

swiss:finance:institute



Activity Report
2008-2009

swiss : finance : institute

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As a world-leading financial center building on a rich history, Switzerland's financial sector has the natural ambition of housing a world-leading research and training center in banking and finance.

The Swiss Finance Institute is the product of this ambition. Established at the initiative of the Swiss Bankers Association, it is a private foundation created in January 2006 with the support of the Swiss banking and finance community and SWX together with the Swiss Confederation, the Swiss National Science Foundation and several Swiss universities with the aim of advancing research activities in finance and executive education in the banking and finance sector.

The Swiss Finance Institute encompasses three pre-existing foundations: the International Center for Financial Asset Management and Engineering (FAME), the Swiss Banking School and the Stiftung Banking and Finance an der Universität Zürich. This merger has led to the creation of one of the major European providers of research, doctoral training and advanced executive education in banking and finance. This report gives an overview of Swiss Finance Institute's activities from July 2008 through June 2009.

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Word from the Board

Have we made it?

Three years after its founding the Swiss Finance Institute has come a long way towards its initial objectives. We ambitioned to build up a first rate research center. By reaching the barrier of 21 publications in top journals (2008 or forthcoming, see p. 6) we indeed affirm our place among the leading research institutions in finance worldwide. We wanted to offer one of the choice PhD programs in finance. The placement of our PhD graduates – who are now active as assistant professors in Rochester, Pittsburgh, London, Montreal or Amsterdam - show that the quality of our students and of our training is now recognized the world over (see details on p. 12).

Of course these outstanding results need to be confirmed in the years to come and this will not come easily. It is also true that some of the researchers we were proud to see join our team have decided to pursue their career elsewhere. And we are confronted with the extraordinary difficulties the current financial crisis present to our Executive Education programs. But we are not in this for the short run! In these times of legitimate questioning over the source and the sustainability of value creation in financial activities our goal is to establish long lasting conditions for our scientific success. With the view of progressively asserting our capacity at steering the research agenda and renewing the premises of Executive teaching in finance.

This undertaking is only at its beginning, and it is too early to call victory, but our most recent results, exemplified in the current report, call for legitimate optimism.

This Activity Report is for us the occasion to express our admiration and our gratitude to Pierre Mirabaud and Patrick Odier. The Swiss Finance Institute owes its existence to the visionary engagement of the departing president of the Swiss Bankers' Association (SBA), Pierre Mirabaud. SFI and its predecessor, the International Center FAME, have been marked by the energy, commitment, enthusiasm and optimism of his successor at the helm of the SBA, Patrick Odier, who has left our Foundation Board at the end of the 2008-09 academic year covered by the present report.

We would also like to thank those members of our Foundation Board who have left during this period: Dr. Marcel Rohner of UBS, Dr. Ulrich Körner of Credit Suisse, and Prof. Dr. Hans Weder of the University of Zurich as representative of SFI-Zurich Center as well as a departing member of the Executive Education Advisory Board, Dr. Martin Moehrle from Deutsche Bank AG, on the Executive Education Advisory Board.

To all who have contributed or continue to contribute to our Institute we express our most sincere gratitude.

Olivier Steimer
Chairman of the Foundation Board

Jean-Pierre Danthine
Managing Director



Swiss Finance Institute Faculty

Since its creation in 2006, Swiss Finance Institute has worked with its academic partners to hire 10 new professors at both the junior and senior level, bringing the total of SFI faculty to 50 in June 2009.

One of the Swiss Finance Institute's ambitions is to reach top rank among the finance research institutes in Europe. With a faculty of 50 professors, Swiss Finance Institute is well on its way to reaching this goal after only a few short years of activity. Almost one half of our faculty hold SFI chairs or fellowships, attesting to the outstanding research work that our faculty members produce on a regular basis. Together with the rest of the SFI Faculty members they form what is one of the largest and most productive research groups in finance in Europe. Our faculty body represents an extraordinary, varied concentration of competencies. This expertise is transferred to individuals through an innovative and rigorous PhD curriculum, executive education as well as being presented on a regular basis to industry experts through our knowledge transfer series. It is also the case that the large majority of our faculty intervene in the bachelor and master programs offered by the Swiss Finance Institute partner university institutes.

2008 was a year of changes for SFI. Several faculty members left our partner universities following what can be considered a normal flux in the academic community and retirements. At the same time, however, SFI and its partners went through an extremely ambitious recruiting campaign which has led to the hiring of five new professors for the 2009/2010 academic year.

As of June 2009, the core SFI faculty boasts six professors holding senior chairs, five fellows and five junior chairs. The overall SFI research team includes thirty-four additional professors with permanent or temporary University contracts, all active in research under the name of, and eligible for support from, the Swiss Finance Institute.

Center Highlights

The SFI Regional Centers counted a number of successful events during 2008 and the beginning of 2009. At the SFI Léman Center Amit Goyal was hired as an SFI Senior Chair at the University of Lausanne and this fall EPFL will welcome 6 new professors in the area of finance.



At the SFI Lugano Center, Fabio Trojani was hired and received an SFI Fellowship.

At the SFI Zurich Center, **Felix Kübler** joined as an SFI Senior Chair in 2008 and has assumed the role of the Zurich Center Head, representing the University of Zurich and ETHZ in the SFI College of Center Heads.



Swiss Finance Institute Faculty (June 2009)

Philippe Bacchetta
Giovanni Barone-Adesi **
Tony Berrada
Peter Bossaerts *
Marc Chesney
Fulvio Corsi
Jean-Pierre Danthine
Enrico De Giorgi
François Degeorge ***
Pierre-André Dumont
Paul Embrechts *
Rüdiger Fahlenbrach **** (July 2009)
Giovanni Favara
Francesco Franzoni ****
Patrick Gagliardini ****
Fausto Galli
Rajna Gibson Brandon **
Manfred Gilli
Amit Goyal *
Michel Habib*
Thorsten Hens ***
Martin Hoesli
Julien Hugonnier ****
Jean Imbs
Eric Jondeau
Felix Kübler*
Jean Lefoll
Henri Loubergé
Semyon Malamud
Loriano Mancini
Erwan Morellec*
Eric Nowak
Kjell Nyborg* (August 2009)
Claudio Ortelli
Marc Paoletta
Michael Rockinger ***
Olivier Scaillet ***
Karl Schmedders
Norman Schürhoff ****
Martin Schweizer **
Didier Sornette
Pascal St-Amour
Fabio Trojani **
Anders Trolle **** (August 2009)
Paolo Vanini
Alexander Wagner
Mei Wang
Alexei Zhdanov ****
Alexandre Ziegler

- * Senior Chair
- ** Distinguished Services Senior Chair
- *** Research Fellow
- **** Junior Chair

Research Highlights

The visibility of the Swiss Finance Institute in the international academic world is steadily gaining ground in particular through the increasing number of top quality publications by Swiss Finance Institute researchers in internationally recognized top academic journals, i.e., those journals that historically have been first in promoting the ideas that have changed financial practices.

The Scientific Council of Swiss Finance Institute places extra weight on publications appearing in the following journals: *Journal of Finance*, *Journal of Financial Economics*, *Review of Financial Studies*, *American Economic Review*, *Journal of Political Economy*, *Quarterly Journal of Economics*, *Econometrica*, and *Review of Economic Studies*. In 2008 and through the summer of 2009 the following twenty-one (!) articles were accepted for publication:

2008

A GARCH Option Pricing Model with Filtered Historical Simulation, **G. Barone-Adesi**, R. F. Engle and **L. Mancini**, *the Review of Financial Studies*, vol. 21(3), pp 1223-1258, 2008.

