swiss:finance:institute

Activity Report
2013

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 2006 with the support of the Swiss banking and finance community and the Swiss stock exchange 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 und 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 the Swiss Finance Institute's activities from January to December 2013.

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A Word from the Board

The Year of Change and Consolidation

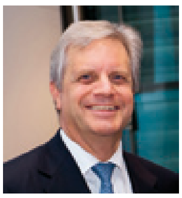
2013 was a year of further change and also consolidation for the Swiss Finance Institute (SFI). Following the strategy review and the reorganization of the management team in 2012, the emphasis for 2013 was on integrating activity areas and furthering the relationship with SFI's stakeholders.

In Research, the build-up of the research faculty continued with four new faculty members joining in 2013. In addition to securing good industry placements, the SFI PhD program has achieved notable academic placements this year, with institutes such as the University of Maryland, the University of Toronto, Frankfurt University, Copenhagen Business School, and Collegio Carlo Alberto, Moncalieri, Italy. These placements enhance SFI's visibility and profile at an international level. In 2013, in addition to its usual activities, research project support commenced with 20 research projects across Switzerland funded by the State Secretariat for Education, Research and Innovation through SFI.

In Education, work continues on transforming the offering, to meet the demand for company-specific, in-house programs. There have been three main developments during the year in terms of offering: broadening of degree programs; adapting to the important paradigm shift in education by focusing on and developing customized and scalable programs; and initiating a state-of-the-art e-learning series, enabling SFI Education to provide blended learning in the most effective manner.

In Knowledge Center, Professor Karl Schmedders was appointed as Head of the Knowledge Center in January 2013 with a mandate to encourage and increase dialog between practitioners and researchers. A number of initiatives were launched in 2013 with further projects and collaborations in the pipeline for 2014. The Knowledge Catalyst project - a placement program that assists in matching up industry-oriented Master's students from SFI Academic Partner Institutes with local companies during their course or thesis work - has been particularly successful in 2013.

2013 saw the creation of two new committees within the governing body of SFI: the Audit and Risk Committee and the Faculty Appointment and Research Project Committee. The new committees will conduct detailed reviews of the issues being brought to the Foundation Board and make recommendations to the Board, in order to allow for the Board to focus on the strategic issues of the Institute. On the Foundation Board's behalf, following the end of their terms, we would like to take this opportunity to thank Andreas Fischer, Peter Gomez, and Alfredo Gysi for their contributions to SFI. We would also like to welcome Marco Bizzozero, Michael Hengartner, and Alexandre Zeller as new members of the Foundation Board. Without the ongoing commitment and dedication of such members, SFI could not be the Institute that it is today.



Olivier Steimer
Chairman of the Foundation Board

Claudio Loderer
Managing Director

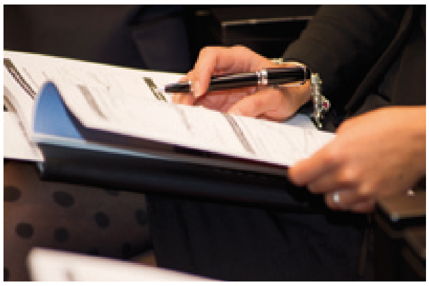
Swiss Finance Institute Faculty

A primary objective of the Swiss Finance Institute (SFI) is to build up an outstanding faculty across Switzerland. SFI works with its academic partners to create and entrench academic expertise. SFI relies on an extensive network of over 70 local and international faculty members to support its Research and Education activities.

Research Faculty
(as of January 2014)

The SFI Research faculty is made up of exceptional researchers from SFI academic partner institutes. Their outstanding publications contribute to the international research community and ensure that Switzerland makes its mark on the international research agenda.

***** Senior Chair*
**** Distinguished Service Senior Chair*
*** Junior Chair*
** SFI Tenure-track Assistant Professor*



Education Adjunct Faculty
(as of January 2014)

The SFI Adjunct Professor title is awarded to selected professors from recognized universities and universities of applied science. Recipients are not part of the SFI research faculty, but are chosen because of the importance of their contribution to SFI's industry training programs.

EPFL ÉCOLE POLYTECHNIQUE FÉDÉRALE DE LAUSANNE
UNIL | Université de Lausanne
UNIVERSITÉ DE GENÈVE
University of Zurich UZH
ETH zürich
Università della Svizzera italiana

Research Highlights

The Swiss Finance Institute (SFI) strives for a top-ranking position among Europe's financial research institutes. One way to measure progress towards this goal is through the number and quality of publications by SFI researchers that appear in top academic journals. SFI Faculty's research is gaining significant recognition internationally with a steady increase in the output of research publications, on par with that of the foremost international institutions.

The SFI Scientific Council places extra weight on publications appearing in journals that historically have been first in promoting ideas that have changed financial practice: the Journal of Finance, the Journal of Financial Economics, the Review of Financial Studies, the American Economic Review, the Journal of Political Economy, the Quarterly Journal of Economics, Econometrica, and the Review of Economic Studies. The number of publications in these journals in Switzerland from 2003 to 2006 was on average 3 per year. Since 2006 and the creation of SFI this figure has increased each year – from 8 in 2008 to 11 in 2010 to 14 in 2013. The following 12 out of the 14 articles published in 2013 were by SFI researchers:

2013

Do Implicit Barriers Matter for Globalization, **I. Chaieb**, F.Carrieri, and V. Errunza, *Review of Financial Studies,* vol.26(7), pp. 1694-1739, 2013.

CEO Contract Design: How Do Strong Principals Do It?, H. Cronqvist and **R. Fahlenbrach**, *Journal of Financial Economics,* vol. 108(3), pp 659-674, 2013.

The Term Structure of Interbank Risk, **D. Filipovic** and **A. Trolle**, *Journal of Financial Economics,* vol. 109(3), pp 707-733, 2013.

Do Hedge Funds Manipulate Stock Prices?, **F. Franzoni**, I. Ben-David, A. Landier, and R. Moussawi, *Journal of Finance,* vol. 68(6), pp 2383-2434, 2013.

Preferences for Truthfulness: Heterogeneity among and within Individuals, **R. Gibson**, C. Tanner, and **A. Wagner**, *American Economic Review,* vol. 103(1), pp 532-548, 2013.

Real Effects of Stock Underpricing, **H. Hau** and S. Lai, *Journal of Financial Economics,* vol. 108(2), pp 392-408, 2013.

Health and (other) Asset Holdings, **J. Hugonnier**, F. Pelgrin, and **P. St-Amour**, *Review of Economic Studies,* vol.80(2), pp 663-710, 2013.

Inferior Good and Giffen Behavior for Investing and Borrowing, **F. Kübler**, L. Selden, and X. Wei, *American Economic Review,* vol. 103(2), pp. 1034-1053, 2013.

Optimal Incentives and Securitization of Defaultable Assets, **S. Malamud**, H. Rui, and A. Whinston, *Journal of Financial Economics,* vol. 107, pp 111-135, 2013.

Liquidity in the Foreign Exchange Market: Measurement, Commonality, and Risk Premiums, **L. Mancini**, A. Ranaldo, and J. Wrampelmeyer, *Journal of Finance,* vol. 68(5), pp. 1805-1841, 2013.

Growth Options, Macroeconomic Conditions, and the Cross-section of Credit Risk, M. Arnold, **A. Wagner**, and R. Westermann, *Journal of Financial Economics,* vol. 107, pp. 350-385, 2013.

R&D and the Incentives from Merger and Acquisition Activity, with G. Phillips, and **A. Zhdanov**, *Review of Financial Studies,* vol. 26(1), pp 34-78, 2013.

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

Other Publications

A further 74 research papers were included in the 2013 **Swiss Finance Institute Research Paper Series** hosted on the Social Science Research Network (SSRN). This is the highest number of submissions to-date for SFI. A complete list of the 2013 papers is available on pages 26–30 of this report.

The **SFInsight** provides an update on finance leaders' experience with current research results, recent SFI research findings, developments in the SFI Knowledge Center and SFI Education activities, as well as upcoming SFI events and news. The SFInsight can be accessed via SFI's website.

- **December 2013**

Focus on new currency investment strategies
- Interview with Dr. Philipp Halbherr, ZKB
- Rethinking the Carry Trade, Prof. Karl Schmedders

The SFInsight replaces the **Connection**, a quarterly knowledge transfer publication. 2013 editions of the Connection presented ongoing research by SFI Faculty members on finance topics of current interest.

- **N°2013-0007**

Focus on governance
The 7th SFI Annual Meeting

- **N°2013-0008**

Focus on real estate
Deciphering theUps and Downs of House Prices

- **N°2013-0009**
Focus on risk management
The Art of Managing Risks

SFI Research Days

SFI organizes the annual SFI Research Days. This event, aimed at both PhD students and academics, takes place over two days in June at the Study Center Gerzensee. The event offers both Swiss-based academics and PhD students a forum to present and discuss their current research and features keynote speeches, parallel academic research sessions, doctoral workshops, individual research meetings for PhD students, prizes (Best Paper Doctoral Award and Best Discussant Doctoral Award), and social events. The SFI Research Days are regularly attended by more than 75 Swiss researchers. The event promotes collaboration between researchers from all across Switzerland.

Awards and Honors of SFI Faculty

Hansjörg Albrecher
- Best Actuarial Science Paper at *Hachemeister Prize of the Casualty Actuarial Society* (CAS) 2013.

Pierre Collin-Dufresne
- TCW Best Paper Award at 2013 *China International Conference in Finance* for “Structured Debt Markets: Evidence for Conflicts of Interest”.
- Best Paper Prize at the 2013 *AFFI Conference* for “Structured Debt Markets: Evidence for Conflicts of Interest”.

François Degeorge
- Best Paper Award at the EFMA 2013 *Conference Award* for “Do Analysts’ Preferences Affect Corporate Policies?”
- Best Paper in Corporate Finance at the *FMA International Annual Meeting Awards 2013* for “Do Analyst Preferences Influence Corporate Policies?”

Harald Hau
Best Dissertation Piece/Essay in the field of Value Investing at the *ACATIS Value Prize* for “Value Around the World”.

Thorsten Hens
Best Dissertation Piece/Essay in the field of Value Investing at the ACATIS Value Prize for “Value Around the World”.

Erwan Morellec
Best Teacher Award in Master in Management, Technology and Entrepreneurship at *EPFL*

Jean-Charles Rochet
Best Paper Award of *Europlace* for “Free Cash-Flow, Issuance Costs and Stock Price Volatility”.

Michael Rockinger
Best Conference Paper at *FEBS 2013 Conference* for “Systemic Risk in Europe”.

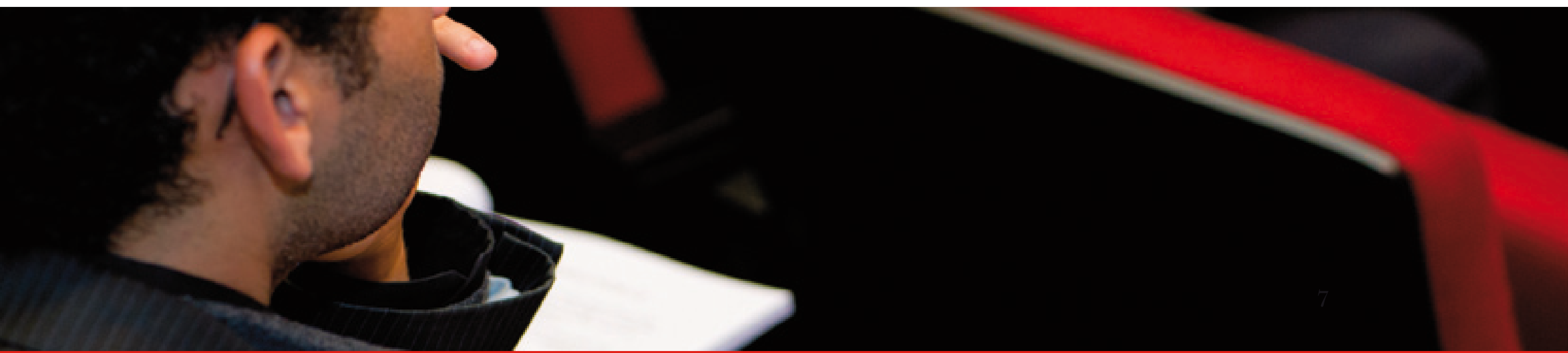
Olivier Scaillet
Management Science Distinguished Service Award for 2013.

Karl Schmedders
- Best Teacher Award of the Kellogg School of Management - Class EMP91.
- Best Teacher Award of the Kellogg School of Management - WHU EMBA Class of 2013.

Outstanding Paper Award

The Outstanding Paper Award winners for the year 2013 were Prof. Kent Daniel (Columbia University) and Prof. Tobias Moskowitz (University of Chicago) for their paper entitled “Momentum Crashes”.

The Swiss Finance Institute’s Outstanding Paper Award is presented annually to an unpublished research paper circulated over the previous 12 months that makes 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 Prof. Rajna Gibson Brandon, SFI Head of Research, and Prof. Norman Schürhoff, Chairman of the Jury.



Swiss Finance Institute Research Support: NCCR FinRisk and the State Secretariat for Education, Research and Innovation

The Swiss Finance Institute (SFI) supports and promotes promising research projects in selected subject areas. It builds upon the former National Centre of Competence in Research - Financial Valuation and Risk Management (NCCR FinRisk) - launched by the Swiss National Science Foundation (SNSF) in 2001 as a bridge towards a structural research funding platform.

Since 2012/13, the State Secretariat for Education, Research and Innovation (SERI) finances research related to economics directly through SFI. Research project funding is awarded on a strictly competitive basis among researchers based in Switzerland under the supervision of the SFI Project Evaluation Committee. The following is a list of projects currently being funded:

Asset Pricing and Asset Allocation

Asset Pricing with Regime Dependent Preferences and Learning
Project leader: Prof. Tony Berrada
(University of Geneva)
The objective of this research project is to study the impact of regime dependent preferences on equilibrium asset prices when information pertaining to the state of the economy is incomplete.

The Role of Betas versus Characteristics in Cross-Sectional Asset Pricing
Project leader: Prof. Amit Goyal
(University of Lausanne)
By developing a new methodology for cross-sectional asset-pricing tests, the goal of this study is to disentangle the relative importance of betas and firm characteristics in explaining the cross-sectional variation in expected returns.

Financial and Health-Related Allocations over the Life Cycle
Project leader: Prof. Julien Hugonnier
(Ecole Polytechnique Fédérale de Lausanne)
This project aims to develop a tractable dynamic framework capable of modeling the joint determination of a household's financial and health-related decisions over its life cycle.

CDS Market Liquidity
Project leader: Prof. Anders Trolle
(Ecole Polytechnique Fédérale de Lausanne)
With the goal of analyzing liquidity effects in the Credit Default Swap (CDS) market, this study aims to construct a new measure of market-wide CDS illiquidity and to assess the impact of liquidity risk on expected returns of CDS contracts.

Term Structures and Cross-Sections of Asset Risk Premia
Project leader: Prof. Fabio Trojani (University of Lugano)
This project aims to shed further light on the price formation for individual financial assets across different markets, as a function of the level and term structure of the assets' risks or uncertainty.

Banking

Systemic Risk and Dynamic Contract Theory
Project leader: Prof. Jean-Charles Rochet
(University of Zurich)
The aim of this project is to develop a model shedding light on corporate risk management policies and to adapt this model to capture the behavior of banks. It also aims to develop a theory of macro-prudential banking regulation.

Behavioral and Experimental Finance

An Individual-Level Analysis of Financial Decision-Making: Evidence from Real-World Gambling Decisions
Project leader: Prof. Angie Andrikogiannopoulou
(University of Geneva)
Using a unique data set on online sports betting, this project sets out to examine whether and why risk preferences vary over time. It also aims to estimate the extent of heterogeneity across individuals with different demographic characteristics.

Sentiment and Risk in Financial Markets
Project leader: Prof. Giovanni Barone-Adesi
(University of Lugano)
The goal of this project is to measure investor sentiment – optimism and overconfidence in particular – and to model its evolution through time. It also aims to study the implications of optimism and overconfidence for asset management.

Contagious Defaults in Credit Markets - an Experimental Analysis
Project leader: Prof. Martin Brown
(University of St.Gallen)
This project aims to understand, through experimental evidence, whether mortgage defaults are predominantly driven by inability to repay or by strategic behavior. It also studies the role of social norms in containing strategic default.

Corporate Finance

Merger Activity in Industry Equilibrium
Project leader: Prof. Theodosios Dimopoulos
(University of Lausanne)
The objective of this study is to characterize the interactions between merger activity, on the one hand, and firms' entry, exit, and investment decisions, on the other. It will do so across the business cycle.

The End of Germany Incorporated
Project leader: Prof. Rüdiger Fahlenbrach
(Ecole Polytechnique Fédérale de Lausanne)
The objective of this research project is to study the effects of tax reform on corporate ownership and the consequences of any ownership changes for firms' investment decisions and performance.

The Corporate Aging Phenomenon
Project leader: Prof. Claudio Loderer (University of Bern)
The aim of this project is to study the effects on Tobin's q and firm survival when management focuses its attention on maximizing the performance of assets in place rather than on developing new growth opportunities.

Corporate Liquidity, Governance, and Agency Costs
Project leader: Prof. Erwan Morellec
(Ecole Polytechnique Fédérale de Lausanne)
This project aims to shed further light on the magnitude of manager-shareholder conflicts, on their effects on corporate behavior and economic growth, and on the effectiveness of governance mechanisms in alleviating such conflicts.

Words and Deeds: Communication in Capital Markets
Project leader: Prof. Alexander Wagner
(University of Zurich)
This project aims to advance knowledge of the reasons behind the variation in style of managerial communication, of what investors can learn from implicit facets of communication, and of how firms achieve credible communication.

Financial Markets
Analyzing Microfinance Markets
Project leader: Prof. Urs Birchler (University of Zurich)
Using worldwide data on microfinance markets, this project intends to analyze differences in the development of microfinance across countries and to construct an index of both the financial and social performance of microfinance investments.

Institutional Trading: Liquidity Provision, Managerial Incentives, and High-Frequency Trading
Project leader: Prof. Francesco Franzoni
(University of Lugano)
The goal of this project is to investigate whether hedge funds' liquidity provision is affected by moments of market stress and to explore how different hedge fund characteristics affect hedge fund exposure in those times.

Liquidity and Leverage
Project leader: Prof. Semyon Malamud
(Ecole Polytechnique Fédérale de Lausanne)
The aim of this project is to analyze the interactions between excessive leverage, liquidity dry-ups, and asymmetric information. It will also examine their feedback effects on the real side of the economy.

