

THE MERRILL LYNCH CENTER  
FOR THE STUDY OF INTERNATIONAL  
FINANCIAL SERVICES AND MARKETS  
*of the*  
FRANK G. ZARB SCHOOL OF BUSINESS  
*in cooperation with the*  
HOFSTRA CULTURAL CENTER  
*presents*

*An International Conference*

## ***MANAGING RISK IN FINANCIAL INSTITUTIONS: FROM THEORY TO PRACTICE***

**Thursday, Friday, Saturday  
April 27-29, 2006**

**REGISTRATION PROGRAM**



**HOFSTRA**  
UNIVERSITY™

# Hofstra University

and the

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## **MANAGING RISK IN FINANCIAL INSTITUTIONS: FROM THEORY TO PRACTICE**

**Thursday, Friday, Saturday  
April 27-29, 2006**

**Stuart Rabinowitz**

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Hofstra University*

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Director, The Merrill Lynch Center for the Study of International Financial Services and Markets*

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*Professor of Finance  
Frank G. Zarb School of Business*

**Nancy A. White**

*Associate Professor of Finance  
Frank G. Zarb School of Business*

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*Department of Finance  
Frank G. Zarb School of Business  
Administrator, The Merrill Lynch Center  
for the Study of International Financial Services and Markets*

**Athelene A. Collins**

*Associate Director for Project Development,  
Budgets and Office Procedures  
Hofstra Cultural Center*

## THURSDAY, APRIL 27, 2006

8 a.m.-4 p.m.      **CONFERENCE REGISTRATION**  
Scott Skodnek Business Development Center, Lobby  
Joan and Donald E. Axinn Library, Second Floor, South Campus

9-9:15 a.m.      **WELCOMING REMARKS**

9:15-10:30 a.m.  
Session I      **MANAGING RISK**

*Can Insurance Companies Hedge Mortality Risk With Life  
Extension Risk Using Securitized Viagers?*

Charles Stone, Paris-Dauphine University, France

Anne Zissu, Temple University, Pennsylvania

*Risk Weights and Capital Savings Using the Internal VAR Model*

Mei-Ying Liu, Soochow University, Taiwan

*Exchange Rate Risk Measurement and Management Issues  
and Approaches for Firms*

Michael Papaioannou, International Monetary Fund, Washington, D.C.

Moderator      George Papaioannou, Hofstra University

10:30-10:45 a.m.      **COFFEE BREAK**

10:45 a.m.-12:15 p.m.  
Session II      **HEDGING INSTRUMENTS**

*Approaches for Measuring the Duration of Mortgage-Related Securities*

Bennett Golub, Managing Director

Black Rock Financial Management, New York

*Framing the Individual Investor: The Case of Capital-Guaranteed Funds*

Jan Annaert, Anouk Claes and Marc DeCeuster

University of Antwerp, Belgium

*Swaps and Other Derivatives: Uses, Regulations and  
Other Issues in the Philippines*

Sergio Cao, Chancellor, University of Philippines

Moderator      Steven Krull, Hofstra University



12:30-2 p.m.  
Speaker  
**LUNCHEON**  
**Charles Smithson**  
Managing Partner  
Rutter Associates LLC, New York

2:15-3:45 p.m.  
Session III

### **OPERATIONAL RISK AND TECHNOLOGY**

*Operational Risk Management and Money Laundering (AML)  
Compliance: A Risk-Based Approach to Combating Money  
Laundering and Terrorist Financing*

**John MacKessy**, CAMS Director  
Forensic and Litigation Consulting, FTI Consulting, New York

*The Supervisory Framework Surrounding Non-Bank Participation  
in the U.S. Retail Payments System: An Overview*

**Richard Sullivan**, Federal Reserve Bank of Kansas

*Operational Risk Management in Financial Institutions:  
Some Empirical Evidence From Spain*

**Ana Fernandez Laviada**, Universidad de Cantabria, Spain

Moderator

**Anoop Rai**, Hofstra University

3:45-4 p.m.

