

swiss : finance : institute



Activity Report
2010-2011

swiss:finance:institute

Activity Report
2010-2011



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

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

The Swiss Finance Institute encompasses three pre-existing foundations: the International Center for Financial Asset Management and Engineering (FAME), the Swiss Banking School and the Stiftung Banking and Finance an der Universität Zürich. This merger led to the creation of one of the major European providers of research, doctoral training and advanced executive education in banking and finance. This report gives an overview of the Swiss Finance Institute's activities during 2010 and the first half of 2011.

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A Word from the Board

Five years later...

In 2006 the Swiss Finance Institute (SFI) set ambitious objectives for itself. Just five years later we are pleased to report that SFI has come a long way towards meeting these goals.

1. SFI strives to build a first-rate research center.

SFI Faculty's research output indicates we are reaching the necessary level to compete with some of the best institutes world-wide.

- > Since 2006, more than 21 new professors were hired by partner universities with SFI support. Today, SFI counts more than 50 full-time researchers in the field of finance and related disciplines committed to high-level research.
- > In this time, SFI Faculty produced 41 publications in top journals, confirming our place among the leading research institutions in finance worldwide.

2. SFI seeks to offer one of the best PhD programs in finance in the world. The placements of our graduates in top academic and industry positions show that the quality of our students and of our training is valued internationally.

- > By the end of 2010 there were 85 active students in the PhD program.
- > SFI students receive international prizes for their outstanding research work.
- > Since the creation of the program, our graduates have obtained noteworthy positions in both industry and academia (placements at institutes such as Carnegie Mellon University, Boston University, Duke, London School of Economics, University of Rochester, Shanghai University, Université de Montréal, Bocconi, University of Amsterdam, Norwegian School of Management, University of Melbourne, among others).

3. SFI aims to be perceived internationally as a leading center of expertise and training in banking and finance.

With over half of the participants in our international offering coming from abroad, SFI is on its way to building a strong international reputation.

- > In only five years of activity, despite tough market conditions, 2'883 participants have followed SFI Executive Education programs.
- > In view of the ever-changing landscape of executive education in banking and finance, the program offering is constantly refined and enhanced with new programs.

4. SFI seeks to provide international knowledge transfer at the very highest level. A wealth of events ensures there is something for all interested participants.

- > In five years a steadily growing number of Knowledge Transfer activities offers applied knowledge to the benefit of Switzerland's financial sector as well as its education and training system.
- > The use of modern technology such as podcasts makes this knowledge available around the globe.

SFI is alive and well. However, the changes in the financial industry over the last few years push us all to look at finance in a new light, whether it is academia or industry. These challenges allow our researchers to consider new questions, provide us an opportunity to adapt and realign our executive education offering, and to search for ways to increase the flow of knowledge between different groups. SFI is in this for the long run, and with these new opportunities in mind we will continue reaching towards our ambitious objectives, fine-tuning our activities as SFI goes forward.

We would like to take this opportunity to acknowledge the work of all who have contributed to making SFI a success story in its first five years! We realize that SFI's achievements rely, in part, on the support received from individuals and institutional partners. Our sincerest gratitude goes out to our supporters within the Swiss universities, the federal government and the banking and finance industry. Your commitment, determination, and overall contribution are very much appreciated.

A special note of thanks goes to Prof. Jean-Pierre Danthine, the Managing Director during much of these five years. With a vision in mind, he was able to create the foundation of a successful model for working between academia, the financial industry, and the Swiss government. We would also like to express our sincere gratitude to Dr. Urs Ph. Roth, as former representative of the Swiss Bankers Association, who served on the Foundation Board since SFI's creation and was key in getting SFI going. In 2010, both Prof. Danthine and Dr. Roth were made Honorary Members of SFI.

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



Olivier Steimer
Chairman of the Foundation Board



Claudio Loderer
Managing Director

Swiss Finance Institute Faculty

Swiss Finance Institute (SFI) Faculty continues to evolve in a positive direction. Since the Institute's creation in 2006, 21 hires have been made by our academic partners with SFI support.

The Swiss Finance Institute aims at achieving a leading position among finance research institutes within Europe in major areas relevant for banking and finance. This will contribute to increasing Switzerland's attractiveness for outstanding researchers, teachers and students over time. Currently, there are 56 SFI Faculty members, of which more than one half hold SFI Chairs or Fellowships. The research success of SFI Faculty, as can be seen in the following pages of this report, attests to the engagement of these full-time researchers in the field of banking and finance and related disciplines.

SFI continues working with its academic partners in reinforcing faculty with the goal of becoming an internationally recognized finance research institute in Europe. Six new professors are expected to join SFI academic partners in fall 2011.



Center Highlights

Since July 2010 there have been a number of noteworthy developments within the SFI Faculty:

In the Léman Center, at the University of Lausanne, Prof. Norman Schürhoff was successfully promoted to an SFI Senior Chair and Prof. Hansjörg Albrecher joined as a new SFI Faculty Member. At the University of Geneva, Prof. Olivier Scaillet was promoted to an SFI Senior Chair and Prof. Inès Chaieb started her position as an SFI Tenure-Track Assistant Professor in fall 2010. And SFI Faculty Member Prof. Semyon Malamud was promoted to an SFI Junior Chair at the Ecole Polytechnique Fédérale de Lausanne (EPFL).

In the Lugano Center, SFI Tenure-Track Assistant Professor Alberto Plazzi started his position in fall 2010 with an SFI Junior Chair.

In the Zürich Center, Prof. Per Östberg joined the University of Zurich as an SFI Tenure-Track Assistant Professor. In addition, Prof. Markus Leippold rejoined SFI as a Faculty Member following his appointment at the University of Zurich.

Swiss Finance Institute Faculty (June 2011)

Hansjörg Albrecher
Anastasia Andrikogiannopoulou (September 2011)
Philippe Bacchetta
Giovanni Barone-Adesi **
Tony Berrada
Peter Bossaerts *
Inès Chaieb
Marc Chesney
Pierre Collin-Dufresne * (September 2011)
François Degeorge *
Theodosios Dimopoulos (July 2011)
Paul Embrechts *
Rüdiger Fahlenbrach ****
Damir Filipovic *
Francesco Franzoni ****
Patrick Gagliardini ****
Rajna Gibson Brandon **
Manfred Gilli
Amit Goyal *
Michel Habib *
Henrik Hasseltoft
Harald Hau * (August 2011)
Thorsten Hens ***
Martin Hoesli
Julien Hugonnier ****
Eric Jondeau
Felix Kübler *
Markus Leippold
Henri Loubergé
Semyon Malamud ****
Loriano Mancini
Antonio Mele * (August 2011)
Erwan Morellec *
Eric Nowak
Kjell G. Nyborg *
Claudio Ortelli
Per Östberg
Marc Paoletta
Alberto Plazzi ****
Jean-Charles Rochet *
Michael Rockinger ***
Yuki Sato (July 2011)
Olivier Scaillet *
Norman Schürhoff *
Martin Schweizer **
Karl Schmedders
Halil Mete Soner *
Didier Sornette
Pascal St-Amour
Josef Teichmann
Fabio Trojani ***
Anders Trolle ****
Paolo Vanini
Alexander Wagner
Alexei Zhdanov ****
Alexandre Ziegler

* Senior Chair
** Distinguished Service Senior Chair
*** Research Fellow
**** Junior Chair



Research Highlights

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

The SFI Scientific Council places extra weight on publications appearing in journals that historically have been first in promoting the ideas that have changed financial practice: *Journal of Finance*, *Journal of Financial Economics*, *Review of Financial Studies*, *American Economic Review*, *Journal of Political Economy*, *Quarterly Journal of Economics*, *Econometrica*, and *Review of Economic Studies*. In 2010 and the first half of 2011 the following 28 articles were published by SFI researchers:

2010

Infrequent Portfolio Decisions: A Solution to the Forward Discount Puzzle, Ph. Bacchetta, and E. van Wincoop, the *American Economic Review*, pp. 870–904, 2010.

Exploring the Nature of 'Trader Intuition', A. J. Bruguier, S. R. Quartz, P. L. Bossaerts, the *Journal of Finance*, vol. 65(5), pp. 1703-1723, 2010.

Ambiguity in Asset Markets: Theory and Experiment, P. L. Bossaerts, P. Ghirardato, S. Guarnaschelli and W. Zame, the *Review of Financial Studies*, vol. 23(4), pp. 1325-1359, 2010.

