s:fi

Activity Report

2016

swiss:finance:institute

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. 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, the Swiss stock exchange, 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.

Swiss Finance Institute unites 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 Swiss Finance Institute's activities from January to December 2016.

A Word from the Board

In 2016, Swiss Finance Institute took steps to further strengthen its standing as a center of excellence for finance research, finance knowledge, and finance education. Following on the reaffirmation of support by the Swiss banking and finance industry, SFI renewed its relationships with partner universities and further added to its achievements in research, education, and knowledge transfer.

Research

SFI researchers continued to build on their international reputation. The institute's enviable position in academic rankings contributes to the prestige of the Swiss financial marketplace. Thanks to SFI, Switzerland benefits from extensive, world-class expertise in risk management, alternative assets, sustainable finance, behavioral finance, and corporate governance – fields of great relevance for the banking and finance industry. The SFI Annual Meeting, entitled "Sustainable Finance Moving Centre Stage", assembled an impressive roster of speakers and attracted 250 participants from the industry and academia, illustrating SFI's success at bringing together insights from research and practice.

Education

In 2016, the Education team added specialist certification training to its offering. The Swiss Association for Quality (SAQ) has appointed SFI as an examination institute for the certification of client advisors in wealth management. SFI continued to participate in the Chinese–Swiss financial round tables as the exclusive education partner of the Swiss Bankers Association. In addition, the institute's international reputation as a premium provider of continuing education was further strengthened by its successful completion of a "Bank Directors Training Program" in Vietnam as an implementing agency of the Swiss State Secretariat for Economic Affairs (SECO). SFI's national flagship programs, such as the Diploma of Advanced Studies in Banking and the Advanced Executive Program, continued to deliver high-quality continuing education to our participants.

Knowledge Center

For the first time, SFI co-hosted the Swiss Asset Management Day in collaboration with the Canton Schwyz. The event address the topic of "Game Changers for Swiss Asset Management: Technologies, Methods, and Alternative Investments." SFI also intensified its media work, collaborating with NZZ to improve financial literacy in Switzerland. In addition, the Knowledge Center team continued to publish monthly issues of SFI Practitioner Roundups, a series of publications for practitioners. Topics for 2016 included mutual funds, hedge funds, ETFs, regulation, and portfolio management.

In 2016, Claudio Loderer completed his tenure as Managing Director. SFI greatly appreciates the vital role he has played in making SFI what it is today – an institution that fosters a meeting of minds between the industry and academia.

Olivier Steimer
Chairman of the Foundation Board

François Degeorge
Managing Director

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Swiss Finance Institute Faculty

Swiss Finance Institute (SFI) has an extensive network of over 60 local and international faculty members who support its research and education activities.

Research Faculty (as of December 2016)

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.

Education Adjunct Faculty (as of December 2016)

The title of SFI Adjunct Professor is awarded to selected academics from recognized universities and universities of applied science. Recipients are chosen because of strategic and/or reputational engagements for SFI, e.g. within its education programs.

SFI works with its academic partners to create and establish academic expertise and excellence:

EPFL ECOLE POLYTECHNIQUE FÉDÉRALE DE LAUSANNE

Unil UNIL | Université de Lausanne

University of Zurich UZH

ETH zürich

Università della Svizzera italiana

UNIVERSITÉ DE GENÈVE

* SFI chair-holder

Research Highlights

Swiss Finance Institute (SFI) strives for excellence in research in order to build academic expertise with staying power. The SFI faculty is made up of professors from six academic partner institutions: École Polytechnique Fédérale de Lausanne (EPFL), Eidgenössische Technische Hochschule Zürich (ETHZ), the University of Geneva (UNIGE), the University of Lausanne (UNIL), Università della Svizzera italiana (USI), and the University of Zurich (UZH). SFI's outstanding researchers contribute to the international research community by publishing in top academic journals. Currently, SFI is one of the top three finance institutes in Europe and is on a par with some of the foremost institutions worldwide.

Academic excellence is guaranteed by the SFI Scientific Council, an independent committee composed of internationally renowned professors of banking and finance from around the world. The council places extra weight on publications appearing in journals that historically have been the first to promote those ideas that have changed financial practice: the American Economic Review, Econometrica, the Journal of Finance, the Journal of Financial Economics, the Journal of Political Economy, the Quarterly Journal of Economics, the Review of Economic Studies and the Review of Financial Studies. In 2016 the following 10 articles were published by SFI researchers:

2016

Boyson, N. M., Fahlenbrach, R., & Stulz, R. M. (2016). Why don't all banks practice regulatory arbitrage? Evidence from usage of trust-preferred securities. *Review of Financial Studies,* 29(7), 1821–1859.

Cerqueiro, G., Ongena, S., & Roszbach, K. (2016). Collateralization, bank loan rates, and monitoring. *Journal of Finance,* 71(3), 1295–1322.

Collin-Dufresne, P., & Fos, V. (2016). Insider trading, stochastic liquidity, and equilibrium prices. *Econometrica,* 84(4), 1441–1475.

Collin-Dufresne, P., Johannes, M., & Lochstoer, L. A. (2016). Parameter learning in general equilibrium: The asset pricing implications. *American Economic Review,* 106(3), 664–698.

Degeorge, F., Martin, J., & Phalippou, L. (2016). On secondary buyouts. *Journal of Financial Economics,* 120(1), 124–145.

Filipović, D., Gourier, E., & Mancini, L. (2016). Quadratic variance swap models. *Journal of Financial Economics,* 119(1), 44–68.

Gagliardini, P., Ossola, E., & Scaillet, O. (2016). Time-varying risk premium in large cross-sectional equity datasets. *Econometrica,* 84(3), 985–1046.

Ghysels, E., Plazzi, A., & Valkanov, R. (2016). Why invest in emerging markets? The role of conditional return asymmetry. *Journal of Finance,* 71(5), 2145–2192.

Hau, H., & Lai, S. (2016). Asset allocation and monetary policy: Evidence from the eurozone. *Journal of Financial Economics,* 120(2), 309–329.

Mancini, L., Ranaldo, A., & Wrampelmeyer, J. (2016). The euro interbank repo market. *Review of Financial Studies,* 29(7), 1747–1779.

Other Publications

Research Paper Series

In 2016 SFI had 80 research papers included in the Swiss Finance Institute Research Paper Series hosted on the Social Science Research Network (SSRN). A complete list of the 2016 papers is available on page 36 of this report.

SFI Research Days

Over 75 academics and PhD students from across Switzerland get together each year at the SFI Research Days to present and discuss their current research. The Research Days, held at the Study Center Gerzensee, are structured into academic research sessions, ending with a keynote speech, and doctoral workshops and sessions. In 2016, the keynote speech was given by Prof. Boris Nikolov, SFI Assistant Professor at UNIL, and was entitled "Dynamic Corporate Liquidity". The SFI Best Paper and Best Discussant awards are nominated at the Research Days.

Prof. J.-C. Rochet, SFI Head of Research

Awards and Honors for SFI Faculty 2016

François Degeorge
Past President Award, European Finance Association.

Paul Embrechts
Hung Hing-Ying Distinguished Visiting Professorship in Science and Technology, Hong Kong University.

Rüdiger Fahlenbrach
Keynote speaker, Fordham Conference 2016, Portsmouth (UK).

Damir Filipović
Louis Bachelier Prize, awarded by the London Mathematical Society, the Natixis Foundation for Quantitative Research, and the Société de Mathématiques Appliquées et Industrielles.

Thorsten Hens
ZKB Best Paper Award of the Swiss Society for Financial Market Research.

Martin Hoesli
Best paper prize in the "Innovative/Thinking Out of the Box" category, American Real Estate Society Conference, Denver (CO) (USA).

Eric Jondeau
Second prize for the "Average Skewness Matters" paper with Qunzi Zhang, Chinese Finance Annual Meeting.

Philipp Krüger
Best Paper in Corporate Finance Semifinalist, Financial Management Association Annual Meeting.

Steven Ongena
Best Paper Award for "Some borrowers are more equal than others: Bank funding shocks and credit reallocation", XXVth International Rome Conference on Money, Banking and Finance.

Jean-Charles Rochet
Plenary Talk, 9th World Congress of the Bachelier Finance Society, New York City (NY) (USA).

Yuki Sato
Maru-Junko Prize, Nippon Finance Association.

Karl Schmedders
Superior Teaching Award, Rochester–Bern EMBA Class RB21.

Alexander Wagner
TEDx talk: “Some Truths about Honesty”, TEDx Zurich.

Outstanding Paper Award
The Outstanding Paper Award winners for 2016 were Sven Klingler (Copenhagen Business School) and Suresh Sundaresan (Columbia Business School) for their paper entitled “An Explanation of Negative Swap Spreads”.

The Swiss Finance Institute’s Outstanding Paper Award is given annually in recognition of an unpublished research paper circulated over the previous 12 months that makes an outstanding contribution to the field of finance. The jury that selects the winning paper is composed of all Swiss Finance Institute chaired professors and fellows, and is headed by Prof. Jean-Charles Rochet, SFI Head of Research, and Prof. Norman Schürhoff, Chairman of the Jury.

Research Projects
Swiss Finance Institute (SFI) supports and promotes promising research projects in selected subject areas, administering funding received from the State Secretariat for Education, Research and Innovation (SERI). Research funds are awarded on a strictly competitive basis to researchers based in Switzerland, and these awards are made under the supervision of the SFI Project Evaluation Committee.

In 2016, 19 projects across eight Swiss universities (EPFL, ETHZ, UNIBE, UNIGE, UNIL, UNISG, USI, and UZH) were funded. The projects focus on better understanding the mechanisms at work in financial economics and on findings that could help the financial industry make better decisions. In 2016, the projects focused on the following areas of expertise: asset pricing and asset allocation, behavioral and experimental finance, corporate finance, financial markets, and international finance.

PhD Program in Finance

The Swiss Finance Institute PhD Program in Finance promotes the pursuit of academic excellence, providing an intellectual environment and a curriculum comparable with the top PhD programs in Europe and North America. The PhD program operates in collaboration with SFI's academic partner institutions: École Polytechnique Fédérale de Lausanne (EPFL), the University of Geneva (UNIGE), the University of Lausanne (UNIL), Università della Svizzera italiana (USI), and the University of Zurich (UZH). SFI students benefit from regular contact with outstanding local and international academics. The program seeks to offer the best training possible to both future academics and practitioners.

As of January 2016, there were 91 active students enrolled: EPFL, 19; UNIGE, 10; UNIL, 12; USI, 23; and UZH, 27. The 2016/2017 academic year had an intake of 20 students, mostly from Europe, but also from farther afield. SFI supports students financially in their first year of the program so they can study full-time. In subsequent years, students often work as teaching or research assistants in local institutions while writing their theses, following advanced courses, and pursuing their research interests. SFI provides further support that enables program participants to travel to international conferences and workshops, and helps them prepare for the job market.

PhD Awards & Support: Swiss Finance Institute Best Paper Doctoral Award

The annual SFI Best Paper Doctoral Award recognizes a PhD student for an outstanding research paper presented at the Research Days organized by SFI. The winning paper is nominated by a committee formed of external experts participating in the Research Days and is selected by faculty representatives from each of SFI's academic partners. The award is presented at the SFI Annual Meeting and in 2016 went to Christopher Hemmens, (UNIGE) for his paper entitled "Stronger Utility and the Endowment Effect".

Swiss Finance Institute Best Discussant Doctoral Awards

The annual SFI Best Discussant Doctoral Awards recognize Swiss doctoral students in Finance for an outstanding discussion of a paper presented at the SFI Research Days. Recipients are selected by the chairpersons of the respective workshop sessions. The awards are presented at the SFI Annual Meeting and in 2016 one award was presented to Alexey Ivashchenko (SFI@UNIL) for his discussion of the paper entitled "Asset Pricing with Heterogeneous Agents and Long-Run Risk".

Best Paper winner Christopher Hemmens with Claudio Loderer (right)

Best Discussant winner Alexey Ivashchenko with Claudio Loderer (right)

Advanced Doctoral Grants and PhD Study Abroad

SFI PhD students visit other institutions in the advanced stages of their education to be exposed to top scholars and internationally renowned institutions, providing them with a well-balanced foundation upon which they can base their move into the job market.

- Damien Ackerer from SFI@EPFL visited Columbia University, USA from July to November 2016 (faculty sponsor: Prof. Agostino Capponi).
- Andrin Boegli from SFI@UZH visited the University of California San Diego, USA from April to July 2016 (faculty sponsor: Prof. Joel Sobel).
- Vincent Bogousslavsky from SFI@EPFL visited Columbia Business School, USA from February to May 2016 (faculty sponsor: Prof. Kent Daniel).
- Nataliya Gerasimova from SFI@UNIL visited George State University, USA from February to June 2016 (faculty sponsor: Prof. Vikas Agarwal).
- Piotr Orłowski from SFI@USI visited Kellogg School of Management, USA from September 2015 to August 2016 (faculty sponsor: Prof. Viktor Todorov).
- Paola Pederzoli from SFI@UNIGE is visiting the London School of Economics, London, UK from January 2016 to August 2017 (faculty sponsor: Prof. Andrea Vedolin).
- Elisabeth Pröhl from SFI@UNIGE visited Princeton University, USA from September 2015 to January 2016 (faculty sponsor: Prof. René Carmona).
- Alessio Ruzza from SFI@USI is visiting the University of California Berkeley, USA from September 2016 to August 2017 (faculty sponsor: Prof. Nicolae Garleanu).
- Carlo Sommavilla from SFI@USI visited Columbia Business School, USA from May 2015 to May 2016 (faculty sponsor: Prof. Marco Di Maggio).

SFI PhD Skills Workshop

In 2016, SFI continued its skills workshop series aimed at helping PhD students improve their ability to communicate their research. The skills workshops are run in parallel with the academic job market workshop that prepares students for job interviews.

SFI PhD Skills Workshop 1: The Art of Effective Public Speaking

It is extremely important to present and communicate one's thoughts in an efficient and effective manner. In this workshop, SFI PhD students worked on identifying their strengths and areas that needed further development. Applying a series of useful public speaking tools and techniques, an enriching training session was conducted to help students in their academic and professional careers.

SFI PhD Skills Workshop 2: What Are You Talking About?

In today's world, time is short – and attention spans are shorter. The goal of this workshop is to help SFI PhD students talk about their research findings and those findings' importance in a non-technical manner, and in a way that helps their work stand out from the crowd. The participants are taught to give an interesting and brief introduction to their work and its importance in less than one minute.

SFI PhD Skills Workshop 3: Media

Every presentation needs the right mix of content and visuals and even the right number of slides. With this workshop, students are taught how to best prepare and communicate their presentations. Various examples of TED talks and corporate presentations are studied to give the students a better understanding of how best to present their research findings, and individual coaching ensures that they can take a range of techniques fully on-board.

> "This workshop helps the students explain their research to a non-specialist audience, by using concrete examples. I found the workshop very useful."

Paola Pederzoli, SFI PhD student from UNIGE

PhD Graduate Placements

Academia

America

1. Simon Fraser University
2. UCLA
3. HEC Montreal
3. McGill University
4. University of Toronto
5. Harvard University
6. Boston University
7. Columbia University
8. Rochester University
9. Johns Hopkins University
10. Rutgers University
11. Kellogg School of Management
12. Carnegie Mellon University
13. University of Maryland
14. Duke University
15. Rice University

Europe/Africa

16. NHH Norwegian School of Economics
17. BI Norwegian School of Management
18. Copenhagen Business School
19. University Magdeburg
20. University of Amsterdam
21. Utrecht University School of Economics
22. University of Bristol
23. London School of Economics
23. Queen Mary University of London
23. University of Oxford
24. Humbold University
25. Goethe University Frankfurt
26. HEC Paris
26. Université Paris-Dauphine
27. University of St. Gallen
28. University of Zurich
29. University of Bern
30. University of Lausanne
31. University of Geneva
32. Bocconi University
33. Collegio Carlo Alberto
34. SADE Business School
35. ISCTE Business School
36. Akdeniz University
37. African School of Economics
38. University of Zimbabwe

Asia
39. Shandong University
40. Shanghai University of Finance & Economics
40. Shanghai Jiao Tong University
41. Hong Kong University of Science & Technology

Oceania
42. University of New South Wales
43. University of Melbourne

SFI has one of the world's largest and most competitive PhD programs in Finance. SFI PhD graduates go on to work in top industry organizations or take up posts at outstanding academic institutions.

SFI PhD Graduates 2016

The following students graduated from the SFI PhD Program during 2016:

- Sébastien Coupy (UNIGE), Quantitative Analyst, Offroad Asset Management, Switzerland.
- Matthias Efing (UNIGE), Assistant Professor, HEC Paris, France.
- Sabine Elmiger (UZH), on the 2017 job market.
- Benjamin Junge (EPFL), on the 2017 job market.
- Jakub Rojcek (UZH), Financial Analyst, LGT Capital Partners, Switzerland.
- Mirco Rubin (USI), Lecturer in Finance, University of Bristol, UK.
- Carlo Sala (USI), Assistant Professor, ESADE Business School, Spain.
- Jovan Stojkovic (USI), Financial Economist, Securities and Exchange Commission, USA.
- Adrien Treccani (UNIGE), CEO, Metaco SA, Switzerland.
- Christopher Trevisan (EPFL), on the 2017 job market.
- Nikola Vasiljevic (UZH), Quantitative Analyst, Credit Suisse, Switzerland.

Industry Placements

In 2016, SFI PhD students were placed in a broad range of institutions including:

Allianz, the Bank for International Settlements, Banque Cantonale Vaudoise, Banque Centrale du Luxembourg, Cornèr Banca SA, Credit Suisse, Deloitte, Deutsche Bank, the European Commission, the Federal Reserve, Goldman Sachs, Keiger AG, Lombard Odier & Cie, Morgan Stanley, the Norwegian Ministry of Finance, PricewaterhouseCoopers, Pro Credit Bank, the Qatar Investment Authority, Swiss Life, the Swiss National Bank, Swiss Re, the Swiss State Secretariat for International Finance Matters, UBS, the US Securities and Exchange Commission and Zürcher Kantonalbank

"Swiss Finance Institute's PhD Program is a unique opportunity to join a world class academic program in Switzerland with strong international ties. It offers great value on the academic job market and is quickly gaining momentum in the financial industry. The program gave me the opportunity to visit both Chicago Booth Business School and Hoover Institution at Stanford University as a PhD candidate, which contributed significantly in building my academic network."

Adrien Treccani, SFI PhD Graduate 2016

Overview – Education

2016 Highlights

The year 2016 was marked by three major developments in the Education unit: the achievement of an SAQ accreditation for certification trainings in wealth management, the strengthening of international partnerships, and the further development of the unit's asset management initiatives.

"The CAS in Real Estate Finance exceeded all my expectations: the specialized topics were presented by lecturers who were highly qualified, both technically and rhetorically. I also appreciated the mix of experienced participants from either the finance or the real estate sector. The resulting exchange of ideas was beneficial and enriching to me. In summary, a challenging, instructive, and valuable further education program."

