

Newsletter

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EDITORIAL

To all of you who have made our first year possible, exciting, productive & successful, the Swiss Finance Institute wishes you a fulfilling 2007!

The Swiss Graduate School of Banking and Finance.

End of year 1: the Swiss Finance Institute is on track. The profile of the "Swiss Graduate School of Banking and Finance" is getting sharper. **Swiss** it is, being the product of an unusual, nation-wide partnership between industry - the entire banking community and SWX-, the government, notably the National Science Foundation, and academia represented primarily by the 6 institutions having signed cooperation agreements with the Swiss Finance Institute and forming our 3 competence centers: SFI-Léman (UNIL, UNIGE, EPFL), SFI-Lugano (UNISI) and SFI-Zurich (UZH, soon to be joined by ETHZ). **But international** are our ambitions, our Faculty and our student body! As a typical graduate school, we are active in research as well as Executive and PhD teaching with our main asset being our intellectual capital: our international Faculty shared and developed in close cooperation with the partner universities.

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INTERVIEW

Erwan Morellec, the proto-typical Swiss Finance Institute researcher!



Erwan Morellec is a Swiss Finance Institute Faculty member at HEC Lausanne, Switzerland. Former faculty member of

the Simon School of Business of the University of Rochester (USA), he holds a PhD in Finance from HEC Paris. He is a Project Director for the Swiss National Science Foundation and a CEPR Research Affiliate. His research interests are in corporate finance and asset pricing and he has an outstanding publication record that serves as a model for all young SFI researchers. Three questions for our newly appointed Head of the SFI PhD Program:

What will it take to "clone" you for the Swiss Finance Institute?

I think that there are a number of factors that contribute to the success of an academic. First one needs a good set of colleagues to talk to and work with. Second, a junior person needs to have senior colleagues around him/her to get advice on his/her research and on the type of research he/she should pursue. Finally, it is essential to have an active seminar

series with outside speakers coming from the best international institutions. In these seminars one can learn from both the speaker's presentation and the comments and questions of colleagues.

You have been heading the FAME PhD program for 2 years. You have now accepted to build on this experience to guide the Swiss Finance Institute PhD program. What will it take for our PhD program to achieve global recognition?

I think that the first key to success is to attract the "best" PhD students. This means young and highly motivated people, with a lot of brainpower and creativity. One also needs to train these people appropriately to transform this high quality raw material into tomorrow's lead researchers. Finally, one needs to market these people appropriately. If you have a good product but you are the only one to know it, nobody will buy it. In that respect, PhD students need to understand that the research questions they are working on are more important than technical sophistication. Creativity, innovation, and global reach are the keys to success. Professors have to make sure that students get this message clearly. >>

>> Editorial

Today the Swiss Finance Institute counts 40 affiliated professors and 65 PhD students making it a research organization of more than 100 full-time researchers. At the core of our strategy is a plan to recruit up to 30 new professors with our university partners, at the highest level of excellence. To do so we rely on the advice of an international scientific council made up of undisputed and independent experts while simultaneously contributing the financial support necessary to match working conditions offered by competing institutions throughout the world.

The nucleus of our world-recognized competencies will be represented by our soon-to-be announced local Swiss Finance Institute chaired professors. While 2006 was marked with three new hires, two further decisions are expected in the first weeks of 2007 and up to seven professors may be recruited in 2007. A Swiss Finance Institute delegation composed of professors from Lausanne, Lugano and Zurich was present at the American Finance Association meeting in Chicago to initiate this recruiting campaign with the support of a member of the Swiss Finance Institute Scientific Council.

Our collaboration agreement with the NCCR FinRisk has led to the integration of the FinRisk efforts on the PhD curriculum into the Swiss Finance Institute PhD program and to the launch of our first research program, attributed to a team headed by Swiss Finance Institute

Prof. B. Dumas for a study focusing on General Equilibrium Asset Pricing.

