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## Mizuho Veterans Launch New Independent Risk Management Company

Written by Alex Frew McMillan

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Two veterans of Mizuho Securities Asia have launched a new Hong Kong-based company to perform risk management for hedge funds and hedge fund investors.

Albert Chiu and Angus Hung formed Quality Risk Management & Operations (QRMO) after leaving their posts at Mizuho, where Hung was head of risk management, and Chiu was the deputy head.

"That was where the business idea first came to surface," Chiu recalls. "We were managing the risk for the firm's proprietary hedge funds, and had many queries on the risk and valuation reports provided by the prime brokers and fund administrators, as their results were in conflicts with our internal figures."

They found that the replies they were getting did not come quickly enough and were unsatisfactory when they did. They looked around for an independent risk manager but could not find one in Asia.

"We then began conducting research and surveys on hedge funds within the region, inquiring the need for more quality risk management and valuation services, and the results were quite positive," Chiu says. "That was when we decided to start QRMO."

Quality Risk Management & Operations provides third-party risk management for hedge funds, profit-and-loss analysis, reporting oversight, as well as position reconciliations with prime brokers and fund administrators. It also works for hedge fund investors, tracking their holdings. It will attend investor meetings on their behalf, to provide an independent risk-based perspective on client portfolios.

Hung and Chiu have since taken on a third partner, Thomas Tsui, the former head of market risk management for the Industrial Commercial Bank of China.

They say they have seen increasing demand for such services following the subprime crisis and a number of high-profile hedge fund collapses.

The company founders would like to see risk management progress along the path that independent auditing has already taken. Even though hedge funds typically have a chief financial officer in charge of in-house auditing, there are also independent accountants that provide an external audit as well, to confirm the CFO is doing his job correctly. "Why can't we similarly outsource certain functions to independent risk management specialists?"

Chiu asked. "We feel it is best practice to have both an internal and independent risk manager, just as a fund has an internal CFO and an external auditor and tax advisor."

Quality Risk Management says it can also help cut costs and provide an easier solution than hiring more staff to work in risk management, who are often difficult to replace if they leave since there is only a small pool of professionals in the field in Asia.