Juan José Navarro, Mitglied der Bankleitung, Raiffeisenbank Bern

Certification

In 2016 the Education team successfully continued to broaden the scale of its offering to incorporate specialist certification training. SFI has been mandated by the Swiss Association for Quality (SAQ) as an examination institute for the certification of client advisors in wealth management (ISO 17024). SFI, with its expertise in wealth management, joined forces with two strong partners – namely, the University of Zurich and the CYP Association. These partners complement SFI's expertise and education setup ideally, which allows the three bodies to jointly offer certifications not only in wealth management but in all planned client advisor bank profiles of SAQ. The new certification offering comprises a self-assessment test for all candidates and selected e-learnings and/or on-site trainings, as well as an examination. All elements of the certification are offered in four languages – German, French, Italian, and English – and can be customized upon demand. Several clients have already committed to take the Wealth Management Certification with SFI and its partners as of 2017.

International Cooperation

In 2015, SFI Education won – for the second time – the pitch for providing a "Bank Directors Training Program" in Vietnam, as an implementing agency of the Swiss State Secretariat for Economic Affairs (SECO). The training is now in its second year and

G. M. Payer, SFI Head Education, at the Chinese-Swiss Financial Roundtable 2016 successfully combines components such as e-learning, on-site bankers' training in Hanoi and Ho Chi Minh City, advice regarding change management projects in the banks, advice to a government training division, and a train-the-trainer module designed to encourage sustainable banking training in Vietnam in the future. SFI hopes to continue its successful collaboration with SECO in Vietnam, and also in other developing countries in the future. Moreover, SFI continued to participate in the Chinese-Swiss Financial Roundtables in 2016 as the exclusive education partner of the Swiss Bankers Association.

Education Initiatives in Asset Management

In February 2016, SFI Education and zeb consulting jointly published the results of their Swiss Asset Management Survey – the most comprehensive survey of the industry in Switzerland to date.

The study shows the strengths of the Swiss asset management industry, but also indicates serious challenges for the future. It concludes that regulators and politicians will need to ensure "simplifications" for the industry in order to strengthen the international competitiveness of Swiss asset management, and that asset management companies themselves need to develop genuine USPs, improve their innovative strength, review their business models, and focus on profitable activities. With the publication of this study, the SFI Education unit contributed significantly to the broader efforts of the Swiss financial center to establish asset management as a major pillar of its business.

SFI also held an "Innovation in Swiss Asset Management – Thought Leadership" event for asset management executives on May 30, 2016 and hosted – April 7–8, 2016 – the SFI International Wealth Management Retreat, with a specific focus on asset management and its relationship with wealth management.

Facts and Figures, 2016

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 give presentations on their institutions' experience of these developments.

A systematic and regular update of the topics and of the 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 offering the benefits of outstanding networking and interaction platforms.

In-House Offerings

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

Why In-House Offerings from SFI?

- Our 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 60 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.
- A strong and experienced partner in education: Building 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 facing the finance industry, can combine theoretical concepts and practical examples, and ensure best-practice knowledge transfer to the client company.

In total SFI Education offered 39 courses and conducted more than 6'600 participant days in 2016.

- 7 degree offerings for a total of 17 weeks' study (plus a re-certification program for an earlier non-degree program)
- 3 executive offerings for a total of 7 weeks' study
- 17 specialist offerings for a total of 4 weeks' study
- 12 in-house training courses for a total of 12 weeks' study

A total of over 730 participants took part in one or more of the institute's courses.

2016 Graduates of the Diploma of Advanced Studies in Banking

"The Advanced Executive Program is an extraordinary opportunity to exchange views with experienced representatives of the financial industry. Each module offers fascinating depth and the opportunity to update one's own knowledge. A deep dive into the bank of today!"

Eric Vauthey, Head of Marketplace, Banque Cantonale Vaudoise

Alumni Association

The Swiss Finance Institute Alumni Association (SFIAA) replaced the former Swiss Banking School Alumni Association on April 28, 2006. Graduates of any of the Swiss Finance Institute training programs or further education offerings – in particular the Executive Program, the Diploma of Advanced Studies (DAS) in Banking, the Certificate of Advanced Studies (CAS), the Advanced Executive Program, the Financial Asset Management and Engineering Program, and the International Bank Management Program – are eligible to join. The SFIAA currently has 1'395 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 aperitifs in Zurich and Basel; luncheons in Bern; and networking dinners in Geneva, as well as the SFIAA Golf Trophy. Furthermore, in 2015, for the first time, social events were organized, starting with a one-day excursion to Mercedes-AMG in Affalterbach.

2016 Alumni Luncheons

January 8/9, 2016
SFIAA Social Event: Winter Drive Training in Ambri

January 26, 2016
SFIAA Social Event: Fondue Enjoyment

March 9, 2016
Networking Dinner, Romandie

March 22, 2016
General Assembly & Luncheon, Zurich. Speaker: Andreas Iten, CIO Financial Information & Corporate Functions, SIX Group

April 5, 2016
After-work Aperitif, Basel

April 13, 2016
Networking Luncheon, Bern

May 12, 2016
After-work Aperitif, Zurich

May 25, 2016
Networking Luncheon, Zurich. Speaker: Rolf Hiltl, CEO & owner, Hiltl AG

June 15, 2016
Networking Dinner, Romandie

June 22, 2016
Networking Luncheon, Bern

August 25, 2016
After-work Aperitif, Zurich

September 8, 2016
Networking Luncheon, Zurich. Speaker: Patrick Krauskopf, CEO, AGON Partners

September 9, 2016
SFIAA Golf Trophy

September 14, 2016
Networking Luncheon, Bern

September 15, 2016
SFIAA BBQ

November 9, 2016
Networking Dinner Romandie

November 15, 2016
After-work Aperitif, Basel

November 24, 2016
After-work Aperitif, Zurich

November 29, 2016
Networking Luncheon, Bern

Women's Luncheons

This event was launched in 2008 to promote networking among female members of the SFIAA. A total of 150 women participated in this year's events:

March 1, 2016
Speaker: Barbara Lukesch, Swiss journalist and author

June 7, 2016
Speaker: Béatrice Fischer, Head of Stakeholder Management and Head of Philanthropy Services and Responsible Investments, Credit Suisse AG

November 17, 2016
Speaker: Silvia Aeschbach, Swiss journalist and author

Overview – Knowledge Center

In 2016, Swiss Finance Institute's Knowledge Center (SFI KC) intensified its media work, successfully furthered its existing projects, and collaborated with NZZ to improve financial literacy in Switzerland. Delivering excellent results, SFI KC considerably increased awareness, and the visibility, of SFI knowledge transfer activities, notably gaining recognition for industry-oriented SFI research, receiving great feedback from practitioners, and generating an outstanding media response.

SFI Industry-Oriented Publications

In 2016, SFI KC published three SFI White Papers (www.sfi.ch/whitepaper) and monthly SFI Practitioner Roundups (www.sfi.ch/practitionerroundups).

SFI White Papers are research studies that specifically address Swiss practitioners and give new stimulus to relevant topics from banking and finance, contributing to public debate.

September 2016 – Industrializing Swiss Private Banks: A Strategic Road Map

Prof. Pascal Gantenbein (University of Basel) and Kristof I. Trautwein (MSc in Business and Economics, University of Basel) conducted a survey of Swiss private banks to assess their progress in terms of industrialization. The authors conclude with ten recommendations that banks should consider when industrializing their value chains. The paper reveals that the steps taken to date by most Swiss private banks are not sufficient to ensure that they will be able to compete in the market going forward, and thus that a true transformation is needed.

September 2016 – Sustainable Finance in Switzerland: Where Do We Stand?

Dr. Annette Krauss (University of Zurich), Prof. Philipp Krüger (Swiss Finance Institute & University of Geneva), and Dr. Julia Meyer (University of Zurich) took stock of sustainable finance in Switzerland. Their analysis suggests that, apart from a range of specialized institutions and initiatives, the Swiss financial sector is currently not an international leader in the sustainable finance world. More high-level endorsement and decisive action are required if Switzerland's financial sector is to avoid falling behind in international comparisons.

December 2016 – Corporate Governance: Beyond Best Practice

Prof. Alexander Wagner (Swiss Finance Institute & University of Zurich) and Dr. Christoph Wenk Bernasconi (University of Zurich) provide an analysis of the state of Swiss corporate governance, outlining possible future developments and proposing ideas regarding action points for the next Annual General Meeting season as well as for the ongoing revision of the Swiss Code of Obligations. Their study reveals that issuers and investors should work together on a commonly supported Swiss code of accountable corporate governance. They further explain why policy makers are urged to avoid legislating "best practices".

Press conferences were organized to present the new SFI White Papers, and press documentation was prepared in four languages.

SFI Practitioner Roundups – Throughout the Year, 2016

SFI KC continued to publish monthly issues of SFI Practitioner Roundups, a series of publications for practitioners and the interested public, which was launched in 2015 and presents the latest industry-oriented research findings or ideas from SFI faculty, summarized in a concise, focused manner. The 2016 issues covered subjects such as variance swaps, investment behavior, ETFs, mutual funds, carry trade, hedge funds, regulation, and replicating portfolios.

The number of media referring to SFI KC publications more than tripled in 2016, proving how popular these publications have become. Overall, 135 media contributions, mostly in the form of print or online articles – but for the first time also radio and TV broadcasts – were counted. Overall, SFI KC – through all its communication channels – reached over 7 million contacts last year.

Financial Literacy Video Campaign

In 2016, SFI KC took up a special collaboration with the Neue Zürcher Zeitung (NZZ) to improve financial literacy in the German-speaking part of Switzerland. For that purpose, 24 short videos were produced jointly to explain basic popular or important finance terms to non-experts. Each video was composed of the following three parts: a street poll to illustrate the general public's know-how; a cartoon that explains the technical workings of the term; and an expert interview with an SFI professor giving a deeper understanding and providing practical insights. The free videos were published bi-weekly on NZZ's website and promoted through both organizations' communication and social media channels. On average, each video was viewed 12'000 times.

SFI Knowledge Catalyst

The SFI Knowledge Catalyst program (www.sfi.ch/catalyst) enables industry partners to engage finance students for research projects, for example Master's theses or internships. The program has been well established for a few years now, and in 2016 around 110 collaborative projects were pursued all over Switzerland between Master's or PhD students and corporate partners. While many industry partners have actually become loyal customers that seek collaboration on a yearly basis, new partnerships have also been secured thanks to referrals and recommendations.

> "We really enjoyed working with SFI. That they could provide us with someone of Diego's competency was beyond our expectations."
>
> **Luca Bernasconi, Regulatory and Tax Initiatives, Credit Suisse AG**

Knowledge Transfer Seminars

A Total of 44 Outstanding, Charismatic Speakers – Thank You!

Swiss Finance Institute's industry events remained highly successful in 2016. In total, 21 high-quality, publicly available events (19 one-hour seminars and two conferences) attracted a total of 2'300 participants of which over 60 percent were senior bank and finance managers. One of the main reasons why we are able to deliver these attractive seminars and conferences is the speakers: 29 practitioners and 15 academics spoke at our events, addressing highly relevant banking and finance issues including asset management, retirement systems, and innovation. Our programs owe much of their appeal to the high caliber of professionals with unique expertise who are willing to offer their valuable time as guest speakers.

Partnering with Swiss Asset Management Day 2016

We look back proudly on a successful full-day conference on asset management: the 5th Swiss Asset Management Day took place on 7 April 2016, with the overarching topic – "Game Changers for Swiss Asset Management: Technologies, Methods & Alternative Investments". The prestigious event, held in Pfäffikon (SZ), attracted 380 financial industry professionals and academics, who enriched the outstanding and innovative program through their participation. An event of this size and seniority would not have been possible without the unique collaboration between the two organizers, the Canton Schwyz, which hosted the conference for the fifth year running, and Swiss Finance Institute (SFI), which co-hosted the event for the first time.

The collaboration between the Canton Schwyz's Department for Economic Affairs and SFI's Knowledge Transfer team brought with it many advantages; principal among these being that SFI gained access to an economic region in which the institute has not been present thus far and delivered a conference of, for SFI, unprecedented size. The conference, meanwhile, benefitted from SFI's marketing tools and communications experience, access to top-notch academics, and the institute's long-standing experience in acquiring high-caliber speakers from the finance and banking industry. Participant feedback reflected the fact that the conference is improving year-on-year. The quality and the thematic choice of the speeches and the seniority of speakers and panel participants were much appreciated by attendees, as was the first-class quality of the organization of the entire event.

"Congratulations for your involvement in such links between academia and practice."

Prof. Michelle Bergadaà, MBA, Ph.D.

SFI Knowledge Transfer Seminars
Achievements 2016

21 **Events**

2'300 **Participants**

>1'000
New contacts for SFI

44 **Speakers**
15 **From academia**
29 **From industry**

Successful collaboration
with Canton Schwyz – SAMD Conference 2016

2 **Flagship events with**
>550 **representatives of academia and the industry**

- 11th Annual Meeting
- Swiss Asset Management Day 2016

12 **Sponsorship contributions:**
ZKB, SIX, Aberdeen, UZH, ABT, SFI Alumni, GFRI, UniGE, Credit Suisse, Centro di Studi Bancari, Alternative Bank

11th Annual Meeting of SFI – Sustainable Finance Moving Center Stage

The organizers had assembled an impressive roster of speakers and the main theme – sustainable finance – generated palpable interest. Over 250 participants registered for this full-day annual SFI meeting.

SFI prides itself in bringing together representatives of academia and industry. The institute's Annual Meeting revealed a diversity of opinions about, and definitions of, sustainable finance. Industry exponents such as Dr. René Buholzer, Credit Suisse, and Dr. Mathis Wackernagel, Global Footprint Network, acknowledged the importance and the inevitability of sustainability, but expressed concerns about the short to mid-term effects of making the transition. Researchers such as

- Prof. Olaf Weber, University of Waterloo
- Prof. E Philip Davis, Brunel University and NIESR
- Dr. Margareta Drzeniek-Hanouz, World Economic Forum
- Prof. Philipp Krüger, University of Geneva and SFI

were more focused on the necessity of guiding finance and society as a whole onto a sustainable path. To the extent that the speakers were advocates for a cause, they expressed a well-founded optimism – the arguments for sustainability are compelling and it was shown that there is no conflict with long-term profits or shareholder value.

The keynote speaker, Prof. Alex Edmans of the London Business School, pointed out that **there are no conflicts between sustainable practices and shareholder value, only hurdles to implementation.** The deceptively simple question he asked at the outset of his talk was "Why do firms exist?" And he gave two possible answers: to make a profit or to serve a purpose.

Keynote speaker, Prof. Alex Edmans, London Business School

As the day progressed it soon became clear that the issues crystallizing around sustainability, social responsibility, and finance were important to both the research and the industry sides, and that the question many have been asking – Can we afford to indulge in sustainable finance? – might be the wrong one. The questions should perhaps be – Can we afford NOT to engage? And the answer very likely is no. Given SFI's typical diversity of speakers, from detached researchers to impassioned advocates and shrewd business professionals, this was a remarkable consensus, and one which was reflected once more in the evening's panel discussion.

The day was rounded off by a panel discussion entitled "Long-Term Investing: Good Intentions versus Short-Term Behavior", which revisited a number of points touched upon during the day, each of the panelists bringing a unique perspective to the conversation. Reto Lipp of Swiss TV (SRF) moderated. The participants were Sabine Döbeli, CEO, Swiss Sustainable Finance; Dr. Guido Fürer, Group CIO, Swiss Re; H.S.H. Prince Max von und zu Liechtenstein, CEO, LGT; and Prof. Philipp Krüger, University of Geneva & SFI.

Conclusion: A Matter of Transcending Short-Term Incentives

While each speaker advocated a particular cause, all could express genuine optimism, given that the arguments for sustainability are compelling. It was also clearly shown that no conflict exists with long-term profits or shareholder value. A careful listener, though, also would have heard a certain note of frustration that, given these unarguable advantages, sustainability was failing to make more dramatic inroads into the world of business. Short-termism and lacking information were cited as possible reasons for this, and measures to address these hurdles were considered desirable by all concerned.

In his introduction to the day, Olivier Steimer, Chairman of the Board of Directors of SFI, announced the departure of Managing Director Claudio Loderer, thanking him for the key role he had played in making SFI what it is today – an institution that fosters a meeting of minds between the industry and academia.

"Very relevant event on a timely topic"

Feedback from a conference participant

FACTS AND FIGURES

Summary of Swiss Finance Institute Financial Accounts 2016

Balance Sheet as of 31 December		2016 CHF	2015 CHF
Assets			
Current Assets			
Cash and cash equivalents		21’318’696	6’131’293
Trade receivables		81’927	152’457
Other current receivables		69’077	28’715
Accrued income and prepaid expenses		286’311	298’440
	Total Current Assets	**21’756’011**	**6’610’906**
Capital Assets			
Financial assets		20’556’814	38’630’436
Tangible fixed assets		148’101	65’212
	Total Capital Assets	**20’704’915**	**38’695’648**
	Total Assets	**42’460’926**	**45’306’554**
Liabilities and Founders’ Equity			
Short-Term Liabilities			
Trade creditors		225’273	28’869
Other current liabilities		411’723	324’670
Deferred income and accrued expenses		1’297’716	2’549’136
	Total Short-Term Liabilities	**1’934’712**	**2’902’675**
Long-Term Liabilities			
Other long-term liabilities		4’000’000	6’000’000
	Total Long-Term Liabilities	**4’000’000**	**6’000’000**
	Total Liabilities	**5’934’712**	**8’902’675**
Founders’ Equity			
Foundation capital		19’000’000	17’000’000
Statutory capital reserves		37’564’785	37’564’785
Statutory retained earnings		–18’160’905	–8’524’535
Result of the period		–1’877’666	–9’636’370
	Total Founders’ Equity	**36’526’214**	**36’403’880**
	Total Liabilities and Founders’ Equity	**42’460’926**	**45’306’554**

Profit and Loss Account for the period ending 31 December	2016 CHF	2015 CHF
Income from Education courses	3'196'626	3'124'311
Income from Knowledge Center	56'786	176'587
Income from PhD Program	9'792	0
Income from Education Courses and Knowledge Center	**3'263'204**	**3'300'898**
Expenses from Education courses	–1'553'361	–1'279'396
Expenses from Research	–5'354'160	–6'666'569
Expenses from PhD Program	–763'858	–574'080
Expenses from Knowledge Center	–228'089	–226'120
Total Expenses from Education, Research, PhD & KC	**–7'899'468**	**–8'746'165**
Net Result before General Expenses	**–4'636'264**	**–5'445'268**
Personnel expenses	–3'401'533	–3'531'292
Audit and Accounting services	–185'148	–165'910
Other professional services	–122'297	–24'426
IT services	–74'942	–43'900
Office expenses	–181'663	–128'459
Marketing expenses	–139'338	–122'805
Other operational expenses	–181'319	–41'485
Total Other Operational Expenses	**–884'707**	**–526'986**
Earnings before Interest, Depreciation, and Amortization	**–8'922'504**	**–9'503'546**
Depreciation of tangible assets	–15'350	–17'578
Earnings before Interest	**–8'937'854**	**–9'521'125**
Financial income	3'328	11'027
Financial expenses	–8'096	–18'852
Earnings before Non-Operational and Extraordinary Results	**–8'942'622**	**–9'528'949**
Net result on investments	–289'679	–1'936'034
Net non-operational income	7'351'500	1'781'100
Extraordinary, non recurring, or prior-period result	3'135	47'513
Net Result of the Period	**–1'877'666**	**–9'636'370**

Governing and Advisory Bodies

The main governing body of 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.

