

News letter

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EDITORIAL

Growing Strong with Growing Pains

by Jean-Pierre Danthine

A year ago the SFI Newsletter rejoiced over the placement of the 2008 PhD graduates and featured the experience of three of our new doctors taking up assistant professor positions at Duke, Rice and BI Oslo. It is a sure sign of our solid progression that we can repeat and amplify our celebration with the performance of their successors. The SFI PhD placement of 2009 ups the ante: as we write, five of our graduates are starting as assistant professors of finance at Carnegie Mellon University, the University of Rochester, McGill University, London School of Economics and the University of Amsterdam, respectively (details in the article on this page). This is an impressive outcome that fulfils our ambition to hold a seat among the very top PhD trainers in the field of finance worldwide!

The new academic year holds other promises and sources of satisfaction. Probably as a result of our excellent placement, the pool of new applicants to the SFI PhD program in finance has been noticeably stronger in quality and quantity leading to an exceptional entering class of over 30 individuals.

We welcome these new students as they join a group now totalling more than 100 SFI PhD students. We hope they will follow in the footsteps of their predecessors and make the 4 or 5 years spent in our PhD program the springboard for highly successful careers in academia and in industry.

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NEWS

Swiss Finance Institute PhD program rejoices over record Academic Placement

The Swiss Finance Institute is proud to announce that 5 of its PhD candidates have secured professorships at top institutions in Europe and the United States of America.

Following what is probably the most successful placement campaign ever for a European institution; the Swiss Finance Institute PhD graduates have obtained assistant professor positions at leading institutions such as Carnegie Mellon and Rochester universities in the USA, McGill University in Montreal as well as the London School of Economics and the University of Amsterdam.

With a PhD student body numbering more than 100 students across its 5 partner academic institutions, the

Swiss Finance Institute (SFI) has become one of the largest PhD programs in finance worldwide. The SFI's presence on the doctoral scene was made clear when SFI graduates were solicited for nearly 100 job interviews at the San Francisco ASSA meeting in January 2009! "More than anything else student placement is the hallmark of success for a PhD program. We are extremely proud with placing five candidates in top schools. This definitely shows that the quality of the PhD training provided by the Swiss Finance Institute and its

partner institutions is recognized by leading researchers around the globe." said Professor Jean-Pierre Danthine, Swiss Finance Institute Managing Director.



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This growing cohort of PhD students demands increased supervision capabilities. Our recruiting campaign was full-ranging; our Scientific Council was requested to take position on some 25 dossiers submitted by our 6 partner universities. In the end, EPFL, on the one hand, UZH and ETHZ together, on the other, succeeded in attracting five new professors each. With these arrivals, the SFI faculty will total 50 researchers. The market for professors remains extremely competitive and not all our recruiting aspirations could be fulfilled. We will return on the recruiting trail at the end of this year!

After three and a half years we also register the first of our faculty members leaving us to join the competition. Our industry is a very mobile one and as our successes grow opportunities for our researchers grow as well. Mobility is a sign of success: we cannot expect to be always, but hope to be most of the time, on the receiving side of the process!

SFI is a young, solid, (almost) 4 years-old growing in a turbulent environment. The first years of our Institute will be, in the future, almost perfectly aligned with the advent of a financial crisis of major proportion. We are clearly too young to accept responsibility, but we are of the right age to grasp the opportunities that such a crisis brings with it. It is our task now, in all our domains of expertise and activity, to help redefine the international research and education agenda, a task for which we are increasingly well-equipped.



*Jean-Pierre Danthine,
Managing Director*

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Following are the placements:

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

Maria Cecilia Bustamante, SFI PhD student at the University of Lausanne, started in August at the **London School of Economics**. Maria Cecilia elaborates on how real and financing frictions affect corporate decision making under uncertainty, and explores how firms time their investment and financing decisions given such frictions.

Jens Martin, SFI PhD student at the University of Lugano, started in August at the **University of Amsterdam**. Jens has studied conflicts of interest among financial analysts in financial markets. In his research he finds that analysts help insiders to exit at favourable terms in equity offerings. He has also investigated whether behavioral

biases, such as overconfidence, can explain the phenomenon of long-run underperformance after equity issues.