Flight-to-Quality or Flight-to-Liquidity? Evidence from the Euro-Area Bond Market, **A. Beber**, M. W. Brandt, and K. Kavajecz, *the Review of Financial Studies*, vol. 22(3), pp 925-957, 2009.

Equilibrium Portfolio Strategies in the Presence of Sentiment Risk and Excess Volatility, **B. Dumas**, A. K. Urshev, R. Uppal, *the Journal of Finance*, vol. 64(2), pp 579-629, 2009.

Underinvestment vs. Overinvestment: Evidence from Price Reactions to Pension Contributions, **F. Franzoni**, *the Journal of Financial Economics*, vol. 92(3), pp 491-518, 2009.

Ambiguity Aversion and the Term Structure of Interest Rates, **P. Gagliardini**, P. Porchia and **F. Trojani**, *the Review of Financial Studies*, vol. 22(10), pp 4157-4188, 2008.

How Common are Common Return Factors Across Nyse and Nasdaq?, **A. Goyal**, C. Pérignon and C. Villa, *the Journal of Financial Economics*, vol. 90(3), pp 252-271, 2008.

The Selection and Termination of Investment Managers by Plan Sponsors, **A. Goyal** and S. Wahal, *the Journal of Finance*, vol. 63(4), pp 1805-1847, 2008.

A Comprehensive Look at the Empirical Performance of Equity Premium Prediction, **A. Goyal** and I. Welch, *the Review of Financial Studies*, vol. 21(4), pp 1455-1508, 2008.

Stock returns in mergers and acquisitions, **D. Hackbarth** and **E. Morellec**, *the Journal of Finance*, vol. 63, pp 1203-1242, 2008.

Learning and Asset Prices Under Ambiguous Information, **M. Leippold**, **F. Trojani** and **P. Vanini**, *the Review of Financial Studies*, vol. 21(6), pp 2565-2597, 2008.

Financing and takeovers, **E. Morellec** and **A. Zhdanov**, *the Journal of Financial Economics*, vol. 87, pp 556-581, 2008.

Level Playing Fields in International Financial Regulation, A. Morrison and **L. White**, *the Journal of Finance*, forthcoming.

2009 or forthcoming:

False discoveries in mutual fund performance: Measuring luck in estimated alphas, L. Barras, **O. Scaillet** and R. Wermers, *the Journal of Finance*, forthcoming.

Equilibrium Asset Pricing Under Heterogeneous Information, B. Biais, **P. L. Bossaerts** and C. Spatt, *the Review of Financial Studies*, in press.

Auctioned IPOs: The U.S. Evidence, **F. Degeorge**, F. Derrien and K. Womack, *the Journal of Financial Economics*, forthcoming.



Information Percolation with Equilibrium Search Dynamics, D. Duffie, **S. Malamud** and G. Manso, *Econometrica*, forthcoming.

Finance, Institutions and Risk Sharing in International Portfolios, M. Fratzscher and **J. Imbs**, *the Journal of Financial Economics*, forthcoming.

Asymmetric Information and Adverse Selection in Mauritian Slave Auctions, D. Georges, **P. St-Amour** and D. Vencatachellum, *the Review of Economic Studies*, forthcoming.

Cross-Section of Option Returns and Volatility, **A. Goyal** and A. Saretto, *the Journal of Financial Economics*, forthcoming.

Pricing American options under stochastic volatility and stochastic interest rates, A. Medvedev and **O. Scaillet**, *the Journal of Financial Economics*, forthcoming.

Dynamic Investment and Financing under Personal Taxation, **E. Morellec** and **N. Schürhoff**, *the Review of Financial Studies*, forthcoming.

Names appearing in bold indicate SFI Faculty members at the time of acceptance or publication of an article in the journal.

In addition 49 research papers were placed into the SSRN – Swiss Finance Institute series in 2008.

This series was launched in 2006 as a collaborative project between SFI and NCCR FINRISK with both partners sharing costs equally. This series is published on the SSRN website www.ssrn.com/link/swiss-finance-institute.html. A complete list of these papers is available on pages 30-32 of this report.

“No country can move forward without ongoing research and innovation. The Swiss Financial Center can be proud to be able to benefit from the knowledge, research and challenges developed by the Swiss Financial Institute.”

Pierre G. Mirabaud, former President of the Swiss Bankers Association



Outstanding Paper Award

The winners of the 2008 Outstanding Paper Award were Darrell Duffie (Stanford University), Andreas Eckner (Merrill Lynch), Guillaume Horel (Stanford University) and Leandro Saita (Lehman Brothers) for their paper entitled “**Frailty Correlated Default**”. This paper is forthcoming in the October 2009 issue of the Journal of Finance and was the object of a public lecture “Policy Issues Facing the Market for Credit Derivatives” by Darrell Duffie in Geneva on June 9, 2009.

The Swiss Finance Institute’s Outstanding Paper Award is awarded annually to an unpublished research paper circulated over the previous 12 months and making an outstanding contribution to the field of finance. The jury selecting the winning paper is composed of all Swiss Finance Institute chaired professors and Fellows and is headed by SFI Senior Chair Prof. Michel Habib.



Olivier Scaillet

False discoveries in mutual fund performance: Measuring luck in estimated alphas

This paper is an example of how research works flow over into industry practice. The paper was the recipient of the **Banque Privée Espirito Santo Award - SFI Prize 2008**. It has been highlighted in general or trade publications such as the New York Times, Forbes Investment Guide, l’Hebdo, Le Temps, L’Agefi and La Libre Entreprise and is now forthcoming in the Journal of Finance. It should be noted that Olivier Scaillet’s co-authors are also linked to SFI: Laurent Barras is an SFI PhD graduate who is currently Assistant Professor of Finance, Desautels Faculty of Management, McGill University. Prof. Russ Wermers of Duke University has been a contributor to our executive education series.

“This paper develops a simple technique that controls for “false discoveries,” or mutual funds that exhibit significant alphas by luck alone. Our approach precisely separates funds into (1) unskilled, (2) zero-alpha, and (3) skilled funds, even with dependencies in cross-fund estimated alphas. We find that 75% of funds exhibit a zero alpha (net of expenses), consistent with the Berk and Green (2004) equilibrium. Further, we find a significant proportion of skilled (positive alpha) funds prior to 1996, but almost none by 2006. We also show that controlling for false discoveries substantially improves the ability to find funds with persistent performance.”



The Swiss Finance Institute Research Partner: NCCR FINRISK



Based on the FINRISK / SFI cooperation agreement, active collaboration between both entities has been further consolidated during 2008/09. Major developments and joint activities by FINRISK and SFI during the reporting period are presented below.

By the end of 2008, the Swiss National Science Foundation (SNSF) research council approved the FINRISK proposal for its final third phase 2009-13. The SNSF budget for FINRISK will be significantly cut (by 40% over 4 years). However, the Confederation plans to provide additional (long term) research funding as of 2012 (to be transferred directly towards SFI!). Thus, the last year has been a transition phase during which the FINRISK members have on the one side worked on preparing FINRISK smoothly for its third phase, trying to minimize the impacts of the significant SNSF budget reduction on our future research capacity while on the other side continuing to support the finance faculty growth plan that underpins the SFI faculty hiring strategy.

In June 2009 Michel Habib took over the directorship of the NCCR from Rajna Gibson Brandon while Prof. Gibson Brandon was elected as NCCR FINRISK deputy director. This change has received the full support of all parties involved, including the SNSF, the University of Zurich as the NCCR FINRISK leading house and the individual project directors whom this person shall represent.