In 2015, the Executive Education Advisory Board transformed into the Education and Knowledge Advisory Board, it now advises not only on matters of professional education but also on knowledge transfer to industry. The Foundation Board has four committees: the Executive Committee, the Fund Management Committee, the Audit and Risk Committee or 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.

Foundation Board

Foundation Board members represent the entire finance and banking community in Switzerland, both locally and internationally. SFI gratefully acknowledges the participation of Hans-Ulrich Meister, representative of Credit Suisse Group, Piero Martinoli, representative of the Swiss Finance Institute Lugano Center, and Alexandre Zeller, representative of SIX Group AG. All completed their tenure on the Foundation Board during 2016.

Swiss Finance Institute Foundation Board – December 2016

Chairman

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

Vice Chairman

Romeo Cerutti[1], Member of the Executive Board of Credit Suisse Group

Deputy Chairmen

Lukas Gähwiler[1], Chairman of UBS Switzerland

Members

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

Boris Collardi[3], CEO, Julius Baer Group Ltd. – as representative of the Association of Swiss Commercial and Investment Banks in Switzerland

Dr. Renaud de Planta[3], Managing Partner, Pictet Group – as representative of Swiss Private Bankers Association

Boas Erez[4], Rector, Università della Svizzera italiana – as representative of the Swiss Finance Institute Lugano Center

Prof. Yves Flückiger[4], Rector, University of Geneva – as representative of Swiss Finance Institute Léman Center

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

Dr. Stephanino Isele[2], Head of Institutionals & Multinationals and Member of the Executive Board, Cantonal Bank of Zurich

Romeo Lacher[2], Chairman SIX Group AG, Zurich

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

Dr. Christian Poerschke[3], Head of Department Services and Member of the Executive Board, Raiffeisen Group

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

[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

Education and Knowledge Advisory Board

SFI gratefully acknowledges the participation of Matthias Wirth, representative of Swiss Banking, and Roland Altwegg, representative of Raiffeisen Group. Both completed their tenure on the Education and Knowledge Center Advisory Board during 2016.

The members of the Education and Knowledge Advisory Board as of December 2016 are:

Chairperson

Dr. Philipp Halbherr

Members

Hans Baumgartner, Head Private & Wealth Management Clients Region Zürich Zentrum and Head Region Zürich, Credit Suisse (Schweiz) AG

Christian Donzé, Head of Professional Training, BCV

Judith Eberl, Head of HR Training, Development & Internal Communications, BSI SA

Christophe Lapaire, Chairman SFI Alumni Association and SIX Securities Services AG

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

Markus Tanner, Senior Talent Partner, UBS Schweiz

Johannes Toetzke, Global Head Talent Development Private Banking & Wealth Management, Head Talent Development Region Switzerland, Credit Suisse AG

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

Felix Wenger, Head Channel and Distribution (Retail and Affluent) at Raiffeisen Schweiz

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 2016, are:

Chairperson

Prof. Dr. Jean-Charles Rochet, University of Zurich 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

Swiss Finance Institute Research Paper Series 2016

The aim of the Swiss Finance Institute Research Paper Series is to disseminate original theoretical or empirical research with relevance to banking and finance. The series includes research contributions carried out at Swiss Finance Institute by faculty, PhD students, and affiliated researchers. Papers issued in 2016 were included in the SFI Series on the Social Science Research Network's Financial Economics Network. To access the Swiss Finance Institute Research Paper Series, please use the following link: www.ssrn.com/link/swiss-finance-institute.html.

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N°80
Comparing ask and transaction prices in the Swiss housing market
Ahmed Ahmed, ETH Zurich
Diego Ardila, ETH Zurich
Dorsa Sanadgol, ETH Zurich
Didier Sornette, ETH Zurich and Swiss Finance Institute

N°79
Markov cubature rules for polynomial processes
Damir Filipović, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute
Martin Larsson, ETH Zurich
Sergio Pulido, Université d'Évry-Val-d'Essonne

N°78
News about zero-leverage firms
Thomas A. Geelen, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute (PhD Program)

N°77
On the shape of non-monetary measures for risks
Christophe Courbage, Geneva School of Business Administration
Henri Loubergé, Swiss Finance Institute and University of Geneva
Beatrice Rey, Université de Lyon

N°76
Statistical approximation of high-dimensional climate models
Kenneth L. Judd, Stanford University
Thomas S. Lontzek, RWTH Aachen University
Alena Miftakhova, University of Zurich
Karl Schmedders, University of Zurich and Swiss Finance Institute

N°75
Intermediation markups and monetary policy passthrough
Semyon Malamud, Ecole Polytechnique Fédérale de Lausanne, Swiss Finance Institute, and CEPR
Andreas Schrimpf, Bank of International Settlements and CEPR

N°74
A primer on portfolio choice with small transaction costs
Johannes Muhle-Karbe, University of Michigan
Max Reppen, ETH Zurich
H. Mete Soner, ETH Zurich and Swiss Finance Institute

N°73
Early exercise decision in American options with dividends, stochastic volatility, and jumps
Antonio Cosma, University of Luxembourg
Stefano Galluccio, Incipit Capital, London
Paola Pederzoli, University of Geneva and Swiss Finance Institute (PhD Program)
Olivier Scaillet, University of Geneva and Swiss Finance Institute

N°72
Hedging with temporary price impact
Peter Bank, Technische Universität Berlin
H. Mete Soner, ETH Zurich and Swiss Finance Institute
Moritz Voss, Technische Universität Berlin

N°71
Convex duality with transaction costs
Yan Dolinsky, Hebrew University of Jerusalem
H. Mete Soner, ETH Zurich and Swiss Finance Institute

N°70
Bank response to higher capital requirements: evidence from a quasi-natural experiment
Reint Gropp, Halle Institute for Economic Research and University of Magdeburg
Thomas Mosk, Goethe University Frankfurt and SAFE
Steven Ongena, University of Zurich, Swiss Finance Institute, KU Leuven and CEPR
Carlo Wix, Goethe University Frankfurt and SAFE

N°69
Wealth and income inequalities ←→ r > g
Yannick Malevergne, Université Paris
Didier Sornette, ETH Zurich and Swiss Finance Institute

N°68
Data analytics for non-life insurance pricing
Christoph Buser, AXA-Winterthur
Mario V. Wüthrich, ETH Zurich and Swiss Finance Institute

N°67
Machine learning in individual claims reserving
Mario V. Wüthrich, ETH Zurich and Swiss Finance Institute

N°66
Collateral, central bank repos, and systemic arbitrage
Falko Fecht, Frankfurt School of Finance and Management
Kjell G. Nyborg, University of Zurich, Swiss Finance Institute, and CEPR
Jörg Rocholl, ESMT European School of Management and Technology
Jiri Woschitz, University of Zurich

N°65
Intrinsic risk measures
Walter Farkas, University of Zurich, ETH Zurich, and Swiss Finance Institute
Alexander Smirnow, University of Zurich and ETH Zurich

N°64
Exchange traded funds (ETFs)
Itzhak Ben-David, The Ohio State University and NBER
Francesco A. Franzoni, Università della Svizzera italiana and Swiss Finance Institute
Rabih Moussawi, Villanova University

N°63
The relevance of broker networks for information diffusion in the stock market
Marco Di Maggio, Harvard Business School and NBER
Francesco Franzoni, Università della Svizzera italiana and Swiss Finance Institute
Amir Kermani, UC Berkeley and NBER
Carlo Sommavilla, Università della Svizzera italiana and Swiss Finance Institute (PhD Program)

N°62
S&P 500 index, an option implied risk analysis
Giovanni Barone-Adesi, Università della Svizzera italiana and Swiss Finance Institute
Chiara Legnazzi, Università della Svizzera italiana and Swiss Finance Institute (PhD Program)
Carlo Sala, ESADE Business School, Spain

N°61

A simple mechanism for financial bubbles: Time-varying momentum horizon

Li Lin, East China University of Technology and Science
Didier Sornette, ETH Zurich and Swiss Finance Institute

N°60

Sticky expectations and the profitability anomaly

Jean-Philippe Bouchaud, Capital Fund Management
Philipp Krueger, University of Geneva and Swiss Finance Institute
Augustin Landier, Toulouse School of Economics
David Thesmar, MIT Sloan and CEPR

N°59

Dependent defaults and losses with factor copula models

Damien Ackerer, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute
Thibault Vatter, Ecole Polytechnique Fédérale de Lausanne and University of Lausanne

N°58

A heterogeneous-agent foundation of the representative-agent approach

Sabine Elmiger, University of Zurich and Swiss Finance Institute (PhD Program)

N°57

Joint lifetime financial, work and health decisions: Thrifty and healthy enough for the long run?

Yannis Mesquida, University of Lausanne
Pascal St-Amour, University of Lausanne, Swiss Finance Institute, and CIRANO

N°56

A model of price impact and market maker latency

Jakub Rojcek, University of Zurich and Swiss Finance Institute (PhD Program)

N°55

Old-age provision: Past, present, future

Hansjoerg Albrecher, University of Lausanne and Swiss Finance Institute
Paul Embrechts, ETH Zurich and Swiss Finance Institute
Damir Filipović, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute
Glenn W. Harrison, Georgia State University
Pablo Koch-Medina, University of Zurich
Stéphane Loisel, University of Lyon 1
Paolo Vanini, University of Basel
Joël Wagner, University of Lausanne

N°54

Does corporate governance matter? Evidence from the AGR governance rating

Alberto Plazzi, Università della Svizzera italiana and Swiss Finance Institute
Walter N. Torous, Massachusetts Institute of Technology

N°53

WTI crude oil option implied VaR and CVaR: An empirical application

Giovanni Barone-Adesi, Università della Svizzera italiana and Swiss Finance Institute
Chiara Legnazzi, Università della Svizzera italiana and Swiss Finance Institute (PhD Program)
Carlo Sala, Università della Svizzera italiana and Swiss Finance Institute (PhD Program)

N°52

How does sovereign bond market integration relate to fundamentals and CDS spreads?

Ines Chaieb, University of Geneva and Swiss Finance Institute
Vihang Errunza, McGill University
Rajna Gibson Brandon, University of Geneva and Swiss Finance Institute

N°51
A diagnostic criterion for approximate factor structure
Patrick Gagliardini, Università della Svizzera italiana and Swiss Finance Institute
Elisa Ossala, European Commission and Joint Research Centre
Olivier Scaillet, University of Geneva and Swiss Finance Institute

N°50
Foreign acquisition and credit risk: Evidence from the U.S. CDS market
Umit Yilmaz, Università della Svizzera italiana and Swiss Finance Institute (PhD Program)

N°49
Market integration and global crashes
Semyon Malamud, Ecole Polytechnique Fédérale de Lausanne, Swiss Finance Institute, and CEPR
Aytek Malkhozov, Bank for International Settlements

N°48
Managing inventory with proportional transaction costs
Florent Gallien, Swissquote Bank
Serge Kassibrakis, Swissquote Bank
Semyon Malamud, Ecole Polytechnique Fédérale de Lausanne, Swiss Finance Institute, and CEPR
Filippo Passerini, Swissquote Bank

N°47
Firm response to competitive shocks: Evidence from China's minimum wage policy
Harald Hau, University of Geneva, Swiss Finance Institute, CEPR, and CESifo
Yi Huang, Graduate Institute of International and Development Studies (IHEID)
Gewei Wang, Graduate Institute of International and Development Studies (IHEID)

N°46
Indirect inference estimation of mixed frequency stochastic volatility state space models using MIDAS regressions and ARCH models
Patrick Gagliardini, Università della Svizzera italiana, Ecole Polytechnique Fédérale de Lausanne, and Swiss Finance Institute
Eric Ghysels, University of North Carolina Kenan-Flagler Business School, University of North Carolina at Chapel Hill
Mirco Rubin, Università della Svizzera italiana and Swiss Finance Institute (PhD Program)

N°45
The ripple effects of deceptive reporting
Adam Eric Greenberg, University of California, Los Angeles
Alexander F. Wagner, University of Zurich, Swiss Finance Institute, CEPR, and ECGI

N°44
On the American swaption in the linear-rational framework
Damir Filipović, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute
Yerkin Kitapbayev, Boston University

N°43
A false sense of security: Why U.S. banks diversify and does it help?
Priyank Gandhi, University of Notre Dame
Patrick Christian Kiefer, UCLA Anderson School of Management
Alberto Plazzi, Università della Svizzera italiana and Swiss Finance Institute

N°42
Aggregate bank capital and credit dynamics
Gianni De Nicolo, International Monetary Fund and CESifo
Nataliya Klimenko, University of Zurich
Sebastian Pfeil, University of Bonn
Jean-Charles Rochet, University of Zurich, Swiss Finance Institute, and TSE-IDEI

N°41
Comments on: Nonparametric tail risk, stock returns, and the macroeconomy
Lorenzo Camponovo, University of St.Gallen
Olivier Scaillet, University of Geneva and Swiss Finance Institute
Fabio Trojani, University of Geneva and Swiss Finance Institute

N°40
Real estate research in Europe
Martin Hoesli, University of Geneva, Swiss Finance Institute, University of Aberdeen Business School, and Kedge Business School

N°39
Quantification of the evolution of firm size distributions due to mergers and acquisitions
Sandro Claudio Lera, Singapore-ETH Centre and ETH Zurich
Didier Sornette, ETH Zurich and Swiss Finance Institute

N°38
Exact smooth term structure estimation
Damir Filipović, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute
Sander Willems, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute (PhD Program)

N°37
Risk factors of European non-listed real estate fund returns
Jean-Christophe Delfim, University of Geneva
Martin Hoesli, University of Geneva, Swiss Finance Institute, University of Aberdeen Business School, and Kedge Business School

N°36
The choice of valuation techniques in practice: Education versus profession
Lilia Mukhlynina, University of Zurich
Kjell G. Nyborg, University of Zurich, Swiss Finance Institute, and CEPR

N°35
The Jacobi stochastic volatility model
Damien Ackerer, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute (PhD Program)
Damir Filipović, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute
Sergio Pulido, Laboratoire de Mathématiques et Modélisation d'Evry and Université d'Evry-Val-d'Essonne

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Linear credit risk models
Damien Ackerer, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute (PhD Program)
Damir Filipović, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute

N°33
The impact of merger legislation on bank mergers
Elena Carletti, Bocconi University, IGIER, and CEPR
Steven Ongena, Universtiy of Zurich, Swiss Finance Institute, and CEPR
Jan-Peter Siedlarek, Federal Reserve Bank of Cleveland
Giancarlo Spagnolo, SITE, Stockholm School of Economics, University of Rome Tor Vergata, EIEF, and CEPR

N°32
New and revised results for "Building reputation for contract renewal: Implications for performance dynamics and contract duration"
Vanessa Kummer, University of Zurich
Maik Meusel, University of Zurich
Philipp Renner, Stanford University
Karl Schmedders, University of Zurich and Swiss Finance Institute

N°31
Calibration of quantum decision theory, aversion to large losses and predictability of probabilistic choices
Tatyana Kovalenko, ETH Zurich and CREATE Way
Didier Sornette, ETH Zurich, Singapore-ETH Centre, and Swiss Finance Institute
Sabine Vincent, ETH Zurich
Vyacheslav I. Yukalov, ETH Zurich and Bogolubov Laboratory of Theoretical Physics

N°30
Risk and resilience management in social-economic systems
Tatyana Kovalenko, ETH Zurich and CREATE Way
Didier Sornette, ETH Zurich, Singapore-ETH Centre, and Swiss Finance Institute

N°29
Dating the financial cycle: A wavelet proposition
Diego Ardila, ETH Zurich
Didier Sornette, ETH Zurich and Swiss Finance Institute

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Which Swiss gnomes attract money? Efficiency and reputation as performance drivers of wealth management banks
Urs Birchler, University of Zurich
René Hegglin, University of Zurich
Michael R. Reichenecker, UBS AG
Alexander F. Wagner, University of Zurich, Ecole Polytechnique Fédérale de Lausanne, Swiss Finance Institute, CEPR, and ECGI

N°27
High frequency house price indexes with scarce data
Steven C. Bourassa, Florida Atlantic University
Martin Hoesli, University of Geneva, Swiss Finance Institute, University of Aberdeen Business School, and Kedge Business School

N°26
Dynamic principal-agent models
Philipp Renner, Stanford University
Karl Schmedders, Ecole Polytechnique Fédérale de Lausanne, Swiss Finance Institute, and University of Zurich

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Replicating portfolio approach to capital calculation
Mathieu Cambou, Ecole Polytechnique Fédérale de Lausanne
Damir Filipović, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute

N°24
Why does fast loan growth predict poor performance for banks?
Rüdiger Fahlenbrach, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute
Robert Prilmeier, Tulane University
René M. Stulz, Ohio State University (OSU), NBER, and ECGI

N°23

On the relation between linearity-generating processes and linear-rational models

Damir Filipović, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute
Martin Larsson, ETH Zurich
Anders B. Trolle, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute

N°22

Equity is cheap for large financial institutions: The international evidence

Priyank Gandhi, University of Notre Dame
Hanno N. Lustig, Stanford Graduate School of Business and NBER
Alberto Plazzi, Università della Svizzera italiana and Swiss Finance Institute

N°21

Price impact and bursts in liquidity provision

Ramazan Gencay, Simon Fraser University
Soheil Mahmoodzadeh, University of Cambridge
Jakub Rojcek, University of Zurich and Swiss Finance Institute (PhD Program)
Michael C. Tseng, Simon Fraser University

N°20

Real estate company reactions to financial market regulation

Martin Hoesli, University of Geneva, Swiss Finance Institute, and University of Aberdeen
Stanimira Milcheva, University of Reading
Alex Moss, University of Reading and City University London

N°19

Rollover traps

Marco Della Seta, University of Lausanne
Erwan Morellec, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute
Francesca Zucchi, Federal Reserve Board of Governors

N°18

Corporate policies with permanent and transitory shocks

Jean-Paul Decamps, University of Toulouse
Sebastian Gryglewicz, Erasmus University Rotterdam
Erwan Morellec, Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute
Stephane Villeneuve, University of Toulouse

N°17

Empty creditors and strong shareholders: The real effects of credit risk trading

Stefano Colonnello, Otto-von-Guericke University Magdeburg and Halle Institute for Economic Research
Matthias Efing, University of Geneva and Swiss Finance Institute (PhD Program)
Francesca Zucchi, Federal Reserve Board of Governors

N°16

The quality-assuring role of mutual fund advisory fees

Michel A. Habib, University of Zurich, Swiss Finance Institute, and CEPR
D. Bruce Johnsen, George Mason University School of Law

N°15
Discrete-time option pricing with stochastic liquidity
Markus Leippold, University of Zurich and Swiss Finance Institute
Steven Schärer, University of Zurich

N°14
A Bayesian estimate of the pricing kernel
Giovanni Barone-Adesi, Università della Svizzera italiana and Swiss Finance Institute
Chiara Legnazzi, Università della Svizzera italiana and Swiss Finance Institute (PhD Program)
Antonietta Mira, Università della Svizzera italiana

