

Research January 2009

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30 Jan-09: A Layered Integrated Enterprise Solution Architecture for Financial Predictive Analytics

by John A Morrison, Asymptotix

I think that as an aspect of governments taking equity or preference interest in the banks whilst simultaneously acting as 'counterparty of last resort' in the structured products and credit derivatives markets, a situation which is simply not, even medium term, tenable; the governments should insist that the banks implement modern systems which will support financial analytics in an holistic sense. Systems holistic enough that the banks' boards of management cannot use the 'we were not told' or 'we did not know' excuse for risk exposure becoming so excessive that it threatens the stability not only of the financial system but of the real economy.

Instead of the rear mirror witch hunt which is now in progress in the US, UK and Ireland, we should be focused on practical steps which the banks and governments can take immediately to strengthen the banks and to ensure that a crisis like this never happens again.

It is obvious in my view (and is a generally accepted analysis in the US) that the western economies are not viable without the financial innovation of 'Credit Risk Transfer' (CRT), sometimes called 'Structured Products', the banking system simply doesn't have the balance sheet width to support the Demand for Money inherent in the real economy without the facility of off balance sheet or shadow banking CRT.

Therefore the necessary holistic analytic solution architecture for banking in the future must be inherently predictive, since transference of credit risk (any risk) has to be on the basis of a robust understanding and quantification of risk in the future, in other words banking executives must thoroughly understand 'economic capital'.

Thus I think that governments should insist that the banks in which they invest on citizens' behalf embark on an investment programme to implement truly Predictive Analytic platforms right now. I would suggest that bodies like the European Commission could do well to invest in a common forum to define what a blueprint for such a system should actually look like. One

could argue that the Basel II and IFRS7 standards implicitly require such a blueprint.

I have decided to develop a White Paper to contribute to that blueprint process, I have begun that development with a little sketch of such an architecture on my company website, which has had some favorable comment since I first published it and I would like to use the Analytic Bridge forum to invite comment upon my suggestions. My little sketch essay is here;-

<http://www.asymptotix.eu/important-references> ^[1]

Any software vendor or consulting firm which thinks it has the product set or ideas monopoly to solve this problem for every bank in the world is megalomaniac. The necessary Solution Architecture will require the integration of competing best of breed tools from many vendors. The brief essay is focused upon the IBM Industry Models for Banking within the Infosphere product set integrated with the REvolution Computing product set of Commercialized Open Source R with High Performance Computing (HPC) support. I intend to expand that discussion to consider the SAP for Banking products; Bank Analyzer and SAP Accounting for Banks again maintaining REvolution at the top of the Predictive Analytic stack. These in my view are the best toolsets around, given my experience.

21 Jan-09: Britannia and Co-operative Financial Services unveil plans for super-mutual



by Britannia Building Society

Britannia and Co-operative Financial Services Boards recommend merger to create new super-mutual as an ethical alternative to shareholder-owned banks.

The Boards of Britannia Building Society and Co-operative Financial Services (CFS) - two of the biggest customer-owned financial services businesses in the UK - today confirm they have agreed to merge to create a super-mutual as a unique, ethical alternative to shareholder- and Government-owned banks.

<http://www.britannia.co.uk/> ^[2]

21 Jan-09: Finance Minister Kalousek Presents Presidency Priorities to ECOFIN Council

by eu2009.cz and the Financial Times

The meeting of the EU Economic and Financial Affairs Council (ECOFIN) in Brussels was

presided over by Czech Finance Minister Miroslav Kalousek for the first time yesterday.

According to the FT, Ministers approved an initiative under which banks will be encouraged to use increased capital reserves not merely to meet regulatory requirements but to make new loans to business. "It's important that banks remember at a time like this that they can use their reserves to maintain lending," Alistair Darling, the UK chancellor, said.

Joaquín Almunia, the EU's monetary affairs commissioner, said the need to revive credit flows to European businesses was a central topic in Tuesday's discussions.

<http://www.eu2009.cz/> [3]

<http://www.ft.com/> [4]

21 Jan-09: Portfolio optimization in R

by REvolutions

Diethelm Wuertz provides a handy overview of the current state-of-the-art in portfolio optimization in R in a recent posting on the r-sig-finance mailing list.