SFI Funded FINRISK Research Project

The FINRISK research project on “Equilibrium Asset Pricing”, headed by Prof. Bernard Dumas (UNIL and SFI), has been fully financed by SFI since 2007. It currently integrates 10 professors as well as 5 PhD students from various institutions (June 2009). The scientific output has been 7 working papers as well as two publications (Journal of Finance and Economic Theory). One of the PhD students in his project has recently graduated and has obtained a faculty position at Carnegie-Mellon University, Tepper School of Business. Two PhD students have been visiting scholars abroad (MIT, University of California at Los Angeles) under the FINRISK sponsorship. An international workshop on “Computational Financial Economics” organized by research group members Kubler and Schmedders and sponsored by this project will take place at the University of Zurich during September 2009.

The general theme of the project is the impact of “imperfections” on the prices prevailing in the financial mar-

kets and on the equilibrium values of the choices made by financial agents. The ultimate goal is to determine empirically which combination of “imperfections” best explains observed financial market prices. In this way, observed prices provide information about the underlying behavior pattern of financial market participants (households and firms). Some of the imperfections may also limit the ability of the financial economists to draw inferences about the meaning of financial market prices, and the ability of traders to make decisions.

This research project will unfortunately be dissolved over the next 12 months due to the departure of the project leader Prof. Bernard Dumas.

SFI / FINRISK Annual Workshop in Finance

Each year since 2002, more than 20 doctoral students from the FINRISK network institutions present their current research in progress at a doctoral workshop organized by SFI and FINRISK and sponsored by the Study Center Gerzensee Foundation. The 8th Swiss Doctoral Workshop in Finance was organized on June 8-9, 2009 with the participation of more than 40 PhD students. Each of the 23 presented papers was discussed by another doctoral student before René Stulz (Ohio), Jerome Detemple (Boston) as well as FINRISK faculty provided their feedback. Doctoral awards recognizing outstanding research papers and discussions led by students are given out each year following the workshop. (For more information please see page 11 of this report.) On the second day of the workshop, a meeting to further coordinate the doctoral program in finance across SFI Centers also took place.

The FINRISK Research Day 2009, which was again organized in parallel with the SFI-FINRISK doctoral workshop, was a success story that attracted about 100 participants from the FINRISK network. The goal of this Research Day is to allow scientists with common interests from various projects to interact and discuss their research work and get to know each other better, with a potential to generate scientific collaborations through the contacts established during the workshop. The FINRISK / SFI faculty presented ongoing research projects in their respective field of “Risk Management”, “Asset Pricing and Portfolio Management”, “Corporate Finance” and “Quantitative Methods in Finance”. In addition, Amit Goyal (SFI Senior Chair at the University of Lausanne) held a keynote lecture on pension funds.

The Swiss Finance Institute PhD Program in Finance

The Swiss Finance Institute PhD Program in Finance is targeted towards the pursuit of academic excellence. It aims at providing an intellectual environment and a curriculum comparable with the top PhD programs in Europe and North America. SFI seeks to thoroughly prepare our students for a successful academic career and to place them at renowned finance departments world-wide, a goal which thoroughly came to fruition this year!

As of June 2009, there were 71 PhD students enrolled in the SFI PhD program in finance with a balanced geographical dispersion (Léman Center: 24, Lugano Center: 23, Zurich Center: 24). A total of 34 new PhD students will join the program as of September 2009 (Léman 16 students, Lugano 6 students, Zurich 12 students). The SFI provides (on average) 22 scholarships for first year PhD students from the program and supports several advanced doctoral courses. The local universities finance most of the PhD positions for advanced students (year 2-4). FINRISK continues to coordinate and to partially finance the doctoral program activities, including the 13 advanced PhD courses offered during 2008/09. Furthermore, all participants at the various PhD courses and workshop receive reimbursement of their travel and accommodation expenses from FINRISK.

EPFL joins the SFI PhD program

In the course of 2008, SFI approved the joining of EPFL (Ecole Polytechnique Fédérale de Lausanne) as a full-fledged partner in the SFI PhD program. EPFL offers a PhD program in finance under the leadership of Professor Erwan Morellec. With EPFL joining the program, PhD students will have access to EPFL's finance faculty for courses and thesis supervision. The implications of this partnership should also lead to an extra three to five students to be admitted every year in the Léman Center. This will have the long-run implication of a total targeted student body of nearly 100 students!

SFI / FINRISK Doctoral Courses

A total of 13 doctoral courses in finance were jointly organized by FINRISK and SFI in 2008/09. According to the FINRISK / SFI cooperation agreement, these courses are offered to doctoral students from any Swiss University.

- **Recent Developments in Macro Term Structure and Credit Risk Modeling**, Pietro Veronesi (Chicago),
- **Dynamic Asset Pricing**, Suleyman Basak (London)
- **Behavioural Portfolio Theory**, Enrico De Giorgi (Lugano)
- **A Continuous Time Approach to Dynamic Incentive Problems**, Yuliy Sannikov (Princeton)
- **Advanced Term Structure Modeling**, Markus Leippold (London)
- **Portfolio Optimization by Simulation Methods**, Jérôme Detemple (Boston)
- **Dynamic Corporate Finance**, Erwan Morellec (EPFL)
- **Econometrics of Asset Pricing**, Alain Montfort (CREST, Paris)
- **Advanced Empirical Corporate Finance**, Alexander Ljungqvist (NYU)
- **Econometrics of Continuous-Time Finance**, Yacine Ait-Sahalia (Princeton)
- **Dynamic Portfolio Choice**, Marcel Rindisbacher (Boston University)
- **Modeling Financial Markets in Which Agents Interact by Search for Counterparties**, Darrell Duffie (Stanford)
- **Corporate Finance**, Jay Ritter (University of Florida)

PhD Awards & Support:

Swiss Finance Institute Best Paper Doctoral Award

The annual SFI Best Paper Doctoral Award was started in 2003 by the International Center FAME and from 2006 has been extended to all Swiss Doctoral Students in Finance under the auspices of FINRISK and SFI. It awards a PhD student for an outstanding research paper presented at the Annual PhD Workshop organized by FINRISK and SFI. The winning paper is nominated by a committee formed of outside experts participating in the Workshop and is selected by faculty representatives from each SFI Academic Center. The Award is bestowed upon the winner at the SFI Annual Meeting and the recipient receives CHF 2'000 and a certificate for her/his accomplishment. In 2008, the Award was given to Laurent Frésard from the University of Neuchâtel at the SFI Annual Meeting for his paper "Financial Strength and Product Market Behaviors: The Real Effects of Corporate Cash Holdings".

Swiss Finance Institute Best Discussant Doctoral Award

The annual SFI Best Discussant Doctoral Award was begun by SFI in 2007 and is awarded to PhD students for an outstanding discussion of a paper presented at the Annual PhD Workshop organized by FINRISK and SFI. The recipients are selected by the chairmen of the respective workshop sessions. The Awards are bestowed upon the winners at the SFI Annual Meeting and the recipients receive CHF 1'000 (to be shared among the winners) and a certificate for her/his accomplishment. In 2008 the recipients were Jan-Peter Kulak and Rodolfo Prieto, SFI Léman, and Leon Bogdan Stacescu, SFI Zurich/FINRISK Graduate 2008, who received their awards at the SFI Annual Meeting.

Advanced Doctoral Grants and PhD Study Abroad

Swiss Finance Institute PhD students with academic ambitions are strongly encouraged to spend an extended visit abroad in a top department under the pre-arranged supervision of a researcher interested in the PhD student's research. To that effect, on the recommendation of the Scientific Council, SFI instituted a program of advanced doctoral grants coordinated with the financial support often available from the SNSF and guaranteeing financial support for up to CHF 40'000 per candidate. PhD students who have studied abroad during 2008 and the first half of 2009 are:

- **Nicola Fusari** from the University of Lugano was awarded an SNSF grant to spend a year at the Kellogg School of Management.
- **Boris Nikolov** from the University of Lausanne visited Wharton.

