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

The Swiss Finance Institute is the product of this ambition. Established at the initiative of the Swiss Bankers Association, it is a private foundation created in January 2006 with the support of the Swiss banking and finance community and SWX 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 two pre-existing foundations: the International Center for Financial Asset Management and Engineering (FAME) and the Swiss Banking School. This merger has led to the creation of one of the major European providers of research, doctoral training and advanced executive education in banking and finance.
The beginning of an exciting journey!

The Swiss Finance Institute started operating on January 1, 2006. The official launch was preceded by an intense activity throughout 2005 culminating with 3 Foundation Board “pre-meetings” in the Fall and the signature of MOU’s with the future university partners.

Where do we stand 12 months later? This activity report provides the answers. The Swiss Finance Institute is alive and well. Two of the 3 pre-existing foundations, FAME and the Swiss Banking School, have been officially merged. Formal Cooperation Agreements have been signed with 5 university partners leading to the creation of 3 SFI regional centers in Zurich, Lugano and the Léman area. A Cooperation Agreement with FinRisk and the Swiss National Science Foundation has been signed. The two main advisory bodies, a Scientific Council and an Executive Education Advisory Board, have been nominated and are at work since early in the year. An ambitious Executive Education strategy has been elaborated, approved and is being implemented. The first SFI chair professor has been nominated and has started his mandate while 40 professors in place in partner universities have joined the Swiss Finance Institute Faculty. The SFI PhD program is up and running. Research activities have led to the first 39 research papers published, in collaboration with FinRisk, on the Social Science Research Network.

Several important publications in top journals have been recorded in 2006 or are forthcoming. The first SFI financed research project has been launched. The first SFI Annual Meeting has taken place in Zurich in the presence of Federal Councilor Couchepin. Finally, some 560 participants have attended one or several SFI Executive Education courses.

This intense activity is the first step of an ambitious build-up. The goal of the Swiss Finance Institute is to become, in partnership with Swiss universities and with all the actors of the Swiss Financial Center, a major actor on the worldwide scene of Research, PhD training and Executive Education in Banking and Finance. Year 1 has served to optimize the trajectory towards this ambitious objective. We believe the ship is on course. Exciting new developments are expected in 2007 and the first visible fruits of a remarkable country-wide effort are within reach.

At the end of this first year, we would like to extend our warmest gratitude to all of you in the universities, in the federal government and in the industry who have made the Swiss Finance Institute a thriving reality and very concretely to all Foundation Board members and to the Swiss Bankers’ Association for their unfailing support.

Word from the Board

Olivier Steimer
Chairman of the Foundation Board

Jean-Pierre Danthine
Managing Director
The Swiss Finance Institute Faculty

The Swiss Finance Institute will be defined first and foremost by its faculty constituted in collaboration with its partner universities. The plan is for the Institute’s Faculty to count more than 50 professors with about 30 positions being opened or reallocated within the next five years.

Between January and December 2006, the Swiss Finance Institute was fortunate to obtain the official participation of the Universities of Lugano, Lausanne, Geneva and Zurich as well as EPFL to its ambitious project through the signature of Cooperation Agreements defining the terms of the collaboration and the commitments of all parties. It was expected that the ETHZ would join early in 2007 while discussions with the University of StGallen are still ongoing. This legal activity led to the creation of three Swiss Finance Institute regional Centers: SFI-Léman, SFI-Lugano and SFI-Zurich headed by Professors Bernard Dumas, Giovanni Barone-Adesi and Rajna Gibson, respectively.

At the individual level, 40 professors located across these three centers decided to join and contribute to the Swiss Finance Institute. Most importantly the action of the Swiss Finance Institute will be manifest through the support it will provide to its partner universities in the process of hiring new members of worldwide reputation and/or with the highest prospects. A first very significant step in this direction was made with the hiring of Prof. Bernard Dumas by the University of Lausanne, where he holds a Swiss Finance Institute Senior Chair since September 1, 2006. Bernard Dumas was formerly Professor at INSEAD, at HEC (Paris) and at The Wharton School of the University of Pennsylvania. He has been a Member of the Board of the American Finance Association, a Research Associate of NBER and a Research Fellow of CEPR. Professor Dumas is Associate Editor of the ‘Journal of Finance’ and several academic journals and is a former co-editor of the “Review of Financial Studies”. He specializes in international finance and finance theory in continuous time. He received his Master of Science and PhD from Columbia University, New York.