If research is to be the spearhead of our reputation and international visibility, action on the Executive Education front will be of major importance as well. While discussions have started in view of the launch of up to 3 degree-programs with partner universities, on-going programs have welcomed more than 580 participants over the course of this year. Our shortest course is 4 days long; our longest is spread over 18 months!

This intense activity and this year's progress would not have been possible without the competent and intense work of many individuals. Our Foundation Board has been actively monitoring the flurry of activities marking our first year. Our Scientific Council has defined its overall guidelines while also preparing decisions by the Board on 8 requests from our partner universities. The Executive Education Advisory Board has reviewed and approved a new executive education strategy and started monitoring its implementation. The staff of former FAME and SBS has worked intensively to digest a complex transition working simultaneously for old and new organizations in the initial phase. Heartfelt thanks to all and best wishes for the New Year!

*Jean-Pierre Danthine,
Managing Director*

What are the chances for Europe and particularly the Swiss Finance Institute to catch up with the top departments across the globe?

I believe that the Swiss Finance Institute will be able to catch up with the top departments across the globe. In my opinion, success requires the presence of at least one established researcher per department, an active seminar series that brings new ideas and visibility, a good PhD program, and in general a lot of investment in human capital. In the same way that it is essential to select the right PhD students for the PhD program, it is essential to select the right assistant professors and to mentor them. It is also very important to align the incentives of these assistant professors with the institution's interests by providing tenure-track contracts. All these requirements are integrated in the strategy of the Swiss Finance Institute. ♦



SELECTED PUBLICATIONS

Hackbarth, Dirk, Jianjun Miao and Erwan Morellec, "**Capital structure, credit risk, and macroeconomic conditions,**" *Journal of Financial Economics* 82, pp519-550, 2006.

Morellec, Erwan, and Alexei Zhdanov, "**The dynamics of mergers and acquisitions,**" *Journal of Financial Economics* 77, pp649-672, 2005.

Morellec, Erwan, "**Can managerial discretion explain observed leverage ratios?**" *Review of Financial Studies* 17, pp257-294, 2004.

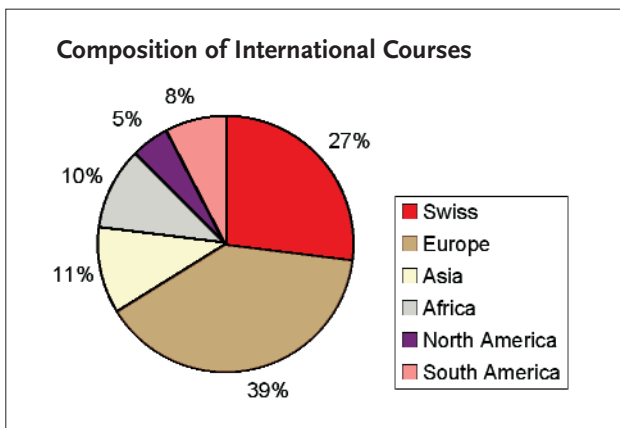
Morellec, Erwan, "**Asset liquidity, capital structure, and secured debt,**" *Journal of Financial Economics* 61, pp173-206, 2001. (*Lead article*).

: Executive Education - Review of 2006

The first year of operation of the Swiss Finance Institute has been a huge success in Executive Education. More than 580 participants registered for the Institute's courses, of which 150 graduated in one of the Swiss Finance Institute's diploma programs.

The Swiss Finance Institute congratulates all its graduates and wishes them all the best for their future life and career!

Particularly pleasing is the high percentage of international participants. Three quarters of all participants in the international courses of the Swiss Finance Institute in 2006 come from outside Switzerland! They come from 37 countries, documenting the global recognition which the Swiss Finance Institute has already achieved in its first year.



Focus on Finance and Bank Management – The New Executive Education Strategy

The Executive Education programs offered by the Swiss Finance Institute focus on finance for experts and bank management for executives. While the two current domestic flagship programs remain key, new programs developed by the Swiss Finance Institute will be aimed at a global audience.