- **Florian Peters** from the University of Zurich is spending a second year at UC Berkeley as a post doctoral fellow (faculty sponsor: Ulrike Malmendier).
- **Rodolfo Prieto** from the University of Lausanne visited MIT's Sloan School of Management (faculty sponsor: Leonid Kogan).
- **Alexandre Jeanneret** from the University of Lausanne visited the Anderson School of Management at UCLA.
- **Philip Valta** from the University of Lausanne visited Duke University (faculty sponsor: Richmond Mathews).



PhD Graduate Placements

The Swiss Finance Institute PhD Program counts a growing number of outstanding graduate placements. Coming from either its foundation programs (FAME and FINRISK) or the Swiss Finance Institute program itself, our graduates are increasingly successful at securing notable positions at prestigious academic and financial institutions.

Following what was probably the most successful placement campaign ever for a European institution, the Swiss Finance Institute PhD graduates have, over the period under review, obtained assistant professor positions at leading institutions such as Carnegie Mellon and Rochester universities in the USA, McGill university in Montreal as well as the London School of Economics and the University of Amsterdam. The Swiss Finance Institute's presence on the doctoral scene was made clear when SFI candidates were solicited for nearly 100 job interviews at the ASSA meeting in January 2009.

Following are the resulting placements:

Laurent Barras, a 2007 SFI PhD graduate of the University of Geneva, will start in September 2009 at McGill University. Laurent's thesis addresses a long-standing and fundamental issue in the mutual fund industry: how many funds in the population are truly able to deliver superior performance?

Maria Cecilia Bustamante, a SFI PhD student at the University of Lausanne, will start in August 2009 at the London School of Economics. Maria Cecilia elaborated on how real and financing frictions affect corporate decision making under uncertainty.

Jens Martin, a SFI PhD student at the University of Lugano, will start in August 2009 at the University of Amsterdam. Jens has studied conflicts of interest among financial analysts in financial markets.

Boris Nikolov, a SFI PhD graduate from the University of Lausanne, will start in July 2009 at the University of Rochester. Boris's research investigates the effects of real market frictions and agency costs on firms' financing, cash holdings, and investment policy.

Emilio Osambela, a SFI PhD graduate of the University of Lausanne, will start in July 2009 at the Tepper School of Business, Carnegie-Mellon University. In his dissertation, Emilio uncovers the frictions that generate the observed dynamics of stock market volatility in the time-series, and the existence of multiple volatility factors, which are priced in the cross-section of expected stock returns.

SFI PhD Graduates

The following students graduated from the SFI PhD Program during 2008 and 2009:

2008

Fabien Couderc

Head of Pricing Group, R&D, RiskMetrics Group

Alexey Medvedev

Quant, Lombard Odier Darier Hentsch & Cie

Sébastien Michenaud

Assistant Professor of Management, Jesse H. Jones Graduate School of Management, Rice University

Boris Nikolov

Assistant Professor, University of Rochester

Augusto Perilla

Quantitative Analyst, RMF Investment Management

Ganna Reshetar

Financial Services Advisor, Deloitte

Bogdan Stacescu

Associate Professor, BI Norwegian School of Management

2009

Gorazd Brumen

Morgan Stanley Risk Management Group, London

Maria Cecilia Bustamante

Assistant Professor of Finance, London School of Economics

Philip Fasnacht

Risk Manager, Credit Suisse

Jens Martin

Assistant Professor, University of Amsterdam

Emilio Osambela

Assistant Professor, Tepper School of Business, Carnegie-Mellon University

Luca Taschini

Research Associate, London School of Economics

Executive Education



Overview 2008

In its third year of operation, Executive Education at the Swiss Finance Institute continued its success by offering 32 courses to 560 participants from all over the world. 60% of participants of our international courses came from outside Switzerland, representing 46 different nationalities and demonstrating the international recognition of our programs.

Executive Education is where the intellectual capital of the Swiss Finance Institute can have the most immediate impact on the finance industry. However, research results need to be conveyed in a palatable and practical form. And this is where SFI Executive Education wants to excel on an international level!

The fact that the Swiss Finance Institute can look back on 26 years of experience in executive education in finance and 21 years of executive education in bank management, through its predecessor organizations, gives it a sound basis to build on. To achieve this goal the Swiss Finance Institute has developed a clear and focused, but also very ambitious, strategy for its Executive Education offering:

- It concentrates exclusively on advanced graduate-level finance courses on the one hand, and on bank management courses for executives on the other.
- In these areas, the Swiss Finance Institute offers open-enrolment programs on a graduate level, as well as Diploma and Master Programs with highly selective admittance.
- With a few exceptions, all programs will be aimed at a global audience, thus fostering the exchange of ideas at the foremost frontiers of knowledge and experience.

One cornerstone of this plan is the internationalization of one of the Institute's German bank management programs: On July 7, 2008, the Senior Management Program in Banking, the international version of the Advanced Executive Program, was successfully launched with a full enrolment of 25 participants from all over Europe. Taught in the style of a mini Executive MBA, this modular program sees participants spend one week in Geneva, in London, in Madrid and in Warsaw for an update on strategic developments in the banking industry. For more than 20 years the SFI has combined academically researched concepts with industry specific practitioner input, and assembled industry peers at management level. Until now this approach has been offered in Switzerland only. With the Senior Management Program, we have raised this approach to an exciting new level across Europe!

In 2008, the Swiss Finance Institute expanded its offer in finance to 21 one-week courses, in addition to the traditional 4+1-week immersion Certificate Program in Financial Asset Management and Engineering (FAME).

Two open-enrolment courses for executives were held in bank management, plus the 5-week SFI Advanced Executive Program, the 4-week Senior Management Program in banking and the 7-week, two-year SFI Executive Program. Additionally, the SFI contributed to the Masters in Wealth Management offered by the Singapore Management University together with the Wealth Management Institute of Singapore. Furthermore, four in-house courses have been offered throughout the year. On an international graduate level in banking and finance, this is one of the broadest offerings in the world!

Key figures for the Swiss Finance Institute executive education in 2008

- In 2008 the SFI offered 32 courses for a total of 48 weeks
> 22 courses in advanced finance for a total of 26 weeks
> 5 courses in bank management for a total of 18 weeks
> 5 in-house training courses for a total of 4 weeks
- 560 participants took one or more of the Institute's courses; 168 graduated from one of its diploma courses.
- In the SFI international programs more than 60% of participants came from outside Switzerland, representing 46 different nationalities.

The Executive Education offering: Finance The Geneva Executive Courses in Finance

The Geneva Executive Courses in Finance are a suite of independent courses. Each course addresses a selected finance topic, where it offers a superb overview of the current status and modern developments relevant to practitioners. The GECF courses are attended by participants from a broad spectrum of private financial institutions, central banks and international financial organizations. The courses have a history of more than 25 years and over the years participants from more than 1300 institutions and 98 countries have attended the courses.

The Swiss Finance Institute is registered with the CFA Institute as an Approved Provider of continuing education programs. The CFA Institute awards CE credits for the attendance of a Geneva Executive Course in Finance.

In 2008 courses were offered in the following three areas:

- Risk management, derivatives and trading
- Asset management
- Financial modeling and quantitative methods

New subjects ranged from energy and emission trading to essentials of options, futures and other derivatives.

The main feature of the Swiss Finance Institute courses lies in the fact that our professors have unique insight into the functioning of financial markets through their research and their consulting activities. This enables them to see both the theoretical and practical aspects, which, given their pedagogical skills, they are able to convey effectively to course participants. Selected practitioners join in to demonstrate how they use the financial modeling, risk and asset management tools in their day-to-day life.