Opacity in Financial Markets
Project leader: Prof. Yuki Sato (University of Lausanne)
The goal of this study is to investigate how opacity of investment companies or of financial products affects investor behavior, asset prices, and social welfare. The study also asks why opaque assets emerge in the first place.

Over-the-Counter Financial Markets
Project leader: Prof. Norman Schürhoff
(University of Lausanne)
In view of recent regulatory initiatives regarding over-the-counter markets in Europe and the US, this project studies the interrelation between financial market structure, liquidity, and asset price formation.

Nonlinear Effects in Financial Markets
Project leader: Prof. Martin Schweizer (ETH Zurich)
The objective of this project is to study the effects of nonlinearities such as transaction costs and price uncertainty and how they can be dealt with in several areas: e.g. asset management, risk management, and hedging.

Finance and Society
The Financial Crisis of 2007/2008: Causes and Consequences
Project leader: Prof. Rüdiger Fahlenbrach
(Ecole Polytechnique Fédérale de Lausanne)
This research project addresses two questions related to the recent financial crisis: Do banks learn from financial crises? And what are the implications of hedge-fund-like incentives in the context of a crisis?

Delegated Portfolio Management, Resource Allocation, and Social Welfare
Project leader: Prof. Yuki Sato (University of Lausanne)
This research project looks into the possible effects of the recent increased importance of institutional investors on the formation and stabilization of asset prices. It also asks whether this "institutionalization" has had a significant impact on the allocation of resources and social welfare.

International Finance
Market Integration
Project leader: Prof. Ines Chaieb (University of Geneva)
The goal of this project is to understand how assets are priced in an increasingly global environment and when market frictions such as transaction costs are present.

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 to provide rigorous and inspiring PhD studies in finance with an intellectual environment and curriculum comparable to that of the top PhD programs in Europe and North America. The program seeks to offer the best training possible to both future academics and those contemplating a career in industry.

As of January 2013, there were 90 active students enrolled in the SFI PhD program in finance. The program takes place across the three SFI Centers with students in Léman (42), Lugano (22) and Zurich (26). The 2012/2013 academic year had an incoming class of 23 students, mostly from Europe but also from overseas. The SFI funds students in their first year of the program so they can study full-time. In subsequent years, the students often work as teaching and research assistants in local institutes while writing their theses, following advanced courses and pursuing their research interests. SFI further supports students by providing financing for travelling to international conferences and workshops and helps them prepare for the academic job market.

SFI / FINRISK Doctoral Courses

A total of six advanced doctoral courses in finance were jointly organized by NCCR-FINRISK and SFI in 2013. These courses are offered to doctoral students from any Swiss university.

- Selected Topics in Empirical Corporate Finance, Prof. Roni Michaely, (Cornell University), February 2013, at the University of Lugano.
- Topics in Dynamic Asset Pricing, Prof. Antonio Mele (University of Lugano), March 2013, at the University of Lugano.
- Agency and Executive Compensation, Prof. David Yermack (NYU Stern), May 2013 at the University of Lugano.
- Statistical Tools for Financial Econometrics (USI), Prof. Alain Monfort (CREST), June 2013 at the University of Lugano.
- Financial Stability, Prof. Jean-Charles Rochet (University of Zurich) and Prof. Xavier Vives (IESE Business School), October 2013 at the Study Center Gerzensee.
- Asset Pricing in Continuous Time, Prof. Paul Schneider (University of Lugano), November 2013 at the University of Lugano.

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 presented at the SFI Annual Meeting and the recipient receives a financial prize. Zexi Wang, an SFI student from the University of Zurich, won the 2013 award for his paper entitled “Short Sellers, Institutional Investors, and Corporate Cash Holdings”.

Swiss Finance Institute Best Discussant Doctoral Award

The annual SFI Best Discussant Doctoral Award was launched by SFI in 2007. It is awarded to Swiss doctoral students in finance for an outstanding discussion of a paper presented at the Annual PhD Workshop organized by FINRISK and SFI. The recipients are selected by the chairpersons of the respective workshop sessions. The Awards are presented at the SFI Annual Meeting and the recipients receive a financial prize. The 2013 award winners were SFI students Giuliano Curatola (Ecole Polytechnique Fédérale de Lausanne) and Rémy Praz (Ecole Polytechnique Fédérale de Lausanne).

Advanced Doctoral Grants and PhD Study Abroad

- **Jules Munier** from the University of Lausanne visited Robert H. Smith School of Business, University of Maryland, USA from September 2013 to December 2013 (faculty sponsor: Prof. Alexander J. Triantis)
- **Tatjana Puhan** from the University of Zurich visited Kellogg School of Management, Northwestern University, USA from August 2012 to September 2013 (faculty sponsor: Prof. Robert Korajczyk).

SFI PhD Workshop Series

The SFI PhD workshop series (self-organized by PhD students), aims to stimulate student interaction across the three SFI centers. It was launched in 2011.

A workshop organized by Matthias Efing on “Financial Intermediation and Stability” was hosted by the University of Geneva on October 3, 2013. Seven papers were presented followed by talks by senior researchers. The conference included students and professors from all of the SFI Centers and special guests from INSEAD.

PhD Graduate Placements

SFI has one of the world's largest PhD programs in finance. SFI PhD Program graduates are successful at securing notable positions at prestigious academic and financial institutions, both in Switzerland and abroad.

In 2013 SFI PhD graduates secured placements principally in North America and Europe.

SFI PhD Graduates 2013

The following students graduated from the SFI PhD Program during 2013:

- **Erdinç Akyildirim**, Business and Product Developer, Istanbul Stock Exchange, Product Development Department, Turkey.
- **Matteo Borghi**, Quantitative Risk Specialist at UBS, Switzerland.
- **Julien Cujean**, Assistant Professor of Finance, University of Maryland, R.H. Smith School of Business, U.S.A.
- **Giuliano Antonio Curatola**, Assistant Professor, Goethe University Frankfurt, Germany.
- **Elise Gourier**, Advanced Post Doc. at Princeton University, USA.
- **Michael Hasler**, Assistant Professor of Finance at University of Toronto, Canada.
- **Ngoc Giang Hoang**, Doctoral Assistant, Ecole Polytechnique Fédérale de Lausanne, Switzerland
- **Pawel Polak**, Post Doc. at Columbia University, USA.
- **Nikolay Ryabkov**, Associate Quantitative Investment at OMERS Capital Markets, Canada.
- **Cornelius Schmidt**, Assistant Professor of Finance, Norwegian School of Economics (NHH), Norway.
- **Zexi Wang**, Post Doc. at the University of Zurich, Switzerland.
- **Ramona Westermann**, Assistant Professor at Copenhagen Business School, Denmark.

"I chose to do my PhD with SFI mainly because of SFI's strong focus on top-level research and the very favorable research environment offering the chance to participate in cutting-edge research from an early stage of the doctoral studies.

SFI faculty taught me to ask interesting research questions and showed me how to pursue these questions. I regard the knowledge that I acquired during my PhD studies with SFI as the most important basis for my future career.

The SFI alumni network is very widespread by now, and I enjoy the academic exchange with other former SFI students."

Ramona Westermann, SFI PhD Graduate '13
Assistant Professor in Finance, Copenhagen Business School

Education

2013 Highlights

2013 was a year of tranformation for Swiss Finance Institute Education (SFI Education), marked by three main developments on the offering side and a number of operational and staff efficiency changes. The Education team laid the foundations for broadening degree programs through cooperation with Rochester–Bern Executive Programs, adapted to the important paradigm shift in education by focusing on and developing customized and scalable programs, and initiated a state-of-the-art e-learning series, that enables SFI Education to provide blended learning in the most effective manner.

SFI Education offered 42 courses in 2013.

> 3 degree offerings for a total of 13 weeks' study (plus one "Nachzertifizierung" for an earlier non-degree program)
> 1 Master's program module for a total of 2 weeks' study
> 1 C-level offering for a total of 1 week's study
> 2 executive offerings for a total of 9 weeks' study
> 13 specialist offerings for a total of 5 weeks' study
> 22 in-house training courses for a total of 11 weeks' study.

A total of 900 participants took part in one or more of the Institute's courses during 2013.

Once again, the Education unit of Swiss Finance Institute finished the year with a positive financial result, in spite of a difficult and increasingly fragmented market environment. Financial institutions around the world are continuing to refocus their external education demands in response to the challenging market and cost situation. The international trend toward certified courses and more in-house programs continues. These programs are increasingly customized, offering excellent quality at a competitive price.

SFI is, therefore, constantly evaluating, together with its partner Rochester–Bern Executive Programs, banks' needs for further specialized certificate programs. In the second half of 2014, SFI will offer additional specialized certificate programs leading to degrees, the Certificate of Advanced Studies.

As of 2014 SFI will also offer a Master of Advanced Studies program, addressing the market demand for degree programs specializing in banking.

SFI Education has also strengthened its ability to deliver international in-house programs providing highly successful customized programs to Swiss and Chinese banks as well as to one foreign bank in Switzerland. Together with its partner, Centro di Studi Bancari, SFI has extended its cross-border seminars and begun to offer them alongside the open enrolment programs as in-house training courses for specific banks. While we are well aware of the competitive nature of this market, we are confident that our high-caliber, customized offerings will continue to attract Swiss and international banks.

SFI e-Finance Series

SFI Education also used 2013 to develop its own e-learning offering, the "SFI e-Finance Series". The offering is primarily tablet-based and applications will be available for iPad and Android tablets when it launches in 2014. The content is presented in the form of interactive e-books. The e-learning offering will initially be used within our programs and in-house training courses and will be made publicly available as stand-alone offerings at a later stage.

SFI Education follows a two-fold content approach, focusing on the one hand on basic knowledge such as mathematics, statistics, and basic finance, and on the other hand on more specific finance topics such as mortgaging or the regulatory environment.

New Collaborations

SFI is particularly proud to announce that in 2013 it entered into a collaboration agreement with the **CFA Society Switzerland**. The partnership is focused on delivering practical, relevant academic knowledge created by SFI to the Swiss and global practitioner communities. The partnership will also help SFI to maximize its practical impact and enhance the competitive advantage of the Swiss financial center. Swiss CFA members can now collect Continuous Education credits by participating in SFI Education programs and attending Knowledge Transfer events.

SFI Education is delighted to announce its collaboration with the training and convention center of Credit Suisse – Bocken, located in Horgen – which will, effective immediately, host the new **"SFI Campus at Credit Suisse Bocken Estate"**. Participants at many of our programs and seminars will now be able to enjoy this wonderful setting above Lake Zurich.

The 2013 Education Offering

The focus of the SFI Education offering is to provide insight into key knowledge and trends in the financial industry, both on a strategic and an operational level. The concepts underlying these trends are presented by academics and practitioners 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 the reaction of their institution 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 caliber, ensuring a critical peer discussion of the ideas presented and the benefit of outstanding networking and interaction platforms.

The Education Offering: C-level Offerings for Top Management

International Wealth Management Retreat

SFI's most prestigious offering is the International Wealth Management Retreat for the most senior of executives. The retreat brings together academic opinion leaders and top private banking executives to discuss research and practical advances in the increasingly complex and globalized wealth-management sector. The 2013 retreat, held in St. Moritz, provided insights into the growing ultra-high-net-worth individuals (UHNWI) segment and the dislocation of wealth from west to east with a focus on China. High-profile academics, among them Prof. Annie Koh from Singapore Management University, and practitioners such as Martin Naville, the CEO of the SwissAmerican Chamber of Commerce, attracted a very interesting group of participants from diverse countries. The opening speech was given by David Leppan, chairman and founder of Wealth-X and one of the most prominent experts on the UHNWI segment. He spoke on the topic of "Connecting to the World's Ultra-wealthy".

The Education Offering: University Degree Offerings

Diploma of Advanced Studies in Banking (former SFI Executive Program)

A total of 52 participants have registered for this German language, part-time bank management program in 2013/14. The aim of the program is to reach a broadened understanding of the finance industry, improve the quality of decision-making and develop skills that will enhance interaction with colleagues from other business areas.

Participants are taught how to interpret their own responsibilities as part of the financial system and how to apply these in line with modern thinking and requirements from all market players. A great deal of attention is therefore paid to the study of the latest international developments in this context.

The Diploma of Advanced Studies in Banking runs for seven weeks spread over a two-year period. It is aimed at young vice presidents and is offered in collaboration with the Rochester–Bern Executive Programs.

Certificate of Advanced Studies in Corporate Banking

Today's advisors and specialists in corporate banking face increasing challenges in their everyday business. They need to serve their clients in a highly professional manner, and to identify and develop new business opportunities while being able to recognize the early warning signs of potential failure.

The Certificate of Advanced Studies (CAS) in Corporate Banking helps participants to excel in these fields. With a focus on medium-sized companies, the CAS in Corporate Banking conveys insights into corporate strategy, corporate finance, management accounting, legal & compliance, and risk management. The program, conducted in German, is offered in collaboration with the Rochester-Bern Executive Programs and was first held in 2013. It is aimed at the experienced corporate banker level and parts of the program have also been opened to members of the Swiss Finance Institute Alumni Association.

The Dual Degree Executive MBA in Asset and Wealth Management

The Dual Degree Executive MBA in Asset and Wealth Management integrates financial know-how and business management. This program is one of only a handful of Executive MBAs worldwide that allow participants from anywhere in the world to take part, and, as such, is truly global. The Executive MBA appeals to those active in private banking or institutional asset management across the globe: bank managers, senior relationship-managers, and investment professionals.

The program calls on some of the world's foremost academics to teach the concepts involved and how these concepts are applied, while leading practitioners discuss the associated practical challenges. These learnings are then reviewed in the context of the asset and wealth management business.

The program consists of six two-week classroom modules spread over 20 months, based alternately at the Tepper School of Business at Carnegie Mellon University, Pittsburgh, Pennsylvania, and at HEC Lausanne, Switzerland.

Graduates of this new program are awarded Executive MBA degrees from the Tepper School of Business and from HEC Lausanne. In May 2011, SFI began the first cycle of this new, specialized Dual Degree Executive MBA in Asset and Wealth Management in Lausanne. With 12 different nationalities and 22 participants with an average professional experience of 12 years in the financial industry, those that graduated in 2013 made up a truly senior international group. From the second cycle on, classes have relied on collaboration between the two partner universities without SFI's involvement.

The Education Offering: Executive Offerings

Advanced Executive Program

The SFI Advanced Executive Program helps senior managers and experts from financial and related sectors to strengthen their management competences, broaden their factual knowledge, and promote integrated thinking around the current dramatic trends in the financial industry. The program, held predominantly in German, consists of 22.5 days spread over roughly one year.

Senior Management Program in Banking

In 2008, SFI launched an international executive program - the Senior Management Program in Banking. This program, taught in English, attracts and brings together a dynamic international faculty, industry leaders, and peers to present and discuss strategic developments in the finance industry. It is split into four modules lasting five days each and each module takes place in a different European financial center. The initial module in Geneva was followed by another three modules in Zurich, London, and Frankfurt.

Both executive offerings 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. Each of the two programs calls on around a dozen academics selected from Swiss and foreign universities, who are responsible for leading one specific module each. These are then supported by up to eighty senior executives who join the programs for special presentations and in-depth discussions.

The Education Offering: Customized Bank Seminars

The Singapore Master's Program

SFI is also responsible for a one-week Swiss module of the "Master's in Wealth Management" offered by the Singapore Management University and with the Wealth Management Institute as a third partner. The Swiss module was held for the 9th time in 2013, bringing together 17 participants from Singapore, 13 from China, and 14 from East and Southeast Asia. The program includes wealth-management related lectures from both academics and senior bank executives and a site visit to a bank in Zurich.

China In-house Training Courses

In recent years, we have been approached by various organizations requesting in-house training courses for major Chinese banks. A successful collaboration has been established and will continue with repeat business already for the third year.

Cross-border Seminars

Following a request from a group of Swiss private banks in 2012, SFI, together with its partner the Centro di Studi Bancari, offers cross-border seminars on Austria, Belgium, France, Germany, Italy, Spain, and the UK. In 2013 we started offering parts of these seminars exclusively to specific banks as in-house training courses. From 2014, the offering will be extended to selected emerging markets such as Brazil and Russia. In 2013, SFI also ran in-house training courses to for Swiss banks and for one foreign bank in Switzerland.

The Education Offering: In-house Offerings

In addition to its open-enrolment programs, SFI also offers company-specific, in-house training courses for both Swiss and internationally active financial institutions. These courses, workshops, or focused certification programs are tailored to clients' individual requirements.

Why In-house Offerings from SFI?

> Focus on the finance industry

SFI's focus on financial institutions results in a profound understanding of the needs and challenges of the financial industry. With a teaching faculty of more than 50 SFI professors, a total faculty of around 120 educators from academia and industry specialized in banking and finance, and an open architecture approach to lecturing, SFI offers in-depth and unmatched expertise.

> Strong and experienced partner in education

Built on more than 25 years of experience in banking and finance education, SFI offers customized training courses not only in Switzerland, but also in Europe and Asia. Clients include Swiss and international banks, universities and bankers' associations, and the Swiss State Secretariat for Economic Affairs (SECO).

> Thought leaders

A unique network of leading researchers, teachers, and senior bank practitioners puts SFI in a position to offer exceptional value in education. The Institute's lecturers are aware of the challenges in the finance industry, can combine theoretical concepts and practical examples, and ensure best-practice knowledge transfer to the client company.

Training Development Process

In order to address company-specific needs, detailed preparation takes place for each client institution:

- Identification of training goals & learning framework
- Analysis of status quo & internal courses conducted
- Determination of company-specific needs
- Development of customized curriculum
- Conduct of in-house training sessions
- Certification & review process

The process begins with scientific coordinators working in close collaboration with the client's internal training representatives to establish client-specific training goals and requirements. This stage takes previous training courses and content into account with a view to using existing content as the basis for a customized curriculum. It also examines individual participant experience and background alongside company-specific training needs. This leads to the development of an individual, tailor-made training program that can also involve internal experts.

The next stage is to select the most appropriate lecturers from both academia and industry from SFI's first-class pool. The client and the chosen lecturers then work in close collaboration to devise the ideal structure for the training. This might be teacher- centered training, case-study based, or workshop-based learning. Tailor-made support documentation, based on the contents of the training course, is then prepared.

Depending on the client's requirements, the in-house training offering can also include the organization of training locations and the preparation and management of examinations.

Following successful completion of the program, each participant is awarded a certificate by SFI. Once the customized training course is complete, a detailed review is carried out in order to improve the program so it can be delivered again and, potentially, implemented in the client's own training framework. Refresher courses can also be designed to maintain knowledge levels and support continuous learning.