The intellectual life of the SFI regional centers will also be stimulated via the temporary hiring of Visiting Professors. Professor Peter Bossaerts, of the California Institute of Technology, was the first Swiss Finance Institute Visiting Professor to be nominated. He has been at the University of Lausanne since July 2006 and is expected to remain there for the entire 2006-2007 academic year. Professor Bossaerts is a specialist of experimental and microfinance. Among other activities he gave a public lecture in Geneva reported in the Knowledge Transfer pages of the present report.
It is expected that the mark of the Swiss Finance Institute will be felt very quickly via an acceleration of publications by affiliated researchers in top academic journals, i.e., those journals that historically have been first in promoting the ideas that have changed financial practices.

In our first year of operations, we inaugurated the Swiss Finance Institute Research Paper series within the Social Science Research Network (SSRN), a collaborative project with FinRisk. The decision to work with SSRN should lead to the widest dissemination of the research output of FinRisk and SFI researchers and to a high international visibility for our Institute. Thirty-nine research papers were placed into the series in 2006. A complete list of these papers is available on pages 22-24.

More mature research output is typically disseminated through academic journals and exceptionally in books. In 2006 SFI researchers have had their research published or accepted for future publication in prestigious journals such as the Journal of Finance, the Review of Financial Studies, the Journal of Financial Economics, the American Economic Review, the Journal of Business and other high level journals. The 2006 and forthcoming list of publications by SFI researchers is compiled in pp 18-21.

As part of a program started by its predecessor, the International Center FAME, publications in the most prestigious journals having appeared between September 2005 to August 2006 journals were distinguished with a SFI Publication Award at the 2006 Annual Meeting of the Swiss Finance Institute.

2006 Swiss Finance Institute Publication Awards


"On the Debt Capacity of Growth Options", published in the Journal of Business, by Erwan Morellec (with Michael J. Barclay Clifford W. Smith, Jr.).

Based on the FINRISK/SFI cooperation agreement, an active collaboration between both entities has been installed during 2006. Most recently, this cooperation has led to the constitution of a new FINRISK research project, which is fully financed by SFI. In the following, we list the major joint activities by FINRISK and SFI during the reporting period.

Launching of the first SFI funded FINRISK research project, headed by SFI professor Bernard Dumas

In September 2006, the FINRISK director invited any faculty member at Swiss Universities to submit a proposal for a new research project in the areas of Asset Pricing/Corporate Finance/Financial Intermediation.

The FINRISK international scientific council (ISC) evaluated the four submitted proposals at its November meeting and, on the basis of scientific merits, selected the project proposed by SFI professor Bernard Dumas focusing on “Equilibrium Asset Pricing.” For detailed information on this project see: www.nccr-finrisk.unizh.ch/project.php?pid=10.

The selected new project will start as of January 2007. It received an initial endowment of SFr. 520'000 per year. As for any FINRISK project, the annual budget may change over time, based on outcome of the periodical assessment by the ISC.

Given the high quality of all submitted proposals, the ISC also decided to match the SFI initiative and to immediately re-launch a second call for a new FINRISK research project under SNSF funding in early 2007.

FINRISK and SFI promote doctoral education in finance in Switzerland

The following doctoral courses in finance have been jointly organized by FINRISK and SFI in 2006. They are offered to all doctoral students from Swiss Universities (for further details see: www.nccr-finrisk.unizh.ch/courses.php?year=2006).

• Empirical Corporate Finance, Michel Habib (Zurich)
• Corporate Finance Theory, Erwan Morellec (Lausanne)
• Linear and Nonlinear Factor Models for Finance, Christian Gourieroux (Paris, Toronto)
• Advanced Topics in Econometrics, Christian Gourieroux (Paris, Toronto)
• Behavioural Portfolio Theory, Enrico De Giorgi (Lugano)
• Fundamentals of Commodities-The Particular Case of Energy Commodities, Helyette Geman (Paris)
• Topics in Macroeconometrics, Paolo Paruolo (Italy)
• Advanced Financial Decision Making and Asset Pricing, Fabio Trojani (St Gallen)

The Fifth Swiss Doctoral Workshop in Finance was organized on June 12-13, 2006 at the Study Centre Gerzensee joint with SFI. More than 20 doctoral students from the network institutions presented their current research. Each paper was discussed by another doctoral student before René Stulz (Ohio), Jerome Detemple (Boston) as well as other professors from FINRISK provided their comments. The workshop was sponsored by the foundation of the Study Center Gerzensee. For the full program see: www.nccr-finrisk.unizh.ch/archives/education/phd-workshop06.htm.

