Benjamin T Solomon

From:	Constant Contact [support@constantcontact.com]
Sent:	Thursday, November 12, 2009 3:23 PM
To:	benjamin.t.solomon@quantumrisk.com
Subject:	Your email Recognition is the 1st Step to Avoiding Unintended Consequences has been sent

Email Confirmation

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Subject: Recognition is the 1st Step to Avoiding Unintended Consequences

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QuantumRisk
by the spirit
Strategy, Business Process Rengineering, Financial Modeling & Statistical Modeling

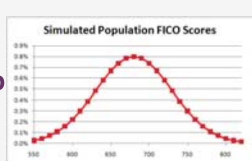
Recognizing Unintended Consequences — November 2009

In This Issue

Are Banks Panicking?
Bad FICO Good FICO
Non-Linear Risk Reward

Featured Article:

Bad FICO Good FICO



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Dear Benjamin,

Close your eyes, and just imagine this. It is October 12 2007 and the Dow is at 14,093, its highest ever in history.

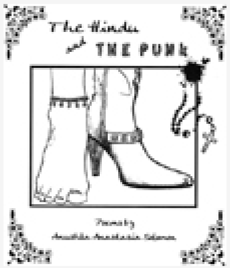
On that day, **your most trusted advisor** told you that the Dow will half its value to 6,469 in less than 18 months. That unemployment would exceed 10% witihn 24 months. Or house prices would drop by 35%. **Would you have believed him?**

The crash of 2008 was a massive unintended consequence of whatever all of us were doing the past several years. It is a good thing if this recession makes us rethink old paradigms, but definitely not good if it results in further missteps and undesirable unintended consequences.

The first article illustrates how the credit cards issuers 'missteps' (or not depending on your perspective) may lead to negative industry growth. The second and featured article explains how credit cards played a vital role in

Credit cards provide useful ratings information...

Poetry Chapbook: The Hindu and The Punk



Anushka A Solomon has been recognized by Amnesty International (2007, 2008 & 2009) for speaking out against human rights injustices.

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providing recent FICO information. This role is being handicapped by banks' responses to the new regulations, leading to opacity in the residential mortgage industry. The third article clarifies why our actions lead to unintended consequences by revisiting our understanding of risk-reward.

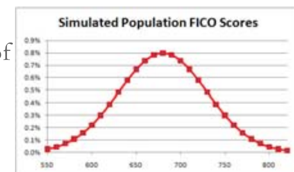
Are Banks Panicking?

When I read the New York Times article [A Squeeze on Customers Ahead of New Rules] I had to ask myself the question Are Banks Panicking? The qualitative scenario forecast would suggest negative growth in the credit card industry for years to come...

[READ MORE...]

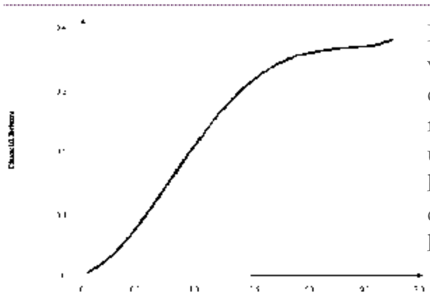
Bad FICO Good FICO

Whether we like it or not credit card debt is a vital part of our banking information system. The loss of credit card usage due to increases in rates will lead to a loss of credit rating information and a whole host of unintended consequences and possibly differential discounting of bonds...



[READ MORE ...]

Risk-Reward is Non-Linear



It would be great if risk-reward was linear. Then all we have to do is extract more rewards to get more rewards. This is not the case, unfortunately as risk-reward is non-linear in a not so nice way. Therefore, extracting more rewards drives up losses...

[READ MORE ...]

I am glad to announce that QuantumRisk is growing. We are adding [really good experts] in their fields. More experts will be posted to our website in the coming weeks and months.

And I am also glad that that many of you have continued to subscribe to this monthly newsletter. For those of you who would like to continue with this free subscription please [reconfirm] your subscription.

Sincerely,

Benjamin Solomon, BSc, DipOR, MAOR, MBS(Banking & Finance)

Managing Principal

QuantumRisk LLC

Google Voice

Free Phone Review

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