

Obama overhaul could stoke risk manager demand

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NEW YORK (Reuters) - Risk management, an area once seen as a dreary necessity on a Wall Street obsessed with high-stakes trading bets, is suddenly hot.

Demand for risk professionals, which has already picked up, is likely to be stoked further after the Obama Administration announces what are expected to be sweeping changes to the financial regulatory framework on Wednesday. Risk managers are charged with balancing the risk-reward equation at financial firms, by using quantitative and qualitative inputs to make investment decisions. But in the years prior to the financial meltdown, risk managers at financial institutions lacked clout and independence. The result was the failure of banks that wagered too much using borrowed money, like Bear Stearns and Lehman Brothers.

"In many instances risk managers did perform, given the constraints presented to them by senior management, but their advice wasn't taken," said Richard Apostolik, chief executive of the Global Association of Risk Professionals. "Organizations didn't perceive the risk function as important and a bigger concern was the lack of independence." The Obama administration's reform will include increased reporting requirements for issuers of asset-backed securities and derivatives, require brokers to hold a certain level of financial interest in the products they sell, and reduce reliance on credit rating agencies--measures that are expected to fuel demand for a wide range of risk professionals.

'BOMBARDED WITH CALLS'

"We'll see rapid growth over the next 12 months and then a slowing, but it will continue better than it was." Until now, risk management has been viewed as a cost center. But that is rapidly changing in today's risk-obsessed environment and creating opportunities particularly for professionals with prior lending or risk experience.

"I've been bombarded with calls from headhunters looking for experienced risk professionals," said Kevin Blakely, former Chief Executive of the Risk Management Association. "Last year, I would get a call every three weeks for credit risk officers, but now I get three to four calls a week." Blakely was poached from his position at the RMA and appointed Chief Risk Officer for Columbus, Ohio-based Huntington Bancshares on June 10.

Recruiters say that one reason for the difficulty is that candidates are being enticed by buy-side firms, bond insurers, and smaller boutique firms that are untainted by having received bailout funds from the government's Troubled Asset Relief Program (TARP).

"The institutions who need more risk professionals are the sell side," said Gustavo Dolfino, president & founder of The WhiteRock Group, a financial services recruitment firm. "Good risk people aren't attracted to these firms because TARP makes it hard to pay people."

Still, the government's insistence on strong risk controls is making risk management -- once seen as a Wall Street backwater -- an increasingly lucrative career path.