### **COFFEE BREAK**

4-5:30 p.m.  
Session IV

### **NEW APPROACHES AND SINGLE COUNTRY CASES**

*Capital Adequacy: A New Approach*

**Thomas Lutton**, Office of Federal Enterprise Oversight, Washington, D.C.

*Supervision of Financial Conglomerates: The Case of Chile*

**Constantinos Stephanou**, Financial Economist, World Bank, Washington, D.C.

*Basel II: From Risk Weighting to Risk Rating: Canadian Banks' Regulatory  
Credit Risk Framework in a North American Context*

**Aleh Kourloukov**, Bank of Montreal, Canada

Moderator

**Esmeralda Lyn**, Hofstra University

5:45-6:15 p.m.

### **TRADING ROOM DEMONSTRATION**

C.V. Starr Hall, Room 104, South Campus

*Using Trading Rooms in the Finance Curriculum:*

*Tools for Risk Management and Quantitative Finance*

**Ahmet Karagozoglu**, Hofstra University

## FRIDAY, APRIL 28, 2006

8 a.m.-4 p.m.

### CONFERENCE REGISTRATION

Scott Skodnek Business Development Center, Lobby  
Joan and Donald E. Axinn Library, Second Floor, South Campus

9-10:30 a.m.

Session V

### MODELING

#### *Cyclicalities in Catastrophic and Operational Risk Management*

Linda Allen and Turan Bali

Baruch College, City University of New York

#### *Uncertainty in Value at Risk Estimates Under Parametric and Non-Parametric Modeling*

Tatiana Miazhyńska and Wolfgang Aussenegg

Vienna University of Technology, Austria

#### *Managing Oil Price Risk: An Objective Comparison of VAR Modeling Techniques*

Alexandra Costello, University of Lethbridge, Alberta, Canada

Moderator

Greg van Inwegen, Director, Quantitative Analysis and Risk Management  
Ivy Asset Management Corp. Garden City, New York

10:30-10:45 a.m.

### COFFEE BREAK

10:45 a.m.-12:15 p.m.

Session VI

### REGULATIONS AND CAPITAL ADEQUACY

#### *On Umbrella Supervision and the Role of the Central Bank*

Joseph Haubrich and James Thomson

Federal Reserve Bank of Cleveland

#### *Tolerating the Treachery: How Courts Have Enabled the Conflict of Interest Between Research and Investment Banking Functions of Security Firms*

Paul Dwyer, Siena College, New York

#### *Subordinated Debt, Uninsured Deposits, and Market Discipline: Recent Evidence From Bank Holding Companies*

A. Sinan Cebenoyan, Hofstra University

Fatma Cebenoyan, Hunter College, City University of New York

Moderator

Andrew Spieler, Hofstra University

12:30-2 p.m.

### BUFFET LUNCH

2:15-3:45 p.m.

Session VII

### RISK AND PERFORMANCE

#### *Double or Nothing: Patterns of Equity Fund Holdings and Transactions*

Stephen Brown, David Gallagher, Onno W. Steenbeck and Peter L. Swan  
New York University

***The Effects of Volatility on Commercial Lending Pricing***

Norris Larrymore, Quinnipiac University, Connecticut  
Irvin Morgan, Bentley College, Massachusetts

***Prudent Man or Agency Problem? On the Performance of Insurance Mutual Funds***

Xuanjuan Chen and Tong Yu, University of Rhode Island  
Ton Yao, University of Arizona

Moderator

Robert Meschi, Director of Research  
Ivy Asset Management Corp., Garden City, New York

3:45-4 p.m.

**COFFEE BREAK**

4-5:30 p.m.  
Session VIII

**RISK AGGREGATION AND ENTERPRISE RISK MANAGEMENT**

***Risk Capital Aggregation: The Risk Manager's Perspective***

Francesco Saita, Newfin Research Center and SDA Bocconi, Italy

***Enterprise Risk Management in Action***

Anette Mikes, London School of Economics, England

***Hedging Leverage and Shareholder Value: A Testable Theory of Corporate Risk Management Under General Distributional Conditions***

Lutz Hahnstein and Klaus Roder, Universität Regensburg, Germany

***Does Diversification Improve the Performance of German Banks? Evidence From Individual Bank Loan Portfolios***

Evelyn Hayben, Banking Analysis and Inspections Division,  
Osterreichische Nationalbank, Germany

Daniel Porath, Bank Examinations, Deutsche Bundesbank, Germany

Natalja V. Westernhagen, Department of Banking and Financial Supervision,  
Deutsche Bundesbank, Germany

Moderator

K. G. Viswanathan, Hofstra University

**RECEPTION and CONFERENCE BANQUET**

6 p.m.