Development of New Master Programs

Three programs leading to Master degrees, all to be held in English, are planned to be operational in a phased approach over the next 4 years:

In finance a full-time **Master of Science in Quantitative Finance** is planned. It is aimed at young international Bachelor graduates with a strong background in mathematics who are interested in developing advanced technical expertise in finance.

A second part-time program is planned as a **Master in Banking and Finance**. The latter is aimed at international high potentials with three to five years industry

experience who wish to strengthen their technical understanding as a basis for their future career in banking.

In the area of management the flagship program will be a part-time international **Executive MBA in Bank Management**. This program is aimed at executives from the banking industry with 5 to 20 years of indus-

try experience who want to broaden their management expertise for the next step in their banking career. For all three Masters programs the cooperation of a Swiss university will be sought in awarding the degree. In addition, international universities are looked for as partners, be it to provide lecturers with additional international insights, or possibly even to award a degree.

Adaptation to Changing Needs

In the area of non-degree courses the Swiss Finance Institute will continue with its current finance and bank management courses and will adapt these to the changing needs of the industry. At the same time it will expand its roster of international management programs over the next three years from the current focus on private banking to other areas of bank management, such as asset management and retail banking.

The current successful German programs, the **Executive Program** for vice presidents and the **Advanced Executive Program** for directors, will be continued as they stand. But here too an international link will be established by offering the Advanced Executive Program also in an internationally-oriented English version, and by enabling graduates from the Executive Program to join the Executive MBA program to obtain a Master's degree.

The new range of programs from the Swiss Finance Institute will continue to provide high-quality Executive Education, combining leading concepts from researchers with state of the art industry applications, enabling participants to discuss these developments with their industry peers. ♦

: Executive Education - Offering 2007



1. DIPLOMA PROGRAMS

- **Executive Program in Bank Management**
(7 weeks taken over 18 months. Teaches the key aspects of all banking areas on a managerial level, and addresses the strategic developments in banking. Participants are newly promoted vice presidents)
- **Advanced Executive Program in Bank Management**
(10 modules of 3 days each taken in one year. Topics similar to the Executive Program, but with more senior participants stressing the exchange of own experience)
- **Certificate in Financial Asset Management and Engineering (FAME)**
(5-week course. Introduces modern methods in asset management and financial engineering, combining theory and application)

2. GENEVA EXECUTIVE COURSES IN FINANCE

(Separate one-week courses for experts in finance)

Fundamental

- **Global Asset Allocation and Risk Budgeting**
Philippe Jorion
- **Integrated Risk Management**
René Stulz
- **Behavioral Finance and Investment Strategy**
Werner De Bondt
- **Quantitative Approaches for Equity Portfolio Management**
François-Serge Lhabitant
- **Implementing Quantitative Techniques for Financial Markets**
David Cox
- **Volatility and Correlation: Practical Methods for Financial Applications**
Tim Bollerslev

Asset Class

- **Advanced Equity Portfolio Management** NEW
G. Andrew Karolyi
- **Modern Fixed Income Markets: Relative Value, Arbitrage, Portfolio and Risk Management**
Stephen Schaefer
- **Alternative Investments**
Thomas Schneeweis and Giovanni Beliossi
- **Private Equity** NEW
Per Stromberg
- **Real Estate Investment and Financing**
Jörg Baumberger, Philippe Sormani, Martin Hoesli, Olivier Scaillet
- **Structured Products** NEW
Salih Neftci

Special Topics

- **Exchange-Rate Economics and Forecasting**
Richard Levich
- **Financial Econometrics and Forecasting**
Francis X. Diebold
- **Interest-Rate Models: Theory and Practical Applications**
Yacine Ait-Sahalia
- **Calibration, Estimation and Numerical Methods in Finance**
Salih Neftci
- **Practical Solutions for Econometric Issues in Asset Allocation**
Michael Brandt
- **Credit Risk and Credit Derivatives: Latest Theories and Best Practices**
Didier Cossin