Alumni Association

The Swiss Finance Institute Alumni Association (SFIAA) replaced the former Swiss Banking School Alumni Association on April 28, 2006. Graduates of the Executive Program, Diploma of Advanced Studies (DAS), Certificate of Advanced Studies (CAS), Advanced Executive Program, Financial Asset Management and Engineering Program, and the Senior Management Program in Banking are all eligible to join. The SFIAA currently has 1,461 members.

The SFIAA promotes:
- networking among its members;
- further education of its members by means of seminars and lectures (in collaboration with SFI);
- contributions to the ongoing development of SFI.

In addition to an annual meeting of members, SFIAA and SFI jointly organize the Alumni Luncheons with prominent guest speakers, after-work drinks in Zurich and Basel, luncheons in Bern, and networking dinners in Geneva, as well as the SFIAA Golf Trophy.

2013 Alumni Luncheons

January 10, 2013
Prof. emer. Ernst Baltensperger
Professor of Economics, University of Bern

March 13, 2013
Dr. Jakob Schaad
Head of International Financial Markets,
Swiss Bankers Association

September 24, 2013
Thomas Zerndt
Managing Director of Business Engineering
Institute St. Gallen AG

Women's luncheons were launched in 2008 to promote networking among female members of the SFIAA. A total of 175 women participated in 2013's events:

January 22, 2013
Heather McGregor
Financial Times columnist known as
"Mrs. Moneypenny"

June 26, 2013
Claudia Colic
Head of Transaction Banking, UBS Zurich

September 3, 2013
Tanja Weiher
weiher partners ag

November 28, 2013
Dr. Gabriela Maria Payer
Head of Education, Swiss Finance Institute

Swiss Finance Institute Knowledge Center

In 2013, the Swiss Finance Institute Knowledge Center (SFI KC) launched a number of initiatives with the goal of strengthening the Swiss financial marketplace and fostering the dialog between academia and industry. The SFI KC acts as a catalyst by drawing on its excellent network of high-level academic and industry experts. Initiatives established or continued in 2013 were:

SFI Knowledge Catalyst

The SFI Knowledge Catalyst program gives companies access to industry-oriented Master's students with special finance know-how through the SFI academic network. The program brings companies, students and SFI professors together to work on Master's thesis or field projects and has shown impressive growth since its launch in October 2013 with more than 50 inquiries from companies up to the end of 2013. Interested companies ranged from small-size companies to large multinationals spanning all branches of the financial services industry (banking, insurance, and asset management); public administration as well as finance departments of other (non-finance) industries. All requests for student support were fulfilled.

Project examples are:

- Trade-level CVA allocation
- Optimal Currency Strategy for a Global Balanced Portfolio from a Swiss Investor's Perspective
- Study and Calibration of a LIBOR Forward Swap Model with Stochastic Volatility
- Cross-sectional Determinants of Performance in the Equity and Fixed-Income Spaces
- Asset Allocation and Liquidity Constraints
- Hedging Bond Portfolio Risk using Credit Derivatives

For more details visit: www.sfi.ch/catalyst.

Providing Industry with Academic Expertise

SFI KC can draw on its excellent network to support companies by providing academic expertise from all fields of finance. In 2013, experts were asked to write reports on specific topics, hold internal workshops on the latest finance techniques to bring professionals up to date, give advice on financial calculations and models, and participate in events as speakers..

SFI Initiatives and Collaborations for the Swiss Financial Center

SFI KC seeks collaborations to support the development and strengthen the position of the Swiss Financial Center. It partners with associations, think-tanks, public administration, and other organizations as appropriate.

Inter alia, SFI KC has launched an initiative called SFI White Papers. SFI White Papers bring new thinking on finance topics into the social and economic debate and give practitioners academic support for better decision making.

The first paper to be published was concluded by SFI Professor Jean-Charles Rochet and covers the topic of "The Extra Cost of Swiss Banking Regulation". The paper deals with the fact that Swiss regulation is stricter than most foreign regulation which has virtues in terms of promoting financial stability in Switzerland, but also imposes additional costs on Swiss banks and, ultimately, the Swiss economy.

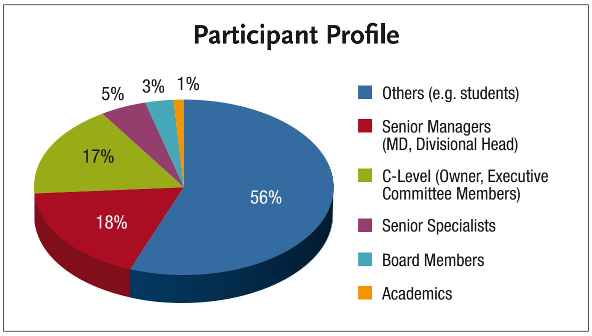
The study assesses the costs and benefits of this stricter regulation, and compares it with the current situation and the predictable trends in other countries. Prof. Rochet came to the conclusion that the extra costs do not appear to be exorbitant given the strength provided to Swiss banks by the banking regulation's 'Swiss Finish.' However, stricter regulations such as significantly higher minimum capital requirements (leverage ratio) would pose a potential danger because their long-term impact on the Swiss economy cannot be foreseen at this time.

Furthermore, the too-big-to-fail problem should not be dealt with through an arbitrary reduction in the activities of Swiss banks, but rather by boosting the ability of supervisory authorities to intervene. The leverage ratio is a suitable instrument for this task. It enables regulators to act quickly when difficulties arise. On the other hand, the leverage ratio is not a suitable means of bringing about a permanent reduction in the size of banks. The full SFI White Paper is available at: www.sfi.ch/whitepaper.

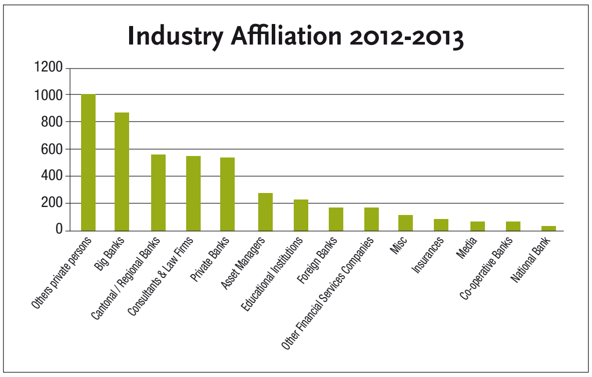
Swiss Finance Institute Knowledge Transfer Activities

Swiss Finance Institute Knowledge Transfer (SFI KT) activities continued to be highly successful in 2013, providing opportunities for dialog between academics and industry-based professionals. SFI KT organizes a variety of events each year which include breakfast, lunch and evening seminars and conferences. All are on cutting-edge topics and structured to facilitate panel discussions that make applied knowledge available to as wide an audience as possible.

SFI KT events are proving increasingly popular. The 20 events held in 2013 attracted 2,320 delegates: an increase of more than 30% on 2011. The majority of non-student participants were senior bank and finance managers - with around 60% coming from the banking industry.



Feedback from the participants, which praises the high quality of both the speakers and the events overall, is further testament to their success. Our thanks go to the six sponsors of the 2013 events: SIX Group, ZKB, ABT, the University of Lugano, ETH, and McKinsey & Company.



The key objective of the KT activities is to enable people to remain up to date on relevant, current banking issues and obtain information useful to their daily business. The aim of the offering is to enhance the knowledge of employees of the member banks that co-founded SFI and of the public, at the same time raising SFI's profile.

SFI KT's seminars improve dialog and build bridges not only between the banking industry and academics, but also between industry, academia, and society in general.

Leading Debates on Topical Issues

Sixteen seminars and three conferences were held during the year at locations in Geneva, Ticino, and Zurich. The SFI annual event, the SFI 8th Annual Meeting, was also held in Geneva in November 2013. Top seminar speakers: Andrew Haldane (Bank of England), Prof. Harold James (Princeton), Dr. Claudio Borio (BIS), Prof. Philippe Bacchetta (UNIL), Rolf Wietlisbach (PWC), Pratibha Thaker (The Economist Intelligence Unit), Prof. Paolo Vanini (ZKB) and Dr. Fritz Zurbrügg (SNB) attracted very high participant numbers and some events sold out. The topics discussed were systemic risk, financial crises, point of sale, and wealth management. The Neue Zürcher Zeitung did an in-depth article on Dr. Borio's talk on "The financial cycle and macroeconomics: what have we learned?" The SFI industry seminars were also publicized in various finance event calendars, including www.finanzplatz-zuerich.ch and www.geneve-finance.ch.

The SFI Banking Conference held in collaboration with McKinsey & Company in February 2013 was a great success with 150 participants discussing 'Swiss Banking: Light at the end of the tunnel' and focusing on the challenges currently faced by banks in Switzerland in the private banking, retail banking, and asset management sectors.

Two other conferences were held in Ticino and Zurich on "Insights for Investors" and "The Time Value of Money" exploring essentials in credit risk, liquidity, and funding.

The Zurich conference brought together experts from major banks and academia, including Prof. Andrea Pallavicini (Banca IMI and Imperial College London), Dr. Chris Kenyon (Lloyds Bank), Gordon Lee (UBS), Dr. Holger Plank (d-fine), and Dr. Stefanie Ulsamer (Zürcher Kantonalbank). The speakers shared insights into the progress researchers and practitioners have made in this field in recent years. A new session structure was tested, with two sessions being run in parallel; one designed for experts, the other focusing on fundamentals. Feedback from the 120 participants was very positive.

The Ticino conference featured in a full article in the Corriere del Ticino.

The Annual SFI Headline Event

The SFI institutional event, the 8th Annual Meeting, was held in Geneva. It focused on the topic of global economic risk and attracted 160 participants. At the meeting, distinguished finance experts from academia and industry discussed global economic risks and the challenges these pose to Swiss banks.

Macro-prudential Regulation

In the morning session of the SFI Annual Meeting, Jean-Charles Rochet, SFI Professor of Banking at the University of Zurich, presented a cost-benefit analysis of new banking regulations.

Prof. Rochet said that although leverage of commercial banks has increased dramatically over the past 150 years, there appears to be no obvious link between bank leverage and the cost of intermediation or a country's economic growth.

He presented a new model assessing both the benefits and costs of regulation, and arguing that while reducing bank leverage is likely to reduce expected losses due to banking crises, it also reduces the volume of credit available to the economy. Prof. Rochet showed that the estimated increase in the cost of credit due to new capital requirements varies between 5 and 25 basis points (bp) for Basel III and 14 and 48 bp for the Swiss too-big-to-fail policy. New capital requirements do however reduce the chances of a banking crisis.

Macroeconomics and Supervision

Following Prof. Rochet's talk, Philippe Moutot, Principal Advisor in the General Economics Directorate of the European Central Bank, gave a central banker's perspective on what should be done to avoid another crisis. His talk focused on Europe as a monetary union.

Dr. Moutot addressed the questions of why the crisis happened and why it lasted so long. He also discussed the governance elements essential to the success of a monetary union.

He said that authorities must intervene more actively in order for systemic risk to decrease. This view is consistent with an interpretation of systemic risk whereby the surprise created by a systemic event is limited if we are able to better understand the triggers likely to bring it about and amplify its impact.

Global Regulatory Imbalances

This session was followed by a panel debate on global regulatory imbalances moderated by Harald Hau, SFI Professor at the University of Geneva. The members of the panel were Patrick Odier, Chairman of the Swiss Bankers Association and Senior Partner of Lombard Odier & Cie; Karen Braun-Munziger, Senior Advisor in the Financial Stability Directorate of the Bank of England; and Urs Rohner, Chairman of the Board of Directors of Credit Suisse Group AG.

According to the panel, while Basel III is good in that it tries to achieve minimum standards for capital requirements, there are several caveats for individual countries. Switzerland, for example, will require a Swiss finish to deal with the fact that its banking sector's assets are large compared to Swiss GDP. As Switzerland is not part of the G7 or the European Union, it usually only gets involved in the final stages of talks, and this poses some challenges for Swiss banks. The panel reiterated that a good relationship between Switzerland and the EU is a prerequisite to eliminating any difficulties.

Dilemmas of Risk and Regulation

The keynote speaker of the Annual Meeting was Roy Smith, Professor of Finance and Entrepreneurship at New York University's Stern School of Business.

Prof. Smith discussed the role regulators played in the recent crisis and whether the measures they took (such as first bailing out Bear Sterns, then letting the much larger Lehman Brothers fail) increased market risk. He also asked whether the new rules could prevent future crises. He believes that while governments might have made some mistakes, it would be an even greater mistake to deny them the tools to bail out banks. Though not perfect, the latest regulatory requirements might actually work, as they force banks to make meaningful changes and to rethink what they do. The most pressing need, according to Prof. Smith, is to stop playing the blame game and get banks back into the business of financing growing firms.

A New Collaboration

In September 2013, the Swiss financial education institutions CFA Society Switzerland and SFI made the decision to intensify their cooperation and jointly contribute to professionalizing the Swiss banking and finance community. Aside from proactively promoting the quality standards of today's financial professionals, the focus will be on research, education, and innovation.

Three SFI KT events were offered in 2013 where delegates were awarded CE credit hours for participation under the guidelines of the CFA Institute Continuing Education Program.

Governing and Advisory Bodies

The main governing body of the Swiss Finance Institute (SFI) 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 professional education. In 2013, the Foundation Board created two new committees, the Audit and Risk Committee and the Faculty Appointment and Research Project Committee. The aim of the committees is to discuss financial and faculty issues in detail before each meeting of the Foundation Board in order to bring recommendations to the members of the Board. All Foundation Board members have a secondary role on one of the four committees, the Executive Committee, the Fund Management Committee, the Audit and Risk Committee or the Faculty Appointment and Research Project Committee.

Foundation Board

Foundation Board members represent the entire finance and banking community in Switzerland, both locally and internationally. SFI gratefully acknowledges the participation of Prof. Dr. Peter Gomez, as representative of SIX Group AG, Dr. Alfredo Gysi, as representative of the Association of Foreign Banks in Switzerland and Prof. Dr. Andreas Fischer, as representative of the Swiss Finance Institute Zurich Center. All three finished their mandate on the Foundation Board during 2013.

Swiss Finance Institute Foundation Board – December 2013

Chairman

Mr. Olivier Steimer [1]
Chairman of the Board of Directors
Banque Cantonale Vaudoise, Lausanne

Deputy Chairmen

Mr. Lukas Gähwiler [1]
CEO, UBS Switzerland

Mr. Hans-Ulrich Meister [1]
Head Private Banking & Wealth Management Division & Chief Executive Officer Region Switzerland, Credit Suisse

Members

Mr. Marco Bizzozero [2]
CEO, Deutsche Bank (Switzerland) Ltd. – as representative of the Association of Foreign Banks in Switzerland

Mr. Renaud de Planta [3]
Managing Partner, Pictet Group - as representative of the Swiss Private Bankers Association

Dr. Philipp Halbherr [3]
Head of Institutionals & Multinationals and Member of the Executive Board, Cantonal Bank of Zurich

Prof. Dr. Michael Hengartner [4]
President of the University of Zurich - as representative of the Swiss Finance Institute Zurich Center

Mr. Bernard Keller [3]
Member of the Executive Board, Julius Baer Group Ltd. - as representative of the Association of Swiss Commercial and Investment Banks in Switzerland

Mr. Claude-Alain Margelisch [4]
CEO and Delegate of the Board of Directors, Swiss Bankers Association

Prof. Dr. Piero Martinoli [4]
President, Università della Svizzera italiana - as representative of the Swiss Finance Institute Lugano Center

Mr. Luca Soncini [2]
Executive Board Member, Chief Financial & Risk Officer, PKB Privatbank SA – as representative of the Ticino Bankers Association

Prof. Dr. Jean-Dominique Vassalli [4]
Rector, University of Geneva - as representative of the Swiss Finance Institute Léman Center

Dr. Pierin Vincenz [3]
CEO, Raiffeisen Group

Mr. Alexandre Zeller [2]
Chairman of the Board of Directors, SIX Group Ltd. Zurich

[1] *Executive Committee*
[2] *Audit and Risk Committee*
[3] *Fund Management Committee*
[4] *Faculty Appointment and Research Project Committee*

Scientific Council

The Swiss Finance Institute Scientific Council is comprised of international experts nominated as a result of a wide consultation with SFI's university partners. Its aim is to arrive at a broad consensus on the representation of the Scientific Council of Swiss Finance Institute's main fields of research: corporate finance, financial econometrics, financial mathematics, and investments. SFI's Foundation Board has committed to make decisions regarding scientific content exclusively under the recommendation of its Scientific Council. SFI is very fortunate to count on the enthusiastic support of the following internationally renowned experts:

Chairman

Prof. Dr. René Stulz
Fisher College of Business, Ohio State University

Members

Prof. Dr. Tim Bollerslev
Fuqua School of Business, Duke University

Prof. Dr. Patrick Bolton
Columbia Business School, Columbia University

Prof. Dr. Markus Brunnermeier
Department of Economics, Princeton University

Prof. Dr. Darrell Duffie
Graduate School of Business, Stanford University

Prof. Dr. Maureen O'Hara
Johnson Graduate School of Management, Cornell University

Executive Education Advisory Board

The Executive Education Advisory Board is the main supervisory body concerned with Education. The Executive Education Advisory Board ensures that SFI's Education offering is of the highest quality, addresses the needs of the industry and is synchronized with other initiatives within Switzerland.

The members of the Executive Education Advisory Board as of December 2013 are:

Chairperson

Dr. Gabriela Maria Payer
Head of Education, Swiss Finance Institute

Members

Mr. Martin Beeler
Senior Talent Partner, UBS Switzerland

Mr. Maurizio Camponovo
Head of Training & Development, BSI SA

Prof. Dr. Rudolf Grünig
University of Fribourg

Dr. Jürg Gutzwiller
Member of the Board, RBA-Holding

Mr. Andreas John
Head of Business Area Private Banking Clients Spain, Portugal, France, Belgium, Russia, Central Asia, Eastern Europe, Greece, Credit Suisse

Prof. Dr. Alfred Mettler
Georgia State University

Mr. Tim Price
Head of Learning, Talent, Resourcing and Organization Development, HSBC Private Bank (Switzerland) SA

Mr. Lukas Stucky
Head Julius Baer Academy, Bank Julius Baer & Co. Ltd

Mr. Johannes Toetzke
Credit Suisse Head Education Switzerland

Dr. Thomas Ulrich
Regional Head Greater Zurich area, Managing Director at UBS

Secretary

Mr. Matthias Wirth
Swiss Bankers Association

Project Evaluation Committee

The SFI Project Evaluation Committee is an independent committee of professors selected from around the world for their expertise in financial economics. Projects are assessed on the basis of their scientific rigor and their potential impact on financial economics, in particular through publication success.