In 2008 Didier Cossin, UBS Professor of Banking and Finance at IMD, celebrated his 10-year anniversary as GECF professor. Our sincere thanks go to him for his long and outstanding contribution to the Institute's Executive Education.

Financial Asset Management and Engineering Program (FAME)

In its 13th year, FAME is an intensive 4+1-week program designed to provide applied training in state-of-the-art techniques and practices used in asset management and financial engineering. Taught in Lausanne in a technology laboratory, FAME is preceded by an optional one-week course which covers the foundations of finance. Each module is taught by a leading academic supported by practitioners. 27 participants joined this program in 2008 representing 11 countries from around the globe. Until the summer of 2008 and for the last ten years, the FAME program had been guided by the exceptional expertise and dedication of Prof. Salih Neftci. It is a great loss for the Swiss Finance Institute that Prof. Neftci who had been a close and enthusiastic contributor to our activities as well as those of the International Center FAME passed away in April 2009.



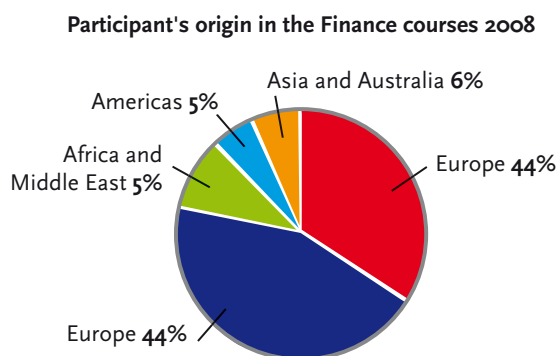
Salih Neftci

The Swiss Finance Institute, its professors, employees, students and graduates were very sad to learn of the passing of our friend and colleague Prof. Salih Neftci on April 15, 2009.

Prof. Neftci was an active member of Swiss Finance Institute and its predecessor, the International Center FAME, from 1996 until 2009, contributing enthusiasm and expertise to a number of our activities, teaching in the doctoral program, the Executive Courses in Finance and successfully leading the Certificate FAME program. His passing is a great loss for our Institute and we will miss him immensely.

Prof. Salih Neftci 1947 - 2009

The international nature of the Geneva Executive Courses in Finance and the FAME program can be seen in the graph below:



The Executive Education offering: Bank Management

In bank management, the focus of the Swiss Finance Institute is to provide insight on key trends in the financial industry, both on a strategic and on an operational level. The concepts underlying these trends are presented by academics selected for their extensive industry involvement, and their understanding of the implications of these concepts for the finance industry. Senior executives are invited to present their institution's reaction to these developments.

A systematic and regular update of the topics and course structure ensures that the needs of the market are constantly met. Finally, the carefully selected participants are of the highest calibre, ensuring a critical discussion of the ideas presented among peers.

Seminars in Bank Management

In 2008 the Swiss Finance Institute organized two international seminars with 51 participants. The most prestigious of these seminars is the five-day International Private Banking Retreat for Managing Directors. The Retreat assembles academic opinion leaders and senior private banking executives to discuss research and practical advances in the increasingly complex and globalized wealth management sector. Attendees are drawn from all over the world including North America, Europe, the Middle East and Asia.

2008 marked the 10th anniversary of the Retreat and its focus was on the most efficient means to craft and deliver risk-aware advice to wealth owners in a global context.

SFI Executive Program and SFI Advanced Executive Program in Bank Management

These two German-speaking part-time bank management programs brought together a total of 190 participants in 2008. The aim of these programs is to develop a broadened understanding of the finance industry, and thereby achieve an improved quality of decision-making as well as a superior ability to interact with colleagues from other business areas.

The SFI Executive Program runs for 7 weeks which are spread over a two year period. It is aimed at young Vice Presidents; the SFI Advanced Executive Program consists of 25 days spread over one year, and is aimed at Senior Vice Presidents and Executive Directors. Both programs are comparable in style to a shortened MBA program, with extensive use of cases, class discussions, and group presentations to incorporate the experience of the widely diverse participants. Both programs utilize about a dozen professors selected from Swiss and foreign universities, each of them responsible for leading one specific subject. Up to eighty senior executives join for special presentations and in-depth discussions.

Senior Management Program in Banking

In 2008 the Swiss Finance Institute launched the Senior Management Program in Banking with a full enrolment of 25 participants from all over Europe. The program brings together a dynamic international faculty, industry leaders and peers to present and discuss strategic developments in the finance industry. The program is split into four blocks lasting 4 to 6 days, with each block taking place at a different European financial center. The course is held in English.

Master Program

The Swiss Finance Institute is also responsible for the two-week Swiss module of the Master in Wealth Management offered by the Singapore Management University, with the Wealth Management Institute as third partner. The Swiss module was held for the 4th time in 2008, with 52 participants from Singapore and South East Asia.

Participants in Executive Education courses in 2008

Finance

<i>Geneva Executive Courses in Finance</i>	<i>125</i>
<i>FAME Certificate</i>	<i>27</i>

Bank Management

<i>Banking seminars</i>	<i>51</i>
<i>SFI Bank Management programs</i>	<i>215</i>
<i>Masters programs</i>	<i>52</i>
<i>In-house programs</i>	<i>90</i>

<i>Total</i>	<i>560</i>
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Outlook 2009

In the Executive Program 2009/2010, 55 participants have successfully completed the Fundamentals of Finance course. This is a one-week course which is a prerequisite for the admittance to the core part of the Executive Program.

The Advanced Executive Program 2009 started in February with the first of its ten 2.5 day modules with 35 participants. The program will last until December 2009.

Finally, the second cycle of the Senior Management Program successfully started with 16 participants. The initial module in Geneva will be followed by another three modules to be held in London, Madrid, and Bratislava.

The FAME program was successfully completed with 13 participants from 7 different countries.

The financial crisis has severely impacted participation in Executive Education courses globally. The Swiss Finance Institute has not been able to escape this trend. We are noticing a decreasing number of participants since the middle of 2008.

For a complete list of the Executive Education courses offered by the Swiss Finance Institute in 2008 see pages 33-35.



Alumni Association

The Swiss Finance Institute Alumni Association (SFIAA) took over from the former Swiss Banking School Alumni Association on April 28, 2006. Graduates from the Executive Program, Advanced Executive Program, International Wealth Management Executive MBA, Financial Asset Management and Engineering Program and the Senior Management Program in Banking are eligible to join. There are now over 1200 members of the SFIAA.

The Swiss Finance Institute Alumni Association promotes

- networking among its members
- further education of its members by means of seminars and lectures (in collaboration with the Swiss Finance Institute)
- contributing to the ongoing improvement of the Swiss Finance Institute

In addition to an annual meeting of members, the Swiss Finance Institute Alumni Association and the Swiss Finance Institute jointly organize the Alumni Luncheons with prominent guest speakers as well as the SFIAA Golf Trophy in August.

2008 Alumni Luncheons

January 24, 2008

Kaspar Müller

President of the Ethos Foundation and Ethos Services Corporate Governance

April 9, 2008

Pierre Mirabaud

President of the Swiss Bankers Association

July 9, 2008

Adolf E. Real

President of the Liechtenstein Banking Association

September 25, 2008

Prof. Ilker Baybars

Deputy Dean of the Tepper School of Business, Carnegie-Mellon University Pittsburg, USA

November 10, 2008

Dr. Urs Rügsegger

Group CEO, SFMS Management AG, SWISS FINANCIAL MARKET SERVICES

In order to promote the networking among women in the SFIAA, in 2008 the first Women-Luncheon has been launched successfully with 48 registered women:

November 13, 2008

Antoinette Hunziker-Ebneter

CEO Form Futura Invest AG

Media Profile

During 2008, the Swiss Finance Institute intensified its efforts to develop and enhance its media profile. Efforts focused on strengthening contacts with journalists, the publication of press releases and newsletters, and the establishment of methods to assess the media profile of the Swiss Finance Institute in print, radio and on the Internet.