**RECEPTION**

7 p.m.

**CONFERENCE BANQUET**

*Greetings from the Hofstra University community*

Introduction

**Ralph S. Polimeni**

Dean, Frank G. Zarb School of Business  
Hofstra University

Academic

Keynote Address

**Anthony Saunders**

The John M. Schiff Professor of Finance  
New York University

*Joseph G. Astman Distinguished Conference Scholar*

## SATURDAY, APRIL 29, 2006

8 a.m. CONTINENTAL BREAKFAST

9:15-10:30 a.m.  
Session IX CREDIT AND SECURITIZATION

*Securitizing the Balance Sheet: The Role of Synthetic CDOs* (Invited Paper)  
**John Marshall**, Senior Principal, Marshall, Tucker & Associates, LLC and  
Founding Member, Board of Directors, International Securities Exchange

*Deriving Retail Credit Portfolio Correlation Properties From  
Large Assets-Backed Security Pools*  
**Eric Higgins and Joseph Mason**  
Drexel University, Pennsylvania

*Evaluation of Bank Interest Rate Risk by the Sensitivity of Bank New  
Interest Margins to Credit, Interest Rate and Term Structure Shocks*  
**Gerald Hanweck**, George Mason University and FDIC  
**Lisa Ryu**, Federal Deposit Insurance Corporation

Moderator **Ehsan Nikbakht**, Hofstra University

10:30-10:45 a.m. COFFEE BREAK

10:45 a.m.-12:15 p.m.  
Session X ROUND TABLE: RISK MANAGEMENT PRACTICE

**Don M. Chance**  
William H. Wright, Jr. Endowed Chair for Financial Services  
Louisiana State University

**Naoki Tabata**  
Senior Advisor, RHJ International Japan, Inc., Tokyo, Japan

**Steven Dresner**  
Pipe Report, Deal Flow Media, New York

Moderator **Arun Keswani**, Associate Multi Asset Strategies, Goldman Sachs, New York

12:30 p.m. CLOSING REMARKS  
**George J. Papaioannou**, Hofstra University



## LODGING INFORMATION

The Long Island Marriott Hotel and Conference Center in Uniondale, Wingate Inn in Garden City, and Red Roof Inn in Westbury, have been designated as the official conference hotels. Following are the special discounted room rates and cutoff dates for room reservations.

### LONG ISLAND MARRIOTT HOTEL AND CONFERENCE CENTER

101 James Doolittle Blvd.  
Uniondale, NY 11553  
Att: Reservations Manager  
Tel: (516) 794-3800 or (800) 832-6255  
Fax: (516) 794-5936  
Room rate: \$147 per night,  
single/double occupancy.  
Cutoff date: April 5, 2006

### WINGATE INN

821 Stewart Avenue  
Garden City, NY 11530  
Tel: (516) 705-9000; Fax: (516) 705-9100  
Room rate: \$139 per night,  
single/double occupancy Friday-Sunday  
and \$155 per night, single/double occupancy  
Monday-Thursday.  
Cutoff date: March 26, 2006

### RED ROOF INN\*

699 Dibblee Drive  
Westbury, NY 11590  
Tel: (516) 794-2555; (800) RED-ROOF  
Standard Room rate: \$94.99 per night, single/double occupancy.  
Business King Room: \$99.99 per night, single/double occupancy.

When making your reservation, please refer to CP518984 to receive Hofstra University's discounted rate.