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

Emilio Osambela, SFI PhD graduate of the University of Lausanne, started in July at the **Tepper School of Business, Carnegie-Mellon University**. In his dissertation, Emilio uncovers the frictions that generate (i) the observed dynamics of stock market volatility in the time-series, and (ii) the existence of multiple volatility factors, which are priced in the cross-section of expected stock returns. He shows that persistent regimes of high and low volatility are driven by changes in firms' default prospects. ♦

Mark your calendars...

4th Annual Meeting of the SFI - November 30, 2009

The meeting will assemble Swiss Finance Institute faculty, other leading researchers and financial practitioners. Like previous years parallel sessions for researchers and practitioners are being offered. Topics such as regulation, corporate governance, the Swiss banking industry and global financial markets will be addressed. A panel discussion on the future of banking will complete the day. The detailed program and an online registration form are available on www.sfi.ch/events. ♦

: Welcome on board!

Together with our partner institutes, we have the pleasure of welcoming several new professors to the SFI:

Rüdiger Fahlenbrach has become SFI Assistant Professor at EPFL

Damir Filipovic has become SFI Professor at EPFL (starting January 2010)

Henrik Hassletoft has become Assistant Professor (with SFI support) at UZH

Loriano Mancini has become Assistant Professor (with SFI support) at EPFL

Kjell Nyborg has become SFI Professor at UZH

Anders Trolle has become SFI Assistant Professor at EPFL

Following other appointments at our partner universities we hope the number of SFI faculty members will further increase this fall! The next issue of the SFI Newsletter will include profiles of our new professors.

Finally, we have the pleasure of welcoming three SFI Visiting Professors this fall at the University of Zurich: **Michael Magill** and **Martine Quinzii** (September - December 2009)

Jean-Charles Rochet (August 2009 - June 2010). ♦

: “It may be outrageous but Wall Street Pay didn’t cause this crisis”

So commented the New York Times an article co-authored by SFI Assistant Professor at EPFL, Rüdiger Fahlenbrach, and the Head of SFI’s Scientific Council, Prof. René Stulz. Entitled “**Bank CEO Incentives and the Credit Crisis**” the recent working paper addresses the issue of whether the current crisis was the result of misaligned incentives between bank managers and shareholders. Their work concludes against one of the most common and popular

hypothesis on the causes of the current financial crisis according to which it would be the result of inappropriate compensation structures. In addition to the New York Times, this research was also featured in Le Temps, NZZ am Sonntag, Tagesanzeiger and the St. Galler Tagblatt. The original paper is #27 of the SFI Research Paper Series and is available for download from our website. ♦

: Eric Nowak testifies at the German Bundestag



Earlier this year, Prof. Eric Nowak, Professor of Financial Management and Accounting at the Swiss Finance Institute at the University of Lugano, was called to testify in front of the finance committee of the German Bundestag in the course of the public parliamentary hearing on the “Financial Markets Stabilization Amendment Act” (re. expropriation of Hypo Real Estate

shareholders). He was the only academic with an affiliation outside Germany to be invited as an expert in that context. Later, in June, Prof. Nowak travelled to China as part of a German Government delegation. He gave several invited speeches on the Global Financial Crises to members of the Chinese government and at various universities (Fudan, CEIBS) including a workshop on “Global Financial Order - Chinese and German Responses” at the Chinese People’s Institute of Foreign Affairs in Beijing. ♦

: News from FINRISK

In November 2009, the NCCR FINRISK will enter into its third (and final) phase (2009 - 2013) and we would like to welcome Michel Habib from the University of Zurich (UZH) as the new FINRISK director during this third phase. Michel was unanimously elected by all FINRISK project directors with the full approval of the Swiss National Science Foundation and the UZH (“NCCR leading house”). This change of directorship was needed

due to the fact that the current FINRISK director, Rajna Gibson Brandon, has left the UZH in 2008 and taken a new position at the University of Geneva.

The NCCR director needs to be a NCCR project leader affiliated with the “NCCR leading house” (UZH). We would like to extend a sincere and heartfelt “thank you” to Rajna for her vital, tireless and diligent engagement

as FINRISK director over the past eight years. Happily, she will continue to play an active role within FINRISK, both as FINRISK deputy director and as project leader. At the same time, she will remain SFI Research Director to guarantee a close coordination between FINRISK and SFI.