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Predicting long-term financial returns: VAR vs. DSGE model – a horse-race
Eric Jondeau, University of Lausanne and Swiss Finance Institute
Michael Rockinger, University of Lausanne, Swiss Finance Institute, and CEPR

N°12
Modified profile likelihood inference and interval forecast of the burst of financial bubbles
Guilherme Demos, ETH Zurich
Vladimir Filimonov, ETH Zurich
Didier Sornette, ETH Zurich and Swiss Finance Institute

N°11
Is industrial production still the dominant factor for the US economy?
Elena Andreou, University of Cyprus
Patrick Gagliardini, Università della Svizzera italiana, Ecole Polytechnique Fédérale de Lausanne, and Swiss Finance Institute
Eric Ghysels, University of North Carolina Kenan-Flagler Business School and University of North Carolina (UNC) at Chapel Hill
Mirco Rubin, Università della Svizzera italiana and Swiss Finance Institute (PhD Program)

N°10
Birds of a feather – Do hedge fund managers flock together?
Marc Gerritzen, University of Konstanz
Jens Carsten Jackwerth, University of Konstanz
Alberto Plazzi, Università della Svizzera italiana and Swiss Finance Institute

N°9
Quantum decision theory in simple risky choices
Maroussia Favre, ETH Zurich
Hans Rudolf Heinimann, ETH Zurich
Didier Sornette, ETH Zurich and Swiss Finance Institute
Amrei Wittwer, University of Zurich
Vyacheslav I. Yukalov, Joint Institute for Nuclear Research and ETH Zurich

N°8
Resolving persistent uncertainty by self-organized consensus to mitigate market bubbles
Sandra Andraszewicz, ETH Zurich
Ryan O. Murphy, University of Zurich
Philipp B. Rindler, EBS Business School
Dorsa Sanadgol, ETH Zurich
Didier Sornette, ETH Zurich and Swiss Finance Institute

N°7
Employment protection and investment opportunities
Claudio F. Loderer, University of Bern, Swiss Finance Institute, and ECGI
Urs Waelchli, University of Rochester
Jonas Zeller, University of Bern

N°6
On ill-posedness of nonparametric instrumental variable regression with convexity constraints
Olivier Scaillet, University of Geneva and Swiss Finance Institute

N°5

LPPLS bubble indicators over two centuries of the S&P 500 index

Mehmet Balcilar, Eastern Mediterranean University
Rangan Gupta, University of Pretoria
Zeynel Abidin Ozdemir, Gazi University
Didier Sornette, ETH Zurich and Swiss Finance Institute
I. Hakan Yetkiner, Izmir University of Economics
Qunzhi Zhang, ETH Zurich

N°4

A large-scale optimization model for replicating portfolios in the life insurance industry

Maximilian Adelmann, University of Zurich
Lucio Fernandez Arjona, Zurich Insurance Group Ltd.
Janos Mayer, University of Zurich
Karl Schmedders, University of Zurich and Swiss Finance Institute

N°3

Micro-foundation using percolation theory of the finite-time singular behavior of the crash hazard rate in a class of rational expectation bubbles

Maximilian Seyrich, Technische Universität Berlin
Didier Sornette, ETH Zurich and Swiss Finance Institute

N°2

Semi-efficient valuations and put-call parity

Martin Herdegen, ETH Zurich
Martin Schweizer, ETH Zurich and Swiss Finance Institute

N°1

Measuring house price bubbles

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Martin Hoesli, University of Geneva, Swiss Finance Institute, University of Aberdeen Business School, and Kedge Business School
Elias Oikarinen, University of Turku

SFI Faculty Guide – Research

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Hansjörg Albrecher is Professor of Actuarial Science at the University of Lausanne and has been an SFI Faculty Member since 2010. Prof. Albrecher is a regular speaker at leading conferences on insurance. He has published extensively and also serves on the editorial boards of the top academic journals in his areas of research expertise.

Research Interests

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

Recent Research

Among his recent studies, Prof. Albrecher and his coauthors focus on the financing challenges facing today's pension system. The traditional pay-as-you-go system is facing numerous problems, including the baby boom generation starting to reach retirement age, the drop in the ratio of the number of people of working age to the number of retirees, the prolonged period of low interest rates, and the financial crises that depleted the value of pension funds' assets. Results suggest that the trend toward private solutions, as opposed to employer-sponsored solutions, is irreversible and that products will become more transparent and cheaper, with a clearer separation between the savings and the annuity phase.

Publications 2016 and Forthcoming

Albrecher, H. (2016). Asymétrie d'information et d'assurance. *Les Cahiers Louis Bachelier,* 20, 12–15.

Albrecher, H., Embrechts, P., Filipović, D., Harrison, G.W., Koch-Medina, P., Loisel, S., & Wagner, J. (2016). Old-age provision: Past, present, future. *European Actuarial Journal,* 6(2), 287–306.

Albrecher, H., Ivanovs, J., & Zhou, X. (2016). Exit identities for Lévy processes observed at Poisson arrival times. *Bernoulli,* 22(3), 1364–1382.

Albrecher, H., & Cani, A. (in press). Risk theory with affine dividend payment strategies. In C. Elsholtz, & P. Grabner (Eds.), Number theory – Diophantine problems, uniform distribution and applications. *Festschrift in honour of Robert F. Tichy's 60th birthday.* Springer International Publishing.

Albrecher, H., & Daily-Amir, D. (in press). On effects of asymmetric information on non-life insurance prices under competition. *International Journal of Data Analysis Techniques and Strategies.*

Albrecher, H., & Ivanovs, J. (in press). Strikingly simple identities relating exit problems for Lévy processes under continuous and Poisson observations. *Stochastic Processes and Applications.*

Albrecher, H., & Teugels, J. (in press). Reinsurance: Actuarial and financial aspects. *Statistics in practice.* Wiley-Blackwell.

Albrecher, H., Asadi, P., Ko, J., & Prettenthaler, F. (in press). On flood risk pooling in Europe. *Natural Hazards.*

Albrecher, H., Azcue, P., & Muler, N. (in press). Optimal dividend strategies for two collaborating insurance companies. *Advances in Applied Probability.*

Albrecher, H., Boxma, O., Essifi, R., & Kuijstermans, R. (in press). A queueing model with randomized depletion of inventory. *Probability and Engineering in the Information Sciences.*

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Philippe Bacchetta is Professor of Economics at the University of Lausanne. He joined SFI in 2006, and has been an SFI Senior Chair since 2013. He holds a PhD in Economics from Harvard University. He has been a visiting scholar at the International Monetary Fund on several occasions and has provided consultancy services at numerous central banks around the world.

Research Interests

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

Recent Research

One of Prof. Bacchetta's recent coauthored studies revisits the question of whether increased money holdings crowd out physical investment and contribute to lower growth. The authors' contribution to the literature is to take asset scarcity and price flexibility into consideration. Their results challenge the classical vision that money has no long-run effect and suggest that investments can be negatively related to money holdings when an economy is facing a liquidity trap. Overall, the paper finds that quantitative easing is ineffective at the Zero Lower Bound and can delay the exit from a liquidity trap. In terms of a policy recommendation, it may be better to increase the shadow rate than to decrease the effective real interest rate.

Publications 2016

Bacchetta, P., & van Wincoop, E. (2016). The great recession: A self-fulfilling global panic. *American Economic Journal: Macroeconomics,* 8(4), 177–198.

Bacchetta, P. (in press). Is Swiss public debt too small? In Schweizerische Nationalbank (Ed.), *Monetary economic issues today. Festschrift in honour of Ernst Baltensperger*. Orell Füssli.

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Giovanni Barone-Adesi is Professor of Economics at the Università della Svizzera italiana. Prof. Barone-Adesi held an SFI Senior Chair from 2006 to 2016. He is President of OpenCapital, an asset management firm based in Lugano. His recent research has focused on developing new tools for the management of market risk.

Research Interests

His research interests lie in derivative pricing, studies of market volatility, risk management, and the relationship between capital levels and risk-taking in banks.

Recent Research

In recent research, Prof. Barone-Adesi and his coauthor investigate how one's misperception of uncertainty leads to asset mispricing and subsequently skews portfolio investment decisions. Asset pricing models usually assume that investors rely on the full available spectrum of historic information to construct their optimal portfolio. The reality is that investors' knowledge about future events cannot be perfectly forecasted and that predictions get poorer when the quality and the quantity of information available decreases. By releasing the naive assumption regarding investors' full and perfect information usage, the researchers quantify an information premium – which equals the distance between a theoretically optimal portfolio and the one selected by an investor – and determine the share of information that is lost in the real world. Most of this information comes from investors' forward-looking beliefs, which are complex to estimate when using only backward-looking data.

Publications 2016

Barone-Adesi, G. (2016). VaR and CVaR implied in option prices. *Journal of Risk and Financial Management,* 9(1), 2–6.

Barone-Adesi, G., & Carcano, N. (2016). *Modern multi-factor analysis of bond portfolios. Critical implications for hedging and investing*. UK: Palgrave Macmillan.

Barone-Adesi, G., & Sala, C. (2016). Conditioning the information in portfolio optimization. *Journal of Mathematical Finance,* 6(4), 598–625.

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Tony Berrada is Associate Professor of Finance at the University of Geneva and has been an SFI Faculty Member since 2006. Prof. Berrada is a regular speaker at leading finance conferences and workshops worldwide. He teaches executive education courses on portfolio management.

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 coauthors revisit the concept of variance-risk using a perception approach. When using experimental data, the researchers find that perceived variance decreases after prolonged exposure to high variance and increases after exposure to low variance, calling for an after-effect distortion of risk perception. Such results challenge classic economic models in which variance-risk perception is perfect, and help us to understand the phenomenon of "rogue trading".

Publications 2016

Payzan-LeNestour, E., Balleine, B. W., Berrada, T., & Pearson, J. (2016). Variance after-effects distort risk perception in humans. *Current Biology,* 16(11), 1500–1504.

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Ines Chaieb is Associate Professor of Finance at the University of Geneva and has been an SFI Faculty Member since 2010. She obtained her PhD in Finance from McGill University. Prof. Chaieb is a regular speaker at major academic conferences and workshops in finance worldwide.

Research Interests

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

Recent Research

In ongoing research on international asset pricing and market integration, Prof. Chaieb and her coauthors analyze the impact of liquidity costs and market segmentation on asset pricing. The theoretical model the authors develop suggests that freely traded securities command a global market risk premium and a world liquidity risk premium, whereas the securities that can be held by only a subset of investors command additionally a conditional local market risk premium and a conditional local liquidity risk premium. Empirical results for a sample of 21 emerging markets support the theoretical predictions and find that the price of world market risk and of local market risk are statistically and economically meaningful. The importance of both world and local liquidity risk premia increases during periods of financial crisis.

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Marc Chesney is Professor of Finance at the University of Zurich and has been an SFI Faculty Member since 2006. Prior to his appointment in Zurich, he was a professor and the associate dean at HEC Paris. Prof. Chesney's papers have been published in the leading academic journals on quantitative finance. He also writes regular op-eds on topics such as environmental finance and ethics in finance.

Research Interests

His main research interests lie in quantitative finance, and in environmental and sustainable finance.

Recent Research

One of Prof. Chesney's latest coauthored research publications focuses on the consequences and costs of global warming by using a real options approach. The researchers' analytical framework considers the costs of both mitigation and adaptation investments, and the public good–private good dimension that characterizes these investments, as well as the costs related to inaction. Mitigation seeks to prevent climate change (e.g., reducing CO_2 emissions), whilst adaptation seeks to reduce the impact of climate change once it has occurred (e.g., building levees for local protection). Computations show that mitigation yields higher benefits than adaptation, that adaptation alone is not sufficient to optimize long-term discounted GDP, and that contrary to investments in adaptation, investments in mitigation reduce the probability of the occurrence of catastrophic events.

Publications 2016 and Forthcoming

Chesney, M., & Seele, P. (in press). Toxic sustainable companies: a critique on the shortcomings of current corporate sustainability ratings and a definition of "financial toxicity". *Journal of Sustainable Finance & Investment.*

Chesney, M., Lasserre, P., & Troja, B. (in press). Mitigating global warming: a real options approach. *Annals of Operations Research.*

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Pierre Collin-Dufresne is Professor of Finance at the Ecole Polytechnique Fédérale de Lausanne and has been an SFI Senior Chair since 2011. Prior to his appointments in Switzerland, Prof. Collin-Dufresne held a chair in Business at the Graduate School of Business at Columbia University. He 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 advisory boards of both Lombard Odier and Kepos Capital (a US asset management firm). He also provides expert advice for Cornerstone Research and serves on the editorial boards of various academic journals.

Research Interests

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

Recent Research

One of the recent topics Prof. Collin-Dufresne and his coauthors have been investigating is how parameter learning amplifies the impact of macroeconomic shocks. The researchers use a model that assumes that investors learn about parameters from data, such as the growth rate of the economy or the likelihood and severity of disasters, and revise their beliefs as new data arrives. Such revisions in parameter beliefs induce permanent shocks to investors' expectations, such revisions are sources of subjective long-run risks and have strong asset pricing implications. When running simulations, the researchers find that parameter uncertainty can quantitatively dominate fundamental sources of risk and help explain the standard equity premium puzzle.

Publications 2016 and Forthcoming

Collin-Dufresne, P., & Fos, V. (2016). Insider trading, stochastic liquidity, and equilibrium prices. *Econometrica,* 84(4), 1441–1475.

Collin-Dufresne, P., Johannes, M., & Lochstoer, L. A. (2016). Parameter learning in general equilibrium: The asset pricing implications. *American Economic Review,* 106(3), 664–698.

Collin-Dufresne, P., Johannes, M., & Lochst, L. (in press). Asset pricing when "this time is different". *Review of Financial Studies.*

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François Degeorge is Professor of Finance at the Università della Svizzera italiana. He joined SFI in 2006, has held an SFI Senior Chair since 2010, and became SFI's Managing Director in November 2016. Prof. Degeorge obtained his PhD from Harvard University and is a former Fulbright scholar. He teaches executive education courses in 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. Most recently he has investigated the influence of analysts on corporate policies, the growing phenomenon of secondary buyouts, and the stock market impact of news dissemination by firms.

Recent Research

One of Prof. Degeorge's most recent coauthored projects looks at how investor attention changes when firms adopt modern news dissemination technologies. To shed light on this topic, the researchers focus on the consequences of the adoption of an English-language electronic wire service by European firms to disseminate news on stock market behavior. Quantitative results suggest that firms that start disseminating news through English-language wire services experience smaller price stock drifts and larger abnormal trading volumes following earnings announcements. Overall, findings highlight the importance of the format of company news when seeking to capture investor attention.

Publications 2016 and Forthcoming

Degeorge, F., Martin, J., & Phalippou, L. (2016). On secondary buyouts. *Journal of Financial Economics,* 120(1), 124–145.

Boulland, R., Degeorge, F., & Ginglinger, E. (in press). News dissemination and investor attention. *Review of Finance.*

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Theodosios Dimopoulos is Assistant Professor of Finance at the University of Lausanne and has been an SFI Faculty Member since 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 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 coauthor raise the question of whether underperformance leads to CEO turnover and whether CEO turnover leads to delivering performance improvements in European firms. When using data from British and German firms, covering the 1995 to 2005 period, the researchers find that replacing the CEO in an underperforming firm leads to large profitability improvements – around 10 percent – in the following years. This result applies irrespective of the firms' level of governance, but suggests that boards take the right decisions in times of crisis. Further analysis reveals that the structure of the board, whether it is insider – outsider dominated or has a two-tier structure, has virtually no effect on the quality of the decisions it takes.

Publications 2016 and Forthcoming

Dimopoulos, T., & Sacchetto, S. (2016). Technological heterogeneity and corporate investment. *Journal of Economic Dynamics and Control,* 66, 20–35.

Dimopoulos, T., & Sacchetto, S. (in press). Merger activity in industry equilibrium. *Journal of Financial Economics.*

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Paul Embrechts is Professor of Mathematics at ETH Zurich. He joined SFI in 2007 and has held an SFI Senior Chair since 2009. Prof. Embrechts' research has been published in top academic journals worldwide and featured in international media. He is a regular speaker at leading international conferences in risk management aimed at both academics and industry professionals. He also serves on the editorial boards of several 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, and on statistical methods for QRM.

Recent Research

In a recent paper, Professor Embrechts and his coauthor analyze risk sharing among economic agents – such as firms, investors, or insurers – with Range-Value-at-Risk (RVaR) preferences. The RVaR, a two-parameter family of risk measure, includes the well-known Value-at-Risk (VaR) and Expected Shortfall (ES) risk metric measures, which are both one-parameter families of risk measures. The researchers provide guidelines, in the context of the calculation of regulatory capital, on how a regulatory measure can lead to certain desirable, or undesirable, properties of risk sharing among firms. In terms of risk management and policy decision-making, several novel advantages of ES over VaR are also revealed.

Publications 2016 and Forthcoming

Albrecher, H., Embrechts, P., Filipović, D., Harrison, G.W., Koch-Medina, P., Loisel, S., Wagner, J. (2016). Old-age provision: Past, present, future. *European Actuarial Journal,* 6(2), 287–306.

Chavez-Demoulin, V., Embrechts, P., & Hofert, M. (2016). An extreme value approach for modeling operational risk losses depending on covariates. *Journal of Risk and Insurance,* 83(3), 735–776.

Embrechts, P., & Jakobsons, E. (2016). Dependence uncertainty for aggregate risk: Examples and simple bounds. In M. Podolskij, R. Stelzer, S. Thorbjørnsen, & A. E. Veraart (Eds.), *The fascination of probability, statistics and their applications: In honour of Ole E. Barndorff-Nielsen* (pp. 395–417). Springer International Publishing.

Embrechts, P., Hofert, M., & Wang, R. (2016). Bernoulli and tail-dependence compatibility. *Annals of Applied Probability,* 26(3), 1636–1658.

Embrechts, P., Koch, E., & Robert, C. (2016). Space-time max-stable models with spectral separability. *Advances in Applied Probability,* 48(A), 77–97.

Embrechts, P., & Kirchner, M. (in press). Hawkes graphs. *Theory of Probability and Its Applications.*

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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 2012. He graduated with a PhD in Finance from the Wharton School of Business. Before joining the faculty in Lausanne in 2009, Prof. Fahlenbrach was Assistant Professor of Finance at the Ohio State University. Prof. Fahlenbrach's research has been published in the top finance journals worldwide and features in the international press, including The Economist and NZZ. He is a regular speaker at leading academic conferences and also serves on the editorial boards of the top academic journals in finance.

Research Interests

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

Recent Research

One of Prof. Fahlenbrach's latest coauthored projects focuses on the factors that make independent directors resign from corporate boards and what happens to corporate policies and firms' performance after their departure. Directors may leave for expected reasons, such as retirement or other work commitments, but also for unexpected reasons, such as firms' poor anticipated future performance. Data reveals that firms are more likely to incur earnings restatements, federal class action securities fraud lawsuits, as well as months with high negative skewness after the unexpected departures of independent directors. In terms of policy recommendations, shareholders could consider policies that provide incentives to retain independent directors during times of turmoil.