FINRISK provides support to SFI research papers series

In June 2006, the Swiss Finance Institute launched a new Research Paper Series (SFI-RPS) together with its research partner, the NCCR FINRISK. This new series is published on the SSRN website: www.ssrn.com/link/swiss-finance-institute.html. FINRISK and SFI agreed to equally share the publication costs. In turn, any FINRISK Working Paper can be included into the Swiss Finance Institute Research Paper Series. (Papers submitted by doctoral students or PostDocs require a formal SFI-RPS publication approval from the respective supervisor.) See pages 22-23-24 for the complete listing of the 2006 research papers in the series.
Launched in autumn 2006, the Swiss Finance Institute PhD Program in Finance is targeted towards the pursuit of academic excellence. It aims at providing an intellectual environment and a curriculum comparable with the top PhD programs in Europe and North America. The PhD program operates at the three Swiss Finance Institute campuses in Geneva/Lausanne (Léman), Lugano and Zurich under a strong collaboration with the NCCR FinRisk (see previous page).

The curriculum comprises two phases: one preparatory year of intensive coursework followed by three years of advanced studies and research. The Program covers a wide range of subjects including Economics, Financial Economics, Corporate Finance, Mathematical Finance, and Econometrics. There is a clear focus on the mathematical foundations of Finance and all courses are taught by internationally renowned academics from Switzerland, Europe, and North America. The Program offers the ideal framework for successful and inspiring PhD studies in Finance.

Building on and strengthening the existing programs offered by the Swiss Finance Institute’s partner universities in Geneva/Lausanne (Léman), Lugano and Zurich, the Swiss Finance Institute is already one of the largest such programs in the world with 65 students enrolled across the 3 Competence Centers including 18 new students who joined the program at the beginning of 2006/2007 academic year.

The SFI PhD program is placed under the twin scientific supervision of the Swiss National Science Foundation FinRisk Review Panel and the SFI Scientific Council. For a thesis to qualify a Swiss Finance Institute thesis, the thesis jury should count at least one Swiss Finance Institute-chaired professor or Swiss Finance Institute Fellow; the thesis supervisor should be a Faculty member of Swiss Finance Institute; if at all possible the thesis jury should include a SFI Faculty member from another Swiss Finance Institute Center than the Center with which the PhD student is affiliated.

As it is the objective of the Swiss Finance Institute to have students closely linked with research, the Swiss Finance Institute proposes PhD students a travel budget of up to CHF 1'000 per academic year to encourage students to present their research in professional association meetings. PhD students with academic ambitions are encouraged to spend an extended visit abroad in a top department under the prearranged supervision of a researcher interested in the PhD student’s research through a program of advanced doctoral grants. Under certain conditions, the Swiss Finance Institute can award financial support of up to CHF 40'000 to aid the PhD candidates in going abroad.

1st Swiss Finance Institute Doctoral Award

The first Swiss Finance Institute doctoral award 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. The 2006 workshop was organized by the Swiss Finance Institute and SFI 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 nominat-ed 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 Banca-Adini (University of Lugano), Regina Gómez (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.
The first year of Executive Education at the Swiss Finance Institute has turned into a resounding success: in its initial year SFI Executive Education offered 30 courses for 640 participants from all over the world! Three quarters of the participants of our international programs came from outside of Switzerland, representing 40 different nationalities, demonstrating the international recognition of our programs!

Executive Education is where the intellectual capital of the Swiss Finance Institute can have the most immediate impact on the finance industry. Executive Education can short-cut the normal diffusion of new knowledge which takes place through young graduates and PhDs joining the industry. However, this requires that research results are conveyed in a palatable and practically useful form. And this is where SFI Executive Education wants to excel on an international level!

The fact that SFI can look back on 25 years of experience in finance executive education, and 20 years in bank management executive education through its predecessor organisations is a sound basis to build on. To achieve this goal the Swiss Finance Institute has developed a clear and focused, but also very ambitious, strategy for its Executive Education offering:

- It will concentrate exclusively on advanced graduate level finance courses on the one hand, and on bank management courses for executives on the other hand.
- In both areas the Swiss Finance Institute will offer open-enrollment programs on a graduate level, as well as Diploma and Master Programs with highly selective admittance.
- With a few exceptions, all programs will be aimed at a global audience, so as to foster the exchange of ideas on the foremost frontiers of knowledge and experience.

The strategy comes with a clear roll-out plan which is currently being implemented.

