



Keynote Speech:
How Does Systemic Risk Look Today

Robert Engle, the Michael Armellino Professor in the Management of Financial Services at the New York University Stern School of Business & 2011 IAFE/SunGard Financial Engineer of the Year



2012 IAFE Annual Conference: Controlling Risk

The International Association of Financial Engineers presents its 20th Annual Conference

Now in its 20th year, the IAFE Annual Conference attracts approximately 250 senior and mid level practitioners from the banking, asset management, risk management, derivatives, structured finance, insurance, institutional investor, legal, and alternative investment communities.

June 1, 2012

pwc, 42nd St. and Madison Ave. – New York City

➤ Conference Highlights

Portfolio Choice with Illiquid Assets

Low Frequency Traders in High Frequency Markets: A Survival Guide

The Future of OTC Derivatives



IAFE Annual Conference Reception and Dinner
May 31st, 7:30pm, Cornell Club, 6 East 44th Street, New York

LIBOR vs. OIS: The Derivatives Discounting Dilemma
John Hull, Maple Financial Chair in Derivatives and Risk Management, Rotman School of Management, University of Toronto & IAFE Senior Fellow

8:45 am
**Registration Coffee
& Light Breakfast**

The Berkeley MFE

Sponsored by:

9:00 am
**IAFE Annual General
Membership Meeting**

9:15 am
Opening Remarks
Richard Lindsey, Principal, Callcott Group & IAFE

9:20 am
Portfolio Choice with Illiquid Assets

Andrew Ang, Ann F. Kaplan Professor of Business, Columbia Business School

Prof Andrew Ang presents a new methodology for optimal allocation which takes into account illiquidity risk. Even modest illiquidity risk markedly reduces the optimal holdings of illiquid assets relative to the full liquidity case. The presence of illiquidity risk endogenously generates time-varying risk aversion, affecting optimal spending and the holdings of both liquid and illiquid assets. The model can be used to compute illiquidity hurdle rates and illiquidity risk premiums.

10:30 am Mid-Morning Break

10:45 am
Low Frequency Traders in High Frequency Markets: A Survival Guide

Marcos M. López de Prado, Ph.D., Head of Global Quant Research & HFFT,
Tudor Investment Management Corporation

High frequency traders (HFT) are responsible for most of the trading activity, and have come to dominate the liquidity provision business. Execution speed and the sheer amount of data that affect HFT decisions put low frequency traders (LFT) at a disadvantage. In this talk we will discuss the new investment paradigm behind HFTs, and provide a number of recommendations to help LFTs level the playing field

12:00pm
Presentation by Winning Team, The MFE Program at the University of California, Berkeley
IAFE student competition In Evaluating and Hedging Greek and California Sovereign Credit Risk

Don Goonetilleke, Trading Associate, Cutler Group, LP
Xin Heng, Strategist, Lattice Strategies, LLC
Michael Pensky, Associate, Morgan Stanley

The team adopts a structural modeling approach to portray the dynamics governing sovereign credit risk. Their solution proposes an approach that reflects the cross behavior between a state and its encompassing monetary union, as each one attempts to maximize its probability of survival. Governed by a set of partial differential equations, the solution models the monetary union's decision whether to bail out an indebted country and in parallel, the country's decision whether to remain in the union. The team applies a numeric finite difference technique to solve for the probability of default and proposes using liquid trad-

12:30 pm Lunch



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1:30pm Keynote: How Does Systemic Risk Look Today

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The real economy cannot function without a healthy financial sector. Risk taken by one financial institution is risk to the real economy when it is correlated with other institutions risk. A measure of systemic risk called SRISK is developed to measure this risk using publicly available data. It estimates the capital that a given financial institution would need to raise if we experience another financial crisis and is thus a measure of the contribution of this institution to the financial crisis. This measure is computed weekly for global financial institutions using state of the art econometric methods and the results are displayed at vlab.stern.nyu.edu.

2:45 pm Mid-Afternoon Break

3:15pm

The Future of OTC Derivatives

Marti Subrahmanyam, Charles E. Merrill Professor of Finance and Economics, Stern School of Business, New York University

Carolyn Jackson, Partner, Katten Munchin Rosenman UK LLP

Other Panelists Being Confirmed

How will the OTC derivatives markets evolve once they become fully subject to the regulatory reforms pursuant to Dodd-Frank and those emanating from Europe and Asia, which may result in multiple and conflicting regulations? What are the challenges and costs of the derivatives regulatory reform? How, in particular, will both the buy and sell side be affected and how will they react? What will be the long term difference between OTC "swaps" that are subject to mandatory clearing and made available to trade on a swaps execution facility vs. a "futures" contract traded on an exchange? Will the regulatory reform. will new OTC products continue to expand, or will innovation be restricted/limited under the new regime? This panel will address these questions, drawing from the speakers' long term experience in the OTC derivatives markets to assess the next decade of OTC derivatives activity.

4:15 pm Wine and Cheese Reception

Pricing

IAFE Members

\$100—Conference Only

\$300—Conference & John Hull Dinner

(Dinner has Limited Availability With First Priority Going to IAFE Members)

IAFE Non-Members

\$150— Conference Only

\$350— Conference & John Hull Dinner

\$500—Conference & John Hull Dinner Dinner & One Year Membership to IAFE

(Dinner has Limited Availability With First Priority Going to IAFE Members)

Sponsorships are available - for details contact David Jaffe at 646-736-0705 or main@iafe.org

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