Publications 2016 and Forthcoming

Boyson, N. M., Fahlenbrach, R., & Stulz, R. M. (2016). Why don't all banks practice regulatory arbitrage? Evidence from usage of trust-preferred securities. *Review of Financial Studies,* 29(7), 1821–1859.

Fahlenbrach, R., & Schmidt, C. (in press). Do exogenous changes in passive institutional ownership affect corporate governance and firm value? *Journal of Financial Economics.*

Fahlenbrach, R., Low, A., & Stulz, R. (in press). Do independent director departures predict future bad events? *Review of Financial Studies.*

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Walter Farkas is Professor of Quantitative Finance at the University of Zurich and a team member of the SFI Knowledge Catalyst, an industry placement program for SFI academic partner institutions' Master's students. Prof. Farkas is also an associated Faculty Member at the Department of Mathematics of ETH Zurich and 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 coauthors contribute to the option pricing literature by developing a one-factor non-affine stochastic model with endogenously determined micro-foundations. The herding of traders leads to an amplification of the volatility of the asset over the volatility of the fundamentals. Despite the non-affine specificity of the model developed by the researchers, a closed-form option pricing formula can be derived using the Gauss–Hermite methodology. When testing their model on S&P 500 data, they find that their one-factor non-affine model outperforms the affine one-factor Heston model, and rivals the performance of the affine two-factor Heston model.

Publications 2016 and Forthcoming

Drimus, G. G., Farkas, W., & Gourier, E. (2016). Valuations of options on discretely sampled variance: A general analytic approximation. *Journal of Computational Finance,* 20(2), 39–66.

Farkas, W., Gourier, E., Huitema, R., & Necula, C. (2016). The impact of cointegration on commodity spread options. In K. Glau, Z. Grbac, M. Scherer, & R. Zagst (Eds.), *Innovations in Derivatives Markets. Springer Proceedings in Mathematics & Statistics* (Vol. 165, pp. 421–435). Springer, Cham.

Farkas, W., Gourier, E., Huitema, R., & Necula, C. (in press). A two-factor cointegrated commodity price model with an application to spread option pricing. *Journal of Banking & Finance.*

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Damir Filipović holds the Swissquote Chair in Quantitative Finance at the Ecole Polytechnique Fédérale de Lausanne. He has held an SFI Senior Chair since 2010. Since 2011, Prof. Filipović 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. Filipović and his coauthors have recently introduced a novel class of credit risk models in which the drift of the survival process of a firm is a linear function of the factors. Computations reveal that such risk models outperform, in terms of analytical tractability, the standard affine default intensity models. Further analysis also shows that the prices of defaultable bonds and credit default swaps (CDSs) are linear in the factors, and that the price of CDS options can be approximated by polynomials in the factors. An empirical analysis performed on US data also reveals the versatility of these models by fitting CDS spread time series.

Publications 2016 and Forthcoming

Albrecher, H., Embrechts, P., Filipović, D., Harrison, G. W., Koch-Medina, P., Loisel, S., Wagner, J. (2016). Old-age provision: Past, present, future. *European Actuarial Journal,* 6(2), 287–306.

Amini, H., Filipović, D., & Minca, A. (2016). To fully net or not to net: Adverse effects of partial multilateral netting. *Operations Research,* 64(5), 1135–1142.

Amini, H., Filipović, D., & Minca, A. (2016). Uniqueness of equilibrium in a payment system with liquidation costs. *Operations Research Letters,* 44(1), 1–5.

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Filipović, D., Larsson, M., & Trolle, A. (in press). Linear-rational term structure models. *Journal of Finance.*

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Research Interests

His general research interests are in asset pricing, with a focus on institutional investors such as hedge funds, private equity, mutual funds, and ETFs. He studies, in particular, the impact of institutional investors on asset prices and liquidity.

Recent Research

In some recent research, Prof. Franzoni and his coauthor provide a critical assessment of the recent tightening of regulation concerning hedge funds sponsored by financial institution such as banks. Their main conclusion is that these funds actually contribute to the smooth functioning of financial markets. Their empirical evidence shows that during periods of financial turmoil, investors are less likely to withdraw their capital from such hedge funds because of the funds' beneficial relationship with the sponsoring banks. Moreover, these funds increase their exposure to risky assets when others are divesting, thus providing much needed liquidity and playing a stabilizing role in bad times. Hence, keeping the relationship between hedge funds and banks alive may be beneficial for market stability, and recent regulation should be rethought. In terms of policy recommendations, there is an opportunity for Switzerland to harbor such hedge funds as the country has refrained from following this regulatory trend yet.

Publications 2016 and Forthcoming

Ben-David, I., Franzoni, F., & Moussawi, R. (in press). Exchange-traded funds (ETFs). *Annual Review of Financial Economics.*

Franzoni, F., & Schmalz, M. (in press). Fund flows and market states. *Review of Financial Studies.*

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Research Interests

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

Recent Research

In ongoing research, Prof. Gagliardini and his coauthor, raise the question of whether more data is always better for factor analysis. In the case of huge data sets, standard factor analysis frequently faces numerical complications. The researchers contribute to the literature and develop a new technique that benefits from big data and is much less computationally demanding. Their technique, the double instrumental variable approach, reaches asymptotic efficiency in a way similar to the principal component analysis. Further analysis reveals that the double instrumental variable approach can easily be used in cases of incomplete data.

Publications 2016 and Forthcoming

Gagliardini, P., Ossola, E., & Scaillet, O. (2016). Time-varying risk premium in large cross-sectional equity datasets. *Econometrica*, 84(3), 985–1046.

Gagliardini, P., Ghysels, E., & Rubin, M. (in press). Indirect inference estimation of mixed frequency stochatic volatility state space models using MIDAS regressions and ARCH models. *Journal of Financial Econometrics.*

Gagliardini, P., & Scaillet, O. (in press). A specification test for nonparametric instrumental variable regression. *Annals of Economics and Statistics.*

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Research Interests

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

Recent Research

In a recent study, Professor Gibson Brandon and her coauthors contribute to the neuro-finance literature by focusing on how individuals differ when they decide to tell the truth or to be dishonest in situations where truthfulness comes at a monetary cost. The data, obtained using functional magnetic resonance imaging and measured brain activity and connectivity, reveals that individuals with stronger honesty-related values exhibit prefrontal interactions when the costs of honesty are high. Furthermore, the authors' dynamic causal modelling results specified the direction of these interactions by showing that the coupling in participants with strong honesty-related values was best explained by a model in which the dorsolateral prefrontal cortex receives input from the inferior frontal gyrus, and the dorsomedial prefrontal cortex and inferior frontal gyrus are bidirectionally coupled. Together, these findings provide novel insights into how prefrontal connectivity underpins individual variability in honesty-related values.

Publications 2016

Dogan, A., Morishima, Y., Heise, F., Tanner, C., Gibson Brandon, R., Wagner, A. F., & Tobler, P. N. (2016). Prefrontal connections express individual differences in intrinsic resistance to trading off honesty values against economic benefits. *Scientific Reports,* 6, 33263.

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Manfred Gilli is Emeritus Professor at the University of Geneva and has been an SFI Faculty Member since 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 lie primarily in the implementation and empirical validation of computational methods in finance.

Recent Research
In one of his latest papers, Prof. Gilli and his coauthor revisit the challenges that portfolio managers face in today's environment. They contribute to the literature by providing a simple yet effective technique to situations where traditional optimization models yield multiple local optima solutions. Their technique, named heuristics, yields a "good" approximation of the optimum, is robust to modifications of the objective function, and is easy to implement. When running an empirical analysis based on hedge-fund data, they find that the heuristics technique performs well, and conclude that less emphasis should be put on obtaining numerically precise solutions, because good solutions are enough.

Publications 2016 and Forthcoming
Gilli, M., & Schumann, E. (in press). Heuristics for portfolio selection. In G. Consigli, D. Kuhn, & P. Brandimarte (Eds.), *Optimal financial decision making under uncertainty. International series in operations research & management science.* Cham: Springer International Publishing.

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Research Interests
His main research interests lie in empirical asset pricing.

Recent Research
In ongoing research, Prof. Goyal and his coauthor revisit the recently proposed time-series (TS) momentum strategies. The authors show that the TS strategy is effectively a combination of traditional cross-section (CS) momentum strategy and a time-varying, net-long investment in the market. Results suggest that TS strategies are not better than CS strategies at identifying assets that would either outperform or underperform the market.

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Research Interests

His primary research interest is corporate finance.

Recent Research

In one of his latest research projects, Prof. Habib and his coauthors revisit the issue of optimal sovereign debt. The researchers' key innovation is to assume that governments are self-interested and engage in excusable default instead of being altruistic and engaging in strategic default. This choice builds on the growing empirical evidence that governments are mindful of the loss of power that generally follows default. Calculations reveal that the optimal debt level under the excusable default assumptions is approximately 82 percent of GDP. Such a figure is remarkably close to the 90 percent observed for OECD countries and far more realistic than the maximum 38 percent figure obtained under the strategic default assumption. Further estimates also reveal that optimal debt levels are sensitive to a country's maximum primary surplus, the mean and volatility of its growth rate, and the interest rate.

Publications 2016 and Forthcoming

Habib, M. A., & Johnsen, D. B. (2016). The quality-assuring role of mutual fund advisory fees. *International Review of Law and Economics,* 46, 1–19.

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Research Interests

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

Recent Research

One of Prof. Hau's latest coauthored studies uses comprehensive transaction records on over-the-counter (OTC) forex (FX) derivatives. Focusing on the determinants of transaction costs for nonfinancial firms, the researchers evaluate the relative importance of firms' sophistication, counterparty credit risk, contract customization, and credit relationships outside the OTC market. They find that unsophisticated corporates face highly discriminatory transaction costs and this affect is amplified for firms that use, as dealer banks, their main credit provider. By contrast, credit risk and contract customization play almost no role for transaction costs. Moreover, discriminatory pricing is shown to severely limit OTC market participation and hampers the corporates' desire to hedge FX exposure. These findings underscore the need to reform OTC derivative markets.

Publications 2016 and Forthcoming

Hau, H., & Lai, S. (2016). Asset allocation and monetary policy: Evidence from the eurozone. *Journal of Financial Economics,* 120(2), 309–329.

Hau, H., & Lai, S. (in press). The role of equity funds in the financial crisis propagation. *Review of Finance*.

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Research Interests

His research focuses mainly on behavioral finance.

Recent Research

In one of his latest research projects, Prof. Hens and his coauthors study the impact of culture on loss aversion. To do so, the researchers conduct a standardized survey that includes 6'692 participants from 53 countries, and measure cultural dimensions and loss aversion by using an experimental approach. Regression analysis reveals that cultures that are more individualistic, that better conform to hierarchy, and that attach more importance to ego goals and less to social goals show higher degrees of loss aversion. Surprisingly, the extent to which a society and its individuals can tolerate ambiguous situations has an elusive effect on risk aversion.

Publications 2016 and Forthcoming

Axtell, R., Couzin, I. D., Fricke, D., Hens, T., Hochberg, M. E., Kirman, A., Sethi, R. (2016). Challenges of integrating complexity and evolution into economics. In D. S. Wilson, & A. Kirman (Eds.), *Complexity and evolution. Toward a new synthesis for economics* (pp. 65–81). Cambridge, MA: MIT Press.

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Dluhosch, B., & Hens, T. (2016). A rigorous approach to business services offshoring and North–North trade. *Applied Economics,* 48(15), 1390–1401.

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Wang, M., Rieger, M. O., & Hens, T. (2016). How time preferences differ: Evidence from 53 countries. *Journal of Economic Psychology,* 52, 115–135.

Hens, T., & Mayer, J. (in press). Cumulative prospect theory and mean variance analysis: A rigorous comparison. *The Journal of Computational Finance.*

Hens, T., & Mayer, J. (in press). Theory matters. *Computational Finance.*

Wang, M., Rieger, M. O., & Hens, T. (in press). The impact of culture on loss aversion. *Journal of Behavioral Decision Making.*

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Research Interests

His research relates mainly to the area of real estate finance and housing.

Recent Research

In one of his recently published papers, Prof. Hoesli and his coauthors study the effect of home ownership, type of dwelling structure, and residential density on educational outcomes. Empirical results, based on Swiss data, show that only residential density affects educational outcome. An increase in room density of 10 percent lowers the probability of a child being in high school by 9 percent on average, when holding all other standard socioeconomic variables constant. Such a finding builds on previous US-based research, which found that home ownership improved educational outcome, but which did not account for differences in room density.

Publications 2016 and Forthcoming

Bourassa, S. C., Cantoni, E., & Hoesli, M. (2016). Robust hedonic price indexes. *International Journal of Housing Markets and Analysis,* 9(1), 47–65.

Bourassa, S. C., Haurin, D. R., & Hoesli, M. (2016). What affects children's outcomes: House characteristics or homeownership? *Housing Studies,* 31(4), 427–444.

Delfim, J.-C., & Hoesli, M. (2016). Risk factors of European non-listed real estate fund returns. *Journal of Property Research,* 33(3), 190–213.

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Bourassa, S. C., & Hoesli, M. (in press). High frequency house price indexes with scarce data. *Journal of Real Estate Literature.*

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Hoesli, M., Kadilli, A., & Reka, K. (in press). Commonality in liquidity and real estate securities. *The Journal of Real Estate Finance and Economics.*

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Research Interests

His main research area is theoretical asset pricing.

Recent Research

In recent work, Prof. Hugonnier and his coauthors contribute to the literature on over-the-counter financial markets by developing a search and bargaining model of an asset market in which investors value assets in an arbitrary, heterogeneous manner. The model yields a complete, closed-form characterization of the unique equilibrium both in and out of the steady state. Relying on this characterization, the researchers show that, consistent with prominent examples of over-the-counter markets, their model exhibits a core-periphery structure and features non-trivial intermediation chains whose dynamics can be determined in closed form. In particular, they show that the joint distribution of the characteristics of an intermediation implied by the model makes it possible to replicate many of the empirical regularities found in micro-level data coming from over-the-counter markets such as the corporate bond market, the asset-backed securities market, or the municipal bond market.

Publications 2016 and Forthcoming

Hugonnier, J., & Morellec, E. (in press). Bank capital, liquid reserves, and insolvency risk. *Journal of Financial Economics.*

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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 coauthor put themselves in the shoes of an institutional investor who wishes to implement a long-term portfolio strategy based on forecasts of financial returns. To better select the underlying assets, the authors compare the performance of two competing macro-finance models: an unrestricted Vector AutoRegression (VAR) model and a fully structural Dynamic Stochastic General Equilibrium (DSGE) model. Using data spanning the period 1955 to 2014, the researchers find that the optimal portfolio should be long in stocks and short in bonds for investors using either the VAR or the DSGE models. Further analysis reveals that, on the one hand, the DSGE model generates sufficient mean reversion for both bond and stock returns, such that the term structure of risks decreases for both asset classes. And that, on the other hand, the VAR model is not able to produce such long-term mean reversion for stocks. Ultimately, the DSGE model provides more accurate and timely forecasts of financial returns and clearly outperforms the VAR model for long-term allocation. The Sharpe ratios obtained using the DSGE model are up to twice as large as those obtained using the VAR model.

Publications 2016 and Forthcoming

Jondeau, E. (2016). Asymmetry in tail dependence in equity portfolios. *Computational Statistics & Data Analysis,* 100 (August), 351–368.

Jondeau, E., & Khalilzadeh, A. (in press). Collateralization, leverage, and stressed expected loss. *Journal of Financial Stability.*

Jondeau, E., Jurczenko, E., & Rockinger, M. (in press). Moment component analysis: An illustration with international stock markets. *Journal of Business & Economic Statistics.*

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Research Interests

His primary research interests are sustainable and responsible finance, corporate finance, corporate governance, and behavioral finance.

Recent Research

One of Prof. Krüger's latest coauthored studies investigates investors' and firms' reactions to the unexpected currency shock that occurred in Switzerland in early 2015. When focusing on publicly listed companies, the researchers find large negative announcement returns for firms with significant currency exposure. Such firms announced an average five percent drop in returns compared to other Swiss firms, saw falls in terms of both sales and profitability, and experienced reductions in investment of eight percent, but only slightly reduced employment.

Publications 2016

Bischoff, B., Döbeli, S., Huber, L. J., Krüger, P., Müller, C., Schwarz, R., & Schwegler, R. (Eds.). (2016). *Proposals for a roadmap towards a sustainable financial system in Switzerland. Environmental miscellanea series.* Zurich: Federal Office for the Environment (FOEN), Swiss Team.

Krueger, K., Krüger, P., Lehmann, H., & Schroeter, M. (2016). Therapy-associated progressive multifocal leukoencephalopathy during disease-modifying treatment of multiple sclerosis. *Neurographics,* 6(6), 350–368.

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Research Interests

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

Recent Research

In a recent paper, Prof. Kübler and his coauthors raise the question of what asset demand tests of expected utility are actually testing. They contribute to the literature by extending the expected utility representation to a set of contingent claim spaces where each space corresponds to a different set of probabilities and the von Neumann–Morgenstern index is the same across the different spaces. This is achieved by presenting a set of axiom systems in three different subspaces of the full distribution space: a single contingent claim space, a set of contingent claim spaces, and a space of risky prospects with a fixed number of states.

Publications 2016 and Forthcoming

Brumm, J., Kübler, F., & Scheidegger, S. (in press). Computing equilibria in dynamic stochastic macro-models with heterogeneous agents. In B. Honoré, A. Pakes, M. Piazzesi, & L. Samuelson (Eds.), *Advances in economics and econometrics. Eleventh world congress* (Vol. 1). Cambridge: Cambridge University Press.

Kübler, F., Selden, L., & Wei, X. (in press). What are asset demand tests of expected utility really testing? *Financial Economics.*

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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 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 coauthored research papers develops a tractable class of multi-factor price processes with stochastic volatility and jumps, which adapts to changing market conditions and permits fast option pricing. Interestingly, in the authors' framework only a small set of structural parameters is needed to fully specify the joint dynamics of the underlying asset and options implied volatility surface. The model developed outperforms standard benchmarks in- and out-of-sample, and remains robust during periods of financial turmoil.

Publications 2016 and Forthcoming

Bernardi, S., Leippold, M., & Lohre, H. (in press). Maximum diversification strategies along commodity risk factors. *European Financial Management.*

Bloechlinger, A., & Leippold, M. (in press). Are ratings the worst form of credit assessment apart from all the others? *Journal of Financial and Quantitative Analysis*.

Leippold, M., & Schärer, S. (in press). Discrete-time option pricing with stochastic liquidity. *Journal of Banking & Finance*.

Leippold, M., & Stromberg, J. (in press). Strategic investment and optimal portfolio choice under incomplete markets. *Journal of Banking & Finance*.

Leippold, M., & Vasiljević, N. (in press). Pricing and disentanglement of American puts in the hyper-exponential jump-diffusion model. *Journal of Banking & Finance*.

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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 coauthors provide a generalization of non-monetary measures of risk by introducing the concept of risk apportionment (RA): the pain associated with moving from a risky situation to a riskier one. Their research provides a broad spectrum of contributions. First, they show how the RA utility premium changes when decision-makers' wealth becomes riskier. Second, they provide the necessary and sufficient conditions on individual preferences for superadditivity and subadditivity of the RA utility premium. Finally, they investigate the welfare changes of merging increases in risk.