3. BANKING AND MANAGEMENT

- **International Private Banking & Wealth Management Retreat**
(One week strategy seminar for managing directors from wealth management)
- **International Wealth and Tax Planning**
(One week seminar on international wealth and tax issues for client advisors from wealth management)
- **Team Leader in Private Banking**
(One week seminar on leading a team of wealth managers)

For further information on course dates or content see www.SwissFinanceInstitute.ch or contact the Swiss Finance Institute offices. ♦

What is the Swiss Finance Institute Alumni Association (SFIAA)?

The former Swiss Banking School Alumni Association was founded on 28th November 1989 as an association and placed on the register of companies on 4th July 1991. It was renamed on April 28, 2006 as the Swiss Finance Institute Alumni Association. Graduates of the Swiss Finance Institute Executive Program, the Advanced Executive Program, the Certificate FAME and the International Wealth Management Executive MBA are eligible to join. There are currently nearly 1.200 members.

What are the objectives of the SFIAA?

The Swiss Finance Institute Alumni Association promotes

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

Which activities are organized by the SFIAA?

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

There are affiliations which stage regional meetings in Bern and Geneva. Each regional affiliation has its own coordinator:

Bern

André Del Piero

Tel: +41 31 336 23 44

Geneva/Lausanne

Eric Vauthey

Tel: +41 21 212 42 47

On December 7, 2006, the Swiss Finance Institute Alumni Association awarded its Alumni prize for the best diploma papers within the Executive Program dealing with trend-setting subjects to:

Dr. Patrick Caspar

Mr. Beat Gerber

Mrs. Ruth Mojentale

Mr. Andrea Melchior

How can I become a member of the SFIAA?

Swiss members pay a CHF 50 annual fee and are invited to all events in Switzerland. Swiss members receive information and invitations in German or French, depending on the city where the event will be held.

Graduates of IWEMBA and Certificate FAME are free to choose between Swiss membership and international membership.

International members do not pay an annual fee and are invited to SFIAA special events only. International members receive information and invitations in English.

If you are interested in becoming a member of the SFIAA please contact:

> alumni@sfi.ch

> beat.fraefel@dz-privatbank.ch

The SFIAA is currently planning a new homepage which will facilitate networking and the exchange of experiences among members.



The Executive Committee

Beat Fraefel

DZ PRIVATBANK (Swiss) AG, Zurich,
President of the Executive Committee
Tel. +41 44 214 95 26

Gregor Knoblauch

UBS Winterthur, Vice President of the Executive Committee, Actuary

Eric Vauthey

BCV Lausanne, Vice President of the Executive Committee, Events in the Romandie

Lisa Sennhauser-Kelly

UBS Zurich, Bursar, Events for Women

Siegfried Breitling

Breitling Capital AG, IWEMBA

André del Piero

UBS Bern, Events in Bern

Roman Kuhn

AKB Aarau Communication, Services

: Alumni Association

Events in 2006

In addition to the annual meeting of members, the SFIAA and the Swiss Finance Institute have jointly organized several events in 2006:

Recent Alumni Luncheons

28.04.2006

Herbert J. Scheidt, CEO Bank Vontobel, Zurich

04.07.2006

Marco Föllmi, Swiss National Bank, Geneva

01.09.2006

Dr. Eugen Haltiner, President of the Swiss Federal Banking Commission (EBK), Bern

28.11.2006

Pierre Chappaz, President of the Société Wikio

01.12.2006

Prof. Jean-Pierre Danthine, Managing Director of the Swiss Finance Institute, Zurich

SFIAA Golf Trophy

29.09.2006

Announcement of Events for 2007:

Alumni Luncheon

26.01.2007

Guest speaker:

Martin Werlen, Abbot of the Cloister Einsiedeln ♦

: Advisory Bodies



Swiss Finance Institute Advisory Bodies

The Swiss Finance Institute relies on its advisory bodies to provide guidance and set the direction for its activities. Three bodies play a permanent role in this respect: the Foundation Board, the Scientific Council and the Executive Education Advisory Board. In this issue, we interview Olivier Steimer, Chairman of the Board of Directors of the Cantonal Bank of Vaud and Chairman of the Swiss Finance Institute Foundation Board.