Key figures for the Swiss Finance Institute Executive Education in 2006

- In its initial year SFI offered 30 courses for a total of 44 weeks of Executive Education:
  - 19 courses in advanced finance for a total of 23 weeks
  - 11 courses in bank management for a total of 21 weeks
- Over 640 participants took one or more of the Institute’s courses. 156 graduated from one of its diploma courses!
- In the SFI international programs more than 75% of participants came from outside of Switzerland, representing 40 different nationalities

By combining existing forces, the Swiss Finance Institute was able to dramatically kick-start this roll-out process. In Finance a wide roster of 18 one-week courses was offered, plus a 5-week immersion Certificate Program in Financial Asset Management and Engineering (FAME); in bank management 5 open enrollment bank management courses for executives were held, plus the 5-week SFI Advanced Executive Program and the 7-week, two-year SFI Executive Program, in addition to SFI contributing to two Master programs in partnership with Universities overseas. On an international graduate level in Banking and Finance, this is already one of the broadest offerings in the world!

The strategy of SFI Executive Education requires SFI to augment these programs with selected Executive Master degree programs, ideally in co-operation with Swiss and international universities. In this way the Swiss Finance Institute will become similar to a Graduate Business School, with degree programs, a PhD Program, and Research. Extensive preparatory work has been done in 2006 and discussions held with various universities with the goal of launching the first Executive Master Degree programs later in 2007.
The Executive Education offering: Finance

In Finance, the focus of the Swiss Finance Institute Executive Education is on teaching state of the art finance for experienced practitioners. The main emphasis is placed on selecting outstanding teachers. To guarantee a deep insight into the topic we look for a world renowned researcher; to ensure that what is taught is relevant and applicable for the practitioner, we look for a teacher with extensive industry insights; and to ensure that our participants truly benefit from the experience we look for outstanding teaching abilities.

These rare people are sought from all over the world – and have turned out to be renowned professors such as, Frank Diebold from Wharton, Yacine Ait-Sahalia from Princeton, Stephen Schaefer from LBS, Rene Stulz from Ohio State University, Michael Brandt from Duke University, Richard Letch from New York University. They are joined in their courses by selected practitioners who are chosen for their experience in dealing with the challenges of day to day operational implementation.

The participants themselves are seniors in their fields, looking to update and further enhance their understanding. They join the finance courses of the Swiss Finance Institute from all over the world, as depicted by the pie chart below:

The Geneva Executive Courses in Finance

The 18 courses in advanced finance are grouped into what we call the Geneva Executive Courses in Finance, since that is where they take place. These courses are on graduate level, and introduce the latest insights into the application of finance, with each course focusing on a specific topic: Fixed Income, Asset Allocation, or Risk Management, to name a few. They typically last one week. In 2006 259 participants elected one or more of these courses.

The SFI Executive Program and SFI Advanced Executive Program in Bank Management

These two German part-time bank management programs gathered 185 participants in 2006. The aim of these programs is to develop a broadened understanding of the finance industry, and thereby achieve an improved quality of decision-making and a superior ability to interact with colleagues from other business areas.
The SFI Executive Program is 7-week long spread over a two-year period. It 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 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 to lead one specific subject. Up to eighty senior executives join for special presentations and in-depth discussions.

Master Programs
The 4th Cycle of the International Wealth Management Executive MBA (IWEMBA) drew to a close in October 2006 with 18 participants receiving their MBA from the University of Geneva and their Executive MBA from the Tepper School of Business of Carnegie Mellon University. The Swiss Finance Institute is a partner in this unique program, which however will not be continued in its current format. Instead, work is well under way for a new Executive MBA in Bank Management, which will have a much wider reach.

The Swiss Finance Institute also organizes a two-week Swiss module for the Master in Wealth Management offered by the Singapore Management University, with the Wealth Management Institute as the third partner. The Swiss module was held for the 2nd time in 2006, with 44 participants from Singapore and SE-Asia.

Participants Executive Education courses in 2006

<table>
<thead>
<tr>
<th>Program</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>350</td>
</tr>
<tr>
<td>Geneva Courses</td>
<td></td>
</tr>
<tr>
<td>FAME Certificate</td>
<td>28</td>
</tr>
<tr>
<td>Bank Management</td>
<td>106</td>
</tr>
<tr>
<td>Banking Seminars</td>
<td></td>
</tr>
<tr>
<td>SFI Executive Programs and Advanced Executive Programs</td>
<td>189</td>
</tr>
<tr>
<td>Master Programs</td>
<td>62</td>
</tr>
<tr>
<td>Total</td>
<td>640</td>
</tr>
</tbody>
</table>

For a complete list of the Executive Education courses offered by the Swiss Finance Institute in 2006 see pages 25-27.

