Open Protocol Enabling Risk Aggregation

# Open Protocol Enabling Risk Aggregation: Publication of The Overture and the start of the consultative phase

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On December 1st 2010, a Working Group comprised of leading investors, hedge funds, administrators and prime brokers was formed to develop an Open Protocol Enabling Risk Aggregation: an attempt to standardise how hedge funds collect, collate and convey market risk information. Today, co-chairs Albourne Partners and Thomson Reuters are pleased to publish a preliminary version of the Protocol, so as to be able to solicit feedback and suggestions from all, and any, interested parties. It is envisaged that this period of public consultation will last until July 15th. There will then follow a period of re-writing and revision, as required, with a formal launch targeted for August 9th in London and August 11th in New York.

'We are very pleased to have been able to contribute our thoughts and time', explained Bruce Cundick of Utah Retirement Systems, 'as we think this initiative has the potential to substantially increase the utility of the risk information that we already receive, as well as prove to be a step towards greater industry-wide transparency'. While there is no formal obligation for the hedge funds on the Working Group to agree to submit information based on the final protocol, the D. E. Shaw group added, 'We have been pleased to be involved in this process because as active practitioners, we have to grapple with this kind of technical detail and how best to present complex information every day.'

Since the launch of the initiative, regulators and industry bodies have been kept informed and invited to observe. 'The Hedge Fund Standards Board (HFSB) has been kept updated on the progress of the Working Group since its launch and we are happy to see it reach the consultation stage where all market participants will have an opportunity to provide their feedback', commented Thomas Deinet, Executive Director of the HFSB. 'The HFSB has always been an advocate for greater transparency and consistency of risk reporting which benefits all involved, therefore this initiative is a very positive development for the industry.'

'Both the FSA and the SEC are developing their own templates', observes Albourne's Managing Director Simon Ruddick. 'The Protocol is closest to the former, while the latter is showing signs of mission drift. Our firm, and I hope our investor clients, will engage in an active dialogue with both to convey the simple thought that systemic market risk is best measured, and avoided, by the adoption of an approach that is unified across jurisdictions and across the public/private sector divide.'

Finally, Gerald Buggy of Thomson Reuters adds: 'We are very grateful to all the members of the Working Group for all their hard efforts and detailed contributions. It is deeply encouraging to see collaboration and public spirit prevail.'