FINRISK also congratulates SFI Professor Felix Kuebler from UZH as his proposal for a new individual research project on “Computational Financial Economics” was approved by the FINRISK international scientific council. Thus, he will lead the new FINRISK research project D3 as of November 2009. ♦

: Executive Education - Quo vadis?

The financial crisis does have considerable effects on the range, content and future of executive education offerings in banking and finance. Tim Price, Head of Learning & Development at HSBC Private Bank (Suisse) SA highlights the current developments and major challenges ahead.

SFI Newsletter: As a result of the crisis there has been a loss of trust towards banks and the financial sector. What role can continuous education play to help overcome this situation?

Tim Price: At a surface level participation in continuous education will help assure clients and stakeholders of high professional standards and competence in the execution of our business. More fundamentally continuous education can support the rebuilding of trust longer term, serving to challenge and facilitate thinking around areas of strategy, values, sustainability and leadership, and building the skills to deliver change on these fronts. Execution of business is important; what and how we execute even more so.

SFI Newsletter: Many large institutions such as your own have their own internal training facilities and own in-house educational offerings. What benefits does your institution derive from external educational offerings?

Tim Price: A key benefit is access to external thought leadership, expertise, networks and qualifications where relevant. Additionally, when development needs are very specialist or specific, we have inadequate scale to meet these economically by an internal program.

SFI Newsletter: Due to the current extreme pressure from the day-to-day-business we observe that high potentials are

reluctant to invest time into their education. What do you recommend these high potentials in your bank?

Tim Price: This is about helping talent appreciate how they really develop critical capabilities. Based on our understanding that capability development comes through a combination of 70% on-job experience, 20% coaching and 10% formal learning we have an opportunity to create the majority of a development plan by refocusing on aspects of 'doing the job'. Understanding the contribution of the 10% formal learning / education in this mix can help prioritize participation.

SFI Newsletter: What major changes do you foresee for executive education in the finance industry over the next 3 to 5 years?

Tim Price: Broadly speaking, executive education needs to become more focused on the outcome of the learning, rather than the input. Executive investment budgets will be under increased scrutiny to deliver measurable change in capability and results, in line with business strategy. This will mean educational institutions being ready to not only provide thought leadership and theory, but also to develop the real skills, behaviour and approaches to translate the learning back into tangible outcomes. ♦



Senior Management Program in Banking launch in Geneva.

: SFI Panel on the Future of Swiss Banking

On June 15, 2009, SFI welcomed moderator Martin Spieler, Chief Editor of the Handelszeitung, Urs Rohner, Vice-Chairman of the Board of Directors at Credit Suisse Group AG, Bénédic Hentsch, Chairman of the Board of Directors at Banque Bénédic Hentsch & Cie SA and Professor Paolo Vanini, Director of SFI Knowledge Transfer to the panel on the Future of Swiss Banking in the atrium of the Zurcher Kantonalbank. More than 300 participants followed the discussion.

The focus of the panel was on the critical question: How can we overcome the current financial crisis?

Several approaches were discussed. The main approach aims at increased diversification of the Swiss financial sector by successfully positioning itself in several promising business areas.

This approach focuses on having a common objective in order to make the Swiss financial center more powerful and authentic within the global market, whilst each player pursues its own strategy.



From left to right: Bénédic Hentsch, Martin Spieler, Urs Rohner, Paolo Vanini

Furthermore, values such as stability, reliability and more sustainable measures and competences are also important. Integrated banking, the “one firm” approach, that facilitates client referrals, the exchange of products and the distribution of services between businesses are key factors to ensure client confidence. ♦

: Knowledge Transfer at the SFI: An interview with Professor Paolo Vanini



Prof. Paolo Vanini,
Director of SFI
Knowledge Transfer

SFI Newsletter: Why does it make sense for the SFI to offer knowledge transfer activities?

Paolo Vanini: We promote communication between universities and the banking and finance industry and start discussions on burning business issues between academics and practitioners. We are facing challenging times and being up-to-date and informed is important for every individual

in the banking and finance sector. SFI Knowledge Transfer provides a setting for mutual learning and offers opportunities to enhance ones knowledge.