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Research Interests

His main research interest lies in asset pricing.

Recent Research

In recent research, Prof. Malamud and his coauthor develop a new theory of monetary policy passthrough based on intermediation frictions. The authors show that monetary policy affects intermediaries' ability to extract rents; this opens up a new channel for the transmission of monetary shocks into rates in the wider economy, which may be labelled the markup channel of monetary policy. Passthrough efficiency depends crucially on the anticipated sensitivity of future monetary policy to future stock market returns, the "central bank put". The strength of this put determines monetary policy's room for maneuver: when it is strong, monetary policy is destabilizing and may lead to market tantrums where deteriorating risk premia, illiquidity, and markups mutually reinforce each other; when the put is too strong, passthrough becomes fully inefficient and a surprise easing even begets a rise in real rates.

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

Recent Research
In recent research, Prof. Mancini and his coauthors tackle the key question of ranking scientific research. To do so, they develop a novel class they refer to as Scientific Research Measures (SRMs). The main feature of these SRMs is that they take into consideration scientists' citation curve, specific features of each scientific field, research areas, and scientists' seniority. Such modelling is achieved using flexible performance curves and contributes to the literature as such flexibility is lacking in virtually all existing bibliometric indices. Empirical results on 173 finance scholars show that SRMs provide a more judicious ranking of research performance.

Publications 2016
Filipović, D., Gourier, E., & Mancini, L. (2016). Quadratic variance swap models. *Journal of Financial Economics,* 119(1), 44–68.

Frittelli, M., Mancini, L., & Peri, I. (2016). Scientific research measures. *Journal of the Association for Information Science and Technology,* 67(12), 3051–3063.

Mancini, L., Ranaldo, A., & Wrampelmeyer, J. (2016). The euro interbank repo market. *Review of Financial Studies,* 29(7), 1747–1779.

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Research Interests
His research interests relate to capital markets.

Recent Research
Professor Mele's recent coauthored research studies asset markets in which uncertainty about the fundamentals can be mitigated when acquiring costly information. Acquiring private information helps reduce the value of parameter uncertainty. The authors show that because of ambiguity aversion, the value of parameter uncertainty increases as markets become informationally more efficient and can diminish the usual free-riding benefits arising from others' information choices. The combination of these effects can lead, even after small changes in uncertainty, to strategic complementarities in information acquisition and induce large price swings.

Publications 2016
Mele, A., & Obayashi, Y. (2016). Interest rate derivatives and volatility. In P. Veronesi (Ed.), *Handbook of fixed-income securities* (pp. 469–513). Hoboken, NJ, USA: John Wiley & Sons, Inc.

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Research Interests

His main research interest lies in capital structure decisions, real options, risk management, liquidity management, and credit risk.

Recent Research

In recent work, Prof. Morellec and his coauthor seek to determine how liquidity and capital requirements affect the liquidity management and insolvency risk of banks. Their contribution to the existing literature is to develop a dynamic model that accounts for multiple aspects of a bank's decisions, such as the choice of liquid asset holding, equity share, payout policy, and default. They use this model to determine the optimal response of banks to the imposition of liquidity and capital requirements, and to determine the effect of such requirements on insolvency risk. Their model shows that liquidity requirements lead to lower bank losses in the case of default at the cost of an increased likelihood should default occur. Combining liquidity requirements with leverage requirements reduces both the likelihood of default and the magnitude of bank losses in default. This means that in order to control both aspects of a bank's insolvency risk one should consider regulations that combine liquidity and capital requirements as proposed in the Basel III accords.

Publications 2016 and Forthcoming

Décamps, J.-P., Gryglewicz, S., Morellec, E., & Villeneuve, S. (in press). Corporate policies with permanent and transitory shocks. *Review of Financial Studies*.

Favara, G., Morellec, E., Schroth, E., & Valta, P. (in press). Debt enforcement, investment, and risk taking across countries. *Journal of Financial Economics*.

Hugonnier, J., & Morellec, E. (in press). Bank capital, liquid reserves, and insolvency risk. *Journal of Financial Economics*.

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Artem Neklyudov has been SFI Assistant Professor of Finance at HEC Lausanne since 2013. He obtained 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 and his coauthors focus on the impact of dealer network structure on intermediation, bid-ask spreads, information flows, and market quality. Using data on customer and dealer trades in securitization markets, the researchers find that interdealer networks have a core-peripheral structure, similar to the one found in municipal bond markets. Further estimates find mixed evidence that customer trades intermediated by central dealers contribute more to the price discovery process and that a negative relationship arises between dealers' centrality and bid-ask spreads. These results directly contribute to the ongoing regulation process initiated in 2011 by the Financial Industry Regulation Authority seeking to better understand the securitization market.

Publications 2016 and Forthcoming

Hollifield, B., Neklyudov, A., & Spatt, C. (in press). Bid-ask spreads, trading networks, and the pricing of securitizations. *Review of Financial Studies*.

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Research Interests

His main research areas are dynamic corporate finance, empirical corporate finance, and corporate governance.

Recent Research

In ongoing research, Prof. Nikolov and his coauthors focus on agency conflicts and their effects on wealth transfers among stakeholders and value losses from policy distortions. Empirical analysis covering 74'855 observations for 12'652 firms and 14 countries between 1997 and 2011 reveals that conflicts of interest vary significantly across and within countries and lead to a five percent reduction in firm value, with about equal shares coming from net transfers between stakeholders and net losses due to financial distortions. Agency costs mainly arise from control benefits and the financial frictions that they cause. The researchers offer several pieces of advice regarding policy recommendations for shareholders. First, improving corporate governance to diminish the private benefits of control seems to have a greater effect than simply strengthening credit rights. Second, legal origin and provisions for creditor and minority shareholder protection all have an effect on the severity of agency conflicts. Finally, incentive misalignments may explain a considerable share of the internationally observed heterogeneity in terms of financial leverage.

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Eric Nowak is Professor of Finance at the Università della Svizzera italiana and has been an SFI Faculty Member since 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 coauthors focus on bank failure in the US in the aftermath of the 2008 crisis and address the questions of whether the commercial banks that ended up being subject to Federal Deposit Insurance Corporation (FDIC) resolution received Capital Purchase Program (CPP) funds and whether the non-allocation of CPP funds made FDIC receivership more likely for viable commercial banks. Results show almost no overlap between CPP-funded and FDIC-resolved commercial banks following the credit crisis, suggesting that the Treasury made a good job in granting public funds to fend off further bankruptcies while avoiding supporting non-viable banks. However, the data also provides strong evidence that Treasury could have prevented a significant number of banks from failing by granting more CPP funding. This result is likely explained by excessive reliance upon capital ratios and a defective assessment of the funding and resolution costs involved. In terms of policy recommendations, the authors suggest that it would be advisable to rescue too many rather than too few banks, as this would reduce resolution costs overall without affecting banks' risk-taking incentives in a meaningful way.

Publications 2016 and Forthcoming

Croci, E., Hertig, G., & Nowak, E. (2016). Decision-making during the credit crisis: Did the Treasury let commercial banks fail? *Journal of Empirical Finance,* 38(Part A), 476–497.

Mahr, T.G., Nowak, E., & Rott, R. (2016). The (ir)relevance of disclosure of compliance with corporate governance codes: Empirical evidence from the German stock market. *Journal of Institutional and Theoretical Economics,* 172(3), 475–520(46).

Nowak, E. (2016). SPIRE: Launching crowdfunding beyond earth. SPIRE: Crowdfunding as a success factor to shake up a sleeping market. In L. Valikangas, & M. Gibbert (Eds.), *Strategic innovation: The definitive guide to outlier strategies* (pp. 195–197). Old Tappan, NJ, USA: Pearson Education, Inc.

Croci, E., Nowak, E., & Ehrhardt, O. (in press). The corporate governance endgame – minority squeeze-out regulation and post-deal litigation in Germany. *Managerial Finance.*

Eisele, A., & Nowak, E. (in press). Market innovations for (non-bank) financing of SMEs in light of crisis and new regulation – a policy perspective. *Restarting European Long Term Investment Finance.*

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Research Interests

His research interests include the role of money in financial markets, central banking and banking, liquidity, collateral, valuation, and corporate finance.

Recent Research

In a recent study, Prof. Nyborg and his coauthors study the processes at work behind the rapid growth and change in the composition of central banks' balance sheets. This work contributes to the novel and growing literature on central bank collateral policy featured, for example, in Prof. Nyborg's recent book on the topic. In this more recent work, the researchers find evidence of systemic arbitrage whereby banks funnel credit risk and low-quality collateral to the central bank. That is, weaker banks use lower quality collateral to borrow more from the Eurosystem than stronger banks. In Eurosystem repos, solvent banks are obliged to provide additional collateral in case the collateral value of their pledged assets falls short of their outstanding credit. The Eurosystem's exposure is therefore confined to the risk that a bank fails while at the same time the pledged collateral does not cover the outstanding credit. In short, systemic arbitrage increases overall risk, worsens the Eurosystem's balance sheet, and puts taxpayers' money at risk. Systemic arbitrage may also be a contributing factor to financial fragmentation in the euro area. In terms of policy recommendations, systemic risk could be prevented if a bank's default risk was correctly reflected in the rates at which it obtains credit from the Eurosystem.

Publications 2016 and Forthcoming

Nyborg, K. G. (2016). *Collateral frameworks: The open secret of central banks.* Cambridge: Cambridge University Press.

Nyborg, K. G. (in press). Central bank collateral frameworks. *Journal of Banking & Finance.*

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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 coauthors seeks to better understand how the increased dependency on international wholesale funding and the increased presence of foreign banks led to the transmission of liquidity shocks across borders in the aftermath of the recent financial crisis. Using a unique database covering 256 banks and 45'660 firms from across 14 Eastern European countries during the period 2005 to 2009, the researchers find that compared to locally funded domestic banks, internationally borrowing domestic banks and foreign banks cut back their lending more during the financial crisis. Further measurements reveal that bank-dependent firms borrowing from internationally borrowing domestic or foreign banks suffer negative financial and real effects, especially when they have only a single bank relationship, when they are small, and when they have a limited value in the form of tangible assets.

Publications 2016 and Forthcoming

Carletti, E., Colla, P., Gulati, M., & Ongena, S. (2016). Pricing contract terms in a crisis: Venezuelan bonds in 2016. *Capital Markets Law Journal,* 11(4), 540–555.

Cerqueiro, G., Ongena, S., & Roszbach, K. (2016). Collateralization, bank loan rates, and monitoring. *Journal of Finance,* 71(3), 1295–1322.

Degryse, H., Lu, L., & Ongena, S. (2016). Informal or formal financing? Evidence on the co-funding of Chinese firms. *Journal of Financial Intermediation,* 27, 31–50.

Dwarkasing, M., Dwarkasing, N., & Ongena, S. (2016). The bank lending channel of monetary policy: A review of the literature and an agenda for future research. In T. Beck, & B. Casu (Eds.), *The Palgrave handbook of European banking* (pp. 383–407). London, UK: Palgrave Macmillan.

Jakovljević, S., Degryse, H., & Ongena, S. (2016). Monetary transmission and regulatory impacts: Empirical evidence from the post-crisis banking literature. In E. Haven, P. Molyneux, J. Wilson, S. Fedotov, & M. Duygun (Eds.), *The handbook of post crisis financial modelling* (pp. 18–41). UK: Palgrave Macmillan.

Kara, A., Marques-Ibanez, D., & Ongena, S. (2016). Securitization and lending standards: Evidence from the European wholesale loan market. *Journal of Financial Stability,* 26, 107–127.

Manthos D., D., Kokas, S., & Ongena, S. (2016). Foreign ownership and market power in banking: Evidence from a world sample. *Journal of Money, Credit and Banking,* 48(2–3), 449–483.

Ongena, S., & Popov, A. (2016). Gender bias and credit access. *Journal of Money, Credit and Banking,* 48(8), 1691–1724.

Braggion, F., Dwarkasing, M., & Ongena, S. (in press). Household wealth inequality, entrepreneurs' financial constraints and the Great Recession. *Evidence from the Kauffman Firm Survey. Small Business Economics.*

de Jong, A., Ongena, S., van der Poel, M., & Rajamani, A. (in press). The international diversification of banks and the value of their cross-border M&A advice. *Management Science*.

Delis, M. D., Kokas, S., & Ongena, S. (in press). Bank market power and firm performance. *Review of Finance*.

Fuertes, A.-M., Izzeldin, M., Ongena, S., & Pappas, V. (in press). A survival analysis of Islamic and conventional banks. *Journal of Financial Services Research*.

Jiménez, G., Ongena, S., Peydro, J.-L., & Salas, J. (in press). Macroprudential policy, countercyclical bank capital buffers and credit supply: Evidence from the Spanish dynamic provisioning experiments. *Journal of Political Economy*.

Ongena, S., & Yu, Y. (in press). Firm industry affiliation and multiple bank relationships. *Journal of Financial Services Research.*

Tittoto, D., & Ongena, S. (in press). Shadow banking and competition. Decomposing market power by activity. In J. A. Bikker, & L. Spierdijk (Eds.), *Handbook of competition in banking and finance.* Cheltenham, UK: Edward Elgar Publishing Ltd.

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Research Interests

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

Recent Research

One of Prof. Östberg's latest coauthored research projects focuses on the recent European sovereign debt crisis. Using high-frequency data, the authors document that episodes of market turmoil in the European sovereign bond market are usually associated with large decreases in trading volume. The response, in trading volume, to market stress is related to transaction costs. Low transaction cost turmoil episodes are associated with volume increases, when investors rebalance their portfolios, while high transaction cost turmoil periods are associated with abnormally low volume, during which the market freezes. Results show that investors tended to rebalance their portfolios in the pre-crisis period, while during the crisis reductions in the risk-bearing capacity of financial intermediaries resulted in increased transaction costs and market freezes. Overall, the results suggest that the recent sovereign debt crisis was not associated with large-scale investor rebalancing.

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Marc Paolella is Professor of Empirical Finance at the University of Zurich and has been an SFI Faculty Member since 2006. Prof. Paolella is the author of several 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

Prof. Paolella recently contributed to the literature by proposing two new tests for symmetric stable Paretian distributions. These test statistics and their associated significativity measures are instantly computable and do not rely on stable density or distribution or maximum likelihood estimations. Further research shows that these tests yield high power against a variety of alternatives and much higher power than existing tests based on the empirical characteristic function.

Publications 2016 and Forthcoming

Paolella, M. S. (2016). Stable-GARCH models for financial returns: Fast estimation and tests for stability. *Econometrics,* 4(2), 25.

Paolella, M. S. (in press). Asymmetric stable Paretian distribution testing. *Econometrics and Statistics.*

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Research Interests

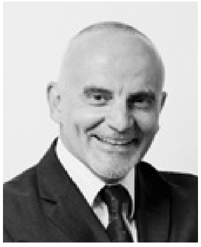
His research interests include empirical asset pricing, institutional investor behavior, and real estate finance.

Recent Research

In a recent paper, Prof. Plazzi and his coauthor examine the drivers and consequences of bank diversification into non-core activities. To do so they focus on the determinants of banks' decisions to diversify into non-core activities and quantify the effect of such diversification on banks' core intermediation capability. Panel data covering 3'000 unique US banks over the period 1987 to 2014 reveals that, over time, banks have diversified into non-core activities and that income from these activities now accounts for most of the sector's revenue. Further analysis also shows that non-core income offsets risks elsewhere in banks' balance sheets, and that better diversification is associated with higher profitability, higher average credit supply, and lower financial constraints. However, diversification does not translate into real reductions in risk, as diversification benefits are limited to periods when the economy is not in recession. The quest for diversification also increases banks' exposure to correlation risk – a risk which arises because of unexpected changes in the relationship between core and non-core incomes.

Publications 2016

Ghysels, E., Plazzi, A., & Valkanov, R. (2016). Why invest in emerging markets? The role of conditional return asymmetry. *Journal of Finance,* 71(5), 2145–2192.



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Jean-Charles Rochet is Professor of Banking at the University of Zurich and Visiting Professor at the University of Geneva. He has held an SFI Senior Chair at the University of Zurich since 2010 and has been SFI Head of Research since 2015. 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 coauthor have recently developed a theory of "risky utilities", which contributes to the growing literature that seeks to better assess the risks at stake when private firms manage infrastructure for a public-utility service. Because continuity of service is essential to society, "risky utilities" cannot be liquidated and regulation needs to be introduced. The role of regulation is to avoid seeing shareholders diverting earnings to their benefit or having them engage in excessively risky activities that provide them with short-run earnings and society with long-run catastrophic losses. The optimal regulatory contract minimizes social cost by steering firms away from risky activities and is implemented with a capital adequacy requirement and a resolution mechanism when the requirement is breached.

Publications 2016 and Forthcoming

Henriet, D. K., & Rochet, J.-C. (2016). The dynamics of insurance prices. *The Geneva Risk and Insurance Review,* 41(1), 2–18.

Rochet, J.-C., & Roger, G. (2016). Risky utilities. *Economic Theory,* 62(1), 361–382.

Coculescu, D., & Rochet, J.-C. (in press). Shareholder risk measures. *Mathematical Finance.*

Klimenko, N., Pfeil, S., & Rochet, J.-C. (in press). A simple macroeconomic model with extreme financial frictions. *Journal of Mathematical Economics.*

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Michael Rockinger is Professor of Finance at the University of Lausanne and has been an SFI Faculty Member since 2006. Prof. Rockinger has published extensively on computational finance and financial econometrics, and is an active member of the Center for Risk Management, Lausanne – a group 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 coauthor have recently focused on how to improve long-term allocation for pension funds, but from a defined-contributions perspective. To do so they build a macroeconomic model for Switzerland, the euro area, and the US, which drives the dynamics of several asset classes and the liabilities of a representative Swiss pension fund. When exploiting the correlations between returns on assets and liabilities, the researchers are able to invest in a liabilities-hedging portfolio that outperforms an assets-only strategy by five percent to 15 percent per year during the period 1985 to 2013. Such a difference stems from the fact that the optimal assets-only portfolio is typically long in cash, whereas hedging liabilities require the pension fund to be short in cash. The authors' research suggests that allowing pension funds to hedge their liabilities through borrowing cash and investing in a diversified bond portfolio could help enhance global portfolio return and retirement perspectives.

Publications 2016 and Forthcoming

Borisova, A., & Rockinger, M. (2016). Violating "United Nations Global Compact Principles": An event study. *Bankers, Markets & Investors,* 144, 4–19.

Jondeau, E., Jurczenko, E., & Rockinger, M. (in press). Moment component analysis: An illustration with international stock markets. *Journal of Business & Economic Statistics.*

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

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 contributes to the delegated portfolio management literature by focusing on optimal fee contracts. Its key innovation lies in the fact that fund fees are determined in optimal contracting problems and interact with equilibrium stock prices. Such fee arrangements allow for an optimal scheme of sharing portfolio risk among fund managers and fund investors, and link the principal-agent relationship in portfolio delegation and stock market performance. A further innovation lies in the fact that the strategic behavior of both fund managers and fund investors is incorporated in an asset-pricing model. This allows for a feedback loop between the agents' optimal investment decisions and stock market performance. The model yields several empirical implications regarding fund size, fund fees, funds' investment strategies, stock market returns, and fund returns.