The number of media references to the Institute's activities during 2008 was almost identical to that enjoyed during the two previous years. In total, there were 125 print and radio references to the Institute in 2008, compared to 117 in 2007.

In 2008 a total of 13 press releases were distributed on topics as diverse as:

Launch of the Emissions Trading course, Sponsoring of the new Swiss Finance Institute Research Prize by Banque Privée Espirito Santo, New SFI Chairs, Launch of the Senior Management Program in Banking, 10th Anniversary of the International Private and Wealth Management Retreat, Research Award Prize Winners and the Announcement of the Annual Meeting.

The Swiss Finance Institute newsletter is published twice a year. The January 2008 edition contained recognitions for research activities, the 20th anniversary of the Executive Program and the 2007 Annual Meeting, where McGill University researchers Susan Christoffersen and Sergei Sarkissian received the SFI 2007 Outstanding Paper Award.

A second edition of the newsletter was produced in July 2008 with a focus on new academic faculty, the launch of the Senior Management Program in Banking and our long-standing co-operation with the Singapore Management University. Furthermore, there was a résumé of the Gerzensee 2008 research meeting, which assembled doctoral students and faculty to discuss the latest research findings in finance.

In January 2009 Newsletter No. 5 was distributed with information about the planned EMBA launch and the highlights of the third Annual Meeting, where more than 200 distinguished academics and finance practitioners participated at the Credit Suisse Forum in Geneva.

The mailing list for the Institute's newsletter includes researchers affiliated with the Swiss Finance Institute and former participants of the Institute's Executive Education programs. The list is expanded continuously, which reflects a broader goal to enhance our media profile with the active involvement of the Institute's closest affiliates and alumni.

Knowledge Transfer at the Swiss Finance Institute

Knowledge Transfer at SFI provides platforms at the cutting edge of research and business and organizes events to encourage dialogue between research and the banking industry thus providing applied knowledge.

3rd Annual Meeting of the SFI in Geneva at Credit Suisse Forum on November 18

Over 250 participants attended this research and knowledge transfer event, assembling leading academics and finance practitioners. The event was organized with the research partner FINRISK and the support of the Geneva Financial Center Foundation.

One of the highlights of the 3rd Annual Meeting was the lively debate at the round table on “Finance in the Wake of the Subprime Crisis”. Among the many questions raised, Swiss Bankers Association former Chairman Pierre Mirabaud asked why banks were prepared to bear such exaggerated risks when their very functioning depends on their reputation to protect investors from harm. The Institute’s Director of Research Professor Rajna Gibson asked what the impact of the financial crisis on the practice of quantitative risk management in tomorrow’s banking industry will be. And Chester Spatt asked why so few within industry managed to step back and ask themselves how banks could have increased their profits so dramatically in recent years. Panelists and presenters provided responses and approaches to all these questions during the one-day program.

What lessons can be learned from the financial crisis?

According to researchers Tom Cooley and Chester Spatt, US policy makers were prompt in their recent responses to the crisis. But as Professor Spatt pointed out, creditors were not provided with adequate information about how the proposals would actually work. Jes Staley echoed this sentiment when he commented that “bad news is not the worst thing for the market to hear. No news is far worse”.

A question from the audience about rating agencies raised much debate, as was reported by several newspapers in the days following the event. Professor Spatt

explained that ratings came to be perceived almost as a kind of proxy for financial advice. “This is an odd model” commented Spatt, “because we turn to asset managers to deliver different perspectives on investment”.

Researchers Olivier Scaillet and newly appointed Amit Goyal cast a critical eye on delegated portfolio management. Their research highlighted issues with the cost and risk management practices of institutional fund managers and the ever-diminishing evidence that actively managed mutual funds beat the overall market.

1st European Conference of the SoFiE

The First European Society for Financial Econometrics (SoFiE) Conference was held June 10-12, 2009 in Geneva. The Swiss Finance Institute took on a leading role in the organization of this conference supported by the HEC, University of Geneva, FINRISK and the Geneva Financial Center Foundation. This conference provided a platform for discussions between over 100 international specialists, including among the invited speakers: a Nobel Prize laureate, Professors from Princeton, Stanford, New York University, and Oxford to name a few.

Industry Seminars

In 2008 three presenters talked on the 7am industry seminars – held at the ZKB Zurich.

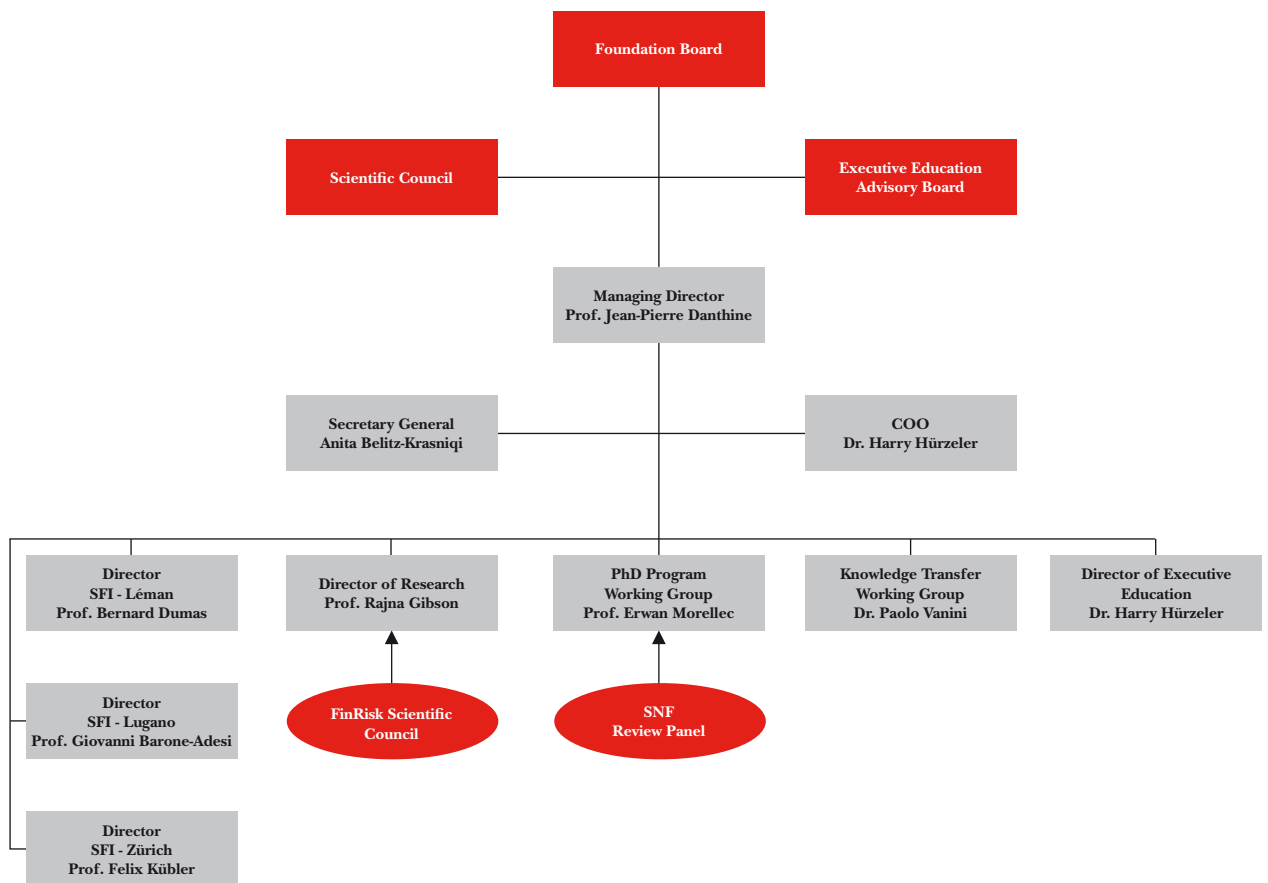
- Hyun Song Shin started with the first seminar on August 8 and talked on procyclical leverage. He is a Princeton University Professor and Consultant for G20.
- Michael Brennan talked on October 7 on the mispricing return premium. He is a Professor at the University of California in Los Angeles and at the London Business School.
- Thomas Jordan’s presentation included a description of the National Bank’s response to the financial crisis. He is a member of the Governing Board of the Swiss National Bank and he also teaches at the University of Bern. The registrations for this event on October 28, 2008 were outstanding and the seminar had to be held in the entrance hall of the ZKB.