The fPortfolio package (part of the Rmetrics suite) is available for download from CRAN, and handles standard portfolio optimization problems. As Diethelm Wuertz explains, the package can calculate: Mean-Variance portfolio optimization with a quadratic objective and linear constraints using the "quadprog" solver from R for quadratic programming problems. Note, to this class of problems do not belong the problems of maximizing the return for a given risk, and also not problems with quadratic or nonlinear constraints like portfolios with covariance risk budgeting, or 130/30 portfolios. These portfolios are more complex and require solvers which can handle quadratic and/or nonlinear constraints. Read the post at: <http://blog.revolution-computing.com/> [5]

21 Jan-09: FSA tries to ease banks' capital burden

by the Financial Times

Amid the blizzard of measures unveiled by the UK government and financial regulators this week, one of the least-noticed might turn out to be among the most significant in easing the pressure on Britain's banking sector. Bank executives on Tuesday hailed the Financial Services Authority's statement on bank capital as a clear signal that the regulator is seeking to ease the strains on banks' balance sheets caused by the credit crunch and subsequent economic crisis.

However, it remains to be seen whether investors and credit ratings agencies will follow the FSA in allowing banks to reduce their capital ratios significantly during the coming economic downturn. The credit crunch has blown holes in the balance sheets of many large banks, forcing them to raise fresh capital from a variety of sources including sovereign wealth funds, shareholders and – most recently – the government. Now banks are facing concerns about

mounting losses on loans to consumers and businesses as a result of the recession. Read it all at: <http://www.ft.com/> [6]

21 Jan-09: 'Worst day' in Irish financial history

by Rowena Mason, Telegraph.co.uk

Ireland's entire banking system may have to be nationalised after the "worst day in Irish financial history" in which the benchmark index fell the most since 1993, according to a leading economist. The six-member Financial Index plunged 48pc, with Allied Irish (AIB) down 59pc and Bank of Ireland (BoI) down 55pc, over speculation they may soon need more cash. Brian Lucey, professor of finance at Trinity College, Dublin, said the state needs to act now to prevent total collapse. Read it all at: <http://www.telegraph.co.uk/> [7]

20 Jan-09: The maths of the credit crunch



by the BBC News

As the downturn takes hold, BBC Radio 4's More or Less programme looks at the maths behind the credit crunch. Since 2007, presenter and economist Tim Harford has been exploring and explaining the numbers which have contributed to - and have characterised - the global economic downturn. He met the mathematicians at the heart of the City - and found out why some say they are to blame for the financial crisis. He uncovered the flaws of the bankers' bonus system, and discovered a mathematical error which might have led the banks into trouble. He interviewed quantitative finance expert Paul Wilmott and The Financial Times journalist Gillian Tett. And he met the guardians of what could be the financial world's most important number. Read it all here: <http://news.bbc.co.uk/> [8]

20 Jan-09: The Aggregator

by the Financial Times



In the Year of Darkness, 2009, the rulers of this planet devised the ultimate plan. They would reshape the Future by changing the Past ... They created The Aggregator.

Drawing inspiration from the Terminator, which felt no pity, no pain and no fear, may be no bad thing for the imperilled financial system. Unfortunately, an aggregator bank – a vehicle to buy up troubled real-estate assets from ailing banks – would lack the movie cyborg's unstoppable might.

Read the whole article here: <http://www.ft.com/> ^[9]

17 Jan-09: Proposed enhancements to the Basel II framework

by the Bank for International Settlements



The Basel Committee has proposed this weekend root and branch, fundamental revisions of the Basel II Framework in all three pillars Pillar 1 (minimum capital requirements), Pillar 2 (supervisory review process) and the third pillar (market discipline); reflecting particular concern about the trading book, ABCP Conduits, Structured Products and more particularly Banking Supervision (as opposed to regulation). The impacts of the proposed changes to Pillar 3 (Disclosure) look unusually interesting and may have cross-implications for Accounting Standards. These proposals will have implications also for legislators in Europe, in the first instance. We can be sure that this time, the proposals “are going to happen” and are not some far off academic babble. The regulators and supervisors have the position of strength now.