Publications 2016

Sato, Y. (2016). Delegated portfolio management, optimal fee contracts, and asset prices. *Journal of Economic Theory,* 165, 360–389.

Sato, Y. (2016). Fund tournaments and asset bubbles. *Review of Finance,* 20(4), 1383–1426.

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Research Interests

His research interests lie in the application of statistical methods to finance topics and are related, among other matters, to the use of high-frequency trading data.

Recent Research

In recent research, Prof. Scaillet and his coauthors seek to determine the way equity risk premia evolve with time. The novelty of their approach consists in using large panels of returns on individual stocks, instead of portfolios, to avoid possible aggregation biases. When using a conditional linear factor model estimated on the return histories of thousands of US stocks during a 45-year period, their study reveals that risk premia are large and volatile in crisis periods, and follow macroeconomic cycles. Further empirical analysis shows that asset pricing restrictions are rejected for a conditional four-factor model capturing market, size, value, and momentum effects.

Publications 2016 and Forthcoming

Bajgrowicz, P., Scaillet, O., & Treccani, A. (2016). Jumps in high-frequency data: Spurious detections, dynamics, and news. *Management Science,* 62(8), 2198–2217.

Gagliardini, P., Ossola, E., & Scaillet, O. (2016). Time-varying risk premium in large cross-sectional equity datasets. *Econometrica,* 84(3), 985–1046.

Scaillet, O. (2016). On ill-posedness of nonparametric instrumental variable regression with convexity constraints. *The Econometrics Journal,* 19(2), 232–236.

Camponovo, L., Trojani, F., & Scaillet, O. (in press). Comments on: Nonparametric tail risk, stock returns and the macroeconomy. *Journal of Financial Econometrics.*

Gagliardini, P., & Scaillet, O. (in press). A specification test for nonparametric instrumental variable regression. *Annals of Economics and Statistics.*

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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 2008. 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 economics 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 coauthors contribute to the carry-trade literature and provide a novel approach to how to implement a mean-variance optimal portfolio in currency markets. They circumvent the classic estimation error challenge, which exists in the stock market, by using the currency market interest rate as a predictor of future returns. Using data covering a period of up to 29 years and 21 currencies, the researchers find that mean-variance optimal portfolios yield a Sharpe ratio of 0.91 versus equally weighted portfolios, which obtain a Sharpe ratio of 0.15.

Publications 2016 and Forthcoming

Pohl, W., Schmedders, K., & Wilmsa, O. (2016). Asset prices with non-permanent shocks to consumption. *Journal of Economic Dynamics and Control,* 69, 152–178.

Ackermann, F., Pohl, W., & Schmedders, K. (in press). Optimal and naive diversification in currency markets. *Management Science.*

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Research Interests

His main research areas are asset pricing and empirical finance.

Recent Research

In recent research, Prof. Schneider and his coauthors study information conveyed in asset prices regarding market expectations. Prof. Schneider also investigates the decomposition of portfolio returns relative to different risk attitudes. Without even using a model he identifies downside risk aversion as the main driver of these returns.

Publications 2016

Sarno, L., Schneider, P., & Wagner, C. (2016). The economic value of predicting bond risk premia. *Journal of Empirical Finance,* 37, 247–267.

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Norman Schürhoff is Professor of Finance at the University of Lausanne. He joined SFI in 2006 and has held an SFI Senior Chair since 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

Prof. Schürhoff and his coauthor are currently working on explaining why the Greek debt crisis has been a never-ending story by tackling the following questions: Why does Greek public debt keep rising beyond levels that rational models in the sovereign debt literature predict to be sustainable? Why does the IMF consistently underpredict the persistent slump in GDP? And what would be an optimal resolution to the ongoing crisis?

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Martin Schweizer is Professor of Mathematics at ETH Zurich. 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 recent work, Prof. Schweizer and his coauthor propose a novel approach to the valuation of contingent claims in general models of financial markets. They construct their model based on two axioms: no arbitrage in a weak formulation and no relative arbitrage among all buy-and-hold strategies. Such an approach lies in the middle, between the extremes of valuing by risk-neutral expectation or by absence of arbitrage alone. The researchers further prove that this always yields put-call parity, and that put and call values themselves are made up from three terms and can be non-unique, even for complete markets.

Publications 2016

Choulli, T., & Schweizer, M. (2016). Locally Φ-integrable σ-martingale densitiesfor general semimartingales. *Stochastics,* 88(2), 191–266.

Herdegen, M., & Schweizer, M. (2016). Strong bubbles and strict local martingales. *International Journal of Theoretical and Applied Finance,* 19(4), 1650022.

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Mete Soner is Professor of Mathematics at ETH Zurich. He has held an SFI Senior Chair at ETH Zurich since 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 interest lies in mathematical finance and stochastic optimal control; in particular, in 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 coauthor study the classical Merton problem of utility maximization in an illiquid financial market with a finite time horizon. The researchers contribute to the present state of research by proving the dynamic principle and by showing that the value function is the unique discontinuous viscosity solution. Such a characterization is utilized to obtain numerical results for the optimal strategy and the loss due to illiquidity.

Publications 2016 and Forthcoming

Bouchard, B., Moreau, L., & Soner, H. M. (2016). Hedging under an expected loss constraint with small transaction costs. *SIAM Journal on Financial Mathematics,* 7(1), 508–551.

Larsen, K., Soner, H. M., & Žitković, G. (2016). Facelifting in utility maximization. *Finance and Stochastics,* 20(1), 99–121.

Soner, H. M., & Vukelja, M. (2016). Utility maximization in an illiquid market in continuous time. *Mathematical Methods of Operations Research,* 84(2), 285–321.

Bank, P., Soner, H. M., & Voss, M. (in press). Hedging with temporary price impact. *Mathematics and Financial Economics.*

Dolinsky, Y., & Soner, H. M. (in press). Convex duality with transaction costs. *Mathematics of Operations Research.*

Moreau, L., Muhle-Karbe, J., & Soner, H. M. (in press). Trading with small price impact. *Mathematical Finance.*

Prof.
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Didier Sornette holds the Chair of Entrepreneurial Risks at ETH Zurich and has been an SFI Faculty Member since 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 coauthor revisit Krugman's classic target zone model for exchange rate dynamics and provide insight into the non-linear relationship that exists between the exchange rate and the underlying unobservable fundamental value. Their key contribution is to invert this relationship and to derive analytical expressions for both conditional volatility and probability density as functions of the exchange rate. Using EUR/CHF exchange rate data from September 2011 to January 2015, the researchers show that the target zone model is supported by empirical data, but only when the exchange rate is pushed very close to the boundary of the target zone.

Publications 2016 and Forthcoming

Ardila, D., & Sornette, D. (2016). Dating the financial cycle with uncertainty estimates: A wavelet proposition. *Finance Research Letters,* 19, 298–304.

Balcilar, M., Gupta, R., Ozdemir, Z. A., Sornette, D., Yetkiner, H., & Zhang, Q. (2016). LPPLS bubble indicators over two centuries of the S&P 500 index. *Physica A,* 458, 126–139.

Favre, M., Heinimann, H. R., Sornette, D., Wittwer, A., & Yukalov, V. I. (2016). Quantum decision theory in simple risky choices. *PLoS ONE,* 11(12), e0168045.

Filimonov, V., Sornette, D., & Wheatley, S. (2016). The Hawkes process with renewal immigration & its estimation with an EM algorithm. *Computational Statistics & Data Analysis,* 94, 120–135.

Huber, T. A., & Sornette, D. (2016). Can there be a physics of financial markets? Methodological reflections on econophysics. *The European Physical Journal Special Topics,* 225(17), 3187–3210.

Lera, S.C., & Sornette, D. (2016). Quantitative modelling of the EUR/CHF exchange rate during the target zone regime of September 2011 to January 2015. *Journal of International Money and Finance,* 63, 28–47.

Malevergne, Y., Rozendaal, J. C., & Sornette, D. (2016). Macroeconomic dynamics of assets, leverage and trust. *International Journal of Bifurcation and Chaos,* 26(8), 1650133.

Seyrich, M., & Sornette, D. (2016). Micro-foundation using percolation theory of the finite time singular behavior of the crash hazard rate in a class of rational expectation bubbles. *International Journal of Modern Physics C,* 27(10), 1650113.

Sornette, D., & Kovalenko, T. (2016). Risk and resilience management in social-economic systems. *In IRGC Resource Guide on Resilience* (Vols. v29-07-2016). Lausanne: EPFL International Risk Governance Center.

Sornette, D., & Yukalov, V. I. (2016). Inconclusive quantum measurements and decisions under uncertainty. *Frontiers in Physics,* 4(12), 1–9.

Sornette, D., & Yukalov, V. I. (2016). Quantitative predictions in quantum decision theory. *IEEE Transactions on Systems, Man, and Cybernetics: Systems,* PP(99), 1–15.

Sornette, D., Zhang, Q., & Zhang, Q. (2016). Early warning signals of financial crises with multi-scale quantile regressions of log-periodic power law singularities. *PLoS ONE,* 11(11), e0165819.

Ardila, D., Sanadgol, D., Cauwels, P., & Sornette, D. (in press). Identification and critical time forecasting of real estate bubbles in the USA. *Quantitative Finance*.

von der Becke, S., & Sornette, D. (in press). An asset-based framework of credit creation (applied to the global financial crisis). *Accounting, Economics and Law: A Convivium*.

Cauwels, P., Ryckebusch, J., Schoors, K., Sornette, D., & Vandermarliere, B. (in press). Discrete hierarchy of sizes and performances in the exchange-traded fund universe. *Physica A: Statistical Mechanics and its Applications*.

Demos, G., & Sornette, D. (in press). Birth or burst of financial bubbles: Which one is easier to diagnose? *Quantitative Finance*.

Demos, G., Filimonov, V., & Sornette, D. (in press). Modified profile likelihood inference and interval forecast of the burst of financial bubbles. *Quantitative Finance*.

Lin, L., & Sornette, D. (in press). "Speculative Influence Network" during financial bubbles: Application to Chinese stock markets. *Journal of Economic Interaction and Coordination*.

Meng, H., Sornette, D., Xu, H.-C., & Zhou, W.-X. (in press). Symmetric thermal optimal path and time-dependent lead-lag relationship: Novel statistical tests and application to UK and US real-estate and monetary policies. *Quantitative Finance*.

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Pascal St-Amour is Professor of Economics at the University of Lausanne and has been an SFI Faculty Member since 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

Recent research by Prof. St-Amour and his coauthors focuses on optimal health and wealth dynamics through the life cycle; in particular on the way health declines and mortality risk increases rapidly near the end of life. Curative care expenses stagnate, while long-term care spending increases, accelerating the fall in wealth. Standard explanations emphasize inevitable health declines associated with aging. The researchers propose a "closing down the shop" alternative, where agents' decisions affect their health and the timing of their deaths. Despite strictly preferring to live, agents optimally deplete their health and wealth statuses toward levels associated with high risk of death and an indifference between life and death. A structural estimation of the closed-form decisions identifies and tests conditions for these strategies to be optimal, and confirms their economic relevance near the end of life.

Publications 2016

Florian, P., & St-Amour, P. (2016). Life cycle responses to health insurance status. *Journal of Health Economics*, 49, 76–96.

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Josef Teichmann is Professor of Mathematics at ETH Zurich and has been an SFI Faculty Member since 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, stochastic analysis, and quantitative risk management.

Recent Research

In recent work Prof. Teichmann and his coauthors develop a new approach to modeling financial markets, where delays, market frictions, and price imperfections are easily included. The approach relies on Bayesian techniques combined with duality methods to solve hedging and optimality questions with respect to a given model.

Publications 2016

Cuchiero, C., Keller-Ressel, M., Mayerhofer, E., & Teichmann, J. (2016). Affine processes on symmetric cones. *Journal of Theoretical Probability,* 29(2), 359–422.

Cuchiero, C., Klein, I., & Teichmann, J. (2016). A new perspective on the fundamental theorem of asset pricing for large financial markets. *Theory of Probability & Its Applications,* 60(4), 561–579.

Harms, P., Stefanovits, D., Teichmann, J., & Wüthrich, M. (2016). Consistent re-calibration of the discrete-time multifactor Vasicek model. *Risks,* 4(3), 18–49.

Klein, I., Schmidt, T., & Teichmann, J. (2016). No arbitrage theory for bond markets. In J. Kallsen, & A. Papapantoleon (Eds.), *Advanced modelling in mathematical finance: In honour of Ernst Eberlein. Springer Proceedings in Mathematics & Statistics (PROMS)* (Vol. 189, pp. 381–421).

Markovich, P., Teichmann, J., & Wolfram, M.-T. (2016). Parabolic free boundary price formation models under market size fluctuations. *SIAM Multiscale Modeling & Simulation,* 14(4), 1211–1237.

Teichmann, J., & Wüthrich, M. (2016). Consistent yield curve prediction. *ASTIN Bulletin,* 46(2), 191–224.

Prof.
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SFI Faculty Member since 2009
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Fabio Trojani is Professor of Statistics at the Università della Svizzera italiana and has held an SFI Senior Chair since 2014. 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 are in asset pricing, and in the application of econometric and data science methods to finance.

Recent Research

In ongoing research, Prof. Trojani and his coauthor introduce a new class of trading strategies for trading directional volatility and skewness risk in incomplete option markets. They show theoretically that tradeable skew portfolios are interpretable as fear portfolios in benchmark economies with downside risk and prudent attitudes. Empirically, they find that the negative price of tradeable fear reflects a premium for crash insurance, which gives rise to implied skew indexes with more appealing properties. Moreover, the risk premium of tradeable skew is positive and economically more informative than the risk premia induced by non-tradeable proxies of realized semi-variance and skewness.

Publications 2016 and Forthcoming

Camponovo, L., Trojani, F., & Scaillet, O. (in press). Comments on: “Nonparametric tail risk, stock returns, and the macroeconomy”. *Journal of Financial Econometrics.*

Prof.
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Anders Trolle is Assistant Professor of Finance at the Ecole Polytechnique Fédérale de Lausanne and has held an SFI Junior Chair since 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 coauthored research projects contributes to the growing interest in variance products with a focus on fixed income markets. The researchers develop a novel contract design, the fed funds futures (FFF) variance futures, which reflects uncertainty about funding costs in the unsecured interbank money market. The valuation of short-term FFF variance futures is completely model-independent in a general setting that includes the cases where the underlying FFF rate exhibits jumps and where the realized variance is computed by sampling the FFF rate discretely. The FFF variance futures also offer the advantage of reflecting uncertainty about FFF rates, which are based on actual transactions, which is not the case of the Eurodollar futures variance swap, for example, which reflects uncertainty about future LIBOR rates, the integrity of which was questioned during the financial crisis.

Publications 2016 and Forthcoming

Filipović, D., & Trolle, A. B. (2016). Fed funds futures variance futures. *Quantitative Finance,* 16(9), 1413–1422.

Filipović, D., Larsson, M., & Trolle, A. (in press). Linear-rational term structure models. *Journal of Finance.*

Prof.
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Philip Valta is an SFI Assistant Professor of Finance at the University of Geneva and has held an SFI Junior Chair since 2014. He is currently on leave of absence from the University of Geneva. He holds a PhD in Finance from the Ecole Polytechnique Fédérale de Lausanne. Prof. Valta is a regular speaker at leading finance conferences worldwide and his research has been published in top academic journals.

Research Interests

His main research interests are in empirical corporate finance, with a focus on how product markets and institutions shape corporate decisions.

Recent Research

In ongoing research, Prof. Valta and his coauthor study how product-market interactions affect firms' investment decisions by focusing on how reductions of import tariffs modify investment decisions as the threat of rivals' entry intensifies. Using US data that covers the period 1974 to 2005 and includes 91 tariff cuts affecting 74 industries, the researchers find that firms concerned by tariff cuts reduce their investments by 7.2 percent. Further measurements reveal that investment reductions vary across market structures, which is consistent with strategic behavior, as they are concentrated in markets in which competitive actions are substitutes, where deterring entry is costly, and where investments make incumbents look soft.

Such findings contribute to the literature by providing novel evidence on how and why firms' interactions influence corporate investment.

Publications 2016 and Forthcoming

Frésard, L., & Valta, P. (2016). How does corporate investment respond to entry threat? *Review of Corporate Finance Studies,* 5(1), 1–35.

Valta, P. (2016). Strategic default, debt structure, and stock returns. *Journal of Financial and Quantitative Analysis,* 51(1), 197–229.

Favara, G., Morellec, E., Schroth, E., & Valta, P. (in press). Debt enforcement, investment, and risk taking across countries. *Journal of Financial Economics.*

Prof.
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Alexander Wagner is an Associate Professor of Finance at the University of Zurich. He joined SFI in 2006 and has held an SFI Junior Chair since 2012. He obtained his PhD in Political Economy from Harvard University. His research has been published in leading academic journals worldwide. Prof. Wagner is Chairman 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 coauthored studies, Professor Wagner shows that managers conducting earnings conference calls display distinctive styles in their choice of words. Some CEOs and CFOs are straight talkers. Others, by contrast, are vague talkers. Vague talkers routinely use words such as "approximately", "probably", or "maybe". Analysts and the stock market are attentive to the style of managerial talk. They find earnings news less informative when managers are vague; they respond less and more slowly as a result. Overall, quantitative information and straightforward contextual information are complements. Large firms with vague managers receive lower valuations relative to their book value.

Publications 2016

Dogan, A., Morishima, Y., Heise, F., Tanner, C., Gibson Brandon, R., Wagner, A. F., et al. (2016). Prefrontal connections express individual differences in intrinsic resistance to trading off honesty values against economic benefits. *Scientific Reports,* 6, 33263.

Schneider, R., Wagner, A. F., & Wenk Bernasconi, C. (2016). Der Verwaltungsrat zwischen Regulierung und Marktdisziplin: Eine emprische Analyse. *Expert Focus,* 90(9), 670–676.

Halla, M., Wagner, A. F., & Zweimüller, J. (in press). Immigration and voting for the far right. *Journal of the European Economic Association.*

Wagner, A. F., & Weber, R. H. (in press). Corporate Governance auf der Blockchain. *Schweizerische Zeitschrift für Wirtschafts- und Finanzmarktrecht/ Swiss Review of Business and Financial Market Law (SZW).*

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Mario Wüthrich is Professor of Mathematics at ETH Zurich and has been an SFI Faculty Member since 2013. He obtained his PhD in Mathematics at ETH Zurich with a thesis in probability theory. He sits on the editorial boards of leading academic journals in the 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 research, Prof. Wüthrich contributes to the current state of research regarding the usage of big data for car insurance companies. High-frequency and high-dimensional GPS location data, called telematics data, provides a wealth of information about location, speed, acceleration and breaking, number of trips, and total distance of trips. Prof. Wüthrich provides a novel technique to convert this data into useful information by generating a heat map, based on both speed and acceleration, and further considers a classification of different driving styles.

Publications 2016 and Forthcoming

Deprez, P., & Wüthrich, M. V. (2016). Macroprudential insurance regulation: A Swiss case study. *Risks,* 4(4), 47.