Some say the Swiss Finance Institute is an elitist, ambitious undertaking. Isn't there a danger of losing the local touch?

Striving for ambitious objectives does not at all imply an elitist approach nor losing touch with local realities. On the contrary, the philosophy of SFI has been from the beginning to build on existing strengths and cooperate with all universities/ETH and other partners; federating under one roof and one strategy the banking, university and the research communities, albeit keeping 3 regional centers in Léman, Lugano and Zurich is indeed quite a challenge.



The Swiss Finance Institute may seem to have a stronger anchor in Lausanne than in the rest of the country. Isn't this a source of worry?

Geography is not our primary concern in the Swiss Finance Institute. Competence, excellence and quality are. History does have some influence, and Lausanne has benefited from the head start taken under FAME but the other centers are catching up for the benefit of all. Note as well that while we took examples from what was achieved under FAME in the Léman area, when it comes to research we adopted the Zurich-based FinRisk model.

At the Annual Meeting of the Swiss Finance Institute Prof. Jensen argued that a private university system would be required to reach our objectives. How do you react?

As said above we wanted to build on existing strengths, not change academic structures. The American university system largely based on private universities is certainly admirable. We are initiating a new model based on a public-private partnership. This model is adapted to the local situation and to our culture. We do not see anything in this model that would prevent us from reaching our ambitious objectives. ♦

Swiss Finance Institute Foundation Board Members – December 2006

Mr. Olivier Steimer *

Chairman of the Board of Directors
Cantonal Bank of Vaud, Lausanne

Dr. Marcel Rohner **

Chairman & CEO Global Wealth
Management & Business Banking, UBS AG, Zurich

Dr. Ulrich Körner **

CEO Credit Suisse Switzerland, Zurich

Mr. Raymond J. Baer

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

Mr. Antonio Foglia

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

Prof. Dr. Peter Gomez

Chairman of the Board, SWX Group

Dr. Alfredo Gysi

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

Dr. Philipp Halbherr

CFO, Cantonal Bank of Zurich, Zurich

Dr. Charles Kleiber

State Secretary, State Secretariat for Education and Research, Bern –
as representative of the Federal Government of Switzerland

Prof. Dr. Piero Martinoli

President, University of Lugano

Mr. Patrick Odier

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

Dr. Urs P. Roth

CEO, Swiss Bankers Association, Basel

Dr. Pierin Vincenz

CEO, Swiss Union of Raiffeisen Banks, St.- Gallen

Prof. Dr. Jacques Weber

Rector, University of Geneva

Prof. Dr. Hans Weder

Rector, University of Zurich

* *Chairperson*

** *Vice-Chairperson*



O. Steimer discusses research with R. Gibson

At the Swiss Finance Institute, research is envisaged from two main perspectives. First, the Swiss Finance Institute is committed to helping partner universities recruit top international researchers and strengthen their fundamental research capabilities. The universities of Geneva, Lausanne, Lugano and Zurich as well as the EPFL have signed a cooperation agreement with the Swiss Finance Institute leading to the constitution of three regional centers, SFI-Léman - Unige, UNIL and EPFL-, SFI-Lugano and SFI-Zurich which we expect the ETHZ to join very soon. All three centers are recruiting and one expects a number of important professorial appointments to be made in the first months of 2007. A delegation of the Swiss Finance Institute, with delegates from the universities of Lausanne, Lugano, Zurich and EPFL, has been conducting interviews at the American Finance Association meeting in Chicago in early January 2007 with the help of Prof. Michael Brennan, member of the Scientific Council.