<http://www.bis.org/publ/bcbs150.pdf?noframes=1> ^[10]

17 Jan-09: Basel Committee Trading Book Requirements "Revision Proposals"

by the Bank for International Settlements

The consultative papers Revisions to the Basel II market risk framework and Guidelines for computing capital for incremental risk in the trading book set out the Committee's proposed enhancements to the regulatory capital treatment for trading book exposures. Collectively, these are referred to as the "trading book proposals".

The Committee therefore proposes to require banks to calculate a stressed VaR taking into account a one-year observation period relating to significant losses, which would be in addition to the VaR based on the most recent one-year observation period. The additional stressed VaR requirement will help reduce the procyclicality of the minimum capital requirements for market risk.

<http://www.bis.org/publ/bcbs148.pdf?noframes=1> ^[11]

<http://www.bis.org/publ/bcbs149.pdf?noframes=1> ^[12]

16 Jan-09: What's next in cloud computing?

by Eli Lilly , [informationweek.com](http://www.informationweek.com)

Eli Lilly's Dave Powers talks compellingly about how the pharmaceuticals company is using cloud computing services to support its scientists with on-demand processing power and storage. What's even more interesting, however, is what Eli Lilly has planned next. An associate information consultant with Eli Lilly and 13-year company veteran, Powers gave an overview of his experiences with cloud computing last week in an InformationWeek Webcast. In late 2007, he said, the mindset among Eli Lilly's IT team was to take a wait-and-see approach to the emerging cloud services model. By early 2008, however, pressure was growing to reduce fixed IT costs without compromising on IT services, and cloud computing proved to be the answer.

Read the article here: <http://www.informationweek.com/cloud-computing/> ^[13]

15 Jan-09: A missing link in the transmission mechanism?

by Claudio Borio and Haibin Zhu, [Bank for International Settlements](http://www.bis.org)

Over the last three decades the financial landscape has gone through radical structural change. As a result of financial liberalisation and innovation, heavily controlled, segmented and "sleepy" domestic financial systems have given way to a lightly regulated, open and vibrant global financial system. The main regulatory constraints that remain are of a prudential nature. The world that has emerged from this transformation is one where finance naturally plays a bigger role in macroeconomic dynamics. Financing constraints have structurally been eased but have by no means disappeared. The measurement, management and pricing of risk have moved from the periphery to the core of financial activity.

<http://www.bis.org/> ^[14]

15 Jan-09: Are you going to FOSDEM?

by John A Morrison, Asymptotix

The ninth FOSDEM is a two-day event organized by volunteers to promote the widespread use of Free and Open Source software. Taking place in the beautiful city of Brussels (Belgium), FOSDEM meetings are recognized as "The best Free Software and Open Source events in Europe".

I'm going to FOSDEM, the Free and Open Source Software Developers' European Meeting [\[15\]](#)

15 Jan-09: Microsoft Excel and Treasury Management

by Andrew, Ozrisk.net

I have spent the last few days looking at a client's Excel spreadsheet. They are using it to manage all of their treasury positions - amounting to several hundred million dollars. Read the whole post: <http://ozrisk.net/> [\[16\]](#)

14 Jan-09: Barclays swings the axe once more; 2100 jobs to go worldwide

by finextra.com

Barclays Bank has confirmed plans to cut a further 2100 jobs across its investment banking and wealth management businesses. The latest blow to financial sector workers comes a day after London staff of Merrill Lynch were informed of 1900 job cuts following the investment bank's merger with Bank of America. <http://www.finextra.com/> [\[17\]](#)

14 Jan-09: Geeks bearing gifts

by Ted Nelson

The system of conventions called 'Computer Literacy' make little sense and can only be understood historically. Here is the briefest possible digest. Read the whole story here: <http://geeks-bearing-gifts.com/> [\[18\]](#)

14 Jan-09: Lloyds TSB and HBOS in bond boost

by the Financial Times

Lloyds TSB and HBOS gave a much-needed boost to the markets for bank capital by opting to pay back a £500m bond at the first opportunity and offering attractive terms on a debt-swap deal when their merger is complete. Read the article here: <http://www.ft.com/> [19]