Equilibrium Asset Pricing Under Heterogeneous Information, B. Biais, P. L. Bossaerts and C. Spatt, the *Review of Financial Studies*, vol. 23(4), pp. 1503-1543, 2010.

Auctioned IPOs: The U.S. Evidence, F. Degeorge, F. Derrien and K. Womack, the *Journal of Financial Economics*, vol. 98(2), pp. 177-194, 2010.

Why do firms appoint CEOs as outside directors?, R. Fahlenbrach, A. Low and R. Stulz, the *Journal of Financial Economics*, vol. 97(1), pp. 12-32, 2010.

Dynamic Investment and Financing under Personal Taxation, E. Morellec and N. Schürhoff, the *Review of Financial Studies*, vol. 23(1), pp. 101-146, 2010.

Expected Returns and Expected Growth in Rents of Commercial Real Estate, A. Plazzi, W. Torous and R. Valkanov, the *Review of Financial Studies*, vol. 23(9), pp. 3469-3519, 2010.

Large Risks, Limited Liability, and Dynamic Moral Hazard, B. Biais, T. Mariotti, J.-C. Rochet and S. Villeneuve, the *Econometrica*, vol. 78(1), pp. 73-118, 2010.

False discoveries in mutual fund performance: Measuring luck in estimated alphas, L. Barras, O. Scaillet and R. Wermers, the *Journal of Finance*, vol. 65(1), pp. 179-216, 2010.

Pricing American options under stochastic volatility and stochastic interest rates, A. Medvedev and O. Scaillet, the *Journal of Financial Economics*, vol. 98, pp. 145-159, 2010.

Price Discovery in Illiquid Markets: Do Financial Asset Prices Rise Faster Than They Fall?, N. Schürhoff, R. C. Green and D. Li, the *Journal of Finance*, vol. 65(5), pp. 1669-1702, 2010.

Correlation Risk and Optimal Portfolio Choice, A. Buraschi, P. Porchia and F. Trojani, the *Journal of Finance*, vol. 65(1), pp. 393-420, 2010.

2011 or forthcoming

Regulating Asset Price Risk, P. Bacchetta, C. Tille and E. van Wincoop, the *American Economic Review*, vol. 101(3), pp. 410-412, 2011.

Former CEO Directors: Lingering CEOs or Valuable Resources?, R. Fahlenbrach, B. Minton and C. Pan, the *Review of Financial Studies*, forthcoming.

Bank CEO Incentives and the Credit Crisis, R. Fahlenbrach and R. M. Stulz, the *Journal of Financial Economics*, vol. 99(1), pp. 11-26, 2011.

Hedge Fund Stock Trading in the Financial Crisis of 2007-2009, I. Ben-David, F. Franzoni, R. Moussawi, the *Review of Financial Studies*, forthcoming.

Private Equity Performance and Liquidity Risk, F. Franzoni, E. Nowak, L. Phalippou, the *Journal of Finance*, forthcoming.

Efficient Derivative Pricing By The Extended Method of Moments, P. Gagliardini, Ch. Gouriéroux and Eric Renault, the *Econometrica*, forthcoming.

Performance Persistence in Institutional Investment Management, J. Busse, **A. Goyal** and S. Wahal, the *Journal of Finance*, forthcoming.

Verifying Competitive Equilibria in Dynamic Economies, **F. Kübler**, the *Review of Economic Studies*, forthcoming.

Bond Ladders and Optimal Portfolios, Kenneth L. Judd, **F. Kübler** and **K. Schmedders**, the *Review of Financial Studies*, forthcoming.

Price Impact and Portfolio Impact, **S. Malamud**, J. Cvitanic, the *Journal of Financial Economics*, vol. 100(1), pp. 201-225, 2011.

Corporate Governance and Capital Structure Dynamics, **E. Morellec**, B. Nikolov and **N. Schürhoff**, the *Journal of Finance*, forthcoming.

Corporate Investment and Financing under Asymmetric Information, **E. Morellec** and **N. Schürhoff**, the *Journal of Financial Economics*, vol. 99, pp. 262–288, 2011.

The price of liquidity: The effects of market conditions and bank characteristics, **K. Nyborg**, F. Fecht and J. Rocholl, the *Journal of Financial Economics*, forthcoming.

Free Cash Flow, Issuance Costs, and Stock Prices, J-P. Decamps, T. Mariotti, **J-C. Rochet**, and S. Villeneuve, the *Journal of Finance*, forthcoming.

Real Options, Volatility, and Stock Returns, **A. Zhdanov**, G. Grullon, and Evgeny Lyandres, the *Journal of Finance*, forthcoming.

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

Other Publications

More complete information on SFI Faculty **Publications in Academic Journals and Books** can be found on pages 26-31 of this report. Additionally, 58 research papers were included in the 2010 **Swiss Finance Institute Research Paper Series** hosted on the Social Science Research Network (SSRN). The series is a collaborative project between SFI and NCCR FINRISK. A complete list of the 2010 papers is available on pages 32-35 of this report.

The **Occasional Paper Series** of the Swiss Finance Institute is a series welcoming all forms of submissions contributed by members of the Swiss Finance Institute community in view of stimulating the intellectual debate in the Institute's domains of activity. In particular, the series focuses on material addressing current topics. In the first half of 2011 one Occasional Paper was produced entitled "The Euro Area Sovereign Debt Crisis: Secure the Debt and Modify Haircuts" by Prof. Kjell G. Nyborg from the University of Zurich and Swiss Finance Institute. This series can be accessed on the SFI website.

In the first half of 2011, Swiss Finance Institute launched a new publication, the **Connection**, a quarterly knowledge transfer publication. The aim of Connection is to present ongoing research carried out by SFI Faculty members on finance topics of current interest. The first issue of Connection focuses on the recent financial crisis, an event which has raised interesting research questions as to what caused it and what needs to be undertaken in order to prevent its repeating in the future. The SFI research papers presented in this first issue of Connection show that there is no single culprit. Indeed, many elements contributed to the crisis, including excessive leverage, liquidity frictions, and investors' perceptions of relevant economic variables. The Connection can be accessed on SFI's website.





Norman Schürhoff

SFI Professor receives the prestigious Smith-Breeden Prize from the Journal of Finance

The Smith-Breeden Prize, selected by the Associate Editors of the Journal of Finance, is considered one of the most prestigious prizes in the field of finance. It is awarded annually for the top papers in any area other than corporate finance published in the Journal of Finance in the first five issues of the given year and the December issue of the previous year. The 2010 winners were announced at the American Finance Association's Annual Meeting in January 2011. A "Distinguished Paper" Prize was awarded to **Prof. Norman Schürhoff**, SFI Professor at the University of Lausanne, for his paper entitled "Price Discovery in Illiquid Markets: Do Financial Asset Prices Rise Faster Than They Fall?", co-authored with Richard C. Green and Dan Li.

Outstanding Paper Award

The Swiss Finance Institute's Outstanding Paper Award is awarded annually to an unpublished research paper circulated over the previous 12 months and making an outstanding contribution to the field of finance. Many of the research papers have gone on to be published in some of the best academic journals. The jury selecting the winning paper is composed of all Swiss Finance Institute Chaired professors and Fellows and is headed by SFI Prof. Michel Habib.

The 2010 winners of the Outstanding Paper Award were Jules H. van Binsbergen (Stanford University), Michael W. Brandt (Duke University), and Ralph S. J. Koijen (University of Chicago) for their paper entitled "On the Timing and Pricing of Cash Flows". This paper was the object of a public lecture entitled "On the Timing and Pricing of Dividends" given by Prof. Brandt on March 29, 2011 in Geneva. The paper is now forthcoming in the American Economic Review.



Rüdiger Fahlenbrach

Banque Privée Espirito Santo Prize

The Banque Privée Espirito Santo Prize 2010 was awarded to **Prof. Rüdiger Fahlenbrach** (Ecole Polytechnique Fédérale de Lausanne and Swiss Finance Institute) and René M. Stulz (Ohio State University, National Bureau of Economic Research, and European Corporate Governance Institute) at the 5th SFI Annual Meeting in Zurich for their paper entitled "Bank CEO Incentives and the Credit Crisis". This paper has since been published in the Journal of Financial Economics.

Paper abstract:

We investigate whether bank performance during the recent credit crisis is related to chief executive officer (CEO) incentives before the crisis. We find some evidence that banks with CEOs whose incentives were better aligned with the interests of shareholders performed worse and no evidence that they performed better. Banks with higher option compensation and a larger fraction of compensation in cash bonuses for their CEOs did not perform worse during the crisis. Bank CEOs did not reduce their holdings of shares in anticipation of the crisis or during the crisis. Consequently, they suffered extremely large wealth losses in the wake of the crisis.