Simultaneously the Swiss Finance Institute is working in close collaboration with the NCCR- FinRisk to support promising research projects selected on a competitive basis. The Swiss Finance Institute and the Swiss National Science Foundation have signed a cooperation agreement spelling out the details of the partnership between the two institutions. While the Swiss Finance Institute will contribute its own funding for research projects, all Swiss Finance Institute initiatives will be fully coordinated with the direction of FinRisk, the International Scientific Council of FinRisk will act as the ultimate scientific referee for SFI and FinRisk activities equally, and the Finrisk procedures will be adopted by the Swiss Finance Institute in this matter. The logical conclusion of this important agreement was to ask Prof. R. Gibson, the Director of FinRisk to act as Head of Research for the Swiss Finance Institute, a mission she has accepted.

October 2006

Conference on Neuro-finance and how the brain perceives financial risk

Finance has always treated humans as black boxes, whereby behavioral rules are either imposed by decision theory (neoclassical finance) or derived from observation of actual or hypothetical choice (behavioral finance). In contrast, neuro-finance attempts to understand behavior by examining the physiological processes in the human brain when exposed to financial risk. Peter Bossaerts, William D. Hacker Professor of Economics and Management and Professor of Finance at the California Institute of Technology (Caltech), currently Swiss Finance Institute Visiting Professor at the University of Lausanne, developed this theme in a lecture given in Geneva on October 10. The talk was based on the recent discovery that the brain analyzes monetary gambles by separately encoding their expected payoff and the payoff variance (even when subjects have never heard of these concepts). As such the brain uses the same inputs as Markowitz' portfolio theory. This is in sharp contrast with economics (which includes Prospect Theory), which represents desirability of gambles through scores on a single-dimensional utility scale. Prof. Bossaerts' current research investigates cognitive biases and their impact on asset prices, through observation of individual behavior, observation of price formation in large-scale experimental financial markets, and through analysis of brain activation while individuals face financial risk. ♦

SFI Professor Bernard Dumas awarded funding for asset pricing research

FINRISK, the research partner of the Swiss Finance Institute, announces the establishment of a new research program in equilibrium asset pricing. The program is headed by international finance expert Professor Bernard Dumas, who recently joined the University of Lausanne and the Swiss Finance Institute. The new project is funded by the Swiss Finance Institute with an endowment of 1 Mio CHF over the next three years.



In early 2006, the Swiss Finance Institute decided to fund a research project in the area of asset pricing, corporate finance or financial intermediation. **Rajna Gibson**, director of FINRISK and research director of the Swiss Finance Institute, invited finance faculty members at Swiss Universities to submit proposals for the new project.

Four complete proposals were evaluated according to their scientific merit by FINRISK's International Scientific Council (ISC). The ISC unanimously chose **Professor Dumas'** project on Equilibrium Asset Pricing. "This is an exciting and impressively wide-ranging research project, covering many interconnected topics", explained the ISC in its report.

Professor Dumas and his team will study the impact of market imperfections on financial market prices and on the equilibrium values of choices made by financial agents. Market imperfections include transaction costs associated with processing orders in the market and the costs of a firm making adjustments to physical capital. Dumas seeks to determine, empirically, the combination

of these imperfections that best explains observed prices in the financial market place.

The project fits well into FINRISK's research activities in the area of asset pricing and portfolio management, adding a new dimension to three ongoing research projects exploring this topic. The initial duration of Dumas' research project will be three years (2007-09), with the possibility of an extension until 2013. The project will start with an endowment of 320'000 CHF per year, provided by the Swiss Finance Institute.

