

FINANCE FORUM 8 - 2007

Extreme Value Theory: The impact of changing parameters over time

with Associate Professor Frank Ashe, Macquarie University Applied Finance Centre

Date and Time: **Friday 6th July, 2007, 12.30 - 2.00 pm** (sandwich lunch provided)

Venue: **Finsia offices, Level 12, 330 Collins Street, Melbourne.**

Melbourne Centre for Financial Studies and PRMIA are pleased to announce their first joint event.

Frank Ashe is an Associate Professor at the Macquarie University Applied Finance Centre and has worked in Australia and Canada for insurance companies, investment management firms, and in software development and consulting.

He has over 20 years of practical experience, predominantly in the measurement and management of financial risk, with an emphasis on asset-liability management, and developing risk measurement and management tools for novel situations. He is a regular presenter at industry seminars and colloquia, and is currently President of the Q-Group Australia. Frank has research interests in the robustness of investment portfolio construction techniques, market risk management, and the statistical underpinnings of Applied Finance.

One of the most challenging issues for all risk managers is estimating the impact of rare but high impact events. Extreme Value Theory (EVT) techniques are used to model both the likelihood and consequence of extreme events. As such it is also a productive area for academic research – financial, weather and geological.

Frank will look at a new way of calculating and interpreting EVT statistics that can take into account the possibility of changing parameters over time, which directly influence the VaR calculation. The new method also lends itself to interpreting changes in risk over time. An example of EVT applied to modelling tail events for stock movements and their effect on economic capital requirements will be shown.

For more information on **PRMIA**, the Professional Risk Managers' International Association, please refer www.prmia.org.

Event announcements: The Melbourne Centre is currently developing a conference with Australian Mathematical Sciences Institute (AMSI) on applications of mathematics and statistics in finance, scheduled for Thursday 20th September 2007. If you would like to express an interest in being involved or attending, please email info@melbournecentre.com.au.

Workshop: “**Correlations and Copulas - Pushing the boundaries of risk management**”, Friday 21st September 2007, Melbourne Business School. Organised by Financial Integrity Research Network (FIRN) with Melbourne Centre for Financial Studies and Melbourne Derivatives Research Group): More info: <http://www.firn.net.au/events/>

This is the eighth for 2007 in a topical series of "Finance Forums" which the Melbourne Centre arranges with the objective of improving industry-academia contacts, identifying research projects and opportunities for research partnerships. It is expected that those attending will be keen to participate in discussion.

Please note that there is a **limit on the number of attendees** but there is no charge. If you are interested in attending and participating, please indicate by an email to info@melbournecentre.com.au with the subject header of “*Finance Forum – Extreme Value*” by **noon on Thursday 5th July**. (If you subsequently discover you are unavailable to attend, please advise us so that we can offer the place to others who are interested).

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The Melbourne Centre for Financial Studies is a partnership between public and private sectors, and between industry and academe. The Centre was launched with seed funding from the Victorian Government. Members of the consortium are Melbourne, Monash and RMIT Universities, and Finsia. They have joined together to enhance Melbourne's national and international reputation for excellence in financial practice, research and education. The Centre facilitates knowledge transfer between, and builds research synergies between, industry and academe by undertaking finance research, providing consulting services, and organizing research focused conferences, workshops, public lectures and other educational activities.