"The Swiss Finance Institute was created and generously financed as a joint effort of the entire Swiss Banking community and SIX Group. It was the goal of the founding fathers to achieve global excellence in research and executive education in finance and banking by joining forces with Swiss universities and the Swiss Confederation and bringing the best academics and students to Switzerland. In only five years of activity SFI has established itself as a distinguished and respected force in the academic world. Its successful doctoral students are sought-after candidates for research assignments at prestigious universities. I congratulate SFI for all its achievements and wish SFI and its partner universities further great success in the years to come."

*Dr. Urs Ph. Roth
SFI Honorary Member, former CEO of the Swiss Bankers Association*



The Swiss Finance Institute Research Partner: NCCR FINRISK



The National Centre of Competence in Research (NCCR) in Financial Valuation and Risk Management (FINRISK) and the Swiss Finance Institute work hand in hand to support the highest quality academic research in finance carried out in Switzerland.

FINRISK's 10th year of activities clearly underpins the ongoing success of this well-established initiative. The overall research output not only reflects the continued growth in faculty, but also shows a substantial increase in the share of A-rated publications: there are 45 new publications since July 2010, of which 15 - one third! - are in A-rated journals, the highest level achieved to date.

FINRISK has integrated 7 professors over the past year, most of whom have been recently hired, with Swiss Finance Institute support, at the SFI partner institutions. Another 6 new professors are expected to join FINRISK / SFI during fall 2011.

SFI-Funded Research Projects

The new SFI-funded FINRISK research project on "Systemic Risk and Dynamic Contract Theory", headed by Prof. Jean-Charles Rochet (SFI Professor at University of Zurich), started in 2010. This project provides the basis for a new FINRISK banking and regulation research module and seeks to develop dynamic models of financial intermediaries subject to endogenous financial frictions.

A new FINRISK / SFI initiative, "Finance and Society", aims at launching a research module on the topic of "socially responsible finance". The call for projects was launched during spring 2011 and a number of research proposals are under review at the time of writing.

10th SFI / FINRISK Annual Workshop in Finance

Each year since 2002, the Study Center Gerzensee Foundation generously sponsors the SFI / FINRISK Annual Workshop in Finance. A group of advanced doctoral students from the FINRISK / SFI network

institutions meet to present their research at the Swiss doctoral workshop in finance. In parallel, the FINRISK Research Day, the main vehicle of integration for SFI researchers, is organized, allowing for FINRISK members the opportunity to interact, discuss their research work, and identify areas of common interest and possible collaboration. The Workshop featured a keynote lecture on "Quadratic Variance Swap Models: Theory and Evidence" by Damir Filipovic (SFI Professor at EPFL).

The 10th **Swiss Doctoral Workshop in Finance** took place on June 06-07, 2011. Approximately 40 PhD students, mostly from the SFI PhD program in finance, as well as another 40 faculty members attended this combined event. PhD students from Swiss institutions presented 22 research papers in one of the three parallel sessions. Each paper was then discussed by a fellow student, before René Stulz (Ohio), Jérôme Detemple (Boston), and FINRISK / SFI Faculty members provided their feedback. Following this workshop, SFI will award prizes: for the best paper presented at the doctoral workshop as well as the best student discussant awards. For more information on these prizes please refer to the corresponding section in the SFI PhD Program.

The **FINRISK Research Day 2011** attracted about 80 participants from the FINRISK / SFI network. The goal of this Research Day is to allow scientists with common interests from various FINRISK research projects to interact and discuss their research work and get to know each other better, with a potential to generate scientific collaborations through the contacts established during the workshop. The FINRISK / SFI Faculty presented ongoing research projects in their respective field of "Risk Management", "Asset Pricing and Portfolio Management", "Corporate Finance", "Quantitative Methods in Finance" and "Banking and Regulation".

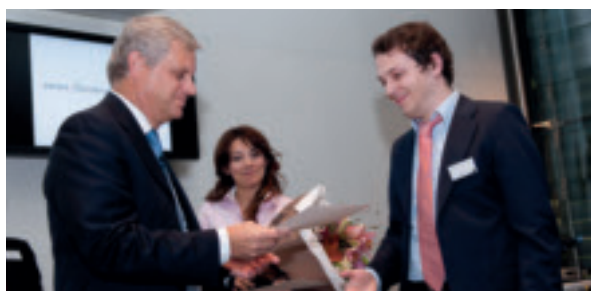
The Swiss Finance Institute PhD Program in Finance

The Swiss Finance Institute (SFI) PhD Program in Finance is one of the largest in the world. It is targeted towards the pursuit of academic excellence, providing rigorous and inspiring PhD studies in finance with an intellectual environment and curriculum comparable with the top PhD programs in Europe and North America. The program seeks to offer the best training possible to future academics and those contemplating a career in industry.

As of June 2011, there were 85 active students enrolled in the SFI PhD Program in Finance. The program takes place across the three SFI Centers with students in Léman (34), Lugano (19) and Zurich (30). In 2010, 10 students graduated from the program. In 2011, a total of 22 (Léman 12, Lugano 5, Zurich 5) new PhD students are expected to join the program.

The Swiss Finance Institute finances students in their first year of the program to allow for full-time dedication to their studies. In subsequent years, the students often work as teaching and research assistants in local institutes while writing their thesis, following advanced courses and pursuing their research interests. SFI further supports students by providing financing for travelling to international conferences and workshops, advanced doctoral studies in top international institutes, and support for the academic job market. SFI's research partner, NCCR FINRISK, also contributes to supporting the students in educational and research-related activities.

A rigorous training during the first-year course program provides students a solid base for their subsequent years of research work. During the second phase of the program, students are exposed to others' research and hone their skills in their chosen area. Students are regularly exposed to international experts through courses, presentations, and conferences, allowing them to receive a top education and to expand their network.



Mr. Olivier Steimer, Chairman of the SFI Foundation Board, congratulates winners Julien Cujean and Nilüfer Caliskan.

SFI / FINRISK Doctoral Courses

A total of 8 advanced doctoral courses in finance were jointly organized by FINRISK and SFI in 2010/2011. These courses are available to doctoral students from any Swiss university.

- Advanced Asset Pricing; Ravi Bansal (Duke University); July 2010
- Risk Management: Lessons from the Subprime Crisis; Jean-Charles Rochet (UZH); September 2010
- Advanced Topics in Game Theory; William Zame (UCLA); September 2010
- Dynamic Asset Pricing; Suleyman Basak (LBS); October 2010
- Dynamic Corporate Finance; Erwan Morellec (SFI Professor at EPFL); December 2010
- Risk-taking and Prudential Regulation in Banking: Insights from Applied Theory; Javier Suarez (CEMFI) and Swiss Finance Institute Visiting Professor at the University of Zurich; February 2011
- Commodities and Commodity Derivatives; Hélyette Geman (London); May 2011
- Statistical Methods of Econometrics, with Financial Applications; Alain Monfort (CREST); June 2011

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

The annual SFI Best Discussant Doctoral Award was begun by SFI in 2007 and is awarded to Swiss doctoral students in finance for an outstanding discussion of a paper presented at the Annual PhD Workshop organized by FINRISK and SFI. The recipients are selected by the chairpersons of the respective workshop sessions. The Awards are bestowed upon the winners at the SFI Annual Meeting and the recipients receive CHF 1'000 (to be shared among the winners) and a certificate for her/his accomplishment. In 2010 the recipients were Julien Cujean (EPFL and SFI), Nilüfer Caliskan (University of Zurich and SFI) and Jan-Peter Kulak (EPFL and SFI), who received their awards at the SFI Annual Meeting.

Swiss Finance Institute Best Paper Doctoral Award

The Best Paper Doctoral Award was started in 2003 by the International Center for Financial Asset Management and Engineering (FAME) and from 2006 was extended to all Swiss doctoral students in finance under the auspices of FINRISK and SFI. It awards a PhD student for an outstanding research paper presented at the Annual PhD Workshop organized by FINRISK and SFI. The winning paper is nominated by a committee formed of outside experts participating in the Workshop and is selected by faculty representatives from each SFI Academic Center (Léman, Lugano, Zurich). The Award is bestowed upon the winner at the SFI Annual Meeting and the recipient receives CHF 2'000 and a certificate for her/his accomplishment. In 2010, the Award was given to Julien Cujean, an SFI student from the Ecole Polytechnique Fédérale de Lausanne (EPFL and SFI) at the SFI Annual Meeting for his paper entitled "Equilibrium Asset Prices with Bid-Ask Spreads".