Cutoff date: Based on availability

**NOTE:** ALL RESERVATIONS WILL BE HELD UNTIL 6 P.M. ON DAY OF ARRIVAL UNLESS ACCOMPANIED BY THE FIRST NIGHT'S ROOM DEPOSIT OR SECURED BY A MAJOR CREDIT CARD. RESERVATIONS MADE AFTER THE CUTOFF DATE WILL BE SUBJECT TO AVAILABILITY AT A HIGHER ROOM RATE.

WHEN MAKING YOUR RESERVATIONS, PLEASE IDENTIFY YOURSELF AS A PARTICIPANT IN THE HOFSTRA RISK MANAGEMENT CONFERENCE AT HOFSTRA UNIVERSITY.

Scheduled transportation will be arranged between the Hofstra University campus and contracted hotels. Schedules will be available at the Conference Registration Desk as well as at the participating hotels.

**\*NOTE:** Please be advised that there will be no shuttle service between the Red Roof Inn and the Hofstra University campus. Please see the concierge desk for taxi service.

Room assignments for conference sessions will be listed in the final program, which will be available at the conference registration desk during the conference.

### DINING FACILITIES ON CAMPUS:

There are several dining facilities on the Hofstra University campus. Only one dining facility, the Hofstra University Club, requires reservations. You may make reservations for lunch/dinner by calling (516) 463-6648. *Reservations are limited.*

# LOCATION OF HOFSTRA UNIVERSITY

**HOFSTRA UNIVERSITY** is located in Hempstead, Long Island, New York, about 25 miles east of New York City, less than an hour away by train or automobile.

The Long Island Rail Road (LIRR) has frequent trains to the Hempstead Station and the Mineola Station from Pennsylvania Station, located at 34th Street and 7th Avenue, New York City, as well as from the Flatbush Avenue Station in Brooklyn, New York. Use local taxi service to the Hofstra campus.

## **Local Taxi Service:**

All Island Taxi Service	(516) 481-1111
Pub Taxi Service	(516) 483-4433
Hempstead Taxi	(516) 489-4460

**BY CAR:** Travel on the Long Island Expressway, Northern State Parkway or Southern State Parkway to Meadowbrook State Parkway to Exit M4 (Hempstead Turnpike). Proceed west on Hempstead Turnpike (Route 24W) to the Hofstra campus (approximately one mile).

## **TRANSPORTATION FROM AIRPORTS:**

The Hofstra campus is located approximately 30 minutes by car from either John F. Kennedy International Airport or LaGuardia Airport.

Call in advance for reservations:

### **Classic Transportation**

Courtesy phones are located in the baggage claim area of JFK and LaGuardia Airports, and are connected directly to Classic dispatch/reservation. Dial 20 to speak directly with the Classic reservation department. Tell the representative what town you wish to go to, and one of their drivers will come inside to help you to the Classic van.

**Cost:** approximately \$30.

**Discount:** When you reserve your round-trip Airport Shuttle trip online at [www.classictrans.com](http://www.classictrans.com) or call (631)567-5100.

### **Horizon Transportation Service**

Personalized Transportation Service (516) 538-4891

### **Hempstead Limousine Service Corporation**

Personalized Transportation Service (516) 485-4399

### **Long Island Airport Limousine Service (LIALS)**

LIALS can be called upon arrival at either JFK or LaGuardia Airport at a public telephone: 656-7000 (no area code required). The phones are monitored from 4 a.m. through midnight, seven days a week.

**NOTE:** Please be advised that there are no set fares charged by New York City yellow cabs between the airports and the Hofstra campus. Please confirm fee with the driver before starting your trip.

**FOR INFORMATION:**  
**HOFSTRA CULTURAL CENTER**  
200 Hofstra University  
Hempstead, New York 11549-2000  
Tel: (516) 463-5669; Fax: (516) 463-4793  
E-mail: [hofculctr@hofstra.edu](mailto:hofculctr@hofstra.edu)

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FROM THEORY TO PRACTICE**

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200 Hofstra University  
Hempstead, NY 11549-2000  
Tel: (516) 463-5669  
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\_\_\_\_\_ Long Island Marriott  
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**Hofstra University is 100-percent accessible to persons with disabilities.**

All events (with the exception of meals) are FREE to Hofstra students, faculty and staff upon presentation of current HofstraCard.