14 Jan-09: Dangerous coding errors revealed

by the BBC News

The US National Security Agency has helped put together a list of the world's most dangerous coding mistakes. The 25 entry list contains errors that can lead to security holes or vulnerable areas that can be targeted by cyber criminals. Experts say many of these errors are not well understood by programmers. According to the SANS Institute in Maryland, just two of the errors led to more than 1.5m web site security breaches during 2008. It is thought that this is the first time the industry has reached agreement on the worst things that can creep into software as it is being written. More than 30 organisations, including the US National Security Agency, the Department of Homeland Security, Microsoft, and Symantec published the document. "The top 25 list gives developers a minimum set of coding errors that must be eradicated before software is used by customers," said Chris Wysopal, chief technology officer with Veracode. Read about the list here: <http://news.bbc.co.uk/> [20]

14 Jan-09: Lloyds TSB/HBOS merger to go ahead

by Robert McDowell in virginmedia.com

Banking expert Robert McDowell and financial journalist Ian Fraser lodge a petition with the court concerning five main points about the takeover, ranging from the location and notice period of key meetings, shareholder voting, and conflict of interests regarding the use of an experienced reporter. <http://latestnews.virginmedia.com/> [21]

13 Jan-09: Indian corporate governance

by the Financial Times

Virtue is its own reward. The Indian market is down 13 per cent in the past week in dollar terms, largely because investor confidence in the quality of corporate information on the subcontinent has collapsed in the wake of the accounting fraud at Satyam, the country's fourth-largest IT services firm. To say that the Indian market faces a quality of earnings issue is an understatement. After all, corporate profits have grown almost six-fold between 2003 and 2008, according to Morgan Stanley, and there is now justifiable concern about the extent to which this exceptional performance might result from artful book-keeping, particularly at some of the large family-controlled groups that dominate the Sensex index of 30 leading shares.

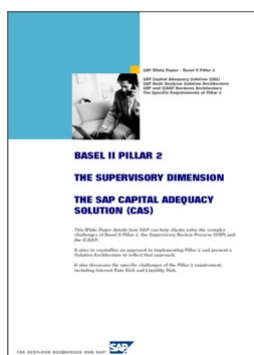
<http://www.ft.com/> [22]

12 Jan-09: Stress testing credit risk: a survey of authorities' approaches

by Antonella Foglia, Banca d'Italia, Banking and Financial Supervision

This paper reviews the quantitative methods developed at selected authorities for stress testing credit risk, focusing in particular on the methods used to link macroeconomic drivers of stress with bank-specific measures of credit risk (macro stress test). Authorities with a mandate for financial stability are particularly interested in quantifying the macro-to-micro linkages and have developed specific modeling expertise in this field. Stress testing credit risk is also an essential element of the Basel II Framework. The paper highlights recent developments in macro stress testing and details a number of methodological challenges that may be useful for supervisors in their review process of banks' models as required by Basel II. It also contributes to the on-going macroprudential research efforts to integrate macroeconomic oversight and prudential supervision, for early detection of key vulnerabilities and assessment of macro-financial linkages. <http://www.bancaditalia.it> [23]

8 Jan-09: SAP White Paper on a Solution Architecture for Economic Capital Quantitative Analytics, pre Credit Crunch



by John A Morrison, Asymptotix

John A Morrison developed a comprehensive White Paper for SAP, published in April 2006, pre-credit crunch, on the topic of a Solution Architecture for Economic Capital Quantitative Analytics; Basel II Pillar 2 (B2P2).

This prescient WP pointed out then, that the reality of banking quantitative risk capital analysis was the reverse of the way it seemed, the shadow banking tail was wagging the main street lending dog and to quantify risk capital properly (as required by the now effectively cancelled CAD3) one really had to apply the “Calculus of Securitisation” across the whole bank; an analysis made pre-credit crunch which has proved to be absolutely correct.

The paper can be accessed here;-

<http://www.sap.com/uk/images/baselii/whitepaper.pdf> [24]

8 Jan-09: Crowding Out - German bond sale's fate signals trouble ahead

by Peter Lindmark, Asymptotix



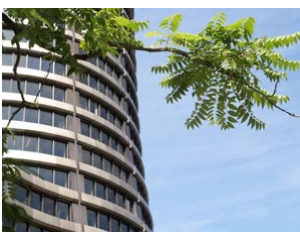
Over the last few days we have seen increased difficulties with sovereign bond auctions. The failure of the Bundesbank Bund issue last night (<http://www.ft.com> ^[25]), is actually quite a serious example; which is being under-reported. Is BIS now preparing for Basel III to be implemented (by the IMF out of New York thus BIS would become the standards body)?