Advanced Doctoral Grants and PhD Study Abroad

- **Asyl Bakanova** from the University of Lugano visited Wharton School, University of Pennsylvania, USA, from September 2010 to August 2011 (faculty sponsor: Prof. Francis X. Diebold).
- **Julien Cujean** from Ecole Polytechnique Fédérale de Lausanne (EPFL) visited MIT Sloan School of Management, USA, from February to June 2011 (faculty sponsor: Prof. Leonid Kogan).
- **Matthias Jüttner** from the University of Zurich visited Columbia Business School, USA, from January to June 2011 (faculty sponsor: Prof. Pierre Collin-Dufresne).
- **Matthias Kurmann** from the University of Lausanne visited University of California San Diego, USA, from January to April 2010 (faculty sponsor: Prof. Allan Timmerman).
- **Jan Wrampelmeyer** from the University of Zurich visited Columbia Business School, USA, from January to June 2010 (faculty sponsor: Prof. Robert J. Hodrick).



PhD Graduate Placements

The Swiss Finance Institute PhD Program placements are having a far and impressive reach around the globe.

To date, nearly 75 SFI graduates have completed the doctoral program and have been successful at securing notable positions at prestigious academic and financial institutions.

Academic Placements

The number of top placements of our graduates has become a key measure for the assessment of our doctoral program performance, with the goal of placing 1-2 students in top US and European finance departments each year.

Following are the academic placements for fall 2010:

- **Alexandre Jeanneret**, SFI PhD graduate of the University of Lausanne, as an Assistant Professor at HEC Montréal, Canada.
- **Rodolfo Javier Prieto Katunarcic**, SFI PhD graduate of the Ecole Polytechnique Fédérale de Lausanne (EPFL), as an Assistant Professor of Finance at Boston University in the United States of America.
- **Philip Valta**, SFI PhD graduate of the Ecole Polytechnique Fédérale de Lausanne (EPFL), as an Assistant Professor at the School of Management, HEC Paris, France.

After three years of excellent academic placements, there were few students on the academic job market for the 2010/2011 recruiting season.

SFI PhD Graduates 2010-2011

The following students graduated from the SFI PhD Program during 2010 and the first half of 2011:

2010

- **Vera Baranouskaya**, Senior Associate, the Boston Consulting Group, Moscow, Russia.
- **Jürg Burkhard**, Head of Portfolio and Risk Management for the private equity practice, LGT Capital Partners, Pfäffikon, Switzerland.
- **Remo Cramer**, Quantitative Risk Analyst, UBS AG, Switzerland.
- **Marina Druz**, Senior Associate, the Boston Consulting Group, Brussels, Belgium.
- **Alexandre Jeanneret**, Assistant Professor of Finance, HEC Montréal, Canada.
- **Rodolfo Javier Prieto Katunarcic**, Assistant Professor of Finance, Boston University, USA.
- **Evgeny Plaksen**, Consultant for an international firm.
- **Urs Schweri**, Assistant in research and teaching, University of Zurich.
- **Philip Valta**, Assistant Professor of Finance, HEC School of Management, Paris, France.
- **Songtao Wang**, will do a research stay at Stern School of Business, New York University, USA.

2011

- **Asyl Bakanova**, Post Doc, University of Pennsylvania, USA.
- **Hakim Dall'O**, Business Analyst-Credit Risk, UBS, Zurich, Switzerland.
- **Jan Wrampelmeyer**, Risk Modeling & Analytics Specialist, UBS AG, Zurich, Switzerland.

Swiss Finance Institute Graduates Recognized for Outstanding Research Work



One of the most important academic conferences in finance took place at the beginning of 2011: the Annual Meeting of the American Finance Association (AFA). The AFA publishes the Journal of Finance and each year at this meeting they award the Smith-Breeden Prize, recognizing the top papers in the Journal in any other area than corporate finance over a one-year period. The first prize (for the best paper) has been awarded to **Prof. Lukas Schmid**, a 2007 SFI PHD graduate from the University of Lausanne and now Assistant Professor of Finance at the Fuqua School of Business, Duke University.

Prof. Alexandre Jeanneret, a 2010 SFI PHD graduate from the University of Lausanne and currently Assistant Professor of Finance at HEC Montréal, won the AFFI - NYSE Euronext 2010 Prize for his thesis "Essays in International Finance and Credit Risk". The Prize seeks to recognize annually an outstanding PhD thesis in market finance defended at a francophone university or institution of higher learning.

Dr. Nicolas Mougeot, one of SFI's first PhD graduates (University of Lausanne & FAME, 2001), is currently Global Head of Equity Derivatives and Quantitative Strategy at Deutsche Bank. Deutsche Bank has been awarded the Risk Magazine "Derivatives Research House of the Year" Risk Award. The Risk Award is one of the three major awards for derivatives research, awarded by Risk Magazine.

Executive Education



Highlights 2010

In 2010 the Swiss Finance Institute Executive Education successfully

- offered 28 courses for a total of 43 weeks
 - > 12 courses in advanced finance for a total of 16 weeks
 - > 6 courses in bank management for a total of 18 weeks
 - > 10 in-house training courses for a total of 9 weeks
- had 483 participants take one or more of the Institute's courses, with 126 graduating from one of its diploma courses;
- had 65% of participants in its international offerings come from outside of Switzerland, representing 40 different nationalities.

These results were achieved in spite of a difficult year, during which many financial institutions in the world refocused their external educational offerings as a reaction to the financial crisis. The international trend continues towards certified courses, towards local programs for more technical employees in lieu of international programs, and towards more in-house programs.

In anticipation of this trend, the Swiss Finance Institute

- launched a new **Dual Degree Executive MBA in Asset and Wealth Management** in April 2010 after three years of preparation.
 - > This program is aimed at developing high potentials from the asset management industry and

from the wealth management industry, preparing them to assume high profile roles in their respective industry.

- > The Dual Degree Executive MBA in Asset and Wealth Management is offered by the Swiss Finance Institute jointly with HEC Lausanne and Carnegie Mellon University (CMU); it leads to an Executive MBA degree from University of Lausanne and one from CMU.
- > With 3 two-week modules in the US and 3 in Switzerland it is one of only a handful of Executive MBAs catering for a global audience, and the only such global program known to us with a focus in Asset and Wealth Management in the world.

The shift from the more junior and open enrolment type Geneva Executive Courses in Finance and the FAME program to this Dual Degree Executive MBA in Asset and Wealth Management reflects the trend of the industry in international executive education.

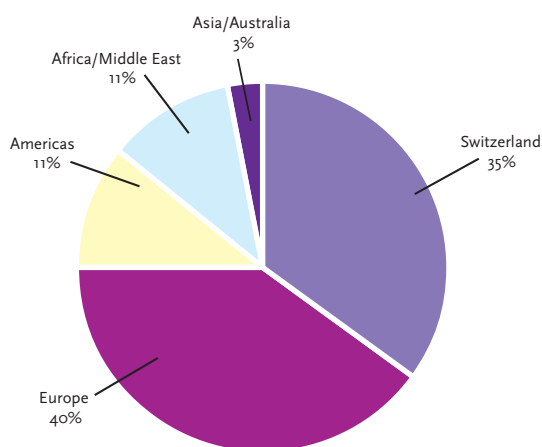
- ensured a superb delivery of the **Swiss Management Program in Banking in Vietnam**, a program initiated in 2007, taken by 73 bank directors from Vietnam. This program will continue until the end of 2011.
- completed a full review of its Executive Education offering with the objective of adapting it to the future demands of the industry after the financial crisis. Led by its Executive Education Advisory Board, the Swiss Finance Institute concluded that
 - > similar to the international arena, the Swiss Finance Institute should offer programs with a recognized certification;
 - > it should maintain the unique value of the program by retaining the combination of academic thought leaders and exemplary industry practitioners, with

their input critically reflected by the participants who themselves are all peers with significant experience in the financial industry;
 > it should continue to build on the brand value of the Swiss Finance Institute.

As a conclusion the Swiss Finance Institute decided to upgrade its market-leading SFI Executive Program into a **Diploma of Advanced Studies in Banking** through a collaboration with a university partner. In the meantime such a partner has been found in the form of the University of Bern, with whom we are working through Rochester-Bern Executive Programs. The Diploma of Advanced Studies program will be expanded over time to a Master of Advanced Studies with modular electives, in line with market demands.