Alumni Association

The Swiss Finance Institute Alumni Association took over from the former Swiss Banking School Alumni Association on April 28, 2006. In the past graduates of the Executive Program, the Advanced Executive Program and the International Wealth Management Executive MBA were eligible to join. As a new development the SFIAA was opened to the graduates of the Certificate in Financial Asset Management and Engineering (FAME). There are currently over 1,200 members in SFIAA, with 119 new members in 2006.

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 the Fall.

2006 Alumni Luncheons
- 31.05.2006
  Herbert J. Scheidt, CEO Bank Vontobel, Zurich
- 01.06.2006
  Marco Föllmi, Swiss National Bank, Geneva
- 13.06.2006
  Dr. Eugen Haltiner, President of the Swiss Federal Banking Commission (EBK), Berne
- 28.11.2006
  Pierre Chappaz, President of the Société Wikio
- 01.12.2006
  Prof. Jean-Pierre Dauhine, Managing Director of the Swiss Finance Institute, Zurich
Knowledge Transfer at the Swiss Finance Institute

“Top financial service 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 Centre 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, at the 2006 SFI Annual Meeting

A number of activities fostering scientific exchanges between academic researchers, researchers affiliated with financial institutions and practitioners are planned by the Swiss Finance Institute. In this inaugural year, the main Knowledge Transfer activity was the successful offering of the first Swiss Finance Institute 1st Annual Meeting on November 14, 2006 at SWX in Zurich.

The Swiss Finance Institute Annual Meeting 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 Councillor 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 in introduced by Oliver Steimer, Chairman of the Swiss Finance Institute’s Foundation Board. Nobel Laureate Rolf Zinkernagel, Michael Jensen, Professor of finance at Harvard Business School, and Jean-Pierre Dufoine, Managing Director of the Swiss Finance Institute debated on the theme “Catching up with the Leaders in Financial research.”

Neuro-Finance And How The Brain Perceives Financial Risk

Prof. Peter Bossaerts, Caltech and Swiss Finance Institute Visiting Professor, presented research findings at a Swiss Finance Institute event in Geneva on October 10, 2006. Approximately 130 participants attended this exploration of the physiological processes taking place in the brain when exposed to 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, neurofinance attempts to understand behavior by examining the physiological processes in the human brain when exposed to financial risk. The talk illustrated this point with 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.

The Swiss Finance Institute may also support on a small scale events organized by neighbouring institutes provided they are in line with its own objectives. In 2006, the Swiss Finance Institute provided material support for the organization of the 2nd ZURICH WEALTH FORUM in Zurich (September). It also joined FinRisk in supporting financially the organization by the Institut für Finanzmanagement at the Universität Bern of a conference on the theme Corporate Governance in Family/Unlisted Firms, on June 15-17, 2006, in Thun.
Structure and Overseeing Bodies

swiss finance institute
The Foundation Board of the Swiss Finance Institute is its main governing body. It includes representatives of its 12 founding members as well as 3 representatives of its academic regional centers. The Foundation Board is advised by the Scientific Council (SC) on matters of scientific content and by the Executive Education Advisory Board (EEAB) 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 Foundation Board - December 2006**

**Chair**
Mr. Olivier Steimer *
Chairman of the Board of Directors
Banque Cantonale Vaudoise, Lausanne

**Deputy chair**
Dr. Ulrich Körner **
CEO Credit Suisse Switzerland, Zurich

Dr. Marcel Rohner **
Chairman & CEO Global Wealth Management & Deputy CEO UBS AG, Zurich

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

Dr. Philipp Halbheer
CFO, Cantonal Bank of Zurich, Zurich

Dr. Charles Kleiber
State Secretary, State Secretariat for Education and Research, Berne – as representative of the Federal Government of Switzerland

Prof. Dr. Piero Martinoli
President, University of Lugano, representing the Swiss Finance Institute Lugano Center

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, Basle

Dr. Pierin Vincenz
CEO, Raiffeisen Group Switzerland, St. Gall

Prof. Dr. Jacques Weber
Rector, University of Geneva, representing the Swiss Finance Institute Léman Center

Prof. Dr. Hans Weder
Rector, University of Zurich, representing the Swiss Finance Institute Zurich Center.

The Swiss Finance Institute gratefully acknowledges the participation of Prof. Baggiolini and Hurst during the preparatory period and the first part of 2006 as representatives of SFI Lugano and SFI Léman respectively.
Scientific Council

The Swiss Finance Institute Scientific Council (SC) counts 5 international experts nominated as a result of a wide consultation with its university partners with the aim at arriving at a broad consensus on the representation in the SC of the Swiss Finance Institute 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 have been able to secure the enthusiastic support of 5 internationally renowned experts under the chairmanship of:

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

The other members of the SC are:

Prof. Tim Bollerslev
Fuqua School of Business, Duke University

Prof. Patrick Bolton
Columbia Business School, Columbia University

Prof. Michael Brennan
Anderson School of Management, UCLA

Prof. Ioannis Karatzas
Dept of Mathematics, Columbia University

The cooperation agreement with the Swiss Finance Institute and the Swiss National Science Foundation indicates that the International Scientific Council of FinRisk is to act as the main supervisory body for all activities and funding falling under the heading of Project Research.