Harms, P., Stefanovits, D., Teichmann, J., & Wüthrich, M. V. (2016). Consistent re-calibration of the discrete-time multifactor Vasicek model. *Risks,* 4(3), 18–49.

Huber, L. J., & Wüthrich, M. V. (2016). Case study of Swiss mortality using Bayesian modeling. *European Actuarial Journal,* 6(1), 25–59.

Teichmann, J., & Wüthrich, M. V. (2016). Consistent yield curve predicition. *ASTIN Bulletin,* 46(2), 191–224.

Verrall, R. J., & Wüthrich, M. V. (2016). Understanding reporting delay in general insurance. *Risks,* 4(3), 25.

Wüthrich, M. V. (2016). Consistent re-calibration in yield curve modeling: An example. In V.-N. Huynh, V. Kreinovich, & S. Sriboonchitta (Eds.), *Causal inference in econometrics* (pp. 57–82). Cham: Springer International Publishing.

Boonen, T. J., Tsanakas, A., & Wüthrich, M. V. (in press). Capital allocation for portfolios with non-linear risk aggregation. *Insurance: Mathematics and Economics.*

Deprez, P., & Wüthrich, M. V. (in press). Construction of directed assortative configuration graphs. *Internet Mathematics.*

Peters, G. W., Targino, R. S., & Wüthrich, M. V. (in press). Full Bayesian analysis of claims reserving uncertainty. *Insurance: Mathematics and Economics.*

Wüthrich, M. V. (in press). Sequential Monte Carlo sampling for state space models. *In Robustness in econometrics. Studies in computational intelligence series.* Cham: Springer International Publishing.

SFI Adjunct Professors

Prof.
Teodoro D. Cocca
SFI Adjunct Professor (since 2010)

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.

Prof. 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 and is a member of the board of directors at VP Bank AG (Liechtenstein) and Geneve Group International (Switzerland).

Prof.
Christopher Culp
SFI Adjunct Professor (since 2015)

Christopher Culp is a Research Fellow at the Johns Hopkins Institute for Applied Economics, a Swiss Finance Institute Adjunct Professor since 2015, and an Adjunct Professor in the Institut für Finanzmanagement at Universität Bern. He was an Adjunct Professor of Finance at The University of Chicago's Booth School of Business from 1998–2013, from which he also received his PhD in Finance. His research specializations include (re-)insurance, risk management, derivatives, and structured finance, and he has written four books, co-edited two books (one with Merton Miller and the other with William Niskanen), and authored numerous articles on these topics. As a Senior Advisor with Compass Lexecon (Chicago) and Managing Director of RMCS, Inc. (Chicago), he also regularly provides advisory consulting services and testimonial expertise in these same subject areas.

Prof.
Rudolf Gruenig
SFI Adjunct Professor (since 2010)

Rudolf Grünig 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, Prof. Grünig 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 – Solving Complex Decision Problems, 4th edition, Berlin Heidelberg 2017; Rudolf Grünig, Richard Kühn – The Strategy Planning Process, Berlin Heidelberg 2015; Rudolf Grünig, Dirk Morschett – Developing International Strategies, 2nd edition, Berlin Heidelberg 2016).

Prof.
Erwin W. Heri
SFI Adjunct Professor (since 2010)

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.
Roger M. Kunz
SFI Adjunct Professor (since 2010)

Roger M. Kunz is Head of Investment Research at the Pension Fund SBB (Swiss Federal Railways), Professor at the University of Basel and Adjunct Professor of the Swiss Finance Institute since 2010. He holds a PhD from the University of Basel. He was a visiting researcher at Georgetown University in Washington (DC). He worked several years for Credit Suisse, among others as Head of Financial Market Research and as Head of Investment Strategy and member of the Investment Committee of the former private bank Clariden Leu. He has published numerous articles and held speeches in the fields of corporate finance, financial markets, investments and taxes.

Prof.
François-Serge Lhabitant
SFI Adjunct Professor (since 2010)

François-Serge Lhabitant is the Chief Executive Officer and the Chief Investment Officer of Kedge Capital, where he manages more than $5 billion of capital invested in hedge funds. Professor Lhabitant was previously a senior management member at Union Bancaire Privée (Geneva) and a Director at UBS Global Asset Management, in charge of quantitative modeling and risk management. On the academic side, he is a Professor of Finance at the EDHEC Business School (France) and a Visiting Professor of Finance at the Hong Kong University of Science and Technology (Hong Kong). He is a Swiss Finance Institute Adjunct Professor since 2010, and was formerly a professor of Finance at the HEC University of Lausanne (Switzerland). Professor Lhabitant received a PhD in finance, an MSc in banking and finance and a BSc in economics from the University of Lausanne, as well as a computer engineering degree from the Swiss Federal Institute of Technology. He also holds an LLM in Tax Law from the University of Geneva.

Prof.
Alfred Mettler
SFI Adjunct Professor (since 2010)

Prof.
Conrad Meyer
SFI Adjunct Professor (since 2010)

Alfred Mettler is Professor of Finance at Georgia State University (Atlanta, USA) and Swiss Finance Institute Adjunct Professor since 2010. He received his MBA and PhD in Finance from the University of Zurich (Switzerland) and has previously been on the faculty of the University of Zurich (Swiss Banking Institute), New York University (Stern School of Business), and Thunderbird (The Garvin School of International Management). His principal academic interests are in International Banking and Finance, Risk Management of Financial Institutions, and Financial Education. Prof. Mettler's research focuses on equity/debt financing of corporations, enterprise 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.

Conrad Meyer is Professor in Business Administration at the Universities of Zurich and Lucerne and has been an SFI Adjunct Professor since 2010. His specialized areas in 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.

Prof. Meyer serves for several boards of directors of private companies. He is a member of national and international scientific societies, and the author of numerous publications and contributions to specialist journals. He plays an important role in teaching and as a consultant to both banking and industrial enterprises.

Prof.
Donato Scognamiglio
SFI Adjunct Professor, IAZI AG – CIFI SA Informations- und Ausbildungszentrum für Immobilien

Donato Scognamiglio is CEO and co-owner of the company Informations- und Ausbildungszentrum für Immobilien AG (IAZI AG), Zurich. He is Honorary Professor for Real Estate at the University of Bern, where he earned his PhD following studies at the university, at the William E. Simon Graduate School in Rochester (NY), and at ETH Zurich. He is an expert in the field of real estate and finance and in parallel to his activities at SFI he lectures on quantitative methods and financial analysis at the Swiss Training Centre for Investment Professionals (AZEK). Scognamiglio was elected by the Swiss Federal Council to the board of the Pfandbriefbank schweizerischer Hypothekarinstitute AG. He coauthored Land Leverage and House Prices (Bourassa, Steven C.; Hoesli, Martin; Scognamiglio, Donato Flavio; and Zhang, Sumei; November 17, 2010, Swiss Finance Institute Research Paper No. 10–48) and various articles published in important national newspapers. Scognamiglio is currently undertaking ongoing research into hedonic valuation models and real estate indices together with other, national and international, academics.

Prof.
Urs Wälchli
SFI Adjunct Professor (since 2016)

Urs Wälchli was an Assistant Professor of Finance at the University of Bern from 2008 until 2014. Since then, he has been the Associate Academic Director of Rochester–Bern Executive Programs and a visiting professor at the University of Rochester (NY) and Purdue University (IN). He earned his PhD at the University of Bern and is an expert on corporate lifecycles, corporate governance, mergers & acquisitions, valuation, and empirical corporate finance. He provides advisory services on issues such as succession transactions in SMEs and direct investments in entrepreneurial firms.

He has authored several papers, including "Firm Rigidities and the Decline in Growth Opportunities" (with C. Loderer and R. Stulz, Management Science, forthcoming) and "Corporate Aging and Takeover Risk" (with C. Loderer, Review of Finance 19, 2277–2315). His most important applied contributions are "Handbuch der Bewertung Band 1: Projekte" (5., vollständig überarbeitete Auflage. *Verlag Neue Zürcher Zeitung*. Mit C. Loderer, P. Joerg, K. Pichler, L. Roth, and P. Zgraggen) and "Handbuch der Bewertung, Band 2: Unternehmen" (5., vollständig überarbeitete Auflage. *Verlag Neue Zürcher Zeitung*. Mit C. Loderer.).

Overview of Courses Offered in 2016 at Swiss Finance Institute

C-Level Offering

April 7–8, 2016

International Wealth & Asset Management Retreat

An exclusive platform that helps managing directors and members of management boards to redefine their priorities so as to successfully face the new challenges of wealth and asset management .

Degree Offerings

In collaboration with the Rochester–Bern Executive Programs

January 2016–September 2017

Diploma of Advanced Studies in Banking

This German-language, part-time bank management program runs for seven weeks spread over a two-year period and is aimed at senior managers who wish to broaden their roles.

August 29–September 3 and November 7–12, 2016

Certificate of Advanced Studies in Asset Management

This English-language CAS provides asset management executives with an integrated and systematic view of the industry. It can also be completed without its university degree element, as an executive program.

September 2016–March 2017

Certificate of Advanced Studies in Real Estate Finance

This certificate program is held in German and targets real estate specialists from finance and other industries. It comprises 12 days of classroom study.

February 2016–June 2016

Certificate of Advanced Studies in Corporate Banking

This program, conducted in German, is aimed at the experienced corporate banker level and comprises 12 days of classroom study.

Executive Offerings

February 2016–November 2016

Advanced Executive Program

This bank management program for senior executives synthesizes the latest insights into banking and finance issues in theory and current practice. The program, held predominantly in German, consists of 25 days spread over roughly one year.

September 2016

International Bank Management Program

This program provides finance industry executives with an integrated and systematic view of the industry. It is targeted at those senior managers in banking and finance who have responsibility for business lines, integrated services to clients, or an individual operational area, and at executives moving into any of the above positions. The program is held in English and consists of two blocks of four days each.

August 29–September 3 and November 7–12, 2016

Managing International Asset Management

This program provides asset management executives with an integrated and systematic view of the asset management industry. The 12-day program is held in English and can also be attended as a Certificate of Advanced Studies (CAS) in Asset Management, which includes academic exams.

Specialist Offerings and In-House Training

Several in-house and specialist trainings were offered in 2016, among them the Swiss Cross-Border Wealth Management Certification. In collaboration with the Centro di Studi Bancari, SFI offered courses covering the markets of Belgium, Brazil, France, Germany, Israel, Italy, Russia, Spain, Turkey, and the UK.

Knowledge Transfer Events Provided by Swiss Finance Institute during 2016

Rationality and Emotions in Financial Decisions

Zurich, Evening Seminar, January 26, 2016
Prof. Eyal Winter, Silverzweig Professor of Economics, Center for the Study of Rationality, Hebrew University of Jerusalem

Wohin treibt der Finanzplatz Schweiz? Szenarien aus historischer Sicht

Gümligen, Evening Seminar, January 27, 2016
Prof. Tobias Straumann, Wirtschaftshistoriker und Titularprofessor, Universität Zürich

Stresses and Strains on China's Financial System

Geneva, Evening Seminar, February 24, 2016
Prof. Darrell Duffie, Professor of Finance, University of Stanford and Visiting Professor, EPFL & Swiss Finance Institute

Risk Management: Then, Now, and Tomorrow

Zurich, Evening Seminar, March 2, 2016
Prof. Paul Embrechts, ETHZ Department of Mathematics & Swiss Finance Institute

5th Swiss Asset Management Day

Game Changers for Swiss Asset Management – Technologies, Methods & Alternative Investments
Pfäffikon, Conference, April 7, 2016

Keynote Talk: Banks and Asset Management Firms – Who Will Move Center Stage?

Herbert J. Scheidt, Chairman of the Board of Directors, Vontobel Holding
Christian Staub, Managing Director, BlackRock Asset Management
Moderator: Claude Baumann, co-founder and CEO, finews.ch/finews.asia

Introduction

- Welcome Address from the host, Kurt Zibung, Governing Councillor, Department for Economic Affairs, Canton Schwyz
- Trends and Imperatives for the Asset Management Industry, Dr. Christian Casal, Director and Head of Swiss Offices in Zurich and Geneva, McKinsey & Company

Technologies – The Game Changer

- Driving Digitalization in Banking, Marco Abele, Head of Digital Private Bank, Credit Suisse
- Digitization of Wealth Management and Automation of Wealth Management Advisory, Florian Herzog, founding partner and Chief Engineer, swissQuant Group
- RegTech and the Cloud: A Match Made in Heaven, Andrew Patrick White, founder and CEO, FundApps

Methods – How to Invest Remains the Big Question

- The Competitive Advantages of Factor Investing, Prof. Paolo Vanini, Head of Knowledge Transfer, Swiss Finance Institute and Head of Structured Products and Cross Assets, Zürcher Kantonalbank
- Views from UBS, Thomas Rose, Managing Director, UBS Asset Management
- Views from Deutsche Bank, Tom Leake, Global Head of the Equity Structuring Group, Deutsche Bank
- Risk-Based Investing – Latest Developments, Dr. Jérôme Teïletche, Managing Director, Head of Cross Asset Solutions & member of the Executive Committee, Unigestion

Alternative Investments – Where to Invest?

- Infrastructure – The Asset Class to Come? Jérôme Jean Haegeli, Managing Director & Head of Investment Strategy, Swiss Reinsurance Company
- Private Equity as the Leading Alternative? Jean Yves Lagache, Managing Director, Amundi Asset Management
- Insurance-Linked Strategies, Michael Stahel, Partner and Portfolio Manager for insurance-linked strategies, LGT ILS Partners

- Data Science to Hedge Fund Performance, Fabio Trojani, Professor of Finance, University of Geneva & Swiss Finance Institute
- The Swiss Alternative Funds Awards, presented by Joanna Babelek, founder, HedgePole, and Stefan Steiner, Crossbow Partners

Global Water Supply Challenges & Opportunities: Implications for Investors
Geneva, Evening Seminar, April 13, 2016
Dr. Daniel Wild, Head of Sustainability Investing Research & Development, RobecoSAM AG

Global Water Supply Challenges & Opportunities: Implications for Investors
Zurich, Evening Seminar, April 14, 2016
Dr. Daniel Wild, Head of Sustainability Investing Research & Development, RobecoSAM AG

Storytelling: The Missing Ingredient in Modern Financial Communications
Zurich, Evening Seminar, May 3, 2016
Esther Choy, President & Chief Story Facilitator, Leadership Story Lab

La crescita economica cinese: passato, presente e futuro
Lugano, Evening Seminar, May 30, 2016
Prof. Fabrizio Zilibotti, Professor of Macroeconomics and Political Economy, University of Zurich and Scientific Director and Deputy Director, UBS Center of Economics in Society

Coherent Stress Testing – Should We Worry? What Should We Do?
Zurich, Breakfast Seminar, June 1, 2016
Prof. Riccardo Rebonato, École des hautes études commerciales du nord (EDHEC), France; former Global Head of Rates and FX Analytics at PIMCO

Coherent Stress Testing – What Bayesian Nets Can Offer
Zurich, Lecture, June 1, 2016
Prof. Riccardo Rebonato, École des hautes études commerciales du nord (EDHEC), France; former Global Head of Rates and FX Analytics at PIMCO

Energie-Infrastruktur als alternative Anlageklasse
Zurich, Breakfast Seminar, June 9, 2016
Dominik Bollier, Executive Board, Credit Suisse Energy Infrastructure Partners AG

Algorithmischer Handel – ein Überblick aus der Sicht der Praxis
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Dr. Jörg Osterrieder, Senior Lecturer for Financial Mathematics, Zurich University of Applied Sciences

Algorithmic Trading – The Rise of the Machines (for experts)
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Dr. Jörg Osterrieder, Senior Lecturer for Financial Mathematics, Zurich University of Applied Sciences

11th Annual Meeting of SFI
Sustainable Finance Moving Center Stage
Zurich, Conference, October 4, 2016

Keynote Speech
The Social Responsibility of Business, Prof. Alex Edmans, Professor of Finance, London Business School

Insights from Experts
Transition to a Low-Carbon and Inclusive Economy: A Credit Suisse Perspective, Dr. René Buholzer, Global Head of Sustainability, Credit Suisse

Moving from the Sustainability Business Case to Sustainable Banking, Prof. Olaf Weber, Professor at the School for Environment, Enterprise and Development, University of Waterloo

Ethics and Banking, Prof. E Philip Davis, Professor of Banking and Finance, Brunel University and Visiting Fellow, National Institute of Economic and Social Research (NIESR)

Global Long-Term Risk Map & Impact on Investments, Dr. Margareta Drzeniek-Hanouz, Lead Economist and Head of Global Competitiveness and Risk, World Economic Forum

Recent Advances in Sustainable Finance Research, Prof. Philipp Krüger, Assistant Professor of Responsible Finance, University of Geneva & Swiss Finance Institute

Is Sustainability Financially Immaterial? Contradictory Perspectives, Dr. Mathis Wackernagel, founder and CEO, Global Footprint Network

Panel Discussion: Long-Term Investing – Good Intentions versus Short-Term Behavior
Sabine Döbeli, CEO, Swiss Sustainable Finance
Dr. Guido Fürer, Group CIO, Swiss Re
Prof. Philipp Krüger, Assistant Professor of Responsible Finance, University of Geneva & Swiss Finance Institute
H.S.H. Prinz Max von und zu Liechtenstein, CEO, LGT

Moderation: Reto Lipp, SRF

SFI Outstanding Paper Award Ceremony: The Impact of Treasury Supply on Financial Sector Lending and Stability
Geneva, Lecture, October 25, 2016
Prof. Arvind Krishnamurthy, coauthor of the SFI Outstanding Paper Award winner, 2015, Stanford Graduate School of Business

It Is a Data Rich World: Seeking Value from Volume
Zurich, Evening Seminar, October 26, 2016
Javier Rodriguez-Alarcon, Head of the Quantitative Investment Strategies (QIS) Group in EMEA, Goldman Sachs Asset Management

Sustainable Finance in Switzerland: Where Do We Stand?
Geneva, Evening Seminar, November 2, 2016
Prof. Philipp Krüger, Assistant Professor of Responsible Finance, University of Geneva & Swiss Finance Institute

Swiss Risk Association event in collaboration with Swiss Finance Institute: Die Schweizer Armee als Instrument des Risikomanagements in der Schweiz
Zurich, Evening Seminar, November 9, 2016
André Blattmann, Head of the Swiss Army

Sustainable Finance in Switzerland: Where Do We Stand?
Vezia, Evening Seminar, November 14, 2016
Dr. Annette Krauss, Managing Director, Center for Microfinance, University of Zurich

Sustainable Finance in Switzerland: Where do We Stand?
Olten, Panel Discussion, November 17, 2016
Martin Rohner, CEO, Alternative Bank Schweiz
Dr. Annette Krauss, Managing Director, Center for Microfinance, University of Zurich
René Weber, Ambassador, State Secretariat for International Financial Matters (SIF)
Sabine Döbeli, CEO, Swiss Sustainable Finance

Moderator: Bernhard Bauhofer, founder and CEO, Sparring Partners GmbH

Aging Societies: A Danger for Societal Cohesion and Economic Prosperity?
Zurich, Evening Seminar, December 1, 2016
Prof. Axel Börsch-Supan, the Max Planck Institute for Social Law and Social Policy's Munich Center for the Economics of Aging

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