefferson College and a Master's degree in Business Administration from the University of Pittsburgh. He is a member of the American Institute of Certified Public Accountants and a member of the board of Mellon Ventures.

IMPLEMENTING AN AMA FOR OPERATIONAL RISK

Federal Reserve Bank of Boston

MAY 18–20, 2005



Eric Rosengren is Senior Vice President in charge of the Supervision, Regulation and Credit Department at the Federal Reserve Bank of Boston. His responsibilities include overseeing the discount window, the statistics function, enterprise risk management and business continuity, and the supervision of bank holding companies and state member banks in the First Federal Reserve District. Previously, he was Vice President and Head of the Banking and Monetary Policy Section of the Research Department. Mr. Rosengren is a member of the Basel Committee's Accord Implementation Group for Operational Risk. His numerous articles on macroeconomics, international banking, bank supervision, and risk management have appeared in journals such as the *American Economic Review*, *Quarterly Journal of Economics*, *Journal of Finance*, and *Journal of International Economics*. He received a Ph.D. in economics from the University of Wisconsin-Madison in 1986.

Joseph Sabatini is Managing Director and Head of JPMC's Corporate Operational Risk Team. He joined the firm in 1982 and has held a variety of positions including serving as the firm's Senior Credit Officer, General Manager of Singapore Office and Regional Head of Credit for Asia. He was the Global Head of Credit Research and served in Tokyo heading the firm's M&A function. Mr. Sabatini began his career in Bank Supervision and Regulation at the Cleveland FRB. He currently serves as Chairman of ORX. He has a BA in economics from the University of Cincinnati and a MBA from Case Western Reserve University.

Mark Schmidt is the Regional Director in the Atlanta Region of the Federal Deposit Insurance Corporation. He oversees all bank supervision matters in the seven-state region. Mr. Schmidt also represents the FDIC on the Basel Committee's Accord Implementation Group—Op Risk (AIGOR), an international bank supervision committee. Mr. Schmidt started his career in bank supervision with the FDIC in 1976. He served in a number of capacities in the Kansas City Region before moving to Washington in 1996, where he served in the positions of assistant director and associate director. As associate director, he oversaw the development of all supervision policy matters for the FDIC. He held that position for three years prior to his appointment as regional director in July 2002.

Alfred Seivold is a Senior Examination Specialist in the FDIC's Large Bank Group. He joined the FDIC in 1992 as an examiner in the San Francisco Field Office. From 1999 to 2003, Mr. Seivold acted as a Capital Markets subject matter expert. Mr. Seivold is a member of the Interagency Operational Risk Working Group, where he has actively participated in the development of the AMA framework and Operational Risk Policy Guidance. Most recently, he participated in the interagency project to assess the nine largest U.S. banks' operational risk systems. Mr. Seivold graduated Magna Cum Laude from the University of Baltimore with a B.S. in finance and is a member of the Phi Beta Kappa Society. He is currently a 3rd year student at Stonier Banking School.

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Federal Reserve Bank of Boston

MAY 18–20, 2005



John Walter is Senior Vice President and Manager of the Risk, Capital & Portfolio Analysis group at Bank of America. He is an original member of the team that established Economic Capital as a key performance measure at Bank of America. He has been with Bank of America for 15 years. Prior to joining Bank of America, John was a Senior Treasury Analyst at the Federal Home Loan Bank of San Francisco.

Jonathan Wang is a Second Vice President at the Northern Trust Company. Jonathan joined Northern in 2002 in an interdisciplinary group responsible for Basel II regulatory and economic capital implementation efforts around Operational Risk measurement and modeling, the design of Risk and Control Self-Assessment process, and the design of Scenario Analysis, to name a few. Prior to joining Northern, Jonathan worked in a similar Corporate Risk Management function at Charles Schwab & Co., Inc. and Union Bank of California. Jonathan received his B.S. in statistics and applied mathematics from the University of California, Berkeley and is a keen user of MIT OpenCourseWare.

Ran Wei graduated from Ohio Wesleyan University in 2001, Summa Cum Laude and Phi Beta Kappa, having majored in mathematics, economics, and computer science. Since July 2001, she has been pursuing a Ph.D. in the Department of Insurance and Risk Management of the Wharton School of the University of Pennsylvania. During the course of her study, Ms. Wei has obtained a Masters in insurance and risk management in 2003 and a Masters in statistics in 2004. Ms. Wei expects to obtain her Doctoral degree in May 2005. Her research interests are risk management, in particular modeling and management of operational risk and catastrophic risk, and property and casualty insurance.

David Wildermuth is a Managing Director in the Finance Division of Goldman Sachs where he focuses on Credit Risk and Operational Risk. David joined the firm in 1997 as a Vice President in New York and became a Managing Director in 2001. David earned an A.B. from Dartmouth College in 1986. He and his wife have one child and live in New York.