The members of the SFI Project Evaluation Committee as of December 2013, are:

Chairperson

Prof. Dr. Rajna Gibson Brandon
University of Geneva and Swiss Finance Institute (Head of Research)

Members

Prof. Dr. Suleyman Basak
Institute of Finance and Accounting, London Business School

Prof. Dr. Bruno Biais
CRM, University of Toulouse

Prof. Dr. Arnoud Boot
Faculty of Economics and Econometrics, University of Amsterdam

Prof. Dr. Wayne Ferson
Marshall School of Business, University of Southern California

Prof. Dr. Alexander Ljungqvist
Stern School of Business, New York University

Prof. Dr. Josef Zechner
Institute for Finance, Banking and Insurance, Vienna University of Economics and Business

2013 Facts & Figures

Summary of Swiss Finance Institute 2013 Financial Accounts

Balance Sheet as of December 31, 2013

	31.12.2013 CHF	31.12.2012 CHF
ASSETS		
Current assets		
Cash and cash equivalents	3’804’474	6’153’914
Cash and cash equivalents investment portfolios	6’270’902	8’820’025
Accounts receivable	106’5343	82’835
Other receivables	164’108	72’333
Prepaid expenses and accrued income	247’089	219’663
Investment portfolio Crédit Suisse	21’462’363	14’597’257
Investment portfolio ZKB	24’094’027	30’846’763
Due from Securities Lending and Borrowing	3’620’097	5’947’650
Total current assets	**59’769’593**	**66’740’440**
Fixed assets		
Deposits	44’768	44’761
Office equipment	25’409	33’879
IT equipment	9’068	20’096
Total fixed assets	79’246	98’736
TOTAL ASSETS	**59’848’839**	**66’839’176**
LIABILITIES AND FOUNDERS’ EQUITY		
Short-term liabilities		
Accounts payable	955’963	764’882
Other payables	99’568	79’413
Research accounts	382’112	543’767
Accrued expenses and deferred income	1’857’381	1’875’852
Total short-term liabilities	**3’295’024**	**3’263’914**
Long-term liabilities		
Long term loans founders	8’000’000	8’000’000
Total long-term liabilities	**8’000’000**	**8’000’000**
Founders’ equity		
Foundation capital	15’000’000	15’000’000
Reserve	37’564’785	37’564’785
Retained earnings	3’010’477	6’762’114
Net result from donations and operations	-7’021’445	-3’751’637
Total founders’ equity	**48’553’815**	**55’575’262**
TOTAL LIABILITIES AND FOUNDERS’ EQUITY	**59’848’839**	**66’839’176**

Profit and Loss Statement
For the Period from January 1, to December 31, 2013

		31.12.2013 CHF		31.12.2012 CHF
Income from Executive Education courses		3’822’11		3’892’991
Expenses from Excutive Education courses		-1’915’638		-1’870’942
Net result from courses before general expenses		**1’906’476**		**2’022’049**
Expenses Research including projects		-6’950’003		-5’515’388
Expenses PhD Program		-821’869		-842’424
Income from Knowledge Transfer	55’139		61’506	
Expenses from Knowledge Transfer	-193’877	-138’738	-500’830	-439’324
Total operating expenses Research, PhD, Knowledge Center		-7’910’610		-6’797’136
Net operating result before general expenses		**-6’004’134**		**-4’775’087**
GENERAL EXPENSES				
Personnel expenses		-3’260’448		-2’511’194
Office expenses		-132’356		-145’657
Insurance		-12’172		-17’477
Office supplies		-39’867		-37’488
Communication expenses		-9’710		-8’697
Mailing costs		-8’782		-6’420
Taxes and donations		-38’193		-60’792
Other professional fees		-418’473		-462’220
IT support		-45’230		-88’620
Representation costs		-23’765		-25’986
Marketing expenses		-97’748		-90’852
Depreciations		-19’497		-21’517
Other expenses		-278		-876
Net financial expenses		-26’414		-33’703
Total general expenses		-4’132’934		-3’511’500
Net operating result		**-10’137’067**		**-8’286’587**
INCOME/EXPENSES ON INVESTMENTS				
Income from investments		484’645		-41’495
Net realized gain on sales		464’005		2’256’735
Net exchange loss on foreign currencies		-158’840		-361’044
Unrealized gain/loss (-)		734’039		1’063’635
Administration and bank fees		-232’597		-195’289
Total income/expenses on investments		1’291’252		2’722’542
Net result before extraordinary income and donations		**-8’845’815**		**-5’564’045**
Net extraordinary income		24’370		9’932
Donations / Subventions		1’800’000		1’802’475
RESULT FROM OPERATIONS AND DONATIONS		**-7’021’445**		**-3’751’637**

Swiss Finance Institute Research Paper Series 2013

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Research Interests
His research focuses on the quantitative aspects of insurance and risk management.

Recent Research
Among his recent studies, Prof. Albrecher and his co-authors apply a game-theory approach to study competition among non-life insurers. They expand the existing literature by considering a lapse model together with an aggregate loss model for policyholders and a solvency constraint for insurers. Using different equilibrium concepts, including aspects of market leadership, the impact of competition on optimal premium levels is investigated and illustrated by numerical illustrations of the game. The researchers show that market competition leads to a significant deviation of premium levels from equilibria for purely actuarial premiums.

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Power Identities for Levy Risk Models under Taxation and Capital Injections, with J. Ivanovs, Stochastic Systems, forthcoming.
Introduction to Quantitative Methods for Financial Markets, with A. Binder, V. Lautscham and P. Mayer, 2013, Compact Textbooks in Mathematics, Birkhäuser (Basel).

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Research Interests
Her research interests lie in household finance, behavioral finance, and mutual fund performance evaluation.

Recent Research
In one of her recent papers, Prof. Andrikogiannopoulou and her co-author revisit the question of risk preferences. The specification they employ is broad and allows for risk preferences to be heterogeneous both within and across utility types. Using a unique panel of real-world betting choices, the data reveals that utility curvature and loss aversion are mild, and that there is considerable heterogeneity in risk preferences across individuals.

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Research Interests
His research focuses primarily on international finance, financial crises, and monetary economics.

Recent Research
One of Prof. Bacchetta's recent co-authored studies analyzes the surprising synchronicity of business cycles during the Great Recession. The researchers propose a model of global panic by consumers and firms that generates this type of co-movements. They show that several factors generated particular vulnerability to such a global panic in 2008: tight credit, the zero lower bound, unresponsive fiscal policy, and increased economic integration.

Publications 2013
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Capital Controls with International Reserve Accumulation: Can this Be Optimal? with K. Benhima, and Y. Kalantzis, American Economic Journal: Macroeconomics, vol. 5(3), pp. 229–262, 2013.

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Research Interests
His research interests lie in derivative pricing and studies of market volatility.

Recent Research
In their 2013 publications, Prof. Barone-Adesi and his co-authors study the effect of undercapitalization in financial intermediaries. By using the Black and Scholes option pricing model, they demonstrate that managers face both the default option (which favors reckless behavior as to expropriate creditors on behalf of shareholders) and the franchise option (which favors prudent behavior to pursue future growth). The researchers conclude by suggesting that intermediaries, without significant franchise value, should be removed from the market without forbearance, either through mergers or liquidation; and that those with significant franchise value should self-regulate. Regulation is, therefore, only relevant at the macro-prudential level.

Publications 2013
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Research Interests
His main research interests lie in the pricing of financial assets and the modeling of market volatility dynamics, with a particular emphasis on the role of information.

Recent Research
In a recent paper, Prof. Berrada and his co-author focus on the effect of incomplete information on expected stock returns. Their contribution to the existing literature is to propose a model of firm valuation under incomplete information that highlights the ambiguous link between idiosyncratic volatility and stock returns; when information about idiosyncratic shocks is incomplete, any firm-specific forecast error appears in the return equation scaled by the idiosyncratic volatility. Empirical results reveal that incomplete information explains a significant share of the relation between idiosyncratic volatility and stock returns.

Publications 2013
Incomplete Information Idiosyncratic Volatility and Stock Returns, with J. Hugonnier, Journal of Banking and Finance, vol. 37(2), pp. 448-462, 2013.

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Research Interests

Her research areas include asset pricing, risk management, experimental finance, and corporate governance.

Recent Research

In recent research, Prof. Gibson and her co-author analyze the effect of liquidity risk on the overall performance of equity hedge fund portfolios. As hedge funds traditionally charge significant high fixed charges as well as performance fees; investors could rationally expect to obtain superior performance in exchange. The researchers review previous empirical findings by explicitly controlling for systemic liquidity risk. Data from 1994 to 2006 suggests that the outperformance of equity hedge funds substantially weakens, and sometimes even disappears, once the effect of liquidity risk is accounted for. In other words equity portfolio alphas partially reflect compensation for systematic liquidity risks.

Publications 2013

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Preferences for Truthfulness: Heterogeneity among and within Individuals, with C. Tanner and A. Wagner, American Economic Review. vol. 103 (1), pp. 532–548, 2013.

Margining in Derivatives Markets and the Stability of the Banking Sector, with C. Murawski, Journal of Banking and Finance, vol. 37 (4), pp. 1119-1132, 2013.

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Research Interests

Her main research interests lie in international finance and emerging markets.

Recent Research

One of Prof. Chaieb's recent co-authored studies looks at the existence of currency diversification benefits provided by emerging markets. The researchers examine the significance of currency risk premiums in global industry portfolios diversified into a) developed markets only and b) into developed and emerging markets. They test international asset pricing models in a conditional setup and find that the price of currency risk is close to zero on average but increases substantially during crisis periods. Furthermore, the analysis suggests that holding a portfolio of developed and key emerging markets seems to yield currency diversification benefits. However, adding further emerging markets does not result in additional benefits.

Publications 2013

Do Emerging Markets Provide Currency Diversification Benefits? with V. R. Errunza and B. Majerbi, International Journal of Banking, Accounting and Finance, vol. 5 (1/2), pp. 102-120, 2013.

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The Unconditional and Conditional Exchange Rate Exposure of U.S. Firms, with S. Mazzotta, Journal of International Money and Finance, vol. 32, pp. 781-808, 2013.

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Research Interests
His main research interests lie in quantitative finance and environmental finance.

Recent Research
One of Prof. Chesney's latest co-authored research studies examines endogenous trading in Credit Default Swaps (CDS) with a focus on moral hazard. In a CDS environment, investors can buy multiple protections for a single risk, without necessarily being exposed to the risk of default; this generates a situation in which moral hazard can actually be magnified further than in the classical insurance contract. With such an environment in mind, the researchers expand on the existing literature and show that when the value of the switching option is low, investors are incentivized to buy CDSs that represent bets on their own investments.

Publications 2013
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Teodoro D. Cocca is full Professor for Wealth and Asset Management at the Johannes Kepler University of Linz in Austria and has been an SFI Adjunct Professor since 2010. Previously he worked for Citibank in investment and private banking, was a research fellow at the Stern School of Business in New York and senior researcher at the Swiss Banking Institute in Zurich. He is lecturer for banking and finance at the Universities of Zurich and Fribourg and Chairman of the Private Banking Summit. Professor Cocca is a frequent speaker to academics and investment professionals and a consultant to a number of financial institutions on issues relating to strategic bank management. He has published numerous articles in academic journals.

Prof.
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Pierre Collin-Dufresne has held an SFI Senior Chair at the Ecole Polytechnique Fédérale de Lausanne since September 2011. Prior to his appointment in Switzerland, he held a chair in business at Columbia University. Prof. Collin-Dufresne spent four years at Goldman Sachs Asset Management, where he was in charge of fixed income and credit trading strategies. He currently sits on the academic board of Kepos Capital, a U.S. asset management firm. He also provides expert advice for Cornerstone Research, and serves on the editorial board of various academic journals.

Research Interestsa

His primary research interest lies in credit and fixed income markets.

Recent Research

One of the recent topics Prof. Collin-Dufresne and his co-authors have been investigating is the term structure of expected returns and volatilities on dividend strips. Theoretical research suggests the term structure is strongly upward sloping; empirical evidence suggests the opposite. The researchers reconcile both bodies of research by allowing dividend dynamics to be endogenously derived from capital structure policies. Such a result implies that as firms rebalance their debt levels over time, they force shareholders to divest (invest) when the firm does well (poorly) and subsequently pushes the structure of dividend strip volatilities downward.

Publications 2013

Endogenous Dividend Dynamics and the Term Structure of Dividend Strips, with F. Belo and R.S. Goldstein, Journal of Finance, forthcoming.

Prof.
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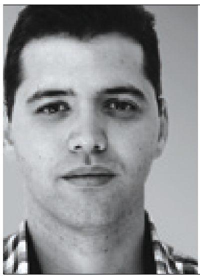
François Degeorge is Professor of Finance at the University of Lugano. He joined SFI in 2006 and has held an SFI Senior Chair since January 2010. Prof. Degeorge obtained his PhD from Harvard University and is a former Fulbright scholar. Prof. Degeorge teaches executive education courses on corporate finance for wealth managers on a regular basis. He has received numerous teaching and research awards.

Research Interests

His research tackles several topics in corporate finance, including initial public offerings and earnings management.

Recent Research

One of Prof. Degeorge's most recent co-authored projects looks at whether equity research analysts' views affect the corporate policies of the firms they cover (e.g. firms' investment, financing, and cash and payout policies). Data from 1987 to 2009 reveals they do. Further computation also suggests that companies tend to move away from the preferences of the analyst who (for an exogenous reason) dropped coverage. Substantial differences nonetheless exist between firms, as these results seem to be stronger for younger firms and firms with larger market capitalizations.



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Theodosios Dimopoulos has been SFI Assistant Professor of Finance at the University of Lausanne since July 2011. He obtained his PhD in Finance from London Business School with a dissertation on managerial incentives in corporate decisions. Prof. Dimopoulos has received several grants and awards during his undergraduate and graduate studies in finance.

Research Interests

His research interests lie in mergers and acquisitions, corporate finance, and corporate governance.

Recent Research

In a recent paper, Prof. Dimopoulos and his co-authors study the importance of preemptive-bidding and target resistance during takeovers. To do so, the researchers develop a sequential model. During the first phase, multiple bidders raise their offers for the target until only a sole bidder remains. During the second phase, the target shareholders decide to accept or reject the remaining bidder's highest standing offer. Empirical results based on U.S. data show that small entry costs are sufficient to deter many bidders from participating in a takeover battle and that the bulk of takeover premium is actually driven by target resistance.

Publications 2013

Preemptive Bidding, Target Resistance and Takeover Premiums, with S.Sacchetto, Journal of Financial Economics, forthcoming.

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Paul Embrechts is Professor of Mathematics at ETH Zurich. He joined SFI in October 2007 and has held an SFI Senior Chair since January 2009. Prof. Embrechts' research has been published in top academic journals worldwide and featured in international media. He is a regular speaker at leading global conferences on risk management aimed at both academics and industry professionals. He also serves on the editorial board of international journals and is a member of numerous international advisory panels.

Research Interests

Prof. Embrechts is the director of RiskLab. Founded in 1994, RiskLab is a center for studies in the areas of insurance mathematics and quantitative risk management (QRM). His main areas of research concentrate on the modelling of extremal events in insurance and finance, as well as statistical methods for QRM.

Recent Research

In a recent paper, Prof. Embrechts and his co-authors review the economic events that took place during the 2007-2008 subprime crisis. They examine the role that mathematical modeling played in predicting the crisis. Their analysis, based on four distinct mathematical theorems, suggests that economics and finance are all based on human and social factors that cannot be fully captured by rationality. They argue that, on the one hand, mathematicians have to get further involved in applied finance and applied insurance issues, and also need to stress the assumptions on which their modeling is based. On the other hand, they predict that Quantitative Risk Management is bound to gain in importance over time, but should have a more fragmented approach, split between the different dimensions of scope, time, and level of risk.

Publications 2013

A Note on Generalized Inverses, Mathematical Models of Operations Research, with M. Hofert, vol. 77(3), pp. 423-432, 2013.

The Shape of Asymptotic Dependence, with G. Balkema and N. Nolde, Springer Proceedings in Mathematics & Statistics, vol. 33, pp. 43-67, 2013.

Risk Measures and Dependence Modeling, in Handbook of Insurance, with M. Hofert, ed. G. Dionne, pp. 135-165. Springer, 2013, (New-York).

Diversification in Heavy-Tailed Portfolios: Properties and Pitfalls, with G. Mainik, Annals of Actuarial Science, vol. 7 (1), pp. 26-45, 2013.

Four Theorems and a Financial Crisis, with B. Das and V. Fasen, International Journal of Approximate Reasoning, vol. 54, pp. 701-716, 2013.

Model Uncertainty and VaR Aggregation, with G. Puccetti and L. Rüschendorf, Journal of Banking and Finance, vol. 37(8), pp. 2750-2764, 2013.

Statistical Inference for Copulas in High Dimensions: A Simulation Study, with M. Hofert, ASTIN Bulletin, vol. 43(2), pp. 81-95, 2013.

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Rüdiger Fahlenbrach is Professor of Finance at the Ecole Polytechnique Fédérale de Lausanne and has held an SFI Senior Chair since September 2012. He graduated with a PhD in finance from the Wharton School of Business. Before joining the faculty in Lausanne in July 2009, Prof. Fahlenbrach was an assistant professor of finance at the Ohio State University. Prof. Fahlenbrach's research has been published in the top finance journals worldwide and featured recently in the international press, including the Economist and NZZ. He is a regular speaker at leading academic conferences in finance and supervises several SFI PhD students.

Research Interests
His research focuses primarily on corporate governance and on understanding the causes and consequences of the recent financial crisis.

Recent Research
The current changes in corporate governance reforms often require an increase in the representation of outside/independent directors on company boards. One of Prof. Fahlenbrach's latest co-authored studies investigates the willingness of outside directors to provide board service, and looks at the timing of when they choose to quit these positions. Empirical results based on publicly listed U.S. firms show that outside directors tend to quit their directorships when they anticipate an increase in the work load or difficulties at the firm in the near future. These results suggest that there is a supply and demand side for outside directorships, and that the incentives of outside directors need to be taken into account when firms decide to increase board independence.

Publications 2013
CEO Contract Design: How Do Strong Principals Do It? with C. Cronqvist, Journal of Financial Economics, vol. 108, pp. 659-674, 2013.

Prof.
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Walter Farkas is Professor of Quantitative Finance at the University of Zurich. Prof. Farkas is also an associated faculty member at the Department of Mathematics of ETH Zurich, and joined SFI in September 2013. Prof. Farkas is the program director of the Master of Science in Quantitative Finance, a degree jointly offered by ETH Zurich and the University of Zurich since 2003.