Professor Dumas has established an excellent team to research the project. The team includes other professors from the Swiss Finance Institute and the University of Lausanne, including Alessandro Beber, Jean-Pierre Danthine, Julien Hugonnier, Eric Jondeau, Michael Rockinger, Norman Schürhoff, as well as Tony Berrada from the University of Geneva. Moreover, several internationally renowned academics from American universities have agreed to contribute to the project.

FINRISK wishes to extend a warm welcome to Professor Dumas and his research team. We look forward to a fruitful interaction and stimulating debate on this new research topic!

The story does not end here. The International Scientific Council acknowledged that other submitted project proposals would also deserve financial support. Unfortunately, only one proposal could be considered at this stage due to financial constraints. Based on the success of the previous call, the International Scientific Council decided to immediately re-launch a second call for a new FINRISK research project. For this second round, the Swiss National Science Foundation will now provide additional funding to FINRISK - matching the research funding provided by the Swiss Finance Institute.

It is expected that these new FINRISK research projects will further improve the quality and impact of Swiss Finance Research – thus contributing to the goal of Swiss Finance Institute to achieve a leading position within Europe in major research areas relevant for banking and finance. >>

All FINRISK research projects are assessed on an annual basis by the International Scientific Council, a panel of international experts:

Members of the FINRISK International Scientific Council (ISC):

Darrell Duffie, Stanford University, USA

Michael Brennan, University of California, Los Angeles, USA

Hans Foellmer, Humboldt University Berlin, Germany

Marco Pagano, University of Napoli, Italy

Raman Uppal, London Business School, UK

Christian Gouriéroux, University of Toronto and CREST

René Stulz, Ohio State University, USA

ISC Coordinator:

Henri Loubergé, University of Geneva



Bernard Dumas

Professor Dumas is a researcher with a worldwide reputation. His contributions to the field of international finance, in which he has published a number of pioneering articles, are unanimously recognized. He is also interested in the fields of asset pricing valuation and international macroeconomics. Before joining HEC Lausanne and Swiss Finance Institute in Autumn 2006, he was professor at INSEAD where he held the Rothschild chair, as well as at Wharton (U. of Pennsylvania).

In the past he has been associated with Duke, Columbia and HEC Paris. He was co-editor of the Review of Financial Studies and is associate editor of the Journal of Finance, two among the most respected journals in the field of finance. ♦



National Centre of Competence in Research
Financial Valuation and Risk Management

Swiss Finance Institute PhD Program in Finance

The Swiss Finance Institute PhD Program in Finance is a centrally coordinated program operating on multiple campuses, building on and strengthening the existing programs offered by the Swiss Finance Institute's partner universities in Geneva/Lausanne (Léman), Lugano and Zurich. It targets academic excellence and aims at rivaling the top PhD programs in Europe and North America. The students are enrolled in and are supervised by the local universities and professors and follow a curriculum agreed upon between the universities and SFI. There is no other program similar to this in Europe to date.

Our students generally have a strong interest in research activities and often have the desire to pursue an academic career or to continue their career doing research in Finance within the public or private sector. For those on the academic path, students generally wrap-up their studies with a visit to a foreign university to complete advanced doctoral studies. Students on their way to the private sector sometimes work with local institutions during their studies with which they continue once they have graduated. Either way, our graduates are ambassadors for the academic excellence for which the Swiss Finance Institute stands.

This year we are happy to announce that 18 new students joined the program, increasing the total number of active students in the program to 65 across our 3 Competence Centers. Our PhD group is composed of 25% Swiss students, 50% are Europeans and 25% call from overseas.