With US Treasury bills yielding little or nothing and government bond yields plunging everywhere as central banks creep towards a Japanese-style zero interest rate policy (Zirp), there is talk of a government bond bubble. But is it possible to have a bubble in the most boring form of IOU? (<http://www.ft.com> ^[26])

"Some say this is a crisis that has to be tackled through expansion. Others say the crisis should be accompanied by even more rigorous discipline and that, if discipline isn't adhered to, we'll have problems refinancing debts," Mr Kalousek, the Czech Republic's finance minister and President of Ecofin Council, told reporters while meeting the European Commission, including Commissioner Joaquín Almunia, in Prague (<http://eu2009.cz/> ^[27]) yesterday. ^[28]

8 Jan-09: Steps to strengthen implementation of supervisory standards and guidance taken by the Basel Committee

by Bank for International Settlements



The Basel Committee on Banking Supervision today announced that it is broadening the mandate of its Accord Implementation Group (AIG) from the current focus on implementation of the Basel II framework. The AIG will be renamed the Standards Implementation Group (SIG) and will concentrate on implementation of Basel Committee

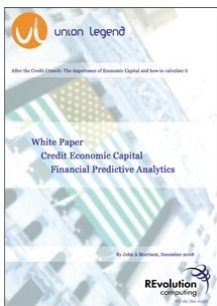
guidance and standards more generally. The group will continue to be chaired by José María Roldán, Director General of Banking Regulation at the Bank of Spain.

<http://www.bis.org/press/p090108.htm> [28]

8 Jan-09: White Paper on Credit Economic Capital - Financial Predictive Analytics

After the Credit Crunch: The importance of Economic Capital and how to calculate it

by John A Morrison, Asymptotix



[29] Due to increased demand we re-publish our entry on this important White Paper. John A Morrison is a Solution Architect in Risk Management. He is Director, Solution Partnerships of Asymptotix and an advisor to REvolution Computing. He has just finished an important White Paper that is [downloadable](#) [29] on our website.

This is a White Paper about "Economic Capital", i.e. the amount of capital which a Financial Institution needs in order to survive in a worst case scenario. Events of recent months prove that this is no longer an academic exercise. The Credit Crunch has seen Central Governments pumping fresh capital into the banks which were clearly undercapitalized and ill-prepared to deal with the crisis.

To access the White Paper [go here!](#) [29]

8 Jan-09: The Power of the R Programming Language

by Slashdot

The New York Times has an article on the R programming language. The Times describes it as: "a popular programming language used by a growing number of data analysts inside corporations and academia. It is becoming their lingua franca partly because data mining has entered a golden age, whether being used to set ad prices, find new drugs more quickly or fine-tune financial models. Companies as diverse as Google, Pfizer, Merck, Bank of America, the InterContinental Hotels Group and Shell use it."

<http://developers.slashdot.org/> [30]

8 Jan-09: Q&A: Muglia on the cloud, Azure, and the economy

by Cnet

A long time ago, Bob Muglia worked on a Microsoft project designed to offer a variety of services in the cloud. That effort, known as Hailstorm, didn't exactly go gangbusters, and Muglia's career took a detour. But both Muglia and Hailstorm are back. On Monday, Microsoft elevated Muglia to divisional president, a recognition of the success he has enjoyed as head of Microsoft's server software business. As for Hailstorm, the name is gone, but many of the concepts are back, as part of the Windows Azure platform that Microsoft announced in October. Last month, I had a chance to talk with Muglia about Windows Azure, the cloud in general, as well as the economy. Here are some edited excerpts from my conversation...

Read whole article at: <http://news.cnet.com/> ^[31] SAP blog comment: <https://www.sdn.sap.com/> ^[32]

8 Jan-09: Sun adds Belgian Q-layer to its cloud formation

by Sun

Q-layer



Sun Microsystems, Inc. today announced it has acquired Q-layer, a cloud computing company that automates the deployment and management of both public and private clouds. The Q-layer organization, based in Belgium, will become part of Sun's Cloud Computing business unit.