Staying abreast of developments in an increasingly complex and demanding industry is a constant challenge. To manage this challenge the Swiss Finance Institute is now building a Knowledge Center of area experts (thought of as an intermediary platform) to collect and disseminate research insights and practitioner experience in a systematic way. This knowledge will be made available both to the industry and academia and hence will be incorporated into executive courses. In this way the Knowledge Center will support Executive Education in staying at the forefront in the future.

Origin of Participants in SFI Courses taught in English



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

The Geneva Executive Courses in Finance (GECF) are a suite of independent courses. Each course addresses a selected finance topic, where it offers a superb overview of the current status and modern

developments relevant to practitioners. The GECF courses are attended by participants from a broad spectrum of private financial institutions, central banks and international financial organizations. The courses have a history of more than 25 years and over the years participants from more than 1'300 institutions and approximately 100 countries have attended the courses.

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

As in the previous years, in 2010 courses were offered in the following areas:

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

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

Financial Asset Management and Engineering Program (FAME)

In its 15th year, FAME is an intensive 4+1-week program designed to provide applied training in state-of-the-art techniques and practices used in asset management and financial engineering. Taught in Lausanne in a technology laboratory, FAME is preceded by an optional one-week course which covers the foundations of finance. In the program each module is taught by a leading academic supported by practitioners. 13 participants joined this program in 2010 representing countries as diverse as Saudia Arabia, Italy, Poland, Estonia, USA, Mexico, Venezuela, Brazil and Nigeria.

The Executive Education offering: Bank Management

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

for the finance industry. Senior executives are invited to present their institutions' reactions to these developments.

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

Seminars in Bank Management

In 2010 the Swiss Finance Institute organized two international seminars with 40 participants, the International Private Banking and Wealth Management Retreat and the International Wealth and Tax Planning Seminar held in cooperation with CFA Institute. The most prestigious of these seminars is the five-day Retreat for Managing Directors. The Retreat assembles academic opinion leaders and senior private banking executives to discuss research and practical advances in the increasingly complex and globalized wealth management sector. Attendees are drawn from all over the world including North America, Europe, the Middle East and Asia.

SFI Executive Program and SFI Advanced Executive Program in Bank Management

These two German-speaking part-time bank management programs brought together a total of 135 participants in 2010. The aim of these programs is to develop a broadened understanding of the finance industry, and thereby achieve an improved quality of decision-making as well as a superior ability to interact with colleagues from other business areas.

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

Senior Management Program in Banking

In 2008 the Swiss Finance Institute launched the Senior Management Program in Banking. Despite the financial crisis the program managed to attract 27 international participants for its third cycle in 2010. The program brings together a dynamic international

faculty, industry leaders and peers to present and discuss strategic developments in the finance industry. The program is split into four blocks lasting 5 days, with each block taking place at a different European financial center. The program is held in English.

The Singapore Master Program

The Swiss Finance Institute is also responsible for the one-week Swiss module of the Master in Wealth Management offered by the Singapore Management University, with the Wealth Management Institute as third partner. The Swiss module was held for the sixth time in 2010, with 36 participants from Singapore and South East Asia.

The Executive Education offering: Dual Degree Executive MBA in Asset and Wealth Management

The Dual Degree Executive MBA in Asset and Wealth Management integrates financial know how and business management. This program is one of only a handful of Executive MBAs in the world which allow participation from anywhere in the world, and as such are truly global. This Executive MBA addresses bank managers, senior relationship managers and investment professionals from around the world, active in private banking or in institutional asset management. The program engages some of the world's foremost academics to teach the concepts and how they are applied, while leading practitioners discuss the associated practical challenges. This is then put into the special perspective of managing the asset and wealth management business. The program involves 6 two-week classroom modules spread over 20 months, based alternately at the Tepper School of Business at Carnegie Mellon University, Pittsburgh, Pennsylvania, and at HEC Lausanne, Switzerland. Graduates of this new program receive Executive MBA degrees from both the Tepper School of Business and from HEC Lausanne.

Participants in Executive Education courses in 2010

<i>Finance</i>	
<i>Geneva Executive Courses in Finance</i>	<i>41</i>
<i>FAME Certificate</i>	<i>13</i>
<i>Bank Management</i>	
<i>Banking seminars</i>	<i>40</i>
<i>SFI Bank Management programs</i>	<i>162</i>
<i>Masters programs</i>	<i>36</i>
<i>In-house programs</i>	<i>191</i>
<i>Total</i>	<i>483</i>

Outlook 2011

In the Executive Program 2011/2012, 60 participants have successfully completed the Fundamentals of Finance course. This is a one-week course which is a prerequisite for the admittance to the core part of the Executive Program. The Advanced Executive Program 2011 started in February with the first of its ten 2.5 day modules with 31 participants. The program will last until December 2011. Finally, the fourth cycle of the Senior Management Program in Banking successfully started with 22 participants. Of the latter, 13 came from Switzerland, 4 from Latin America, 4 from Europe and 1 from Asia. The initial module in Geneva will be followed by another three modules to be held in London, Zurich and Bratislava.

We have received great interest in our newly launched Executive MBA in Asset and Wealth Management. In May 2011 the first cycle of this MBA program started with a module taught by Carnegie Mellon professors. The first cohort consists of 22 participants, representing 12 nationalities including participants from China, India, Lebanon and Mexico. The participants have an average of 16 years of professional experience.

A major effort has been made in 2011 also to start implementing SFI's new Executive Education strategy. Guided by the Executive Education Advisory Board, and supported by a project team of educational experts representing all major banking groups in Switzerland, the implementation of the new domestic educational strategy was started. The key challenge was to offer a program which adheres to

the academic standards of a Swiss university, yet still retains its absolute focus on the industry needs and its high practical value. Working with Rochester-Bern Executive Education of the University of Bern, such a solution could be found: The academic content was verified through an accreditation process, and a stringent examination process has been put in place, which satisfies the requirements of the University of Bern. The input by practitioners and the critical discussions of the academic concepts and the presented practical implementations by the peer participants were both retained as the crucial differentiation factors of the program.

Progress was made in setting up the new Knowledge Center. The Knowledge Center wants to encourage the interchange of knowledge between academia and industry. The Knowledge Center is starting as a pilot with two functional areas in banking, and will then expand into other areas. First events are planned to take place still in 2011. The Center will organize events with topical issues and new industry relevant trends for bank managers. It will also guarantee professional and systematic academic knowledge input into Executive Education. The project is lead by Prof. Alfred Mettler, SFI Adjunct Professor and Professor of Finance at the Georgia State University, supported by a small team currently preparing the business plan and structural setup.

For a complete list of the Executive Education courses offered by the Swiss Finance Institute in 2010 see pages 36-37.





Alumni Association

The Swiss Finance Institute Alumni Association (SFIAA) took over from the former Swiss Banking School Alumni Association on April 28, 2006. Graduates from the Executive Program, Advanced Executive Program, International Wealth Management Executive MBA, Financial Asset Management and Engineering Program and the Senior Management Program in Banking are eligible to join. There are now 1'390 members of the SFIAA.

The Swiss Finance Institute Alumni Association promotes

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

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

2010 Alumni Luncheons

January 25, 2010

Prof. Dr. Peter Gross
Professor emeritus, University of St. Gallen

March 5, 2010

Roger Köppel
Editor-in-chief, Weltwoche

May 10, 2010

Prof. Dr. Martin Janssen
Professor of Finance, University of Zurich and
Head of the ECOFIN Group

August 27, 2010

Martin Thomen
President, Swiss Funds Association

In order to promote the networking among women in particular in the SFIAA, Female Luncheons have been launched in 2008. In total 160 women participated at this year's events:

March 3, 2010

Päivi Rekonen
Member of the Board of Trestle Group Foundation

June 10, 2010

Lesley Stephenson
Head of speakingsolutions, speaker, author and coach

December 9, 2010

Inga K. Beale
Member of the Group Management Board and Global
Chief Underwriting Officer of Zurich Financial
Services Group (Zurich).

Swiss Finance Institute Knowledge Transfer Activities

The Swiss Finance Institute (SFI) Knowledge Transfer has been further developed and expanded in order to encourage the dialogue between research and the banking industry. At the cutting edge of research and business, SFI provides platforms and organizes events offering applied knowledge. The high number of participants reflects a high demand for knowledge and financial themes in this format.

SFI Knowledge Transfer offers a variety of events such as lunch and evening events, panel discussions, and breakfast seminars. The most popular seminars are the SFI breakfast seminars.