From left: Tom Cooley, Della Bradshaw, Benoit Dumont, Patrick Odier and Chester Spatt



Structure and Overseeing Bodies

swiss:finance:institute



Governing Bodies

The main governing body of the Swiss Finance Institute is the Foundation Board. It includes representatives of its founding members as well as representatives of its academic regional centers. The Foundation Board is advised by the Scientific Council on matters of scientific content and by the Executive Education Advisory Board on matters of Executive Education.

Foundation Board

The Foundation Board members represent the entire finance and banking community in Switzerland, both locally and internationally. The Swiss Finance Institute gratefully acknowledges the participation of a number of members leaving the Foundation Board in 2008 and 2009: Dr. Marcel Rohner of UBS, Dr. Ulrich Körner of Credit Suisse, and Prof. Dr. Hans Weder of the University of Zurich as representative of SFI-Zurich Center.

Swiss Finance Institute Foundation Board – June 2009

Chair

Mr. Olivier Steimer

Chairman of the Board of Directors
Banque Cantonale Vaudoise, Lausanne

Dr. Philipp Halbherr

Head Investment Banking and Member of the Executive Committee, Cantonal Bank of Zurich

Deputy chairs

Mr. Hans-Ulrich Meister

CEO Credit Suisse Switzerland, Zurich

Prof. Dr. Piero Martinoli

President, University of Lugano, representing the Swiss Finance Institute Lugano Center

Dr. Francesco Morra

CEO Switzerland, Wealth Management & Swiss Bank, UBS AG, Zurich

Mr. Patrick Odier

Managing Partner, Lombard Odier Darier Hentsch & Cie, Geneva - as representative of the Swiss Private Bankers Association

Members

Mr. Raymond J. Baer

Chairman of the Board of Directors, Julius Baer, Zurich - as representative of the Association of Swiss Commercial and Investment Banks in Switzerland

Dr. Urs P. Roth

CEO, Swiss Bankers Association

Prof. Dr. Andreas Fischer

Rector, University of Zurich, representing the Swiss Finance Institute Zurich Center

Prof. Dr. Jean-Dominique Vassalli

Rector, University of Geneva, representing the Swiss Finance Institute Léman Center

Mr. Antonio Foglia

Chairman of the Executive Committee, Banca del Ceresio, Lugano – as representative of the Ticino Bankers Association

Dr. Pierin Vincenz

CEO, Raiffeisen Group Switzerland

Prof. Dr. Peter Gomez

Chairman of the Board of Directors, SIX Swiss Exchange SA

Dr. Alfredo Gysi

CEO, BSI SA, Lugano – as representative of the Association of Foreign Banks in Switzerland

Scientific Council

The Swiss Finance Institute Scientific Council (SC) counts 5 international experts nominated as a result of a wide consultation with its university partners with the aim at arriving at a broad consensus on the representation in the SC of the Swiss Finance Institute main fields of research: financial mathematics, financial econometrics, investments, and corporate finance. The Foundation Board of the Swiss Finance Institute has committed to make decisions with scientific content exclusively under the recommendation of its Scientific Council. The Swiss Finance Institute is very fortunate to have been able to secure the enthusiastic support of 5 internationally renowned experts under the chairmanship of:

Prof. René Stulz

Fisher College of Business, Ohio State University.

The other members of the Scientific Council are:

Prof. Tim Bollerslev

Fuqua School of Business, Duke University

Prof. Patrick Bolton

Columbia Business School, Columbia University

Prof. Michael Brennan

Anderson School of Management, UCLA

Prof. Ioannis Karatzas

Dept of Mathematics, Columbia University

The cooperation agreement with the Swiss Finance Institute and the Swiss National Science Foundation indicates that the International Scientific Council of FINRISK is to act as the main supervisory body for all activities and funding falling under the heading of Project Research.

Executive Education Advisory Board

The Executive Education Advisory Board is the main supervisory body concerned with Executive Education. The Executive Education Advisory Board ensures that the Executive Education offering of the Swiss Finance Institute is of the highest quality, addresses the needs of the industry and is well coordinated with other initiatives within Switzerland. The Swiss Finance Institute gratefully acknowledges the participation of Dr. Moehrle from Deutsche Bank AG who left the Executive Education Advisory Board this year.

The members of the Executive Education Advisory Board in June 2009 are:

Chair

Urs Hofmann

Chief Learning Officer, Head CS Business School, Credit Suisse

Members

Prof. Dr. René Capitelli

Managing Director, Head Business Support, UBS AG and University of Basel

Curdin Duschletta

Managing Director, UBS AG

Per Etholm

Managing Director, Citigroup

Prof. Dr. Rudolf Grünig

University of Fribourg

Dr. Jürg Gutzwiler

CEO and Member of the Executive Board, RBA-Holding

Prof. Dr. Alfred Mettler

Georgia State University

Maxime Morand

Head HR, Lombard Odier Darier Hentsch & Cie

Lukas Stucky

Head Julius Baer Academy, Bank Julius Baer & Co. Ltd

Matthias Wirth *

Swiss Bankers Association

** Executive Education Advisory Board Secretary*

2008 Facts & Figures



Summary of 2008 financial accounts

Balance sheet as of December 31, 2008

	31.12.2008
	<u>CHF</u>
ASSETS	
Current assets	
Cash and cash equivalents	15'515'199.41
Accounts receivable	27'471.70
Other receivables	210'620.53
Prepaid expenses and accrued income	366'529.97
Total current assets	<u>16'119'821.61</u>
Fixed assets	
Investment portfolios	41'144'828.85
Due from Securities Lending and Borrowing	17'207'657.00
Deposits	55'807.25
Office equipment	105'322.65
IT equipment	83'631.65
Total fixed assets	<u>58'597'247.40</u>
TOTAL ASSETS	<u><u>74'717'069.01</u></u>
LIABILITIES AND FOUNDERS' EQUITY	
Short-term liabilities	
Accounts payable	828'144.80
Other payables	38'344.86
Research accounts	756'415.11
Accrued expenses and deferred income	1'840'407.05
Long term loans founders	8'000'000.00
Total short-term liabilities	<u>11'463'311.82</u>
Founders' equity	
Foundation capital	15'000'000.00
Reserves	30'064'785.00
Retained earnings	
- As of January 1, 2008, from SFI donations and operations	28'781'426.58
	28'781'426.58
Net result from donations and operations	-10'592'454.39
Total founders' equity	<u>63'253'757.19</u>
TOTAL LIABILITIES AND FOUNDERS' EQUITY	<u><u>74'717'069.01</u></u>