Research Interests
His research focuses primarily on mathematical finance and quantitative risk management.

Recent Research
In a recent study, Prof. Farkas and his co-author investigate the VIX derivatives market, consisting of futures and options written on the Chicago Board of Options Exchange's volatility index. Standard pricing models used in the literature are

unable to replicate precisely the dynamics of the VIX market. The researchers' paper suggests a new model that provides a global fit to all listed VIX instruments and can subsequently be used to price non-listed products.

Publications 2013

Smooth and Bid-Offer Compliant Volatility Surfaces under General Dividend Streams, with O. Bachem, G. Drimus, Quantitative Finance, vol. 13 (11), pp. 1801-1812, 2013.

Local Volatility of Volatility for the VIX Market, with G. Drimus, Review of Derivatives Research, vol. 16 (3), pp. 267-293, 2013.

Beyond Cash-Additive Risk Measures: When Changing the Numeraire Fails, with P. Koch-Medina and C.-A. Munari, Finance and Stochastics, forthcoming.

Capital Requirements with Defaultable Securities, with P. Koch-Medina and C.-A. Munari, Insurance: Mathematics and Economics, forthcoming.

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Damir Filipovic holds the Swissquote Chair in Quantitative Finance at the Ecole Polytechnique Fédérale de Lausanne (EPFL) and is the head of the SFI at EPFL. He has held an SFI Senior Chair since January 2010. Since 2011, Prof. Filipovic has been a member of the board of directors of Swiss Life Holding Ltd. He is the recipient of numerous research grants and a regular speaker at leading quantitative finance conferences and workshops worldwide.

Research Interests

His research interests lie in quantitative finance and risk management.

Recent Research

Prof. Filipovic and his co-author have recently focused on the term structure of interbank risk and contribute to the existing literature by splitting such risk into a default and a non-default component. When studying the rates from 2007 to 2011, the researchers show that the share of default risk, within interbank risk, increases with maturity, and that swap market participants require compensation for exposure to variation in interbank default risk. Results hold true for both USD and EUR markets, and have evident implications for both monetary and regulatory policies.

Publications 2013

Density Approximations for Multivariate Affine Jump-Diffusion Processes, with E. Mayerhofer and P. Schneider, Journal of Econometrics, vol.176, pp. 93-111, 2013.

The Term Structure of Interbank Risk, with A. Trolle, Journal of Financial Economics, vol. 109, pp. 707-733, 2013.

Optimal Investment and Premium Policies under Risk Shifting and Solvency Regulation, with R. Kremslehner and A. Muermann, Journal of Risk and Insurance, forthcoming.

Pricing and Hedging of Inflation-Indexed Bonds in an Affine Framework, with Z. Eksi, Journal of Computational and Applied Mathematics, vol. 259, pp. 452-463, 2014.

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Francesco Franzoni is Professor of Finance at the University of Lugano. He joined SFI in September 2007 and has held an SFI Senior Chair since September 2012. Prof. Franzoni obtained his PhD in economics from the Massachusetts Institute of Technology. Prof. Franzoni's research has been published in the top finance journals worldwide and featured in the international press. He is a regular speaker at leading academic conferences in finance.

Research Interests

His main research interests are in asset pricing and the hedge fund market.

Recent Research

One of Prof. Franzoni's recent co-authored studies analyzes the impact of exchange traded funds (ETF) on the volatility of their underlying stocks. Empirical results based on S&P 500 data suggest that a one standard-deviation increase in ETF ownership induces a 16% standard deviation increase in daily volatility and that liquidity shocks in the ETF market adds further non-fundamental volatility to the market. Policy implications are evident as regulators are concerned that high frequency volatility may reduce the participation of buy-and-hold investors.

Publications 2013

Publications 2013
Do Hedge Funds Manipulate Stock Prices?, with I. Ben-David, A. Landier, and R. Moussawi, Journal of Finance, vol. 68(6), pp 2383-2434, 2013.

Prof.
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Patrick Gagliardini is Professor of Econometrics at the University of Lugano and has been an SFI faculty member since April 2008. He obtained his PhD in econometrics from the University of Lugano. Prof. Gagliardini's papers have been published in the top academic journals on finance and financial econometrics.

Research Interests

His main research interests lie in financial econometrics, with applications to credit risk and asset pricing models.

Recent Research

In recent research, Prof. Gagliardini and his co-author develop a novel semi-parametric estimator to price American options in a discrete time and Markovian framework. The parametric part of the estimator bears on the stochastic discount factor, whilst the nonparametric part accounts for the historical dynamics of the state variables. The strength of their approach, over the fully parametric approach, is that it allows for flexibility in modeling the historical transition density. The strength of their approach, over the fully nonparametric approach, is that the estimated pricing model is arbitrage-free.

Publications 2013

Semi-Parametric Estimation of American Option Prices, with D. Ronchetti, Journal of Econometrics, vol.173, pp. 57-82, 2013.

Correlated Risks vs Contagion in Stochastic Transition Models, with C. Gouriéroux, Journal of Economic Dynamics and Control, forthcoming.

Efficiency in Large Dynamic Panel Models with Common Factors, with C. Gouriéroux, Econometric Theory, forthcoming.

Prof.
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Manfred Gilli is Honorary Professor at the University of Geneva and has been an SFI faculty member since October 2006. Prof. Gilli has published extensively and has contributed many chapters to books on computational finance. He is a regular speaker at leading finance conferences worldwide.

Research Interests

His research interests primarily lie in the implementation and empirical validation of computational methods in finance.

Recent Research

In one of his latest papers, Prof. Gilli and his co-author review the multiple challenges that analysts face when selecting a portfolio in today's financial market (i.e. modelling, forecasting, and computation are all to be taken into account simultaneously). They argue, using computational evidence, that using heuristics when selecting a portfolio yields results that are more robust and easier to understand than those derived from classical methods that seek to find the "one and only optimum". They conclude by suggesting that research on portfolio selection should further focus on data handling and the empirical testing of models, so as to better re-align financial theory with the nature of the data.

Publications 2013

Climate Change Impacts on Hydropower Management, with L. Gaudard and F. Romerio, Water Resources Management, vol. 27, pp. 5143–5156, 2013.

Constructing Portfolios with Heuristics, in Optimal Financial Decision Making under Uncertainty, with E. Schumann, G. Consigli, D. Kuhn and P. Brandimarte eds., Springer Series in Operations Research and Management Science, forthcoming.

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Amit Goyal is Professor of Finance at the University of Lausanne and has held an SFI Senior Chair since August 2008. Prof. Goyal's research has been published in the top finance journals worldwide and featured in the international press. He is a regular speaker at leading academic conferences in finance.

Research Interests

His main research interests lie in empirical asset pricing.

Recent Research

In a recent study, Prof. Goyal and his co-author challenge the "echo" portfolio return theory: do winners continue to win and losers to lose over time? The existence of such an "echo" would represent a serious challenge to current financial theory. Using data between 1980 and 2010 from 37 countries and a broad spectrum of estimates, the researchers find no robust evidence of an "echo" and conclude that previous findings of an "echo" in the U.S. share market were chance driven.

Publications 2013

Investing in a Global World, with J. Busse and S. Wahal, Review of Finance, forthcoming.

Prof.
Rudolf Gruenig
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University of Fribourg

Rudolf Gruenig is Professor for Business Administration at the University of Fribourg, and is lecturer of Strategic Management in various executive programs. He has been an SFI Adjunct Professor since 2010. In addition to his academic career, Professor Gruenig is a board member and strategy consultant in several Swiss companies. He has written numerous books and articles on strategic management, planning and decision-making (Rudolf Grünig, Richard Kühn – The Strategy Planning Process, Berlin Heidelberg 2015; Rudolf Grünig, Richard Kühn - Sucessful Decision-making, 3rd edition, Berlin Heidelberg 2013; Rudolf Grünig, Dirk Morschett – Developing International Strategies – Berlin Heidelberg 2012 and Rudolf Grünig, Richard Kühn - Process-based Strategic Planning, 6th edition, Berlin Heidelberg 2011).

Prof.
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Michel Habib is Professor of Finance at the University of Zurich and has been an SFI faculty member since October 2006. After graduating from the Wharton School of Business, he taught at the London Business School for nine years. Prof. Habib was the Director of the Swiss National Center of Competence in Research on Financial Valuation and Risk Management (FINRISK) between 2009 and 2013.

Research Interests
His primary research interest is corporate finance.

Recent Research
In one of his latest research projects, Prof. Habib and his co-authors investigate the link between entrepreneurial spawning and firm characteristics. More specifically, they look at how spawning affects firm characteristics such as size, focus, profitability and innovativeness. Spawning occurs when the cost of setting up a new firm is lower than the cost of trying to fit the new product in the firm's existing organization. Using this basic trade-off, the research shows that firms with more general resources and larger organizational fit spawn more.
It also demonstrates that as firms mature, they spawn less, innovate less, are less profitable, and are often more diversified.

Publications 2013
Entrepreneurial Spawning and Firm Characteristics, with U. Hege and P. Mella-Barral, Management Science, vol. 59, 2790-2804, 2013.

Skills, Core Capabilities, and the Choice between Merging, Allying, and Trading Assets, with P. Mella-Barral, Journal of Mathematical Economics, vol. 49, pp. 31-48, 2013.

Prof.
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Henrik Hasseltoft is Assistant Professor of Finance at the University of Zurich and has been an SFI faculty member since September 2009. He obtained his PhD in Finance from the Stockholm School of Economics. Before pursuing an academic career, Prof. Hasseltoft worked for two years in the trading department of UBS London.

Research Interests
His main research interests lie in empirical and theoretical asset pricing, as well as international finance.

Recent Research
In a recent paper, Prof. Hasseltoft and his co-authors look at the effect of news dispersion on investor and stock behavior. The paper argues that a dispersed news flow increases disagreement among investors about future earnings and stock returns. Computing the dispersion of news tone using millions of news items from Thomson Reuters News Analytics, the researchers find empirical support for the following: an increase in news dispersion induces higher trading volumes, higher investor disagreement, higher volatility, and lower stock returns. Quantitative effects seem large, as results suggest that a one standard deviation increase in news-tone dispersion predicts a 1.9% drop in S&P stock returns the following month.

Publications 2013
International Bond Risk Premia, with M. Dahlquist, Journal of International Economics, vol. 90, pp. 17-32, 2013.

Prof.
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Harald Hau is Professor of Finance at the University of Geneva, where he has held an SFI Senior Chair since September 2011. He obtained his PhD in economics from Princeton University. Prof. Hau has several ongoing collaborations with colleagues at the European Central Bank, where he was the Wim Duisenberg Research Fellow in 2011. His work has been published in the top academic journals and has featured in international press, such as the Economist.

Research Interests
His research focuses on international finance, financial stability, asset pricing, and asset management.

Recent Research
One of Prof. Hau's latest co-authored studies focuses on the quality of credit ratings assigned to banks. Using the ratings of S&P, Moody's, and Fitch, and bank default frequencies two years later, the researchers develop an Ordinal Rating Quality Shortfall. The strength of this measure lies in the fact that it only requires ratings to be consistent over time. Based on U.S. and EU15 bank ratings from 1990 to 2011, results include the following findings i) that bank ratings in the upper investment grade range show no significant ordinal relationship to expected future default probabilities, ii) that large banks get systematically more favorable credit ratings relative to their expected default risk, and iii) the more a bank requests a particular rating agency to evaluate its asset-backed securities, the better the bank's own credit rating.

Publications 2013
Banks' Ratings: What Determines their Quality? with S. Langfield and D. Marques-Ibanes, Economic Policy, vol. 28 (74), pp. 289-333, 2013.

Real Effects of Stock Underpricing, with Sandy Lai, Journal of Financial Economics, vol. 108, pp. 392-408, 2013.

Europas Bankenunion oder der Triumph der Hoffnung über die Erfahrung, Perspektiven der Wirtschaftspolitik, forthcoming.

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Thorsten Hens is Professor of Financial Economics and Director of the Department of Banking and Finance of the University of Zurich. He was an SFI Research Fellow from 2008 to 2013. Prof. Hens is the founder of the UZH-spin-off firm Behavioral Finance Solutions, which assists financial firms in developing and implementing investor profiling methods making use of behavioral finance principles.

Research Interests
His research focuses mostly on behavioral finance.

Recent Research
In one of his latest research projects, Prof. Hens and his co-authors study differences in risk preferences in 45 countries by using a large-scale international survey. Data suggests that there are substantial cross-country differences in risk aversion, loss aversion and probability weighting. The differences in attitude to risk seem to be related to both economic and cultural differences. For example, being a less individualistic person or living in a more collectivistic country, increases risk seeking behavior, most likely due to the existence of a "cushion" hypothesis in one's environment. The researchers' findings help to explain asset allocation decisions and the differences in the levels of insurance coverage that individuals choose to buy.

Publications 2013
Risk Preferences around the World, with M. Wang and M.-O. Rieger, Management Science, forthcoming.
Can Utility Optimization Explain the Demand for Structured Investment Products? with M.-O. Rieger, Quantitative Finance, forthcoming.

International Evidence on the Equity Premium Puzzle and Time Discounting, with M. Wang and M.-O. Rieger, Multinational Finance Journal, forthcoming.

The Impact of Monetary Policy on Speculative Bubbles and Trading Activity: Evidence from the Lab, with U.Fischbacher and S. Zeisberger, Journal of Economic Dynamics and Control, vol.37(10), pp. 2104–2122. 2013

Risk Aversion in the Large and in the Small, with J. Haug and P. Wöhrmann, Economics Letters, vol. 118(2), pp. 310-313, 2013.

Anlegerschutz und Behavioural Finance, in Zobl, Giovanoli, Weber, Sethe, (Hrsg.): Anlegerschutz im Finanzmarktrecht kontrovers diskutiert, Schweizer Schriften zum Finanzmarktrecht, Bd. 108, 2013 (Zürich).

Prof.
Erwin W. Heri
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University of Basel

Erwin W. Heri is Professor of Financial Theory at the University of Basel and SFI Adjunct Professor since 2010. He has held various posts as an executive board member of international renowned financial service providers e.g. Chief Financial Officer at Winterthur Insurance Group and CFO and Chief Investment Officer at Credit Suisse Financial Services. For about 10 years he was Chairman of the Board of a Swiss Private Banking Group listed on the Swiss Stock Exchange (Valartis Group). For many years he was also the Chairman of the Investment Committee of Publica, the pension fund of the State Government employees in Switzerland. Prof. Heri also holds mandates on several advisory boards and boards of directors and is the author of numerous books and articles on Financial and Investment Matters.

He recently started an internet-based financial literacy platform (www.fintool.ch) with the goal to improve the financial education of the broad public in Switzerland through a free video-based internet-offering.

Prof.
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Martin Hoesli is Professor of Real Estate Investments and Finance at the University of Geneva and has been an SFI faculty member since October 2006. Prof. Hoesli is the author of several books on real estate investments and serves on the editorial board of several leading international real estate journals.

Research Interests
His research mainly relates to the area of property finance.

Recent Research
In one of his latest research papers, Prof. Hoesli and his co-authors study the impact of mortgage interest deduction on homeownership (mortgage interest deduction lowers the relative cost of owning relative to renting). To determine this effect, the researchers review the results of existing research from 24 countries in North America, Europe and Asia. Their findings show that, contrary to popular wisdom, mortgage interest deduction does not increase the homeownership rate, because the mortgage interest deduction is likely to be capitalized into house prices, especially when the housing supply is inelastic.

Publications 2013
The Effect of Lock-Ups on the Suggested Real Estate Portfolio Weight, with E. Liljeblom and A. Löflund, International Real Estate Review, forthcoming.

Transaction-Based and Appraisal-Based Capitalization Rate Determinants, with A. Chaney, International Real Estate Review, forthcoming.

Robust Repeat Sales Indexes, with S.C. Bourassa and E. Cantoni, Real Estate Economics, vol. 41 (3), pp. 517-541, 2013.

Volatility Spillovers, Comovements and Contagion in Securitized Real Estate Markets, with K. Reka, Journal of Real

Estate Finance and Economics, vol. 47 (1), pp. 1-35, 2013.

Mortgage Interest Deductions and Homeownership: An International Survey, with S.C. Bourassa, D.R. Haurin, and P.H. Hendershott, Journal of Real Estate Literature, vol. 21 (2), pp. 179-203, 2013.

Prof.
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Julien Hugonnier is Professor of Finance at the Ecole Polytechnique Fédérale de Lausanne (EPFL) and the head of its Master in Financial Engineering program. He joined SFI in 2006 and has held an SFI Senior Chair since October 2012. Prior to joining EPFL, he held positions at Carnegie Mellon University, HEC Montreal, and the University of Lausanne. Prof. Hugonnier is a regular speaker at finance conferences worldwide and serves on the editorial board of various academic journals in the areas of mathematical finance and financial economics.

Research Interests
His main research area is theoretical asset pricing.

Recent Research
In recent work, Prof. Hugonnier and his co-author seek to determine how liquidity and equity requirements affect banks' insolvency risk. Their contribution to the existing literature is to develop a dynamic model which accounts multiple aspects of a bank's decision (e.g. choice of liquid asset holding, share of equity, payout). They also use this model to determine the bank's response to the imposition of liquidity and equity requirements, and to determine the effect of such requirements on banks' insolvency risk. The model shows that, on the one hand, liquidity requirements requesting banks to hold a minimal amount of liquid reserves have no long-term effects on default risk. On the other hand, the model shows that equity requirements reduce default risk. Policy implications are multiple and evident.

Publications 2013
Health and (other) Asset Holdings, with F. Pelgrin and P. St-Amour, Review of Economic Studies, vol. 80(2), pp. 663-710, 2013.

Incomplete Information Idiosyncratic Volatility and Stock Returns, with T. Berrada, Journal of banking and finance, vol. 37(2), pp. 448-462, 2013.

Real Options and Risk Aversion, in Ambiguity, Real Options, Credit Risk and Insurance, with E. Morellec, ed. Alain Bensoussan, Shige Peng, Jaeyoung Sung, pp. 52-65. IOS Press, 2013, (Amsterdam).

Event Risk, Contingent Claims and the Temporal Resolution of Uncertainty, with P. Collin-Dufresne, Mathematics and Financial Economics, forthcoming.

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Eric Jondeau is Professor of Finance at the University of Lausanne and has been an SFI faculty member since June 2006. Prof. Jondeau's papers have been published in leading academic journals.

Research Interests
His research interests include financial econometrics, asset and risk management, and pension funds.

