London Business School’s Risk Measurement Service (RMS) provides risk measures and other key data for some 2,400 UK shares, including all UK companies with a full listing on the London Stock Exchange, as well as all AIM listed stocks.

The RMS is used by fund managers, investment analysts, brokers, securities firms, investment banks, finance directors, corporate planners, actuaries, trustees, bankers, accountants, consultants, legal firms, regulators, private investors, and academic researchers.

**Investment applications**

In investment management, the RMS is used to analyse individual security risks, measure and control overall portfolio risk against targets, monitor the level of diversification, evaluate performance, screen and select shares against specific client requirements, back-test portfolio strategies, measure forecasting ability, and help translate good security analysis into successful portfolios. Risk measures are also essential for valuing options, warrants, convertibles, and other derivative instruments.

**Uses in Corporate Finance**

In corporate finance, the RMS helps financial planners to check the performance, volatility, and marketability of their company’s shares, draw comparisons with competitors, set risk-adjusted required rates of return, evaluate corporate and divisional performance, judge the financial strength of customers and suppliers, screen the market for acquisition targets, and fully exploit the potential benefits of the capital market.

**Cost of capital**

The RMS is used extensively in estimating the cost of capital in a wide variety of industrial, service, and financial organisations. Cost of capital calculations are essential within companies for setting hurdle rates for new projects and investments. They are also central to the ongoing debates between companies and regulators about the maximum permissible “fair” rate of return for regulated utilities, especially those operating in the water, power, telecommunications, and transport sectors. Finally, they feature strongly in pricing negotiations related to PPP (Private Public Partnerships) and PFI (Private Finance Initiative).

**Authoritative measures**

The RMS had been produced on a continuous basis since 1979, and has long been regarded as the authoritative source of UK equity risk measures. The calculation methods used are backed up by rigorous research conducted at London Business School and elsewhere, and published in *Journal of Finance, Journal of Financial Economics*, and other top journals. The RMS is jointly edited by Emeritus Professors of Finance, Elroy Dimson and Paul Marsh, who are experts on risk measurement and the cost of capital.