This book is focused on risk management for a financial firm, and is mainly devoted to the analysis of financial risk. Some interesting ideas arise: Risk management is too important a responsibility for managers to delegate it. Risk management is about taking advantage of opportunities: “controlling the downside and exploiting the upside” (distinguishing between downside risk and upside opportunity). The only outcome that matters is future cash flow and profits of the firm.

In Chapter 1 the author presents some concepts about risk measurement and management.

Chapter 2 has a very interesting discussion on probability and intuition, including a nice set of examples on how intuition might fool you in measuring probabilities. It discusses Frequency type and Bayesian type probabilities.

In Chapter 3 Coleman shows the importance of soft managerial skills in risk management discussing the importance of managing people, processes, data, etc. In my opinion this discussion is too light and brief given its importance in the final outcome. In the section Organizational Structure, there is an interesting discussion regarding the structure of the risk management department and the role of the CRO.

In Chapter 4 the author lists and discusses several financial disasters. They are separated into Idiosyncratic and Systemic problems. There is not much more than that, but the data in interesting. The list of lessons learned in Page 119 is worth reading.

Chapter 5 presents quantitative risk measurement techniques, with a strong emphasis on VaR (including a brief discussion on the models to estimate it) and volatility. The discussion continues with a discussion of how to treat tail events and tools for analyzing risk. The section concludes with a discussion on risk reporting, before moving to the analysis of credit risk.

In Chapter 6 the author provides a very (too) brief discussion of the limitations of the models presented in the previous chapter. They basically are: (i) Models not include all risk positions, (ii) risk measures in general are backward looking, (iii) VaR does not measure “worst case scenario”,
(iv) quantitative techniques are complex, (v) quantitative risk measures does not properly represent risk events

Chapter 7 presents some brief conclusions

Overall, I think this is a good book, worth reading, especially if you are interested in Financial Risk Management for financial institutions.