**Cancellations:** A \$10 handling fee will be deducted from registration refunds; however, notice must be received by April 17, 2006.

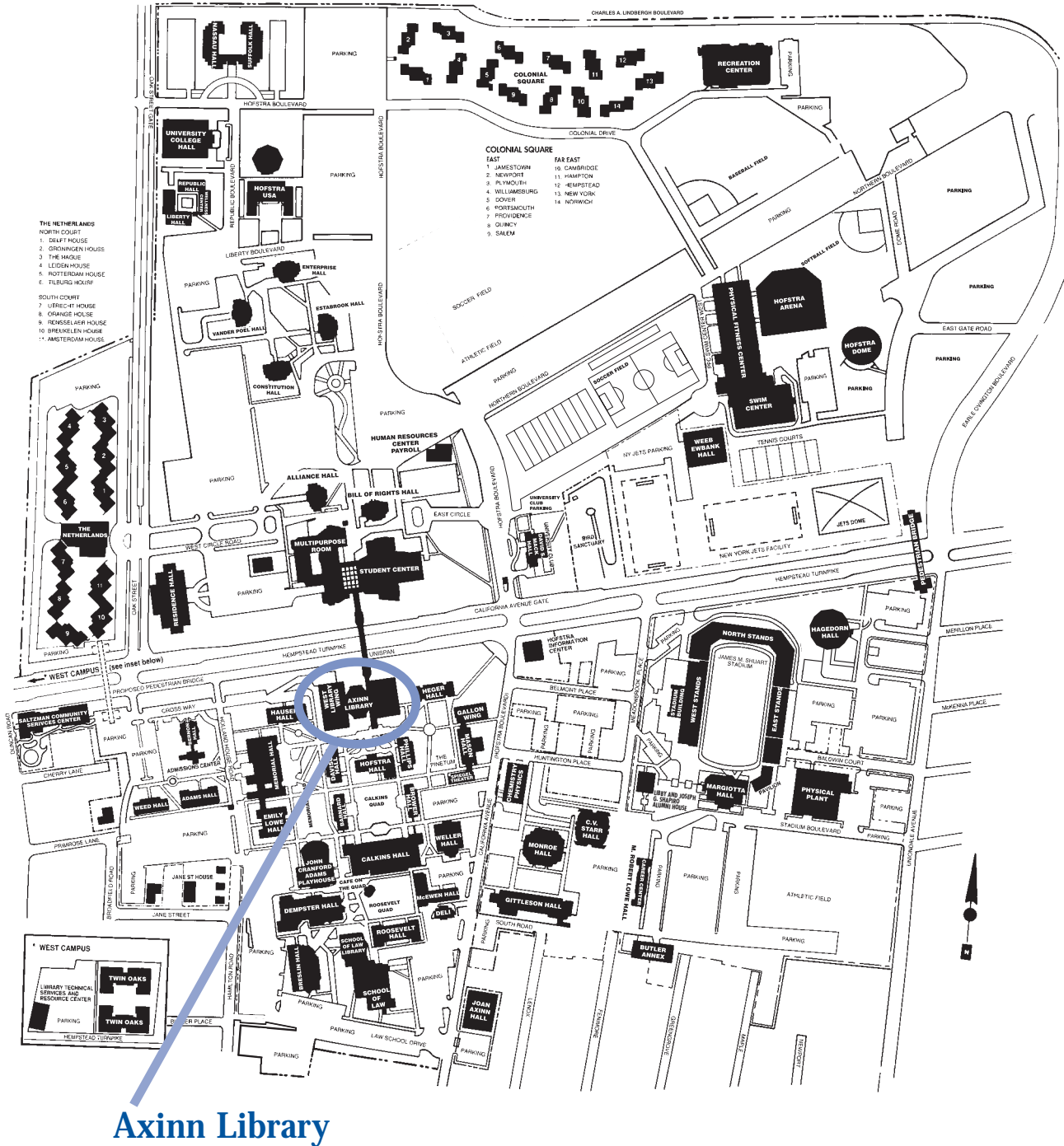
**Returned Checks:** A \$20 handling fee will be charged for returned checks.

