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What a kampung boy learnt about risk management

Local companies are adopting a holistic approach to risk management with the help of New York firm, says **WONG WEI KONG**

IT'S not widely known that local companies like CapitalLand and Great Eastern Holdings are building leading-edge risk management systems. But what may surprise people even more is that they are doing so with the help of a New York firm that was co-founded by a self-described kampung boy who left Singapore 20 years ago and became one of the early pioneers in risk management.

Today, Dragonfly, the firm Wee Lieng Seng founded with American-born Chinese Judy Lee, counts clients in both the US and in Asia. Both were early proponents of a holistic approach to risk management, using it as a product development and competitive tool in addition to its core defensive and control role.

"It is smarter to start by thinking of the core ways you make money and the big ways you can lose money and start from there," Mr Wee says in an interview with BT. "Good risk management is more than control."

And eschewing the traditional project approach of the big consulting firms, Dragonfly takes an advisory role, while helping to build risk management capabilities within client companies. As Ms Lee puts it: "It's a very different business model. We really develop intellectual capabilities for the client."

What really shaped their approach to risk management was their time working at Bankers Trust in the 1980s, where they implemented return on risk adjusted capital as well as risk management — then considered ground-breaking — as the bank transformed itself from a commercial bank to a wholesale financial institution focusing on derivatives, capital markets and financing activities. They also worked with regulators and ratings agencies to promote effective risk management methodologies across the industry.

As a result of the early lead in risk management,

Bankers Trust was able to effectively manage risks and more rapidly develop innovative financial products, says Ms Lee. "We developed the methodology in segregating and quantifying risk on a daily basis. Every single day at 11am, we had a complete snapshot of our risk exposure," she adds.

After leaving Bankers Trust and working for firms such as The Capital Markets Company (Capco) and Capital Markets Risk Advisors (CMRA), they decided to start their own risk management firm a few years ago. "We have actually done it. We understand the art of risk management, not just the science," Mr Wee says.

The pair now divides their time equally between the US and Asia. Clients in Singapore typically are multi-sector, multi-market companies like CapitalLand.

"CapitalLand is the first real estate company to develop a risk management strategy in the world," points out Ms Lee. "CapitalLand looked at it from a very holistic point of view."

Adds Mr Wee: "From CapitalLand CEO Liew Mun Leong's perspective, what he wants is a common language to have dialogue with his various teams. It is not building a control system per se but a comprehensive management system on who's taking what risk." And it is partly because of its acquired ability to slice and price risk that has helped CapitalLand develop products like real estate investment trusts (REITs) and property funds, he says.

Like CapitalLand, Great Eastern is also one of the first movers among its peers in seeking to build a risk management system. Traditionally, insurers have looked at risk separately in terms of insurance and investments.

"Insurance companies came late to the realisation that they need to look at this as one big risk management factory," Mr Wee notes. "Great Eastern is one of the very few insurance companies that have gone that far in investing in risk management."

For him, getting to work



CHRIS LOH

Persuasion: It took Mr Wee three days to convince Ms Lee that Dragonfly is more than just the name of a bug

with Singapore companies is something special. "Part of me wants to give back, spend time in Singapore," he says. "I grew up in a kampung! I went to school here, went to NUS, served in the army." In 1983, he left

Singapore and obtained an MBA with distinction from Wharton. Ms Lee, coincidentally, is also a Wharton MBA.

The unlikely name of the firm, in fact, is a hint of Mr Wee's kampung roots: he

had spent many lazy afternoons watching dragonflies in flight. "I imagined them to be all kinds of things, from helicopters to gods," he remembers.

So when it came to dreaming up a name that

would characterise the diversity and flexibility they wanted the firm to stand for, he thought of the dragonfly. "It took me three days to convince Judy that it was more than just the name of a bug."

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