Recent Research
In one of his latest papers, Prof. Jondeau and his co-authors look at systemic risk in Europe. They investigate European financial institutions (banks, insurance companies, financial services and real estate) and extend previous methodologies by allowing for several factors (e.g. world, regional or country crises), as well as the asynchrony of time zones, to explain the dynamics of financial firms' returns. Using data on 196 financial institutions from eight European countries, the researchers run their estimates of

systemic risk across both industries and countries. Empirical results show that banks and insurance companies, as well as France and Germany, are the most exposed to systemic risk. Their analysis additionally suggests that systemic risk borne by European institutions has been increasing steadily since 2000 and now exceeds the one borne by their U.S. counterparts.

Publications 2013

Measuring Systemic Risk in Europe, Global Credit Review, vol. 3, pp. 1-6, 2013.

Prof.
Felix Kübler
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Felix Kübler is Professor of Finance at the University of Zurich and has held an SFI Senior Chair since June 2008. He obtained his PhD in economics from Yale University. Before joining the faculty in Zurich, Prof. Kübler held professorships at Stanford University, the University of Pennsylvania, and the University of Mannheim.
Prof Kübler also serves on the editorial board of several economic and financial journals.

Research Interests

His research interests lie in theoretical financial economics and computational methods.

Recent Research

In a recent paper, Prof. Kübler and his co-authors challenge the general assumption that assets, either risk free or risky, are normal goods. When short selling is allowed, the research proves that the risk free asset not only fails to be a normal good, but can actually be a Giffen good in certain cases. This model holds for a wide set of HARA and non-HARA class utility functions and in a two period setting.

Publications 2013

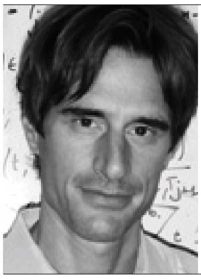
Collateral Requirements and Asset Prices, with J. Brumm, M. Grill, and K. Schmedders, Journal of International Economic Review, forthcoming.

When is a Risky Asset “Urgently Needed”? with L. Selden, and X. Wei, American Economic Journal, forthcoming.

Computing All Solutions in Polynomial Equations in Economics, with P. Renner and K. Schmedders, Handbook of Computational Economics, vol. 3 (1), pp. 599-652, 2013.

Prof.
Roger M. Kunz
SFI Adjunct Professor (since 2010)
University of Basel

Roger M. Kunz is Professor at the University of Basel and SFI Adjunct Professor since 2010. He is head of Asset Management at the Pension Fund of the SBB. He has been awarded his doctoral degree at the University of Basel in the department of Corporate Finance. After time spent as a research fellow at Georgetown University in Washington DC, he returned to the University of Basel for his habilitation. He has been the head of Financial Markets at Credit Suisse for several years and is also Head of Investment Strategy at Clariden Leu.



Prof.
Markus Leippold
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Markus Leippold holds the Vontobel Chair of Financial Engineering at the University of Zurich and has been an SFI faculty member since October 2006. During his professorship term at Imperial College London, he was the director of the Center of Quantitative Finance. Throughout his career, Prof. Leippold has been involved in numerous projects with the Swiss banking industry. He is a founding partner of Lambda Capital, providing consultancy services in risk management, portfolio management, and asset pricing.

Research Interests

His main research interests lie in asset management, risk management, derivative pricing, and volatility modeling.

Recent Research

One of Prof. Leippold's recent co-authored studies analyzes the impact of funding costs and margin requirements on the price of options traded on the Chicago Board Operations Exchange (CBOE). Funding costs (i.e. the spread between the borrowing and lending rates that investors face) and the recent increase in the amount of collateral option sellers are required to deposit have both had a positive, substantial and significant effect on increasing the price of options. These increases in option prices further translate into a skew and smile pattern for implied volatility curves.

Publications 2013

Time-Changed Levy LIBOR Market Model for the Joint Estimation and Pricing of Caps and Swaptions, with J. Stromberg, Journal of Financial Economics, vol. 111 (1), pp. 224–250, 2014

Value-at-Risk and Other Risk Measures, in Investment Risk Management, H. Kent Baker and G. Filbeck (editors), 2013, Oxford University Press, forthcoming.

Prof.
François-Serge Lhabitant
SFI Adjunct Professor (since 2010)
EDHEC Business School (France)

François-Serge Lhabitant is the Chief Executive Officer and Chief Investment Officer of Kedge Capital and has been an SFI Adjunct Professor since 2010. Prof. Lhabitant was previously a senior management member at Union Bancaire Privée (Geneva), where he headed the quantitative analysis and risk management of the Alternative Asset Management Group. Prior to that, he was a Director at UBS Global Asset Management in charge of quantitative modeling of hedge funds. On the academic side, he is a Professor of Finance at EDHEC Business School (France). Professor Lhabitant received a PhD in finance, an MSc in banking and finance and a BSc in economics from the University of Lausanne. He also holds a computer engineering degree from the Swiss Federal Institute of Technology.

Prof.
Henri Loubergé
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Henri Loubergé is Professor emeritus at the University of Geneva and was the chairman of its economics department. He has been an SFI faculty member since October 2006. For many years, Prof. Loubergé was also the head of the University of Geneva's PhD program in economics, as well as of the Masters program.

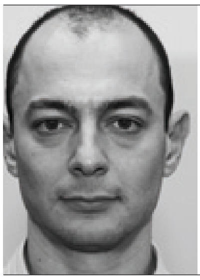
Research Interests
His main research area is the economics of risk and uncertainty with applications to finance and insurance.

Recent Research
In recent research, Prof. Loubergé and his co-author look at the interactions between foreign debt and currency derivatives usage, and their optimal ratios, in an emerging market context for international non-financial corporations. While focusing on the volatile exchange rate period that hit Latin American countries between 2000 and 2003, data reveals that the choice of foreign debt in a long-term horizon and currency derivatives in a short-term horizon are not independent, and that firm specific factors (firm size, liquidity, growth opportunities, term structure of liabilities) and country specific factors (expected devaluation) have significant impact on a firm's optimal use of financial tools.

Publications 2013
Combined Use of Foreign Debt and Currency Derivatives under the Threat of Currency Crises: the Case of Latin American Firms, with G. Gatopoulos, Journal of International Money and Finance, vol. 35 (1), pp. 54-75, 2013.

Reinsurance and Securitization of Life Insurance Risk: the Impact of Regulatory Constraints, with P. Barrieu, Insurance Mathematics and Economics, vol. 52 (2), pp. 135-144, 2013.

Developments in Risk and Insurance Economics: the past 40 Years, in Handbook of Insurance, G. Dionne (Ed.), pp. 1-40. Springer, 2013, (New York).



Prof.
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Semyon Malamud is SFI Assistant Professor of Finance at the Ecole Polytechnique Fédérale de Lausanne, joined SFI in October 2007 and has held an SFI Junior Chair since August 2010. He obtained his PhD in mathematics from ETH. Prof. Malamud is a regular speaker at leading academic conferences worldwide and his papers have been published in the top journals in finance and economics.

Research Interests
His main research interest lies in asset pricing.

Recent Research
In a recent paper, Prof. Malamud and his co-authors revisit the classical question of efficient risk sharing by determining optimal risk sharing among multiple agents with limited liability and heterogeneous risk preferences. They apply this risk sharing rule to determine the optimal insurance design for an insured person facing multiple insurers who differ in their risk attitude, discount factors and endowments. The researchers further prove that optimal indemnities are determined by insurer-specific deductibles and hierarchal structure.

Prof.
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Loriano Mancini is SFI Assistant Professor of Finance and has held an SFI Junior Chair at the Ecole Polytechnique Fédérale de Lausanne (EPFL) since September 2012. He joined SFI in November 2008 after his postdoctoral studies at Princeton University. Prof. Mancini has published papers in the top academic journals in finance and is a regular speaker at leading conferences and workshops worldwide.

Research Interests
His primary research interests are volatility modeling and asset pricing.

Recent Research
In recent research, Prof. Mancini and his co-authors study the euro interbank repo market and compare it to the U.S. repo market. Data that spans from 2006 to 2013 shows that volume on the euro repo market increased over time, and that risk premiums and repo terms remained unaffected during both the financial crisis and the European sovereign debt crisis. These results come in stark contrast to what happened on the repo markets in the U.S. The researchers suggest that anonymous trading via a central counterparty, as well as safe and reusable collateral, are the key elements to explain the success and resilience of the euro repo market. Implications are evident as the U.S. repo market is currently being reformed.

Prof.
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Antonio Mele is Professor of Finance at the University of Lugano and has held an SFI Senior Chair since August 2011. Before moving to Switzerland, he held a professorship at the London School of Economics. Prof. Mele is the co-inventor of the CBOE Interest Rate Swap Volatility Index, the first standardized volatility measure in the interest rate swap market. He is a regular speaker at leading finance conferences worldwide.

Research Interests
His research interests link to capital markets.

Recent Research
Professor Mele's recent co-authored research provides new evidence on the impact of business cycles on stock market volatility. To quantify these effects, the researchers develop and estimate a no-arbitrage model in which stock volatility is explicitly reduced to macroeconomic and unobservable factors. Their results suggest that up to 75% of stock market volatility can be directly linked to changes in macroeconomic factors, and that volatility risk-premiums are strongly countercyclical, even more than stock volatility.

Publications 2013
Rate Fears Gauges and the Dynamics of Fixed Income and Equity Volatilities, with Y. Obayashi and C. Shalen, Journal of Banking and Finance, forthcoming.

Interest Rate Variance Swaps and the Pricing of Fixed Income Volatility, with Y. Obayashi, GARP Quant Perspectives, forthcoming.

Financial Volatility and Economic Activity, with F. Fornari, Journal of Financial Management, Markets and Institutions, vol. 1, pp. 155-198, 2013.

Macroeconomic Determinants of Stock Volatility and Volatility Premiums, with V. Corradi and W. Distaso, Journal of Monetary Economics, vol. 60, 203-220, 2013.

Interest Rate Derivatives and Volatility, in the Handbook of Fixed Income. Pietro Veronesi, editor. Wiley Handbook Series in Financial Engineering and Econometrics, forthcoming.

The Price of Fixed Income Market Volatility, with Y. Obayashi, forthcoming.

Lectures on Financial Economics, forthcoming.

Prof.
Alfred Mettler
SFI Adjunct Professor (since 2010)
Georgia State University

Alfred Mettler is Professor of Finance at Georgia State University (Atlanta, USA) and has been an SFI Adjunct Professor since 2010. He has an undergraduate degree in Education/Pedagogy, and received his Bachelor, MBA and Ph.D. in Finance from the University of Zurich (Switzerland).

Before joining Georgia State University in 1998, he was a faculty member at the University of Zurich (Switzerland). Also, he has held visiting appointments at Thunderbird (The Garvin School of International Management), and New York University (Stern School of Business). His principal academic interests are in International Banking and Finance, Risk Management of Financial Institutions, and Financial Education. Professor Mettler's research focuses on equity/debt financing of corporations, risk management applications, and the management of credit risk exposures. He has leading roles in several Executive Education Programs in Europe and the U.S. and has consulted for various companies and organizations.

In a broader context, Professor Mettler often comments on financial, economic, political, and societal developments in the U.S., Switzerland, and Europe. He regularly gives public speeches and presentations, and he is a frequent contributor to the Swiss as well as the U.S. media (print, Radio, TV).

Prof.
Conrad Meyer
SFI Adjunct Professor (since 2010)
University of Zurich

Conrad Meyer is Professor in Business Administration at the University of Zurich and has been an SFI Adjunct Professor since 2010. His specialized areas of research and teaching are management accounting as well as selected problems of banking business management, such as management, accounting, controlling and asset- and liability management. He is President of the Panel of Experts for Reporting Requirements at the SIX Swiss Exchange. Prof. Meyer is a member of national and international scientific societies, and the author of numerous publications in and contributions to specialist journals. He plays an important role in teaching and as a consultant to both banking and industrial enterprises.

Prof.
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Erwan Morellec has held an SFI Senior Chair since 2006. Before joining the Ecole Polytechnique Fédérale de Lausanne in 2008, he taught at the Universities of Lausanne and Rochester. He is Head of the SFI Léman Center as well as the Head of the SFI PhD program. Prof. Morellec is a regular speaker at leading finance conferences worldwide, and his research papers have been published in the top academic journals in finance.

Research Interests
His main research interest lies in banking, corporate finance, and corporate governance.

Recent Research

A recent paper by Prof. Morellec and his co-authors examines the effects of liquidity and capital requirements on banks' insolvency risk. The researchers develop a model that determines banks' choices of liquid asset holdings, financing, payout, and default policies in the presence of realistic market frictions. Using this model, they then examine the potential effects of prudential regulation on banks' policy choices and insolvency risk. When adding liquidity requirements to the picture, they find that banks should optimally increase their liquid assets holdings in order to reduce the costs associated with breaches of the requirement. They also show that liquidity requirements have no long-term effects on bank risk-taking or insolvency risk. However, by distorting banks' optimal policies, such requirements lead to a drop in franchise value and to an increase in insolvency risk in the short-run. In addition to liquidity requirements, banks may be subject to capital requirements, which indicate how much equity capital they should have relative to their total assets. The researchers show that such requirements increase cash flows to bank shareholders, thereby significantly decreasing the probability of bank default. However, the same requirements lead to an increase in the bank's cost of capital and to a decrease in total bank value.

Publications 2013

Real Options and Risk Aversion, in Ambiguity, Real Options, Credit Risk and Insurance, with J. Hugonnier, ed. Alain Bensoussan, Shige Peng, Jaeyoung Sung, pp. 52-65. IOS Press, 2013, (Amsterdam).

Prof.
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Johannes Muhle-Karbe is Assistant Professor of Mathematical Finance at ETH Zurich and has been an SFI faculty member since May 2012. He graduated from TU München with a PhD in mathematics. Following his PhD studies, Prof. Muhle-Karbe was a postdoctoral fellow at the University of Vienna and also held visiting positions at Columbia University and the University of Technology, Sydney.

Research Interests

His primary research interest lies in the application of mathematical models to asset pricing and portfolio optimization.

Recent Research

In a recent study, Prof. Muhle-Karbe and his co-author study portfolio choices with stochastic investment opportunities. Their paper provides practitioners with a two-step procedure, using a long-run asymptotic approach, to generate an optimal portfolio. The strength of their approach is to provide a method that is less complicated in both computation and interpretation than solutions that focus on intertemporal hedging terms.

Publications 2013

On the Existence of Shadow Prices, with G. Benedetti, L. Campi, and J. Kallsen, Finance and Stochastics, vol. 17 (4), pp. 801-818, 2013.

On the Performance of Delta Hedging Strategies in Exponential Levy Models, with S. Denkl, M. Goy, J. Kallsen, and A. Pauwels, Quantitative Finance, vol. 13 (8), pp. 1173-1184, 2013.

Portfolio Selection with Small Transaction Costs and Binding Portfolio Constraints, with R. Liu, SIAM Journal on Financial Mathematics, vol. 4 (1), pp. 203-227, 2013.

The Dual Optimizer for the Growth-Optimal Portfolio under Transaction Costs, with S. Gerhold and W. Schachermayer, Finance and Stochastics, vol. 17 (2), pp. 325-354, 2013.

Asymptotics and Exact Pricing of Options on Variance, with M. Keller-Ressel, Finance and Stochastics, vol. 17 (1), pp. 107-133, 2013.

Long Horizons, High Risk Aversion, and Endogenous Spreads, with P. Guasoni, Mathematical Finance, forthcoming.

Option Pricing and Hedging with Small Transaction Costs, with J. Kallsen, Mathematical Finance, forthcoming.

Asymptotic Power Utility-Based Pricing and Hedging, with J. Kallsen and R. Vierthauer, Mathematics and Financial Economics, forthcoming.

Transaction Costs, Trading Volume, and the Liquidity Premium, with S. Gerhold, P. Guasoni, and W. Schachermayer, Finance and Stochastics, vol. 18 (1), pp. 1-37, 2014.

Portfolio Choice with Transaction Costs: a User's Guide, with P. Guasoni, in Paris-Princeton Lecture Notes on Mathematical Finance 2013, V. Henderson and R. Sircar, eds., pp 169-201. Springer, 2013 (New York).

Prof.
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Artem Neklyudov is Professor of Finance at HEC Lausanne. He joined the SFI faculty at University of Lausanne in August 2013, after obtaining his PhD in financial economics from Tepper Business School at Carnegie Mellon University.

Research Interests

His main research interests lie in securitization trading and market microstructure.

Recent Research

In recent research, Prof. Neklyudov takes a closer look at bid-ask spreads in securitization transactions following the new regulatory directives aimed at increasing market transparency and demanding the collection of securitization-related data. More connected dealers in the inter-dealer market are found to offer, on average, relatively lower spreads to customers. Prof. Neklyudov studies the structure of dealer networks and how it relates to bid-ask spreads. He finds that the lower spreads charged by more connected dealers reflect the greater resilience of these dealers to random liquidity shocks.

Prof.
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Eric Nowak is Professor of Finance at the University of Lugano and has been an SFI faculty member since May 2006. Throughout his career, Prof. Nowak has held visiting appointments at leading universities worldwide, including Stanford University and the University of Chicago.

Research Interests

His research areas include corporate governance, family firms, and private equity.

Recent Research

In a recent paper, Prof. Nowak and his co-authors test the impact of disclosure of complying with corporate governance codes on stock market performance. Assuming that complying with a corporate governance code is a costly and credible signal, one could expect shareholders to be willing to pay a higher price for "good" firms than for "bad" ones. Using a change that occurred during 2002 in the German Corporate Governance Code as a natural experiment, the researchers show that there is neither a negative, nor a positive, announcement effect for complying with the Code on stock prices, both in the short-run and the long-run. These results hold true across companies and through time. The moral of their paper is that corporate governance, via voluntary codes of conduct and without binding sanctioning mechanisms, seems rather ineffective.

Publications 2013

Private Equity Performance and Liquidity Risk, with F. Franzoni, and L. Phalippou, Finance & Accounting Memos (FAMe), vol. 1 (1), pp. 72-76, 2014.

Prof.
Kjell Nyborg
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Kjell Nyborg has held an SFI Senior Chair at the University of Zurich since August 2009. He graduated from Stanford University with a PhD in finance. Prof. Nyborg has published extensively in his areas of expertise and has spent research periods at the European Central Bank, the Deutsche Bundesbank, and the Bank of Norway.

Research Interests
His research interests include valuation, liquidity, money markets, banking, and corporate finance.

Recent Research
In a recent study, Prof. Nyborg and his co-author study the relationship between corporate cash holding and the market liquidity of the firm's own stock, and seek to determine whether this relationship is positive or negative. U.S. data suggests that firms with more liquid stocks tend to have more cash readily available. This additional cash can then be used by the firm as ammunition to protect itself against negative cascades or to stimulate positive ones should the opportunity arise. These empirical results are robust to exogenous liquidity shocks (e.g. the 2001 tick size decimalization on the stock market), show a two-way positive causality between cash holding and stock liquidity, and suggest that both younger firms and companies with higher betas should hold more cash.

