

## ING Draws Chief Risk Officer from BlackRock

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By Scott Johnson

ING Investment Management<sup>1</sup> has recast its approach to risk, recruiting BlackRock<sup>2</sup> and Merrill Lynch<sup>3</sup> veteran Chet Ragavan for a new lead role. Ragavan, the U.S. asset management unit's first chief risk officer, is charged with building out a firm-wide platform to manage market, credit and operational risk.

Risk has gained a high profile in recent months, but the move appears only in part to be a reaction to the widespread credit exposure that has caught many firms off guard.

Growth has made the firm's prior risk management structure cumbersome in the long-run. ING has seen its assets under management balloon to \$224 billion in the U.S. since combining several investment shops between 2000 and 2004. The new position centralizes a risk management process that was previously delegated to ING's separate investment teams.



**Chet Ragavan,**  
Chief Risk  
Officer of ING  
Investment  
Management —  
Americas

"Each one of them has its own risk management team," says Ragavan. "What they have not had is [a team] that effectively sits on top of that so that we have best practices that are applicable throughout the firm."

Ragavan was most recently co-head of the portfolio analytics group for BlackRock Solutions, entering the firm through its 2006 merger with Merrill Lynch Investment Managers. He had been global head of fixed income research for MLIM and served as head of risk management for its predecessor, Merrill Lynch Asset Management, from 1993 to 2000. He joined Merrill Lynch in 1980.

A BlackRock spokesman declines to say whether a replacement has been named.

"I think there has always been a risk-based culture within this organization," says Ragavan, of ING. "But what we have not had is a way to unify the multiple teams and to effectively ensure that there is consistency in the way that we approach risk-taking and risk management."

Risk management is a preoccupation of ING Investment Management CEO Robert Leary, who joined the firm in July from **AIG Financial Products**<sup>4</sup>. As **reported**<sup>5</sup> by *FUNDfire*, Leary's hire was remarkable for his relative lack of portfolio management experience.

ING highlighted Leary's business acumen at the time, and executive recruiters applauded the hire as a recognition of the shifting demands of the institutional business. But two elements of his background speak clearly to risk management. Leary began his career as a lawyer, and he was responsible for developing derivatives and structured products at AIG.

"Risk management has become an essential function for any investment manager, and we are delighted to have someone of Chet's caliber and experience join ING," says Leary, in a statement.

Ragavan says ING did not need a chief risk officer in the early stages of its development.

"But given the growth that we've had, and given our intentions to grow this business quite significantly, the attention to risk clearly is becoming paramount," says Ragavan.

Recent market upheaval has made the reorganization timely – and perhaps critical.

"It's not a direct reaction," says Ragavan, but industry-wide concern about subprime credit exposure "certainly contributes to the overall mood that now prevails within investment management houses."

Risks taken at individual investment units can have a catastrophic effect on the full organization. Several Wall Street firms have taken massive write-downs since the summer of 2007. Many observers trace the cascading losses at **Bear Stearns**<sup>6</sup> from the July meltdown of two hedge funds to the liquidity crisis that shook the market in March.

"The need for transparency at the enterprise level of the kinds of risks that are being run at the individual units is becoming paramount," says Ragavan.

***Deborah Markus, an executive director of recruiting firm The Gerson Group<sup>7</sup>, says managers are increasingly splitting off risk oversight from the responsibilities of the COO. That's especially true for alternative investment firms.***

***"As firms look to become more institutionalized, they recognize that they have to add talent in non-revenue-producing positions, number one being the chief risk officer," says Markus.***

There's no deadline for the reorganization of ING's risk management practices. Ragavan says he prefers to think of it as an "evolution."

"I don't deem any risk management practice to be revolutionary," he says. "We're not going to treat this as an event but as a process."