## CONFERENCE FEES

REGISTRATION FEE		No. of Persons	Amount
Academic registrant Must include copy of current school ID (per person cost includes continental breakfast, luncheons and coffee breaks)			
Early Bird Rate (before April 17)	\$100	_____	_____
Regular Rate (after April 17)	\$125	_____	_____
Corporate registrant (per person cost includes continental breakfast, luncheons and coffee breaks)			
Early Bird Rate (before April 17)	\$225	_____	_____
Regular Rate (after April 17)	\$275	_____	_____
Corporate Package (per person cost includes conference and all meals)	\$300	_____	_____
Senior Citizens (over 65) Must include copy of Medicare card (per person cost includes continental breakfast, buffet lunch on Friday and coffee breaks)	\$75	_____	_____
Matriculated non-Hofstra student Must include copy of current school ID (per person cost includes continental breakfast, buffet lunch on Friday and coffee breaks)	\$75	_____	_____
Luncheon (Thursday, April 27)	\$30	_____	_____
Banquet (Friday, April 28)	\$50	_____	_____
	TOTAL	_____	_____



# Campus Map



Hofstra University continues its commitment to extending equal opportunity to all qualified individuals without regard to race, color, religion, sex, sexual orientation, marital or veteran status, age, national or ethnic origin, or physical or mental disability, in the conduct and operation of its educational programs and activities, including admission and employment. This statement of non-discrimination is in compliance with Title IX of the Education Amendments of 1972, Section 504 of the Rehabilitation Act of 1973 and other federal, state and local laws. The Americans with Disabilities Act Compliance Officer in the Plant Department, (516) 463-6641, is designated by the University to coordinate its efforts to comply with Section 504. The Equal Rights and Opportunity Officer is the University's official responsible for coordinating its adherence to Title IX and other equal opportunity regulations and laws. Questions or concerns regarding Title IX or other aspects of this policy (other than Section 504) should be directed to the Equal Rights and Opportunity Officer (516) 463-6775.



## HOFSTRA AT A GLANCE

**LOCATION:** Hempstead, Long Island, 25 miles east of New York City. Telephone: (516) 463-6600

**CHARACTER:** A private, nonsectarian, coeducational university.

**FOUNDING DATE:** 1935

**PRESIDENT:** Stuart Rabinowitz, J.D.

**COLLEGES AND SCHOOLS:** Hofstra College of Liberal Arts and Sciences, Frank G. Zarb School of Business, School of Communication, School of Education and Allied Human Services, New College of Hofstra (innovative college), School of Law, School for University Studies, Honors College, Saturday College, and University College for Continuing Education.

**FACULTY (INCLUDING LIBRARIANS):** There are 1,246 faculty members, of whom 527 are full-time. Ninety one percent of full-time faculty hold the highest degree in their fields.

**STUDENT BODY:** Full-time undergraduate enrollment of 8,031. Total University enrollment, including part-time undergraduate, graduate and School of Law, is approximately 13,000. Male-female ratio is 44 to 56.

**UNDERGRADUATE DEGREE PROGRAMS:** Approximately 140 undergraduate programs of study.

**GRADUATE DEGREE PROGRAMS:** Graduate degrees are offered in more than 150 programs of study, including Ph.D., Ed.D., Psy.D., and J.D. degrees, advanced certificates and professional diplomas.

**THE HOFSTRA CAMPUS:** With 113 buildings and 240 acres, Hofstra is an accredited member of the American Association of Botanical Gardens and Arboreta.

**LIBRARIES:** The Hofstra Libraries are fully computerized and contain 1.2 million volumes (1.6 million with volume equivalents) available for student use. Hofstra's electronic library provides access to 120 databases and 17,000 full-text journals.

**ACCESSIBILITY:** Hofstra is 100 percent program accessible to persons with disabilities.

**JANUARY AND SUMMER SESSIONS:** Hofstra offers a January session and three summer sessions between May and August.



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# NOTES





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*Managing Risk in  
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