<http://www.sun.com/> ^[33]

8 Jan-09: Celtic Tiger Reduced To Pussycat

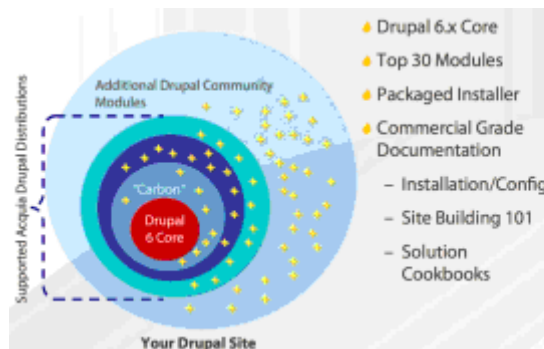
by the Telegraph

The Telegraph has a full page feature on Sir Anthony O'Reilly – “the Celtic Tiger reduced to pussycat” – and his business interests, in particular Waterford Wedgwood.

<http://www.telegraph.co.uk/> ^[34]

8 Jan-09: Red Hat welcomes Acquia to the Red Hat Exchange (RHX)

by Redhat



Acquia Drupal is a packaged collection of Drupal software to help users get started quickly with Drupal, while the Acquia Network provides expert Drupal technical support and network services to operate a trouble-free Drupal website. Pair these offerings with Red Hat Enterprise Linux and customers get a fully supported stack that starts at the operating system and extends to the application.

<http://www.press.redhat.com/2009/01/06/rhx-welcomes-acquia/> [35]

8 Jan-09: BOOK REVIEW: Nonlinear Regression with R

by Christian Ritz and Jens Carl Streibig



The Use R! series published by Springer is a wonderful thing. There is nothing else like it, and as far as I know there has never been anything like it, certainly not for open-source software. Slowly but surely both the amount and the quality of documentation available for users of R approaches that available for Stata or SPSS. As a direct consequence R is losing its geek status and is becoming a viable and exible alternative for routine data analysis and for teaching statistics at various levels.

<http://www.jstatsoft.org/v29/b06/paper> [36]

6 Jan-09: Never Again?

by KPMG International



Since the very first credit was extended, banks have amassed vast experience in managing risk, which makes the risk management weaknesses exposed by this crisis all the more surprising. These weaknesses have been compounded by the global nature of the banking system, with few parts of the world economy immune to the impact of the crisis.

Moving forward, financial institutions should get back to basics through a renewed focus on understanding the risks that they take. By strengthening their risk governance regimes, they should help to make them more flexible to meet changing conditions.

<http://www.kpmg.com/SiteCollectionDocuments/Never-again-banking-risk-management-survey.pdf> [37]

6 Jan-09: Stress testing banks' credit risk using mixture vector autoregressive models

Prepared by Tom Pak-wing Fong, Research Department, Hong Kong Monetary Authority and Chun-shan Wong, Department of Finance, The Chinese University of Hong Kong



HONG KONG MONETARY AUTHORITY

This paper estimates macroeconomic credit risk of banks' loan portfolio based on a class of mixture vector autoregressive models. Such class of models can differentiate distributions of default rates and macroeconomic conditions for different market situations and can capture their dynamics evolving over time, including the feedback effect from an increase in fragility back to the macroeconomy. These extensions can facilitate the evaluation of credit risks of loan portfolio based on different credit loss distributions.

http://www.info.gov.hk/hkma/eng/research/working/pdf/HKMAWP13_08_full.pdf [38]

6 Jan-09: Capital regulation, risk-taking and monetary policy: a missing link in the transmission mechanism?

by Bank for International Settlements



Few areas of monetary economics have been studied as extensively as the transmission mechanism. The literature on this topic has evolved substantially over the years, following the waxing and waning of conceptual frameworks and the changing characteristics of the financial system. In this paper, taking as a starting point a brief overview of the extant work on the interaction between capital regulation, the business cycle and the transmission mechanism, we offer some broader reflections on the characteristics of the transmission mechanism in light of the evolution of the financial system.

<http://www.bis.org/publ/work268.htm> [39]

6 Jan-09: Insights on the Downturn

by Paul Centen, SAP



At a SAP-sponsored CEO-forum last week SAP colleagues had the opportunity to discuss actual business and to get insights from the participants. This event was cross-industry.