The concept of early morning seminars works obviously well for the Zurich area. Between June 2010 and June 2011, 1'363 participants attended these SFI Breakfast Seminars.

The main Knowledge Transfer event of the year, the Swiss Finance Institute Annual Meeting, is held each fall. Following is a synopsis of the 2010 Meeting:

5th Annual Meeting

The Annual Meeting 2010 assembled more than 260 practitioners and researchers in Zurich. Sessions on "Liquidity and Liquidity Risk Management" and "Frontiers in Risk Management" were offered for researchers. Practitioners had the chance to attend a master class on the "Financial System Architecture" and sessions on "Funding and Liquidity Risk Management". The main conclusion of the conference was that finance will become less innovative but more robust.

The key note speech was held by the Swiss National Bank Vice Chairman Thomas J. Jordan on "Systemic Risk and Regulation: Managing the Challenges". The detailed presentation is available as a video podcast on the SFI website.

Rethinking economic theory and economic policies (Prof. Joseph E. Stiglitz)



Nobel prize winning economist Joseph E. Stiglitz's extraordinary presentation attracted more than 640 participants and over 25 media representatives to listen to his lecture. He talked about the global financial crisis and its lessons for economic and financial theory and policy. Stiglitz stated that without strict financial regulation there is a

risk for another global economic meltdown. He was critical of recent measures such as the Basel III accords, saying they are too weak. But he foresees coming "a very fruitful period for rethinking both economic theory and the economic policies that must inevitably rest on those theories".

A Glimpse at 2011

Wealth Management in Switzerland (Dr. Burkhard P. Varnholt)



The year 2011 started with two events addressing "The Future of Wealth Management". Burkhard P. Varnholt from Bank Sarasin, Member of the Executive Committee of Bank Sarasin, talked about the role of Switzerland as a Wealth Management Center. At the evening event in Geneva a lively discussion of over an hour followed the speech. A similar, well-attended event was held in Lugano two weeks later.

Achieving economic, environmental and social progress (Ms. Barbara Kux)

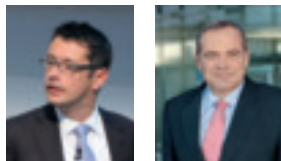


Barbara Kux, the Chief Sustainability Officer and Head of Supply Chain Management at Siemens AG, addressed the strategic aspects of sustainability for a multinational firm. She indicated that "sustainability is no longer an ethical issue; it is a key pillar of the Siemens company strategy and a key factor in the global competition. Profitable long-term growth is an aim, and responsible value creation is paving the way for our success."

New liquidity risk management skills are required (Dr. Axel Lehmann)

While banks generated or amplified systemic risk within the financial system itself or in the real economy, the insurance industry did not, according to Axel P. Lehmann, Chief Risk Officer of Zurich Financial Services. Traditionally, insurance has been viewed as a source of stability. However, because of the bailout of certain insurers in the crisis, this view was being questioned. It was concluded likely that insurance would be subjected to systemic risk oversight by new agencies set up for this purpose, although the extent of this remained uncertain.

Lowering systemic risk of banks (Dr. Martin Bardenhewer, Mr. Felix Oegerli)



To lower the systemic risk of banks, liquidity needed to be better managed.

Dr. Martin Bardenhewer, Treasurer and Deputy CFO, and Felix Oegerli,

Head of Cash & Collateral Trading Management of Zurich Cantonal Bank, covered this topic when they discussed the new guidelines of Basel III and the implications for bank liquidity management. According to the speakers, term risk transformation, a core banking function, is essential for the economy. Basel III is, however, changing the fundamentals. Additionally, systemic risk had reached a new dimension, as liquidity risk is transferred to the non-banking sector; collateral will be more concentrated and the risk of a government bond collateral squeeze will be regulatory driven. This requires new liquidity risk management skills and puts more focus on processes rather than on models.

From Inflation Targeting to a New Paradigm (Dr. Philippe Moutot)



The management of liquidity is also crucial to central banks. Philippe Moutot, Deputy Director General of the European Central Bank, raised the question as to whether or not the financial crisis and the challenges to

monetary policy called for a new paradigm to be set up. Before 1914, the anchor had been the gold standard. Under Bretton Woods after World War II, the anchor had been gold plus the US dollar, to which countries had tied their currencies. In the 1980s, the Exchange Rate Mechanism (ERM I) in combination with monetary aggregates for money supply was introduced, to ensure that exchange rate fluctuations did not disrupt economic stability within a single market. Until about mid-2000, policy was based on a combination of floating exchange rates, ERM II and direct inflation targeting. Following the financial crisis, it was possible that G20-Analysis could become a new anchor. The problems, however, centered on heterogeneity, systemic risk and financial development, Moutot said. The ECB did not have models that could encompass all of this. Consequently much would depend on future research.

Media Profile

During 2010, the Swiss Finance Institute received 179 print and radio references. The number of references is mainly due to the following factors:

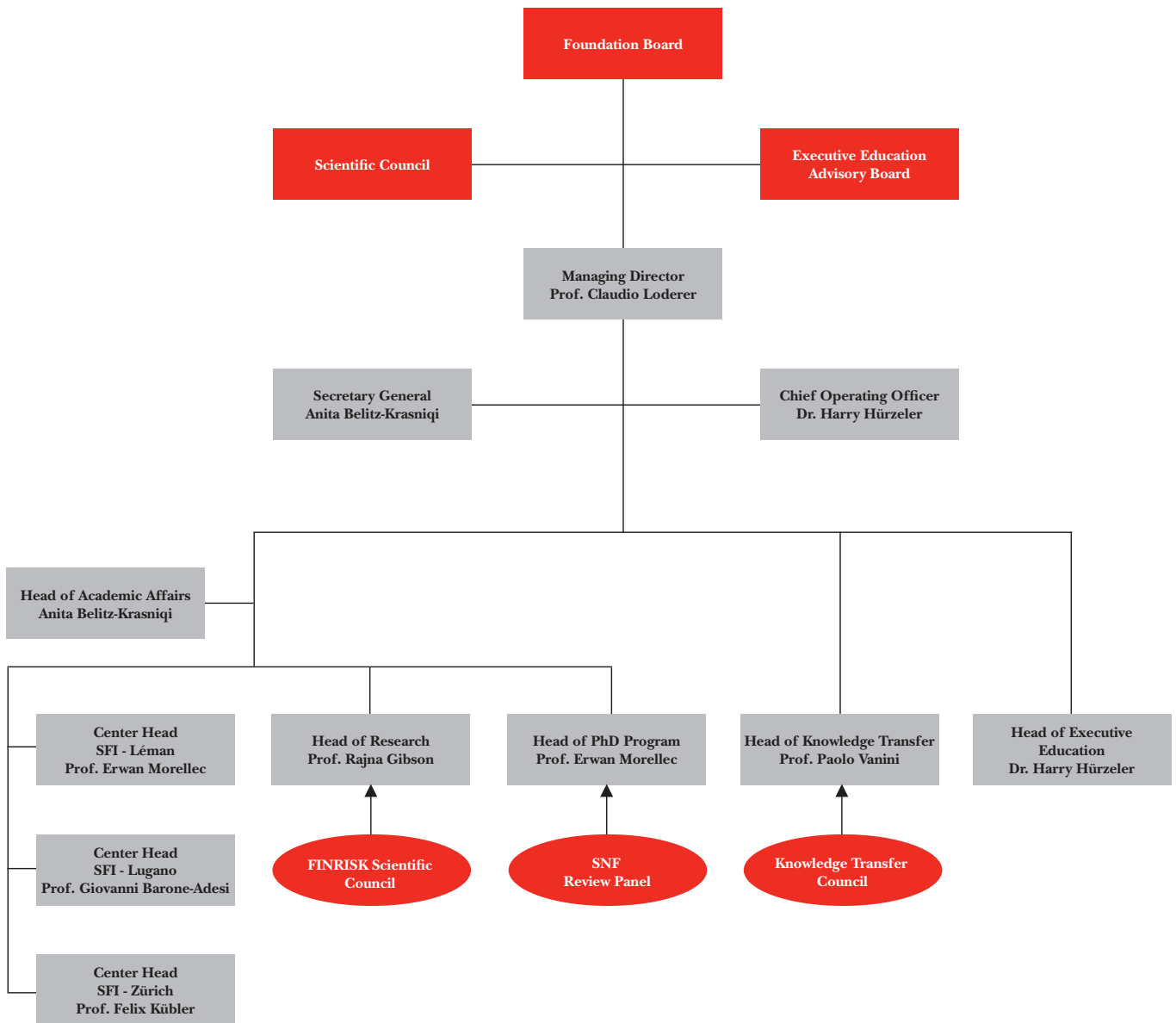
1. Professor at Columbia University, Nobel Prize Winner and former Chief Economist of the World Bank Prof. Joseph Stiglitz accepted the invitation of the Swiss Finance Institute to hold a lecture in Zurich on the global financial crisis, which received a lot of attention by the media.
2. Prof. Claudio Loderer took over the post of the Managing Director from Prof. Jean-Pierre Danthine, who was voted into the governing body of the Swiss National Bank (SNB) by the Federal Council.