Publications 2013
Tax-Adjusted Discount Rates: A General Formula under Constant Leverage Ratios, with P. Molnár, European Financial Management, vol. 19 (3), pp. 419-428, 2013.

Bank Bailout Menus, with S. Bhattacharya, Review of Corporate Finance Studies, vol. 2 (1), pp. 29-61, 2013.

Money and Liquidity in Financial Markets, with P. Östberg, Journal of Financial Economics, forthcoming.

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Steven Ongena has held an SFI Senior Chair at the University of Zurich since September 2013. He graduated from the University of Oregon with a PhD in economics. Prof. Ongena's papers have been published in leading academic journals in finance and economics. He has received numerous awards for his research, including a Wim Duisenberg Research Fellowship of the European Central Bank in 2009 and a Fordham-RPI-NYU Rising Star in Finance Award in 2012.

Research Interests
His research interests lie in the areas of empirical financial intermediation and applied financial econometrics.

Recent Research
A recent paper by Prof. Ongena and his co-authors answers the following fundamental research question: Does local regulation incite international banks to develop a globally more conservative business model, or do they send their riskier activities to their foreign subsidiaries? Using data from 16 emerging European markets, the researchers find that restricting banks in their primary location may lead these same banks to look for risk abroad by lowering their lending standards in order to compensate for the lower returns. Based on this finding, the current policy debate in Europe may not be lowering bank risk, but simply reallocating it across the map.

Publications 2013
Know the Competitor, Know Thyself? First Evidence from Banks in Emerging Europe, in Understanding Banks in Emerging Markets, with R. de Haas and L. Lu, ed. S. Ongena, T. Beck, and R. de Hass. VoxEU.org, 2013.

Prof.
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Per Östberg has been an SFI Assistant Professor of Finance at the University of Zurich since August 2010. He obtained his PhD in finance from the Stockholm School of Economics. Prof. Östberg is a regular speaker at finance conferences and seminars worldwide and has served on the program committee of several conferences.

Research Interests
His research interests include financial markets, household finance, and corporate finance.

Recent Research
One of Prof Östberg's latest co-authored research papers analyzes how the stock market investment decisions of individuals is influenced by their co-workers. Using a unique data set covering the entire Norwegian population between 1994 and 2005, the researchers find that individuals are substantially influenced by their co-workers. However, further analysis reveals that the advice from co-workers does not improve the quality of investment decisions. Purchases made under stronger peer pressure do not perform better than investments that are made in the absence of peer pressure. Additionally, the paper finds that peer pressure results in more purchases of stocks from the same industry as the individual is employed in. This suggests that social interaction may have adverse effects in terms of portfolio diversification.

Publications 2013
The Shareholder Base and Payout Policy, with A. Bodnaruk, Journal of Financial and Quantitative Analysis, vol. 48 (3), pp. 729–760, 2013.

Money and Liquidity in Financial Markets, with K.G. Nyborg, Journal of Financial Economics, forthcoming.

Prof.
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Marc Paolella is Professor of Empirical Finance at the University of Zurich and has been an SFI faculty member since October 2006. Prof. Paolella is the author of two books on graduate level probability theory. His research papers have been published in the top academic journals in his areas of expertise.

Research Interests
His primary research interest lies in the development of statistical methods for finance.

Recent Research
In recent research, Prof. Paolella and his co-authors introduce a new multivariate time series model appropriate for large-scale modeling of asset returns. It extends the constant conditional correlation and dynamic conditional correlation models in several ways, allowing for all the primary stylized facts of financial asset returns, including volatility clustering, non-normality, and also dynamics in the dependency between assets over time. A fast expected maximization algorithm is developed for estimation, enabling it to be used in high dimensions. The model is used for portfolio allocation and option pricing.

Publications 2013
Time-varying Mixture GARCH Models and Asymmetric Volatility, with M. Haas, J. Krause, and S. C. Steude, North American Journal of Economics and Finance, vol. 26, pp. 602-623, 2013.

Multivariate Asset Return Prediction with Mixture Models, European Journal of Finance, 2013.

ALRIGHT: Asymmetric LaRge-Scale (I)GARCH with Hetero-Tails, with P. Polak, in: International Review of Economics and Finance, forthcoming.

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Alberto Plazzi is SFI Assistant Professor of Finance and has held an SFI Junior Chair at the University of Lugano since September 2010. He obtained his PhD in finance from the University of California, Los Angeles. Prof. Plazzi is a regular speaker at finance conferences world-wide and his papers have been published in top academic journals.

Research Interests

His research interests include empirical asset pricing, institutional investor behavior, and real estate finance.

Recent Research

In a recent paper, Prof. Plazzi and his co-authors analyze bank's incentives to manipulate LIBOR. To do so, they construct a hypothetical unmanipulated benchmark LIBOR rate and quantify the extent of the manipulation over the 1999 to 2012 period. The researchers' results show a significant relationship between a bank's measure of LIBOR exposure and its average monthly submission: the more exposition a bank had during the period, the more it could gain from seeing the LIBOR rate increased. Data suggests that the relation is even stronger during the so-called LIBOR manipulation period spanning from 2005 to 2009, for European domiciled banks, and for banks that have already settled accusations. Overall, the effect of LIBOR manipulation on banks' market value is estimated to be in the order of USD 20 billion.

Publications 2013

Forecasting Real Estate Prices, with E. Ghysels, W. Torous, and R. Valkanov, Handbook of Economic Forecasting: Vol II, G. Elliott and A. Timmermann, ed, Elsevier, 2013.

Prof.
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Jean-Charles Rochet has held an SFI Senior Chair at the University of Zurich since April 2010. Before joining the faculty in Zurich, Prof. Rochet held a chair at the Toulouse School of Economics. Prof. Rochet is the author of *Why Are There so Many Banking Crises?* a book that sheds light on the causes of recent and past banking crises.

Research Interests

His research interests lie in banking crises and regulation.

Recent Research

Prof. Rochet and his co-author have recently focused on the causes of the 2007-2009 financial crisis and explore the ways one could tame systemically important financial institutions. The specification of their theoretical model expands the existing literature in many ways by i) not allowing asset liquidation, ii) recognizing the existence of agency problems between shareholders and managers, iii) running a multi period model, and iv) allowing risk to be characterized by a very small probability, even though it may have devastating effects. The policy implications of this paper are extensive in the sense that they call for the creation of a strong and independent systemic risk authority. The researchers also show that it is socially optimal to have this authority financed via a systemic tax levied on banks, and that the authority should be endowed with the ability to control bankers' compensation during crisis periods.

Publications 2013

Taming Systemically Important Financial Institutions, X.Freixas, Journal of Money Credit and Banking, vol.45 (1), pp. 37-58, 2013.

Rethinking the Regulatory Treatment of Securitization, with V.Cerasi, Journal of Financial Stability, vol.10, pp. 20-31, 2013.

Optimal Dividend Policy with Random Interest Rates, with E.Akyildirim, E.Güney, and H.M. Soner, Journal of Mathematical Economics, forthcoming.

Prof.
Michael Rockinger
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Michael Rockinger is Professor of Finance at the University of Lausanne and has been an SFI faculty member since October 2006. He holds a PhD in economics from Harvard University. Prof. Rockinger has published extensively on computational finance and financial econometrics. He is also an active member of the Center for Risk Management Lausanne, a Center that focuses on diffusing independent and transparent decision-making tools for banks, insurance companies, and industrial firms. Prof. Rockinger also acts as a research fellow of the Society of Financial Econometrics and is a regular speaker at leading conferences in his areas of expertise.

Research Interests

His main research interest lies in financial econometrics and computational methods for finance.

Recent Research

Prof. Rockinger and his co-authors have recently focused on market liquidity during the 2007 to 2008 financial crisis and the role of institutional trading. More specifically, they study the extent to which sell-side herding increased the bid-ask spread and liquidity risks during the crisis. Using data which covers 90% of the U.S. market capitalization, the researchers obtain robust results that show that firms with a greater number of institutional shareholders tend to suffer more from sell-side institutional herding. Data also reveals that firms with a smaller number of shareholders, made of large institutional holdings, do not suffer as much from herding. This is probably due to the fact that such holdings include high quality information on the firm itself. Overall, institutional investors seem to have played a major role in liquidity and trading costs during the financial crisis. The paper's major policy implication is that restricting the number of institutional shareholders may actually help reduce a firm's liquidity risk.

Publications 2013

Market Liquidity and Institutional Trading during the 2007-8 Financial Crisis, with S.-H. Poon and K. Stathopoulos, International Review of Financial Analysis, vol. 30, pp. 86-97, 2013.

Measuring Systemic Risk in Europe, with E. Jondeau, Global Credit Review, vol. 3, pp. 1-6, 2013.

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Yuki Sato has been an SFI Assistant Professor of Finance at the University of Lausanne since July 2011. He obtained his PhD in economics from the London School of Economics. Prof. Sato has received several awards and scholarships for his academic studies.

Research Interests

His work focuses on the pricing of financial assets in the presence of market frictions.

Recent Research

A recent study by Prof. Sato investigates asset-market equilibrium with portfolio delegation in which investors invest into funds and fund managers further invest into risky stocks. Prof. Sato shows that, as more investors access stocks via funds, the demand for stocks becomes less price-elastic, inducing stock prices and Sharpe ratio to become more volatile. On the other hand, his computations suggest that the expected return to funds is less volatile than the expected market return, and that funds provide investors with a volatility hedge.

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Olivier Scaillet joined SFI in October 2006 and has held an SFI Senior Chair at the University of Geneva since January 2010. He obtained his PhD in applied mathematics from the University of Paris Dauphine. Prof. Scaillet is a regular speaker at leading conferences in finance. His papers have been published in the top academic journals in finance and econometrics.

Research Interests

His research interests lie in the application of statistical methods to finance topics, especially those related to the use of high-frequency trading data.

Recent Research

In a recent paper, Prof. Scaillet and his co-author revisit the success of technical trading rules while using the False Discovery Rate to detect data snooping. Their model incorporates two simultaneous key elements: i) the impact of transaction costs and ii) whether investors could have actually selected the future outperforming rules based on the current information at their disposal. Using DJIA data from 1897 to 1996 to test the performance of 7'846 different trading rules, their results suggest that investors cannot generate further resources by exploiting trading rules. Overall the paper seriously questions the validity of technical trading rules and technical analysis.

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Karl Schmedders is Professor of Quantitative Business Administration at the University of Zurich and has been an SFI faculty member since June 2008. He heads the SFI Knowledge Center. Before joining the faculty in Zurich, Prof. Schmedders spent ten years at Northwestern University. He holds a PhD in operations research from Stanford University. Prof. Schmedders' work has been published in leading economic and finance journals.

Research Interests

His primary research interest lies in the development and application of numerical solution methods in economics and finance.

Recent Research

In a recent study, Prof. Schmedders and his co-authors review the risks and returns of the carry trade (i.e. when investors try to take advantage of the interest differential between currencies), in a long term and a dynamic diversified portfolio approach. They show that the ill-reputation carry trade received in the post-Lehman era is not deserved. They also show that a well-diversified portfolio, constructed using the simple mean-variance approach and updated on a monthly basis, yields a Sharpe ratio of 1 and that returns are positively skewed, even during periods of financial turmoil.

Publications 2013

Computing All Solutions in Polynomial Equations in Economics, with F. Kübler and K. Schmedders, Handbook of Computational Economics, vol. 3 (1), pp. 599-652, 2013.

Collateral Requirements and Asset Prices, with J. Brumm, M. Grill, and F. Kübler, International Economic Review, forthcoming.

Handbooks in Economics – Computational Economics Volume 3, with K.L. Judd, 2014. North-Holland-Elsevier (Amsterdam, The Netherlands).

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Norman Schürhoff joined SFI in October 2006 and has held an SFI Senior Chair at the University of Lausanne since January 2010. He obtained his PhD in financial economics from Carnegie Mellon University. Prof. Schürhoff's work has been published in the top academic journals in finance.

Research Interests

His main research interests lie in corporate governance, capital structure dynamics, and bond market microstructure.

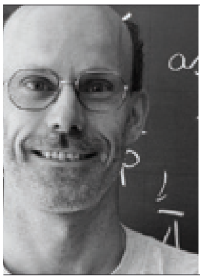
Recent Research

In a recent study, Prof. Schürhoff and his co-authors ask the key question "Are Institutions Informed About News?". Combining news data from Reuters and a measure of institutional order flow (buy minus sale volume) for 1,700 NYSE-listed stock from 2003 to 2005, the researchers find that institutional investors are informed. Institutional trading seems to predict news announcements and institutional order flows predict the sentiment of the news as well as stock returns on announcement day. They conclude by suggesting that institutions produce value relevant information for stocks, improve price efficiency, and reduce informational asymmetry.

Publications 2013

Tax-Subsidized Underpricing: The Market for Build America Bonds, with D. Cestau and R. C. Green, Journal of Monetary Economics, vol. 60 (5), pp. 593–608, 2013.

Optimal Sourcing and Lead-Time Reduction under Evolutionary Demand Risk, with S. de Treville, L. Trigeorgis, and B. Avanzi, Production and Operations Management, forthcoming.



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Martin Schweizer is Professor of Mathematics at ETH Zurich. He joined SFI in October 2007 and has held an SFI Distinguished Service Chair since January 2009. Prof. Schweizer has published extensively in the top academic journals in his areas of expertise. He is a regular speaker at leading conferences worldwide.

Research Interests

His primary research interest lies in mathematical finance, more specifically in the areas of hedging, valuation, risk management and optimal portfolio choice for incomplete financial markets.

Recent Research

In some of his recent work, Prof. Schweizer and his co-author study the Markowitz problem in continuous time in a general semi-martingale model under cone constraints. Including such constraints is useful when short selling is prohibited and applications to pension funds and insurance companies are evident.

Publications 2013

Cone-Constrained Continuous-Time Markowitz Problems, with C. Czichowsky, Annals of Applied Probability, vol. 23, pp 764-810, 2013.

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Halil Mete Soner has held an SFI Senior Chair at ETH Zurich since January 2010. Prof. Soner has published extensively in his areas of expertise and is a regular speaker at leading academic conferences worldwide.

Research Interests
His primary research interests lie in mathematical finance and stochastic optimal control. In particular, models for illiquid markets, analysis of markets with transaction costs, robust techniques and applications of optimal control in corporate finance.

Recent Research
In recent research, Prof. Soner and his co-authors study the specific impact of macroeconomic changes on firms' dividend policies. They examine the extreme case where a firm's profitability is constant over time, but evolves in a stochastic macroeconomic environment (i.e. interest rates and issuance costs change over time). Results show that firms tend to distribute more dividends when interest rates are high and less when issuing costs are low. The researchers' paper also suggests that firms do not wait until the last moment to issue new equity; it is more effective to raise new equity in good times when additional cash is not immediately needed, than to wait for a recession and risk a forced closure.

Publications 2013
Duality and Convergence for Binomial Markets with Friction, with Y. Dolinsky, Finance and Stochastics, vol. 17 (3), pp. 447–475, 2013.

Resilient Price Impact of Trading and the Cost of Illiquidity, with A.F. Roch, International Journal on Theoretical and Applied Finance, vol. 16 (6), 2013.

Homogenization and Asymptotics for Small Transaction Costs, with N. Touzi, SIAM Journal on Control and Optimization, vol. 51 (4), pp. 2893–2921, 2013.

Dual Formulation of Second Order Target Problems, with N. Touzi and J. Zhang, Annals of Applied Probability, vol. 23 (1), pp. 308–347, 2013.

Utility Maximization in an Illiquid Market, with M. Vukelja, Stochastics - special issue in memory of M. Taksar, vol. 85 (4), pp. 692–706, 2013.

Vortex Density Models for Superconductivity and Superfluidity, with S. Baldo, R.L. Jerrard, and G. Orlandi, Communications in Mathematical Physics, vol. 318 (1), pp. 131–171, 2013.

Optimal Dividend Policy with Random Interest Rates, with E. Akyildirim, E. Güney, and J.C. Rochet, Journal of Mathematical Economics, forthcoming.

Martingale Optimal Transport and Robust Hedging in Continuous Time, with Y. Dolinsky, Probability Theory and Related Fields, forthcoming.

Robust Hedging with Proportional Transaction Costs, with Y. Dolinsky, Finance and Stochastics, forthcoming.

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Didier Sornette holds the Chair of Entrepreneurial Risks at ETH Zurich and has been an SFI faculty member since October 2007. Prof. Sornette is the founding director of the Financial Crisis Observatory, a scientific platform aimed at studying financial market inefficiencies. His writings have been published in numerous academic journals as well as by international media.

Research Interests
His research interests include the development of diagnostic tools for financial market anomalies, such as price bubbles, and the prediction of financial crises.

Recent Research
In a recent paper, Prof. Sornette and his co-authors

examine the risks for possible bubbles in Switzerland's residential real estate market. They apply the log periodic power law bubble model to properties that were for sale on the market between 2005 and 2012. Results suggest that 11 districts show signs of speculative bubbles and that some may actually have started to burst. Based on the current economic environment, a soft landing rather than a severe crash is expected.

Publications 2013

Editorial Introduction: New Facets of the Economic Complexity in Modern Financial Markets, with C. Kyrtsou, European Journal of Finance, vol. 19 (5-6), pp. 337-343, 2013.

Financial Price Dynamics vs. Pedestrian Counterflows: A Comparison of Statistical Stylized Facts, with D.R. Parisi and D. Helbing, Physical Review E, vol. 87, 2013.

Hierarchy of Temporal Responses of Multivariate Self-Excited Epidemic Processes, with A. Saichev and T. Maillart, European Physical Journal B, vol. 86 (124), pp. 1-19, 2013.

Large Time-Bridge Estimators of Integrated Variance, with A. Saichev, Journal of Investment Strategies, vol. 2 (2), pp. 71-108, 2013.

Efficient High-Frequency Variance Estimators, with A. Saichev, and V. Filimonov, Journal of Investment Strategies, vol. 2 (4), pp. 109-131, 2013.

Zipfs Law and Maximum Sustainable Growth, with Y. Malevergne, and A. Saichev, Journal of Economic Dynamics and Control, vol. 37 (6), pp. 1195-1212, 2013.

Fertility Heterogeneity as a Mechanism for Power Law Distributions of Recurrence Times, with A. Saichev, Physical Review E, vol. 87, 2013.

Challenges to the Assessment of Time-to-Proof of Mathematical Conjectures, with R. Hisano, The Mathematical Intelligencer, vol. 35 (4), pp. 10-17, 2013.

