

Open Protocol Enabling Risk Aggregation Launched

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PURPOSE

- To standardise how hedge funds collect, collate and convey risk information.

PROVENANCE

- Zero commercial agenda
- Produced by an independent working group
- Industry bodies and regulators invited to observe the collaboration
- Refined by a process of public consultation

COMPONENTS

- Templates: formats for transferring information
- Manual: technical appendix for filling in the templates
- Grades: three levels of granularity with which the templates can be completed

OBJECTIVE

- To help hedge fund investors aggregate and integrate their exposures.
- To help reduce the proliferation of investor-specific risk formats requested of funds over time.
- To provide regulators with a detailed technical approach forged by practitioners in the hope that a systematic approach will emerge for trying to identify systemic risk.

KEY THEMES

- The Open Protocol is based on a holistic approach to understanding risk. The greatest risk in "risk" comes from assigning too much significance to any one measure of it.
- The level of transparency available to investors varies from fund-to-fund and from strategy-tostrategy. The Open Protocol is a commercially pragmatic response to this challenge.
- The Open Protocol is a methodology or language. It is not a data hub or utility. It is envisaged that hedge funds still produce, and talk from, their own risk reports. Open Protocol reports are produced to solve a different, but legitimate challenge to investors: that is to harness the information provided.

Please also see:



- Full protocol documents
- Working Group members
- XML Scheme to facilitate machine-to-machine dialogue

To coincide with the London launch, Andrew Baker, CEO of AIMA, observed: 'AIMA supports efforts to improve harmonisation of risk reporting to investors. Open Protocol Enabling Risk Aggregation was born out of dialogue between a range of market practitioners and we support this open, voluntary and inclusive approach.'

Henry Knapman, a Managing Director at UBS who was seconded to the FSA in 2009/10 as a Senior Advisor on hedge fund policy, observes: "This initiative could not be more timely. As the industry prepares to respond to the ESMA consultation exercise, let us hope that investors, funds and trade organizations can all rally around this thoughtful solution."

Gilbert Grosjean, representing CITCO at the London launch event confirmed: 'CITCO strongly supports the Open Protocol initiative. It is an important undertaking that will increase investor transparency, thus facilitating a better informed asset allocation to hedge funds. As an early committed promoter of transparency, CITCO has taken an active role in the formation of the standard, and will keep sponsoring it by providing Open Protocol reports to its client base.'

Finally, Simon Ruddick and Gerard Buggy, representing the co-chairs of the Working Group, Albourne Partners Limited and Thomson Reuters added: 'We just want to thank everyone involved for their fine-spirited contribution of time, thought and effort. The Open Protocol is a simple idea whose time has come. There'll be no applause for late adopters.'

Register for the New York Launch event
here: <https://www.albourne.com/event/opstd/home>