The Institute enjoyed many high-quality media references between the months of September to December, coinciding with the Annual Meeting, the Institute's main Knowledge Transfer event. A total of 96 media references appeared between September and December 2010.

In 2010, three press releases were distributed. The first announced the launch of the new Dual Degree Executive MBA Program in Asset and Wealth Management. In November, the second press release heralded the winners of the private banking prize for researchers, Prof. Rüdiger Fahlenbrach and Prof. René M. Stulz, on their research findings if bank performance during the recent financial crisis was related to bank CEO incentives before the crisis, which was awarded by the Banque Privée Espirito Santo and the Swiss Finance Institute. Finally the SFI formally announced the appointment of the new Managing Director, Prof. Claudio Loderer, in the last press release of the year.

The Swiss Finance Institute Newsletter is published twice a year. The January 2010 edition highlighted publication successes by some of its top researchers, whereas the September 2010 edition focused on the launch of the new Dual Degree Asset and Wealth Management Executive MBA. In February 2011, Newsletter No. 9 featured an interview with the new Managing Director Prof. Claudio Loderer, announced the Honorary Memberships of Prof. Jean-Pierre Danthine and Dr. Urs Ph. Roth and provided coverage on the 5th Annual Meeting.

Organizational Structure



Governing and Advisory Bodies

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

Foundation Board

The Foundation Board members represent the entire finance and banking community in Switzerland, both locally and internationally. Swiss Finance Institute gratefully acknowledges the participation of Dr. Francesco Morra, as representative of the UBS AG, as well as the participation of Dr. Urs Ph. Roth, as representative of the Swiss Bankers Association, who served on the Board during this period.

Swiss Finance Institute Foundation Board – June 2011

Chair

Mr. Olivier Steimer

Chairman of the Board of Directors
Banque Cantonale Vaudoise

Prof. Dr. Peter Gomez

Chairman of the Board of Directors, SIX Group AG

Deputy Chairs

Mr. Hans-Ulrich Meister

CEO Credit Suisse Private Banking & CEO Credit
Suisse Switzerland

Dr. Alfredo Gysi

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

Mr. Lukas Gähwiler

CEO UBS Switzerland and co-CEO Wealth
Management & Swiss Bank

Dr. Philipp Halbherr

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

Members

Mr. Raymond J. Baer

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

Mr. Claude-Alain Margelisch

CEO, Swiss Bankers Association

Prof. Dr. Piero Martinoli

President, Università della Svizzera italiana - as
representative of the Swiss Finance Institute Lugano
Center

Mr. Renaud de Planta

Managing Partner, Pictet & Cie - as representative
of the Swiss Private Bankers Association

Prof. Dr. Jean-Dominique Vassalli

Rector, University of Geneva - as representative of
the Swiss Finance Institute Léman Center

Prof. Dr. Andreas Fischer

President of the University of Zurich - as representative
of the Swiss Finance Institute Zurich Center

Dr. Pierin Vincenz

CEO, Raiffeisen Group

Mr. Antonio Foglia

Member of the Board, Banca del Ceresio, Lugano -
as representative of the Ticino Bankers Association

Scientific Council

The Swiss Finance Institute Scientific Council counts 5 international experts. These experts are nominated as a result of a wide consultation with SFI university partners with the aim of arriving at a broad consensus on the representation of SFI's main fields of research: financial mathematics, financial econometrics, investments, and corporate finance. The Foundation Board of the Swiss Finance Institute has committed to make decisions with scientific content exclusively under the recommendation of its Scientific Council.

The Swiss Finance Institute is very fortunate to count on the expertise and enthusiastic support of these internationally renowned experts under the chairmanship of:

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. Michael Brennan

Anderson School of Management, UCLA

Prof. Dr. Darell Duffie

Stanford Graduate School of Business

Executive Education Advisory Board

The Executive Education Advisory Board is the main supervisory body concerned with Executive Education. The Executive Education Advisory Board ensures that the Executive Education offering of the Swiss Finance Institute is of the highest quality, addresses the needs of industry, and is well coordinated with other initiatives within Switzerland. The Swiss Finance Institute gratefully acknowledges the participation of Mr. Curdin Duschletta from UBS AG, Mr. Per Etholm from Citigroup, as well as Dr. Siegfried Hoenle from Credit Suisse who served during this period on the Executive Education Advisory Board.

The members of the Executive Education Advisory Board in June 2011 are:

Chair

Dr. Gabriela Payer

Head UBS Business University

Members

Mr. Maurizio Camponovo

Head of Training & Development, BSI SA

Prof. Dr. Rudolf Grünig

University of Fribourg

Dr. Jürg Gutzwiller

Member of the Board, RBA-Holding

Mr. Andreas John

Private Banking EMEA - Market Area Head Spain/Portugal and France/Belgium, Credit Suisse

Mr. Cédric Lüthy

Head of Management Development and Training, Lombard Odier Darier Hentsch & Cie

Prof. Dr. Alfred Mettler

Georgia State University

Mr. Tim Price

Head of Learning and Development, HSBC Private Bank (Switzerland) SA

Mr. Matthias Schacke

Head UBS Business University in Switzerland & Continental Europe

Mr. Lukas Stucky

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

Mr. Johannes Toetzke

Global Head Private Banking Institute and Regional Head Talent Development Switzerland at Credit Suisse

Mr. Matthias Wirth *

Swiss Bankers Association

* *Executive Education Advisory Secretary*

2010 Facts & Figures



Summary of 2010 financial accounts

Balance sheet as of December 31, 2010

	31.12.2010
	<u>CHF</u>
ASSETS	
Current assets	
Cash and cash equivalents	7'996'487
Accounts receivable	39'332
Other receivables	65'113
Prepaid expenses and accrued income	582'755
Total current assets	<u>8'683'687</u>
Fixed assets	
Investment portfolios	60'102'025
Due from Securities Lending and Borrowing	10'042'569
Deposits	44'518
Office equipment	60'538
IT equipment	37'691
Total fixed assets	<u>70'287'341</u>
TOTAL ASSETS	<u><u>78'971'028</u></u>
LIABILITIES AND FOUNDERS' EQUITY	
Short-term liabilities	
Accounts payable	276'709
Other payables	86'447
Research accounts	834'021
Accrued expenses and deferred income	1'396'478
Long term loans founders	8'000'000
Total short-term liabilities	<u>10'593'655</u>
Founders' equity	
Foundation capital	15'000'000
Reserves	37'564'785
Retained earnings	
- As of January 1, 2009, from SFI donations and operations	20'311'771
Net result from donations and operations	-4'499'183
Total founders' equity	<u>68'377'373</u>
TOTAL LIABILITIES AND FOUNDERS' EQUITY	<u><u>78'971'028</u></u>

Profit and loss statement, January 1 to December 31, 2010

	31.12.2010
	<u>CHF</u>
Income from Executive Education courses	4'594'536
Expenses from Executive Education courses	-2'359'447
Net result from courses before general expenses	<u>2'235'089</u>
Expenses Research	-3'661'626
Expenses PhD Program	-904'718
Income from Knowledge Transfer	63'758
Expenses from Knowledge Transfer	<u>-267'947</u>
Expenses Projects	-187'500
Net operating result before general expenses	<u>-2'722'944</u>
 GENERAL EXPENSES	
Personnel expenses	-2'321'116
Other operating costs	-580'140
Net operating result	<u>-5'624'200</u>
Net extraordinary income	27'104
Donations	0
 INCOME/EXPENSES ON INVESTMENTS	
Total realized and unrealized gains on investments	1'249'971
Administration and bank fees	-152'058
Total income/expenses on investments	<u>1'097'913</u>
RESULT FROM DONATIONS AND OPERATIONS	<u><u>-4'499'183</u></u>

Publications in Academic Journals and Books by SFI Researchers – 2010 and Forthcoming

Philippe Bacchetta

Can Parameter Instability Explain the Meese-Rogoff Puzzle, in *NBER International Seminar on Macroeconomics 2009*, with T. Beutler and E. van Wincoop, Reichlin L. & West K. (Eds.), pp. 125-173, 2010 (Chicago).