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 the industry and is well coordinated with other initiatives within Switzerland.

The members of the Executive Education Advisory Board are:

Chair
Urs Hofmann *
Chief Learning Officer, Head CS Business School, Credit Suisse

Members
Peter Angehrn
Managing Director, Head Business Faculty, Credit Suisse

Prof. Dr. René Capitelli
Managing Director, Head Business Support, UBS AG and University of Basel

Carolin Duschletta
Managing Director, UBS AG

Per Etholm
Managing Director, Citigroup

Prof. Dr. Rudolf Grünig
University of Fribourg

Dr. Jürg Gutzwiler
CEO and Member of the Executive Board, RBA-Holding

Prof. Dr. Alfred Mettler
Georgia State University

Dr. Martin Moehrle
Chief Learning Officer, Deutsche Bank AG

Maxime Morand
Head HR, Lombard Odier Darier Hernshe & Cie

Christoph Streule
Member of the Executive Committee, HSBC Private Bank (Switzerland) SA

Matthias Wirth *
Swiss Bankers Association

* Executive Education Advisory Board Secretary
Summary of 2006 financial accounts

Balance sheet as of December 31, 2006

**31.12.2006**

**CHF**

**ASSETS**

**Current assets**
- Cash and cash equivalents: 2'471'940
- Accounts receivable: 78'569
- Other receivables: 80'077
- Prepaid expenses and accrued income: 263'452

**Total current assets**: 2'894'037

**Fixed assets**
- Investment portfolios: 42'179'111
- Due from Securities Lending and Borrowing: 10'345'212
- Deposits: 280
- Office and IT equipment: 47'402

**Total fixed assets**: 52'572'005

**TOTAL ASSETS**: 55'466'042

**LIABILITIES AND FOUNDERS' EQUITY**

**Short-term liabilities**
- Accounts payable: 72'667
- Other payables: 188'220
- Research accounts: 8'441
- Accrued expenses and deferred income: 2'195'461
- Long term loans founders: 8'000'000

**Total short-term liabilities**: 10'541'764

**Founders' equity**
- Foundation capital: 15'000'000
- Reserves: 1'064'785
- Retained earnings:
  - As of January 1, 2006, from SFI donations and operations: 18'728'941
  - As of January 1, 2006, from the merger of SBS and FAME: 5'970'724
  - Net result from donations and operations 2006: 4'159'828

**Total founders' equity**: 44'924'278

**TOTAL LIABILITIES AND FOUNDERS' EQUITY**: 55'466'042
Profit and loss statement
for the period from January 1st to December 31, 2006

31.12.2006

CHF

EXECUTIVE EDUCATION COURSES

Income from Executive Education courses 6'130'584
Expenses from Executive Education courses -3'274'946
Net result from courses before general expenses 2'855'638

RESEARCH, PHD AND KT

Expenses Research -913'463
Expenses Ph D Program -436'890
Income from Knowledge Transfer 23'353
Expenses from Knowledge Transfer -109'292 -76'939
Expenses Projects -88'714

Net result from Research, PhD and KT before general expenses -1'516'006

Net operating result before general expenses 1'339'632

GENERAL EXPENSES

Personnel -2'514'567
Other operating costs -756'223
Extraordinary start-up costs -1'499'326

Total general expenses -4'750'116

Net operating result -3'410'483

EXTRAORDINARY INCOME AND DONATIONS

Net extraordinary income 15'247
Donations 4'694'023

Total extraordinary income and donations 4'709'271

INCOME/EXPENSES ON INVESTMENTS

Total realized and unrealized gains on investments 3'011'662
Administration and bank fees -150'622

Total income/expenses on investments 2'861'040

RESULT FROM DONATIONS AND OPERATIONS OF 2006 4'159'828
2006 and Forthcoming Publications in Academic Journals and Books

Professors

Philippe Bacchetta


Giovanni Barone-Adesi


Cutting the Hedge, Barone-Adesi G. and Elliott R., Computational Economics, forthcoming.