SFI Newsletter: What is the concept behind SFI Knowledge Transfer?

Paolo Vanini: We organize events and provide platforms such as Industry Seminars, Conferences, and Panel Discussions to enable direct communication between academics and practitioners. The goal of SFI Knowledge Transfer is to convey the latest research results and useful information for professionals in the banking and finance industry. Currently, we are evaluating the use and value of podcasts to reach those individuals who cannot attend our events.

SFI Newsletter: What are your experiences so far?

Paolo Vanini: We started with Industry Seminars in 2008 and continued more intensively this year. The high number of participants shows that we are on the right track. In these times people have a need to get a deeper understanding of markets and customers and to network and exchange opinions with peers.

SFI Newsletter: Is the Knowledge Transfer philosophy also applied within SFI?

Paolo Vanini: Sure, for instance at ZKB there are several employees who work part-time in banking and study for their PhD. This mixture of research and applied work is enriching for both sides - the employer and the SFI - and we are proud to be able to offer such opportunities.

SFI Newsletter: Do you only offer events in the German part of Switzerland?

Paolo Vanini: Not at all, the SFI has a Swiss-wide network and is cooperating with six universities in various Swiss regions. As we also want to consider regional aspects, we are planning to offer SFI Knowledge Transfer events in all parts of Switzerland. We have already organized two events in the French part of Switzerland this year and are planning to have some events in the Italian part as well. ♦

: SFI implements training program in Vietnam

The Swiss Finance Institute (SFI) has been approached by the Swiss State Secretariat for Economic Affairs (SECO) to implement a comprehensive management program for Vietnamese Bank Directors. The SFI has been selected for this project based upon the quality of its international faculty, the in-depth experience in executive education and the close similarities between its bank executive programs and the training needs of senior Vietnamese banking executives.



Launching Seminar in Hanoi

The main objective of the training program is to enhance the management knowledge base and hands-on capabilities of Vietnamese managers primarily from the state-owned commercial banks, in order to prepare them for the privatization of their institute. The main cooperation partners in this project besides SECO and SFI are the State Bank of Vietnam and the Vietnamese Bankers Association.

The program was officially launched with opening events in Hanoi and Ho Chi Minh City in July 2009. A total of 60 participants, embassy staff and representatives of Vietnamese banks and associations attended the event in Hanoi on July 7, 2009.

Swiss State Secretary for Economic Affairs, Mr. Jean-Daniel Gerber, Deputy Governor of the State Bank of Vietnam, Mr. Nguyen van Binh, and Dr. Harry Hurzeler, COO Swiss Finance Institute, gave the official opening speeches. State Secretary Gerber in particular emphasized the importance of this special project within the long-standing cooperation between Switzerland and Vietnam.

Switzerland has been providing assistance to Vietnam since 1993 with the overall aim to reduce poverty through sustainable economic development. The Swiss economic program focuses on promoting trade, private sector development, improvement of macro-economic framework conditions with particular focus on financial sector reform, and the modernization of infrastructure.

The SFI training program, which will be delivered in Hanoi and Ho Chi Minh City over a period of roughly eighteen months, is organized around thematic modules comprehensively covering essential bank management concepts and methods. The program comprises a total of 14 modules which will be delivered until 2011. The first module on leadership started on August 20, 2009 with Prof. Gerhard Steiner from Basel. It will be followed, among others, by modules taught by Prof. Rudolf Gruenig, University of Fribourg, Prof. Alfred Mettler, Georgia State University, Atlanta and Prof. Alexander Wagner, University of Zurich and SFI. ♦

Mark your calendars...

Alumni Workshop - November 13, 2009

The Swiss Finance Institute and the Swiss Finance Institute Alumni Association are organizing a workshop for all SFI alumni and guests on "Banking, Taxes and Politics - Switzerland quo vadis?" with Prof. Alfred Mettler, Georgia State University, Atlanta. Guest speakers at this workshop are Daniel Zuberbühler, Vice President of the Board of Directors of FINMA and Heinz Jeger, Partner and Member of the Board of Baumann & Cie, Banquiers, Basel.

For further information and registration contact Marietta Caprez (marietta.caprez@sfi.ch). ♦

IMPRESSUM

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