1. CEOs AND INVESTMENT FIRMS EXPECT CAPITAL MARKETS TO RECOVER IN Q2 2010

Our speaker panel conducted a survey on market expectations among the attending CEOs. The consensus view for beginning recovery was Q2 2010. Only a smaller part expected recovery in 2009. On the other hand many of the CEOs expected double digit sales growth for their business in 2009.

2. CEOS ANTICIPATE BOTH REDUCTION AND INVESTMENT IN THEIR BUSINESS

Most CEOs and CFOs from large companies to UME have similar strategies to deal with the crisis on DEMAND SIDE, SUPPLY SIDE, BACKOFFICE and TECHNOLOGY INVESTMENTS MENTIONED BY CEOs Read all in detail at:

<https://www.sdn.sap.com/irj/scn/weblogs?blog=/pub/wlg/12118> ^[40]

6 Jan-09: “ARISE SIR NICK!”



by John A Morrison, Asymptotix

Nick Macpherson, permanent secretary at the Treasury, is being knighted for his role in arranging the recent bail-out of Britain's banks.

As one satiric rag commented the Knighthood came for Elsewhere top Treasury mandarin Nick McPherson is knighted for 'services to going to lots of meetings and writing stuff down while the country turned to %^\$&'.

Grown-up honours include Led Zeppelin frontman Robert Plant, awarded a CBE for not choking on his own vomit, while actor Michael Sheen gets an OBE for being on telly an awful

lot recently. Sheen, 39, has recently been tipped to play the actor Michael Sheen in Sheen: The Michael Sheen Story.

<http://www.ft.com/> [41]

<http://www.telegraph.co.uk/> [42]

6 Jan-09: Government must borrow from banks to create money



Letter to the Financial Times by Prof Philip Booth, Prof Tim Congdon and others

Sir, Deflation, as well as inflation, is a monetary phenomenon, and can, and should, be prevented by monetary policy.

In recent months bank lending to the private sector has been slowing rapidly, and, over the six months to October, the money balances of non-financial companies contracted in nominal terms at the same time that energy costs were soaring.

The abrupt fall in their money holdings is a clear symptom of financial difficulties.

Read the whole letter at: <http://www.ft.com/> [43]

6 Jan-09: Can science help solving the economic crisis?

by Mike Brown, Stuart Kauffman, Zoe-Vonna Palmrose and Lee Smolin

Edge To arrive at the edge of the world's knowledge,
seek out the most complex and sophisticated minds,
put them in a room together, and have them ask each
other the questions they are asking themselves.

There is honor and service to society in inventing and building companies and products that make life better for people, which should be justly rewarded. There is honor in architecting balanced financial regulation, to which we should dedicate careful attention. There is honor for the important financial sector when it functions as it should for the collective good, and this too should also be justly rewarded. Reasoned risk-taking by knowledgeable investors plays an important role in capital markets in providing support for initially risk innovations. But there is no honor in abusing our regulatory and financial systems for reckless speculation (i.e. gambling) that has no productive value for our collective future and that of the generations who will follow.

<http://www.edge.org/> [44]

5 Jan-09: The Enterprise Service Bus in Banking SOA (Service-Oriented Architecture)

by Thomas Obermeyer, SAP

This blog is the third part of a series of four introducing the concepts and building blocks of a service oriented architecture in a banking environment.

Part I. – Introduction to Service Oriented Architecture in the Banking Industry,
Part II – SOA needs meaningful services – The provisioning platform,
Part III – Enterprise Service Bus,
Part IV – SOA in practice – Banking Account Origination

In the previous blog of this series I have promised to come back to a more technical subject, and that's what we will do today: Focusing on one of the most prominent and known building block of a SOA design: the Enterprise Service Bus. But before we start, let's get one thing straight: we will not dive deep down into geek talk using numerous TLAs (three letter acronyms), web service standards and technology buzz words but rather consider the reasoning for introducing an ESB in our SOA Banking projects. Read the whole blog at: <https://www.sdn.sap.com/> [45]

5 Jan-09: A New Step in Content Management from the FT?

by John A Morrison, Asymptotix



On a Monday on the jubilee line tube at Canary Wharf one can always note the pink FT-FM inserts lying all over the floor and seats of the train carriage, discarded by all of those with no interest in Fund Management.