Alessandro Beber

Tony Bernada


Marc Chesney

Jean-Pierre Danthine


François Degeorge


Enrico De Giorgi
Computational Aspects of Prospect Theory with Asset Pricing Applications, Enrico De Giorgi, Thorsten Hens and Janus Mayer, Computational Economics, forthcoming.


Corsi Fulvio
The Volatility of Realized Volatility, Fulvio Corsi, Stefan Mittnik, Christian Pigorsch and Uta Pigorsch forthcoming in the Special Issue of Econometric Reviews on Realized Volatility and Long Memory.

Rajna Gibson


The Style Consistency of Hedge Funds, Rajna Gibson and Sébastien Gogret, Special Issue on Hedge Funds, Euromoney Financial Management, forthcoming 2007.


Michel Habib

Martin Hoelsl

Securitized real estate and its link with financial assets and real estate: An international analysis, Martin Hoelsl and Camilo Serrano, Journal of Real Estate Literature, forthcoming.

Spatial dependence, housing submarkets, and house price prediction, Steven Bourassa, Eva Cantoni and Martin Hoelsl, Journal of Housing Economics, forthcoming.

Jean Imbs


Markus Leippold


**Marc Paolella**


**Olivier Scaillet**


**Norman Schirhoff**

Swiss Finance Institute Research Paper Series

The aim of the Swiss Finance Institute Research Paper Series is to disseminate original theoretical or empirical research with relevance to banking and finance. The series includes research contributions carried out at the Swiss Finance Institute and its research partner, the National Centre of Competence in Research "Financial Valuation and Risk Management" (NCCR FinRisk), by faculty, PhD students and affiliated researchers. Papers issued in 2006 in the Social Science Research Network Financial Economics Network. To access the Swiss Finance Institute Research Paper Series, please use the following link: http://www.ssrn.com/link/swiss-finance-institute.html

N°39
Pricing Interest Rate-Sensitive Credit Portfolio Derivatives
Philippe EHLERS, ETH Zurich, D-Math
Philipp J SCHONBUCHER, ETH Zurich, D-Math

N°38
On the Evolution of Investment Strategies and the Kelly Rule – A Darwinian Approach
Terje LENSBERG, Norwegian School of Economics and Business Administration
Klaus Reiner SCHENK-HOPPE, University of Leeds, Business School and School of Mathematics

N°37
House Prices, Real Estate Returns, and the Business Cycle
Jean Jacquard, Wharton School of Finance

N°36
Finance and Efficiency: Do Bank Branching Regulations Matter?
Viral V. Acharya, London Business School & CEPR
Jean-Philippe, University of Lausanne - HEC, CEPR & Swiss Finance Institute
Jason Sturgess, London Business School

N°35
The Economic Value of Distributional Timing
Eric JONDEAU, University of Lausanne and Swiss Finance Institute
Michael ROCKINGER, University of Lausanne and Swiss Finance Institute

N°34
Loyalty and Competence: Empirical Evidence from Public Agencies
Alexander F. WAGNER, University of Zurich and Swiss Finance Institute

N°33
Robust Subsampling
Lorenzo CAMPONOVO, University of Lugano
Olivier SCAILLET, University of Geneva and Swiss Finance Institute
Fabio TROJANI, University of St. Gallen

N°32
Local Transformation Kernel Density Estimation of Loss Distributions
Jim Gustafsson, Colans, Insurance and University of Copenhagen
Mathias A. HEGMANN, University of Geneva, HEC and Concordia Admore
Jens Perch Nielsen, Pontus Lente and University of Copenhagen
Olivier SCAILLET, University of Geneva, HEC and Swiss Finance Institute

N°31
The Determinants of Mutual Fund Performance: A Cross-Country Study
Miguel A. Ferreira, ISCTE Business School
António F. Miguel, ISCTE Business School
Sofia Ramos, ISCTE Business School

N°30
Tikhonov Regularization for Functional Minimum Distance Estimators
Patrick Gaigard, University of Lugano and Swiss Finance Institute
Olivier SCAILLET, University of Geneva and Swiss Finance Institute

N°29
Manipulation in Money Markets
Christian Ewerhart, IWE, University of Zurich and NCCR
Nuno Cassola, European Central Bank
Sven Ejerskov, Danmarks Nationalbank
Natasha Valla, Banque de France

N°28
The Impact of News on Higher Moments
Eric JONDEAU, University of Lausanne and Swiss Finance Institute
The (Ir)relevance of Disclosure of Compliance with Corporate Governance Codes - Evidence from the German Stock Market
Eric NOWAK, University of Lugano, Institute of Finance
Roland ROTT, Goethe University, Department of Finance
Till G. MAHR, KPMG Deutsche TreuhandGesellschaft