Infrequent Portfolio Decisions: A Solution to the Forward Discount Puzzle, with E. van Wincoop, *American Economic Review*, vol. 100, pp. 870-904, 2010.

Regulating Asset Price Risk, with C. Tille and E. van Wincoop, *American Economic Review*, vol. 101(3), pp. 410-412, 2011.

Peter Bossaerts

Ambiguity in Asset Markets: Theory and Experiment, with P. Ghirardato, S. Guarnaschelli and W. Zame, *Review of Financial Studies*, vol. 23, pp. 1325-1359, 2010.

Exploring the Nature of Trading Intuition, with A. Bruguier and S. Quartz, *Journal of Finance*, vol. 65, pp. 1703-1723, 2010.

Equilibrium Asset Pricing Under Heterogeneous Information, with B. Biais and C. Spatt, *Review of Financial Studies*, vol. 23(4), pp. 1503-1543, 2010.

Risk and Risk Prediction Error Signals in Anterior Insula, *Brain Structure and Function*, vol. 214 (5-6), pp. 645-653, 2010.

A Behavioral and Neural Evaluation of Prospective Decision-Making under Risk, with R. Dolan and M. Symmonds, *Journal of Neuroscience*, vol. 30, pp. 14380-14389, 2010.

Risk, Unexpected Uncertainty, and Estimation Uncertainty: Bayesian

Learning in Unstable Settings, with E. Payzan, *PLoS Computational Biology*, January 2011 issue.

MAOA-L carriers are better at making optimal financial decisions under risk, with and C. Camerer, C. Frydman and A. Rangel, *Proceedings of The Royal Society B: Biological Sciences*, vol. 278(1714), pp. 2053-2059, 2011.

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Overview of courses offered in 2010 by the Swiss Finance Institute

Programs in Bank Management

March 15 – 19, 2010

- **Master of Science in Wealth Management, Swiss Study Block**

The Swiss Finance Institute delivers the Swiss Study Block for this program of the Singapore Management University and the Wealth Management Institute of Singapore. This part-time program develops high potential Private Banking advisors and Asset Managers particularly for the Asian region.

February 2010 – December 2011

- **Executive Program in Bank Management**

The Executive Program combines solid knowledge and skills in management with practical know-how and insight into the functioning of the financial sector. The 7-week course is spread over 16 months. This course is held predominantly in German.

February 2010 – November 2010

- **Advanced Executive Program**

The Advanced Executive Program helps senior executives from financial and related sectors to strengthen their management competences, to broaden their factual knowledge and to promote integrated thinking with respect to the current dramatic trends in the financial sector. The course comprises 10 modules, each lasting two and a half days. The course is held predominantly in German.

June 2010 – January 2011

- **Senior Management Program in Banking**

The Senior Management Program (SMP) in Banking addresses the radical change in the international financial sector and provides senior executives from financial and related sectors with the opportunity to strengthen their management competences, to extend their knowledge and to promote integrated thinking with respect to current developments in the international financial sector. The course comprises 4 modules, which run 5 days and take place in Geneva, Madrid, London, and Bratislava.

August 2009 – August 2011

- **Swiss Management Program in Banking in Vietnam**

The Swiss State Secretariat of Economic Affairs assigned the Swiss Finance Institute to implement a comprehensive management training program for senior Vietnamese bank executives. The Swiss Management Program in Banking takes place in Hanoi and Saigon and consists of 14 modules of 3 days each. Participants are director-level bank executives from State Owned Commercial Banks who want to enhance and expand their management knowledge and practical capabilities.

Programs in Finance

July 20 – August 21, 2010

- **Certificate in Financial Asset Management and Engineering (FAME)**

This 4+1-week immersion program offers intensive training in state-of-the-art techniques and practices of asset management and financial engineering. Focusing on applications with a view to achieving in-depth understanding of modern finance, the program provides a certification that is unique for its breadth, compactness and intellectual stimulation.

Seminars in Private Banking

The following seminars last 5 days each and are aimed at Executives from clearly targeted segments. They are taught by a mixture of academics and senior practitioners.

- **International Private Banking and Wealth Management Retreat**

Various academics and CEOs from Private Banking

- **International Wealth and Tax Planning**

Various academics and experts from Wealth Planning

Seminars in Finance

Our Geneva Executive Courses in Finance offer one of the most extensive and thorough overviews of major developments in finance and bank management currently available. 11 different courses have been offered throughout the year 2010.

- **Fundamentals of Finance and Investments**

Alfred Mettler

- **Global Asset Allocation and Risk Budgeting**

Philippe Jorion

- **Modern Fixed Income – Portfolio and Risk Management**

Stephen Schaefer

- **Integrated Risk Management**

René Stulz

- **Alternative Investments and Hedge Funds**

Thomas Schneeweis, Giovanni Beliossi

- **Credit Risk and Credit Derivatives**

Michel Crouhy

- **Financial Econometrics and Forecasting – Modern Techniques**

Francis X. Diebold

- **Volatility and Correlation**

Tim Bollerslev

- **Interest-Rate Models: Theory and Practical Applications**

Yacine Aït-Sahalia



Knowledge Transfer Events provided by the Swiss Finance Institute during 2010

In the following section you will find a list of events which have taken place during the period of 2010. More detailed information and video podcasts on our seminars can be found on our website.

2010

- **Strategien für den Bankenplatz Schweiz**
Dr. Urs Ph. Roth, CEO der Schweizerischen Bankiervereinigung (SBVg).
Zurich, Swiss Finance Industry Event, 28.01.2010
- **State of the art in asset allocation: diversification management**
Prof. Attilio Meucci, Head of the research effort of ALPHA, the portfolio analytics and risk platform at Bloomberg in New York.
Zurich, 19.03.2010 and Lugano, Swiss Finance Industry Event, 22.03.2010
- **Strategic Price Complexity**
Dr. Bruce Carlin, Professor of Finance at UCLA and co-author of the Swiss Finance Institute Outstanding Paper Award's 2009 award-winning paper.
Zurich, Swiss Finance Industry Event, 13.04.2010
- **Klimawandel – Was gilt? Was ist zu tun?**
Panel Diskussion mit Thomas Stocker, Klimaforscher und Prof. an der Universität Bern, Sabine Doebeli, Leiterin Nachhaltigkeit, Bank Vontobel, René Nicolodi, Leiter nachhaltige Anlagen, Zürcher Kantonalbank und Hans Rentsch, Ökonom und Wirtschaftspublizist. Paolo Vanini, SFI Director of Knowledge Transfer sowie Leiter Strukturierte Produkte & Cross Assets ZKB moderiert die Diskussion.
Zurich, Swiss Finance Panel Discussion, 29.04.2010
- **Anforderungen an Eigenmittel, Liquidität und Risikomanagement in der Zeit nach der Finanzkrise**
Dr. Urs Bischof, FINMA, Leiter Abteilung Risikomanagement.
Zurich, Swiss Finance Breakfast Seminar, 19.05.2010
- **The Global Financial Crisis: Lessons for Economic and Financial Theory and Policy**
Prof. Joseph E. Stiglitz, Professor at Columbia University, Nobel Prize Winner and former Chief Economist of the World Bank.
Zurich, Swiss Finance Industry Event, Congress Hall, 20.09.2010
- **5th Annual Meeting of the SFI**
Conference with Research Sessions on: "Liquidity and Liquidity Risk Management" and "Frontiers in Risk Management". Applied Sessions on: "Financial Architecture, Systemic Risk and Competitive Performance" and "Funding and Liquidity Risk Management". The day was rounded up by Prof. Thomas Jordan from the Swiss National Bank with the topic "Systemic Risk and Regulation: Managing the Challenges".
Zurich, UBS Grünenhof, 3.11.2010
- **China's Capital Markets and Growth**
Prof. Xiodong Zhu from the University of Toronto.
Zurich, Swiss Finance Breakfast Seminar, 12.11.2010

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Swiss Finance Institute

Bd. du Pont d'Arve 42

1211 Geneva 4 - Switzerland

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

www.SwissFinanceInstitute.ch - research@sfi.ch



swiss:finance:institute

Bd. du Pont d'Arve 42
1211 Geneva 4
Switzerland

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

www.SwissFinanceInstitute.ch