It's a pity that since whenever one has the time to read the FT-FM insert, usually circling overhead Heathrow or City, there are often some very well written pieces of general financial markets interest.

Last Monday (the last of the year) the FT tried a new trick with FT-FM on its RSS feed, presenting the front page as an Adobe PDF; for an anorak, it was quite interesting.

<http://media.ft.com/cms/119c4c0e-cf85-11dd-abf9-000077b07658.pdf> [46]

5 Jan-09: The Coming Commoditization of Processes

by Harvard Business Review

Harvard Business Review

Thomas H. Davenport is a professor of information technology and management and the academic director of the Process Management Research Center at Babson College in Wellesley, Massachusetts. He is also an Accenture Fellow and the author of Thinking for a Living: How to Get Better Performance and Results from Knowledge Workers.

http://harvardbusiness.org/hbsp/hbr/articles/article.jsp?articleID=R0506F&ml_action=get-article&print=true [47]

5 Jan-09: Snow: A Parallel Computing Framework for the R System

by springerlink.com

This paper presents a simple parallel computing framework for the statistical programming language R. The system focuses on parallelization of familiar higher level mapping functions and emphasizes simplicity of use in order to encourage adoption by a wide range of R users. The paper describes the design and implementation of the system, outlines examples of its use, and presents some possible directions for future developments.

<http://www.springerlink.com/content/3v37mg0k63053567/> [48]

5 Jan-09: Smaller, Flatter, Smarter

by slideshare.net



A Clear Thinking Futurist Presentation given by Bob Sutor of IBM at the Web 2.0 Summit in San Francisco in November, 2008.

<http://www.slideshare.net/bobsutor/smaller-flatter-smarter-presentation> [49]

5 Jan-09: The R User Conference 2008

by statistik.uni-dortmund.de

August 12-14, Technische Universität Dortmund, Germany

Conference Program, Download (PDF): Program and Book of abstracts
Invited Lectures, Presentations (including slides!) & Tutorials

<http://www.statistik.uni-dortmund.de/useR-2008/> ^[50]

5 Jan-09: Exploring Statistical Issues in Financial Risk Modeling and Banking Regulation

by niss.org

Focusing on Success in Modeling of Operational Risk and Credit Risk. Co-sponsored by NISS and the Office of the Comptroller of the Currency
February 5-6, 2009, Washington, DC.

http://www.niss.org/affiliates/financialrisk200902/financial_risk_home.html ^[51]

5 Jan-09: Comment piece: FSA strengthening liquidity standards. FSA CP 08/22

by frsglobal.com



This comment piece relates to the Consultation Paper published on 4th December 2008 by the FSA (the UK regulator / supervisor) which proposes a far-reaching overhaul of the liquidity management and disclosure requirements for banks, building societies and investment firms in the UK.

http://www.frsglobal.com/pdf/opinion/Liquidity_Consultation_Paper_FSA.pdf ^[52]

Source URL (retrieved on 2018-11-17 04:28): <http://www.asymptotix.eu/node/19>

Links:

- [1] <http://www.asymptotix.eu/important-references>
- [2] http://www.britannia.co.uk/home/news/news_releases/2009_01/position_statement.html
- [3] http://www.eu2009.cz/en/news-and-documents/news/ecofin_en-6820/
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- [6] <http://www.ft.com/cms/s/0/f16f26d2-e743-11dd-aef2-0000779fd2ac.html>

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[10] <http://www.bis.org/publ/bcbs150.pdf?noframes=1>

[11] <http://www.bis.org/publ/bcbs148.pdf?noframes=1>

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[13] http://www.informationweek.com/cloud-computing/blog/archives/2009/01/whats_next_in_t.html

[14] <http://www.bis.org/publ/work268.pdf>

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[16] <http://ozrisk.net/2009/01/15/microsoft-excel-and-treasury-management/>

[17] <http://www.finextra.com/fullstory.asp?id=19517>

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[22] <http://www.ft.com/cms/s/1/4b2706a0-e0c2-11dd-b0e8-000077b07658.html>

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