The Co-Evolution of Fairness Preferences and Costly Punishment, with M. Hetzer, PLoS ONE, vol. 8 (3), pp.1-18, 2013.

Dynamical Diagnosis and Solutions for Resilient Natural and Social Systems, with T. Kovalenko, Planet@Risk, vol. 1 (1), pp. 7-33, 2013.

Exploring the Limits of Safety Analysis in Complex Technological Systems, with T. Maillart and W. Kroeger, International Journal of Disaster Risk Reduction, vol. 6, pp. 59-66, 2013.

A Stable and Robust Calibration Scheme of the Log-Periodic Power Law Model, with V. Filimonov, Physica A, vol. 392 (17), pp. 3698-3707, 2013.

Is There a Real Estate Bubble in Switzerland?, with D. Ardila, P. Cauwels, and D. Sanadgol, Swiss Real Estate Journal, vol. 6, pp. 38-47, 2013.

High Quality Topic Extraction from Business News Explains Abnormal Financial Market Volatility, with R. Hisano, T. Mizuno, T. Ohnishi, and T. Watanabe, PLoS ONE, vol. 8 (6), 2013.

Clarifications to Questions and Criticisms on the Johansen-Ledoit-Sornette Bubble Model, with R. Woodard, W. Yan, and W. X. Zhou, Physica A, vol. 392 (19), pp. 4417-4428, 2013.

Bridge Homogeneous Volatility Estimators, with A. Saichev, V. Filimonov, and F. Corsi, Quantitative Finance, vol. 14 (1), pp. 87-89, 2013.

Super-Exponential Bubbles in Lab Experiments: Evidence for Anchoring Over-Optimistic Expectations on Price, with A. Huesler and C. H. Hommes, Journal Economic Behavior and Organization, vol. 92, pp. 304-316, 2013.

Quantum Probabilities of Composite Events in Quantum Measurements with Multimode States, with V.I. Yukalov, Laser Physics, vol. 23, 2013.

An Evolutionary Model of Cooperation, Fairness and Altruistic Punishment in Public Good Games, with M. Hetzer, PLoS ONE, vol. 8 (11), pp. 1-13, 2013.

Utility Rate Equations of Group Population Dynamics in Biological and Social Systems, with V.I. Yukalov, and E.P. Yukalova, PLoS ONE, vol. 8 (12), 2013.

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Pascal St-Amour is Professor of Finance at the University of Lausanne has been an SFI faculty member since June 2006. He holds a PhD in economics from Queen's University. Prof. St-Amour's papers have been published in the leading academic journals in economics.

Research Interests

His primary research areas are financial economics, health economics, and economic history.

Recent Research

In one of his latest papers, Prof. St-Amour and his co-author look at the effect of changes in health insurance status on the optimal allocation, status and welfare of individuals during their life-cycle. Using several panels of U.S. data, the researchers find that national social insurance programs for elders (e.g. Medicare) and private insurances are close substitutes, that exclusion from health insurance becomes highly detrimental from middle age, and that universal eligibility in either private or public insurance schemes might not be Pareto improving over the life cycle. Policy implications are evident in the light of the recent changes in the U.S. health system.

Publications 2013

Health and (other) Asset Holdings, with J. Hugonnier and F. Pelgrin, Review of Economic Studies, vol. 80(2), pp. 663-710, 2013.

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Josef Teichmann is Professor of Mathematics at ETH Zurich and has been an SFI faculty member since December 2009. Prof. Teichmann is a regular speaker at international conferences on finance and mathematics. He has published extensively in his areas of research expertise.

Research Interests

His main research interests lie in mathematical finance and quantitative risk management.

Recent Research

In a recent research project, Prof. Teichman and his co-authors revisit the approach to modeling LIBOR rates using an affine process. Their approach incorporates the strength of the forward price models and also ensures the prices are almost always non-negative. Their contribution is to provide the literature with a model that simultaneously allows i) non-negative LIBOR rates, ii) caps and swaptions to be priced easily, and iii) closed-form valuations formulas for caps and swaptions to be derived for the CIR process.

Publications 2013

Path Properties and Regularity of Affine Processes on General State Spaces, with C. Cuchiero, Séminaire de Probabilité, vol. XLV, pp. 201–244, 2013.

Efficient Simulation and Calibration for General HJM Models by Splitting Schemes, with P. Dörsek, SIAM Journal on Financial Mathematics, vol. 4 (1), pp. 575–598, 2013.

Smooth Perfectness for the Group of Diffeomorphisms, with S. Haller and T. Rybicki, The Journal of Geometric Mechanics, vol. 5 (3), pp. 281–294, 2013.

A New Approach to LIBOR Modeling, with M. Keller-Ressel, A. Papapantoleon, Mathematical Finance, vol. 23 (4), pp. 627–658, 2013.

Regularity of Affine Processes on General State Spaces, with M. Keller-Ressel and W. Schachermayer, Electronic Journal of Probability, vol. 18 (43), pp. 1–17, 2013.

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Fabio Trojani is Professor of Statistics at the University of Lugano and holds an SFI Senior Chair since January 2014. Prof. Trojani was an SFI Research Fellow from 2009 to 2013. He graduated with a PhD in economics and finance from the University of Zurich. Prof. Trojani is a regular speaker at leading academic conferences in finance and econometrics.

Research Interests

His research interests relate to asset pricing and the application of econometric methods to finance, including the measurement and evaluation of hedge fund performance.

Recent Research

In a recent paper, Prof. Trojani and his co-authors use a new model to study the risk premia of S&P500 index option markets and the excess returns of popular VIX volatility portfolios. Besides improving on the option pricing performance of benchmark specifications, the new model also explains the excess returns of VIX volatility portfolios with two option-implied skew components that parsimoniously capture the time-varying and horizon-dependent price of market insurance.

Publications 2013

When Uncertainty Blows in the Orchard: Comovement and Equilibrium Volatility Risk Premia, with A. Buraschi and A- Vedolin, Journal of Finance, forthcoming.

When There is No Place to Hide - Correlation Risk and the Cross-Section of Hedge Fund Returns, with A. Buraschi and R. Kosowski, Review of Financial Studies, forthcoming.

Economic Uncertainty, Disagreement, and Credit Markets, with A. Buraschi and A. Vedolin, Management Science, forthcoming.

Prof.
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Anders Trolle is SFI Assistant Professor of Finance and has held an SFI Junior Chair at the Ecole Polytechnique Fédérale de Lausanne since August 2009. He moved to Switzerland after completing postdoctoral studies in finance at Copenhagen Business School. Prof. Trolle is a regular speaker at major conferences worldwide and his work has been published in the top academic journals in finance.

Research Interests

His primary research interests are derivatives pricing, the term structure of interest rates, commodities, interbank risk, and liquidity risk

Recent Research

One of Prof. Trolle's recent co-authored studies takes a closer look at the extent to which liquidity risk affects the pricing of Credit Default Swaps (CDSs). In order to do so, the researchers construct a measure of CDS market illiquidity based on the difference between published credit index levels and their theoretical counterparts. They find that exposure to market-wide CDS illiquidity is priced in the cross section of single-name CDSs.

Publications 2013

The Term Structure of Interbank Risk, with D. Filipovic, Journal of Financial Economics, vol. 109 (3), pp. 707-733, 2013.

The Swaption Cube, with E. Schwartz, Review of Financial Studies, forthcoming

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Paolo Vanini is Adjunct Professor of Banking at the University of Basel and has been SFI Director of Knowledge Transfer since October 2006. Prof. Vanini heads the department of structured products and cross assets at the Cantonal Bank of Zurich. He is the co-author of Die Welt der Strukturierten Produkte, a book on structured products commissioned by the Swiss Structured Products Association.

Research Interests
His research primarily focuses on banking, risk management, and structured finance.

Recent Research
One of Prof. Vanini's recent co-authored papers focuses on the challenges the investment business for private clients is currently facing. Today's competition and ever increasing regulatory complexity have placed profitability under pressure. The researchers come forward with a solution largely based on using both a high degree of automatization and a reduction of business risk (e.g. poor performance, wrong client segmentation or lack of transparency). Learnings from his paper are multiple and implementable.

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Alexander Wagner is Professor of Finance at the University of Zurich. He joined SFI in October 2006 and has held an SFI Junior Chair since April 2012. He obtained his PhD in political economy from Harvard University. His research has been published in leading academic journals worldwide. Prof. Wagner is a board member of Swipra, the independent Swiss proxy advisor, and an independent counsel for PwC. He is a regular speaker at conferences and panel debates both in Switzerland and abroad.

Research Interests
His main research interests are executive compensation, corporate governance, and behavioral economics.

Recent Research
In one of his most recent co-authored studies, Prof. Wagner focuses on the relation between CEO compensation and turnover risk. Using a large sample of U.S. firms from 1993 to 2009, the study establishes that CEOs of companies experiencing volatile industry conditions are more likely to be dismissed. A one percentage point increase in turnover risk is associated with about 7% greater risk-adjusted values of compensation. This finding is important because it is what one would expect in a competitive labor market. By contrast, the evidence rejects an entrenchment model according to which powerful CEOs have lower job risk and at the same time secure higher compensation.

Publications 2013
Preferences for Truthfulness: Heterogeneity among and within Individuals, with R. Gibson Brandon and C. Tanner, American Economic Review. vol. 103 (1), pp. 532–548, 2013.

Solomonic Separation, with N. Miller and R. Zeckhauser, Journal of Risk and Uncertainty, vol 46 (3), pp. 265-297, 2013.

The Executive Turnover Risk Premium, with F. Peters, Journal of Finance, forthcoming.

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Mario Wüthrich is Professor of Mathematics at ETH Zurich and has been an SFI faculty member since September 2013. He obtained his PhD in mathematics at ETH Zurich with a thesis in probability theory. Prof. Wüthrich held an actuarial position at Winterthur Insurance for Non-Life Insurance from 2000 to 2005. He sits on the editorial board of leading academic journals in actuarial sciences and is the author of several books in his field of expertise.

Research Interests

His main research area is insurance mathematics.

Recent Research

In recent work, Prof. Wüthrich and his co-authors present a statistical review of nuclear power accidents from 1957 until 2011. Their empirical results suggest there is a 1% annual and world-wide probability for a nuclear power accident to exceed USD 20 billion in losses. This result is substantially above the results drawn from the Probabilistic Safety Assessment technique which is commonly used in this specific industry. The researchers' work also shows that because of their severity, nuclear power accidents cannot be insured by an unlimited cover.

Publications 2013

Indifference Pricing for CRRA Utilities, with S. Malamud, and E. Trubowitz, Mathematics and Financial Economics, vol. 7 (3), pp. 247-280, 2013.

Estimation of Tail Development Factors in the Paid-Incurred Chain Reserving Method, with M. Merz, Variance, vol. 7 (1), pp. 61-73, 2013.

Market Value Margin via Mean-Variance Hedging, with A. Tsanakas and A. Cerny, Astin Bulletin, vol. 43 (3), pp. 301-322, 2013.

Bernoulli's Law of Large Number, with E. Bolthausen, Astin Bulletin, vol. 43 (2), pp. 73-79, 2013.

Paid-Incurred Chain Reserving Method with Dependence Modeling, with S. Happ, Astin Bulletin, vol. 43 (1), pp. 1-20, 2013.

Dependence Modeling in Multivariate Claims Run-Off Triangles, with M. Merz and E. Hashorva, Annals of Actuarial Science, vol. 7 (1), pp 3-25, 2013.

Statistical Review of Nuclear Power Accidents, with M. Hofert, Asia-Pacific Journal of Risk and Insurance, vol. 7 (1), 2013.

Challenges with Non-Informative Gamma Priors in the Bayesian Over-Dispersed Poisson Reserving Model, Insurance: Mathematics and Economics, vol. 52 (2), pp. 352-358, 2013.

Financial Modeling, Actuarial Valuation and Solvency in Insurance, with M. Merz, 2013, Springer Finance (Heidelberg).

Mathematik für Wirtschaftswissenschaftler, with M. Merz, 2013, Vahlen (München).

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Alexandre Ziegler is Assistant Professor of Finance at the University of Zurich and has been an SFI faculty member since June 2006. He obtained his PhD in finance from the University of St. Gallen. Prof. Ziegler is a regular speaker at leading academic conferences in finance and his papers have been published in top finance journals.

Research Interests
His main research areas are asset pricing and corporate finance.

Recent Research
In one of his recent co-authored research projects, Prof. Ziegler investigates the effects of Swiss banking secrecy on the stock market. More specifically, the researchers look at the value of banking secrecy for two universal Swiss banks and two private Swiss banks. They find that the value of banking secrecy to private banks is large, accounting for at least 10% of their market value, whereas banking secrecy appears to account for only a very small fraction of the market value of universal banks.

Overview of courses offered in 2013 at the Swiss Finance Institute

C-level Offering:
September 01-04, 2013
- **International Wealth Management Retreat**

Degree Offerings:
February 2013 – December 2014
- **Diploma of Advanced Studies in Banking**

February 2013 – June 2013
- **Certificate of Advanced Studies in Corporate Banking**

May 2011 – January 2013
- **Executive MBA in Asset and Wealth Management (AWEMBA)**

Executive Offerings:
February 2013 - November 2013
- **Advanced Executive Program**

June 2013 - January 2014
- **Senior Management Program in Banking**

Specialist Offerings and In-house Trainings
Swiss Cross-Border Wealth Management
In cooperation with Centro di Studi Bancari several cross-border courses we offered on a country-by-country basis. The courses covered the markets Germany, France, Italy, the UK, Belgium, Spain, and Austria. Selected markets have also been offered as in-house trainings for several Swiss banks.

In addition, client seminars were offered for Swiss and foreign banks in Switzerland in Wealth and Asset Management as well as a 2 week client seminar for a major Chinese bank.

April 8 – 12, 2013
Master of Science in Wealth Management, Swiss Study Block for Program of Singapore Management University and Wealth Management Institute

Knowledge Transfer Events provided by the Swiss Finance Institute during 2013

2013

- **Understanding systemic risk**
  Andrew Haldane, Bank of England
  Zurich, SFI Breakfast Seminar on January 24, 2013

- **Lessons from past financial crises**
  Prof. Harold James, Princeton University
  Zurich, Evening Seminar on January 31, 2013

- **Light at the end of the tunnel?**
  Zurich, SFI Banking Conference 2013 in partnership with McKinsey & Company
  Dr. Michael Ambühl, State Secretary; Stefan Bichsel, Banque Cantonale Vaudoise; Prof. Paolo Vanini, Zürcher Kantonalbank; Dr. Felix Wenger, McKinsey; Dr. Pierin Vincenz, Raiffeisen Group
  Zurich, Conference, February 28, 2013

- **Is there a crisis in economic theory?**
  Prof. Alan Kirman, Aix-Marseille University and Ecole des Hautes Etudes en Sciences Sociales
  Breakfast Seminar, Zurich and Geneva, Evening Seminar, March 5, 2013

- **Solvency II – Swiss Solvency Test: Auswirkungen auf die Schweizer Wirtschaft**
  ConnectingMinds - Podiumsdiskussion mit Prof. Damir Filipovic, Professor für Quantitative Finance an der EPF Lausanne und Swiss Finance Institute
  Zurich, Evening Seminar, March 21,2013

- **Point of Sale**
  Rolf Wietlisbach, Director Wirtschaftsberatung, PwC Schweiz
  Zurich, Breakfast Seminar, April 10, 2013

- **SFI Ticino Conference**
  Finance at USI: Insights for investors
  Sovereign risk, contagion and bank capita
  Prof. Piero Martinoli, president of USI; Prof. Antonio Mele, USI and SFI; Prof. Fabio Trojani, USI and SFI; Prof. Giovanni Barone-Adesi, USI and SFI; Prof. Francois Degeorge, USI and SFI; Andrea Beltratti - chairman of the management board of Intesa Sanpaolo and professor of Economics at Bocconi University
  Lugano, Conference, April 11, 2013

- **The financial cycle and macroeconomics: What have we learned?**
  Dr. Claudio Borio, Bank for International Settlements (BIS)
  Zurich, Lunch Seminar, May 15, 2013

- **The impact of speculators in the agricultural futures markets and the resulting price of agricultural products**
  Michael V. Dunn, Former chairman of the US Commodity Futures Trading Commission,now, non-executive chairman of DTCC's US Swap Data Repository (SDR).
  Zurich, Breakfast Seminar, May 22, 2013

- **Panel: Agrarrohstoffe: was ist zu tun, was zu lassen?**
  Professor Dr. Ingo Pies, Wirtschafts-ethikprofessor an der Martin-Luther-Universität Halle-Wittenberg; Dr. Thomas Braunschweig, Erklärung von Bern
  Zurich, Evening Seminar, June 13, 2013

- **Advanced Persistent Threats - etwas, das auch die Banken betrifft?**
  Dr. Andreas Wespi, IBM Research-Zürich, CTO Office, SWG Europe
  Zurich, Breakfast Seminar, June 25, 2013

- **Time Value of Money: Essentials in Credit Risk, Liquidity, and Funding**
  Prof. Andrea Pallavicini, Banca IMI and Imperial College London; Dr. Chris Kenyon, Lloyds Bank Commercial Banking, London; Gordon Lee, UBS, London; Dr. Stefanie Ulsamer, Zürcher Kantonalbank; Johan Ahlberg, Zürcher Kantonalbank; Dr. Holger Plank, d-fine, Zurich
  Zurich, Afternoon Conference, August 28, 2013

- **Intermediary Capital and Nonlinear Systematic Risk**
  Prof. Zhiguo He, University of Chicago Booth
  Geneva, Lectures Seminar, September 9, 2013

- **Do we understand the global crisis?**
  Prof. Philippe Bacchetta, University of Lausanne & SFI
  Zurich, Breakfast Seminar and Geneva Evening Seminar, September 12, 2013

- **Why Africa, why now?**
  Pratibha Thaker, The Economist Intelligence Unit
  Lugano, Evening Seminar, October 22, 2013
  Zurich, Breakfast Seminar, October 24, 2013

- **Wealthmanagement 2.0**
  Prof. Paolo Vanini, Professor of Banking at the University of Basel, Head of the Structured Products & Cross Assets Department at Zürcher Kantonalbank, and Director of SFI Knowledge Transfer
  Lugano, Lunch Seminar, October 24, 2013

- **8th Annual Meeting of SFI: Global economic risks**
  Geneva, November 14, 2013 *(see pages 18-19)*

- **Asset management at the SNB: What makes the difference?**
  Dr. Fritz Zurbrügg, Swiss National Bank, Member of the Governing Board, Zurich
  Zurich, Evening Seminar, December 16, 2013

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