NEW ADVANCED COURSES for 2006/2007

Advanced Financial Decision Making and Asset Pricing,
Prof. Fabio Trojani

Economics of Governance,
Prof. Christian Keuschnigg

Empirical Asset Pricing,
Prof. Lu Zhang

Evolutionary Finance,
Prof. Klaus Reiner Schenk-Hoppé

Experimental Financial Markets,
Prof. Peter Bossaerts

Numerical Methods in Finance,
Prof. Denis Talay

1st Swiss Finance Institute Doctoral Award



The first Swiss Finance Institute doctoral award (CHF 3'000) was awarded to **Maria Cecilia Bustamante**, University of Lausanne and SFI PhD student, for her paper entitled "The Dynamics of Going Public", presented at the Swiss Doctoral Workshop in Finance. This year's workshop was organized by SFI and (our research partner) FinRisk on June 12-13 at the Study Centre Gerzensee with 21 papers being presented by doctoral students from all-over Switzerland. The nominating committee, composed of René Stulz (Ohio State University) and Jérôme Detemple (Boston University), selected 3 papers for consideration. The other nominated papers were those of two other Swiss Finance Institute PhD students, Bogdan Stacescu, University of Zurich, and Benedetto Raccuglia, University of Lausanne. The jury, formed of Giovanni Barone-Adesi (University of Lugano), Rajna Gibson (University of Zurich) and Henri Loubergé (University of Geneva), unanimously designated the winning entry.

The award was given at the first Swiss Finance Institute Annual Meeting on November 14, 2006.

: Knowledge Transfer



P. Couchepin surrounded (r-l) by J.P. Danthine, O. Steimer and P. Mirabaud, Chairman of the Swiss Bankers Association

Swiss Finance Institute Annual Meeting 2006

The Swiss Finance Institute held its first Annual Meeting at SWX in Zurich in November 14, 2006. This was a full day of activities and exchanges masterly planned by Paolo Vannini, Head of Knowledge Transfer at Swiss Finance Institute and FinRisk. A rich menu of topics was proposed under the headings of fundamental research, knowledge transfer and executive education with contributions by Swiss and foreign academics as well as financial professionals. Federal Councilor Pascal Couchepin, Switzerland's Home Affairs Minister, addressed the meeting on the theme of «Finance, Research and Culture».

The conference began with two parallel sessions: a fundamental research session with academics from the Universities of Zurich and St. Gallen

and the London Business School covering asset management and a knowledge transfer session with experts from Credit Suisse, UBS and the Cantonal Bank of Zurich devoted to new developments in real estate markets. At a second session in the afternoon, three world renowned academics presented their recent research while an executive education session focused on recent trends in asset management, structured products and corporate banking.

The conference concluded with a plenary session introduced by Olivier Steimer, Chairman of the Swiss Finance Institute's Foundation Board. Nobel Laureate Rolf Zinkernagel and Michael Jensen, Professor of finance at Harvard Business School, and Jean-Pierre Danthine, Managing Director of the Swiss Finance Institute debated on the theme «Catching up with the Leaders in Financial research».

Portfolio Management and Derivatives

A Swiss Finance Institute Conference
May 28 - 30, 2007

With the financial support of the **Stiftung Finanzplatz Schweiz**, the Swiss Finance Institute (SFI) is organizing a conference focusing on the use of derivatives (in particular structured products) in portfolio management. In the recent years structured products have become an important part of the palette of investment vehicles proposed to institutional as well as private investors. In view of their success, it is apparent that the stream of cash flows that these products provide adds value to the investment process. It is however an open question whether they simplify the investment decision by proposing a cash flow "package" that blends different asset classes, or if they constitute an additional asset class exposed to specific sources of risk (one may think for example of correlation risk and the use of third generation volatility products). These questions, and others will be addressed in Lugano in May 2007 in the spirit of a discussion forum between academics and investment professionals. Participation will be limited to 50 to insure intense discussion and exchanges between experts from various horizons. ♦



“Top financial services depend on top innovation based on fundamental research and on a deep cultural and historical understanding. The Swiss Finance Institute is an instrument devoted to promote this very objective.

As a result of the alliance between the National Competence Center for Research “FinRisk” and the Swiss Bankers Association, the Swiss Finance Institute is also an outstanding example of an efficient cooperation between the private sector and academia.”

*Pascal Couchepin
Federal Councillor*