**Profit and loss statement
for the period from January 1st to December 31, 2008**

	31.12.2008
	<u>CHF</u>
Income from Executive Education courses	5'159'726.45
Expenses from Executive Education courses	-3'394'152.25
Net result from courses before general expenses	<u>1'765'574.20</u>
Expenses Research	-2'759'603.20
Expenses Ph D Program	-855'181.90
Income from Knowledge Transfer	112'241.25
Expenses from Knowledge Transfer	<u>-125'798.05</u>
Expenses Projects	-500'000.00
Net operating result before general expenses	<u>-2'362'767.70</u>
 GENERAL EXPENSES	
Personnel expenses	-2'808'844.41
Other operating costs	-1'032'372.50
Net operating result	<u>-6'203'984.61</u>
Net extraordinary income	3'556.69
Donations	4'693'023.00
 INCOME/EXPENSES ON INVESTMENTS	
Total realized and unrealized gains on investments	-8'774'201.66
Administration and bank fees	-310'847.81
Total income/expenses on investments	<u>-9'085'049.47</u>
RESULT FROM DONATIONS AND OPERATIONS FOR YEAR 2008	<u><u>-10'592.454.39</u></u>

2008 and Forthcoming Publications in Academic Journals and Books by SFI Researchers

Philippe Bacchetta

Higher Order Expectations in Asset Pricing, with E. van Wincoop, *Journal of Money, Credit, and Banking*, vol. 40, pp 837-866, 2008.

Predictability in Financial Markets: What Do Survey Expectations Tell Us?, with E. Mertens and E. van Wincoop, *Journal of International Money and Finance*, forthcoming.

Exchange Rate Volatility and Productivity Growth: The Role of Financial Development, with Ph. Aghion, R. Rancière and K. Rogoff, *Journal of Monetary Economics*, forthcoming.

Giovanni Barone-Adesi

Barrier Option Pricing Using Adjusted Transition Probabilities, with N. Fusari and J. Theal, *Journal of Derivatives*, vol.16 (2), pp 36-53, 2008. Book chapters.

The Design of New Security Markets, *Risk Management in Commodity Markets*, Chapter 4, Wiley, forthcoming.

The World Oil Market, with C. Bärlocher, *Encyclopedia of Quantitative Finance*, Wiley, forthcoming.

Tony Berrada

Bounded Rationality and Asset Pricing with Intermediate Consumption, *Review of Finance*, forthcoming.

Peter Bossaerts

Equilibrium Asset Pricing Under Heterogeneous Information, with B. Biais and Ch. Spatt, *Review of Financial Studies*, forthcoming.

Modeling Price Pressure in Financial Markets, with E. Asparouhova, *Journal of Economic Behavior and Organization*, forthcoming.

From Market Jaws to the Newton Method: The Geometry of How a Market Can Solve Systems of Equations, with Charles R. Plott, *Handbook of Experimental Economics Results*, Charles Plott and Vernon L. Smith, eds. 2008, Amsterdam: North-Holland.

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Promoting Intellectual Discovery: Patents vs. Markets, with J. Copic and D. Meloso, *Science*, forthcoming.

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Neural Correlates of Mentalizing-Related Computations During Strategic Interactions in Humans, with A. Hampton and J. O'Doherty, *Proceedings of the National Academy of Sciences*, vol. 105, pp 6741-6746, 2008.

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Neurobiological Studies of Risk Assessment: A Comparison of Expected Utility and Mean-Variance Approaches, with M. d'Acremont, *Journal of Cognitive, Affective and Behavioral Neuroscience*, vol. 8(4), pp 363-374, 2008.

Neural Coding of Outcome Uncertainty, with W. Schultz, K. Preuschoff, C. Camerer, M. Hsu, C.D. Fiorillo, and P. Tobler, *Philosophical Transactions of the Royal Society B: Biological Sciences*, 2008.

Predicting Risk in a Multiple Stimulus - Multiple Reward Environment, with M. d'Acremont and M. Gilli, *Reward And Decision Making*, ed. J.C. Dreher and L. Tremblay, Elsevier, forthcoming.

Marc Chesney

Stock Options and Manager's Incentives to cheat, with R. Gibson, *The Review of Derivatives Research*, vol. 11, 2008.

Mathematical Methods for Financial Markets, with M. Jeanblanc and M. Yor, Springer Verlag, forthcoming.

Jean-Pierre Danthine

Distribution Risk and Equity Returns, with J.B. Donaldson and P. Siconolfi, in *The Handbook of the Equity Risk Premium*, R. Mehra, ed., 2008, North Holland Handbooks of Finance Series, Elsevier, Amsterdam.

Enrico De Giorgi

The α -Beauty Contest: Choosing

Numbers, Thinking Intervals, with S. Reimann, *Games and Economic Behavior*, vol. 64(2), pp 470-486, 2008.

Paul Embrechts

Aggregating operational risk across matrix structured loss data, with G. Puccetti, *Journal of Operational Risk* 3(2), 29-44, 2008.

EVT-based estimation of risk capital and convergence of high quantiles, with M. Degen, *Advances in Applied Probability*, 40(3), 696-715, 2008.

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Panjer recursion versus FFT for compound distributions, with M. Frei, *Mathematical Methods in Operations Research*, forthcoming.

Multivariate extremes and the aggregation of dependent risks: examples and counter-examples, with D.D. Lambrigger and M.V. Wüthrich, *Extremes*, forthcoming.

Revisiting the edge, ten years on, with V. Chavez-Demoulin, *Communications in Statistics: Theory and Methods*, forthcoming.

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Operational Risk: the Advanced Measurement Approach, with V. Chavez-Demoulin, *Encyclopedia of Quantitative Finance*, John Wiley, 2008.

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A Comprehensive Look at the Empirical Performance of Equity Premium Prediction, with I. Welch, *Review of Financial Studies*, vol. 21(4), pp 1455-1508, 2008.

Cross-Section of Option Returns and Volatility, with A. Saretto, *Journal of Financial Economics*, forthcoming.

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Thorsten Hens

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Martin Hoesli

Constant-quality house price indexes for Switzerland, with S.C. Bourassa, D. Scognamiglio and P. Sormani, *Swiss Journal of Economics and Statistics*, vol. 144(4), pp 561-575, 2008.

A comparative analysis of house prices and bubbles in the U.K. and New Zealand, P. Fraser and L. McAlevey, *Pacific Rim Property Research Journal*, vol. 14(3), pp 257-278, 2008.

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Julien Hugonnier

Mutual fund portfolio choice in the presence of dynamic flows, with R. Kaniel, *Mathematical Finance*, forthcoming.

Jean Imbs

Finance, Institutions and Risk Sharing in International Portfolios, with M. Fratzscher, *Journal of Financial Economics*, forthcoming.

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Eric Jondeau

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Optimal Monetary Policy in an Estimated DSGE Model of the Euro Area with Cross-country Heterogeneity, with J.-G. Sahuc, *International Journal of Central Banking*, vol. 4, pp 23-72, 2008.

Testing Heterogeneity within the Euro Area Using a Structural Multi-Country Model, with J.-G. Sahuc, *Economics Letters*, vol. 99, pp 192-196, 2008.

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Felix Kübler

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Henri Loubergé

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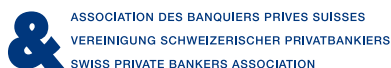
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Swiss Finance Institute

Bd. du Pont d'Arve 40

1211 Geneva 4 - Switzerland

Tel +41(0)22 379 84 71 - Fax +41(0)22 379 82 77

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swiss:finance:institute

Bd. du Pont d'Arve 40
1211 Geneva 4
Switzerland

T +41 22 379 84 71
F +41 22 379 82 77
research@sfi.ch

www.SwissFinanceInstitute.ch