Why Do Stock Exchanges Demutualize and Go Public?
Sofia Brito RAMOS, ISCTE and CEMAF

Growth and Volatility
Jean IMBS, University of Lausanne, Swiss Finance Institute and CEPR

Approximation and Calibration of Short-Term Implied Volatilities under Jump-Diffusion Stochastic Volatility
Alexey MEDVEDEV, University of Geneva
Olivier SCAILLET, University of Geneva and Swiss Finance Institute

Bounded Rationality and Asset Pricing
Tony BERRADA, University of Lausanne and Swiss Finance Institute

What Jump Process to Use to Model S&P500 Returns?
Maria SEMENOVA, University of Lausanne and FAME

Model Combination and Stock Return Predictability
Matthias HAGMANN, University of Geneva and Concordia Advisors
Joachim LOEBB, University of Zurich and Swiss Banking Institute

The Inflation Hedging Characteristics of U.S. and U.K. Investments: a Multi-Factor Error Correction Approach
Martin HOESLI, University of Geneva and University of Aberdeen Business School
Colin LIZIERI, University of Reading Business School
Bryan MACGREGOR, University of Aberdeen Business School

The Overhang Hangover
Jean IMBS, University of Lausanne, Swiss Finance Institute and CEPR
Romain RANCIERE, CREI and IMF

A Data-Driven Optimization Heuristic for Downside Risk Minimization
Manfred GILLI, University of Geneva
Esti KELLEZI, Mirabaud & Cie
Hilda HYM, University of Geneva

Stock Returns in Mergers and Acquisitions
Dirk HACKBARTH, Washington University
Erwan MORELLEC, University of Lausanne, Swiss Finance Institute and CEPR
Overview of courses offered in 2006
by the Swiss Finance Institute

Programs in Bank Management

April 2005 - October 2006
• Executive MBA in International Wealth Management

The Executive MBA in International Wealth Management is offered jointly with the University of Geneva and the Tepper Business School at Carnegie Mellon University. The program helps senior managers and senior advisors from Wealth Management to deepen both their understanding of the integrated advice required by sophisticated clients, as well as their understanding of how to manage the delivery of this advice.

March 27 - April 7, 2006
• 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.

March 2005 - December 2006
• 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. It lasts a total of 7 weeks, spread over 16 months. This course is held predominantly in German.

February 2006 - November 2006
• Advanced Executive Program in Bank Management

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.
Seminars in Bank Management

The following seminars last between 3 and 6 days 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

- **Team Leader in Private Banking**
  Peter Schuppli

- **Credit Management**
  Markus Heinzmann

- **Corporate Finance Services for European and Swiss SMEs**
  Eduardo Schindler

- **International Wealth and Tax Planning**
  Various Academics and experts from Wealth Planning

Programs in Finance

**July 24 - August 25, 2006**

**Certificate in Financial Asset Management and Engineering**

This 5 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 of achieving in-depth understanding of modern finance, the program provides a certification that is unique for its breadth, compactness and intellectual stimulation.
Geneva Executive Courses in Finance

The Swiss Finance Institute offers one of the most extensive and thorough overviews of major developments in finance currently available. Known as the Geneva Executive Courses in Finance, this suite of independent courses is taught by world renowned experts, with each course typically lasting one week.

- Estimating and Forecasting Financial Market Volatility and Correlation
  Tim Bollerslev

- Interest-Rate Models: Theory and Practical Applications
  Yacine Aït-Sahalia

- The Econometrics of Asset Allocation
  Michael W. Brandt

- Financial Engineering
  Saída Neto

- Credit Risk Pricing, Management, and the use of Credit Derivatives
  Didier Cousin

- Exchange-Rate Economics and Forecasting
  Richard Levich

- Financial Econometrics and Forecasting
  Francis X. Diebold

- Global Asset Allocation and Risk Budgeting
  Philippe Jorion

- Quantitative Approaches for Portfolio Management
  François-Serge Lhabitant

- Integrated Risk Management
  René Stulz

- Alternative Investments
  Thomas Schneeweiss and Giovanni Bellosi

- Performance Evaluation and Attribution
  Ross Wermers

- Modern Fixed Income and Inflation Linked Markets: Derivatives, Trading and Risk Management
  David Cox

- Implementing Quantitative Techniques for Financial Markets
  David Cox

- Real Estate Investment and Financing
  Jörg Baumberger, Philippe Sormani, Martin Hoeshl and Olivier Scaillet

- Behavioral Finance and Investment Strategy
  Werner De Bondt
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