

## NYU SALOMON CENTER

The Salomon Center at New York University Stern School of Business was founded in 1972 as a vehicle for focusing high quality research attention on the global financial services industry and its principal institutions. Among its activities, the Center conducts new research on a variety of financial topics; conducts high profile conferences for academics, practitioners and regulators; and distributes newsletters to the relevant community highlighting important research developments in specific areas covered by the Center.

The Center has an excellent reputation outside the NYU community and benefits from an outstanding external academic board, including Myron Scholes (1997 Nobel Laureate in Economics and past AFA president), Sanford Grossman (1987 John Bates Clark Medal in Economics and past AFA president), and Robert Litzenberger (past AFA president).

### Research Initiatives

Currently, the Center, under the direction of Matthew Richardson, is involved in five research initiatives, each directed by an NYU Stern professor:

- **Asset Management** directed by Martin J. Gruber (Director, National Bureau of Economic Research (NBER) and past AFA President) — focuses on examining and explaining the existence, management, and performance of pools of capital, concentrating on institutions such as pension funds, mutual funds, and hedge funds.
- **Credit and Debt Markets** directed by Edward I. Altman (past FMA President) — focuses on efficient functioning and dynamic nature of the world's credit and debt markets.
- **The NASDAQ Derivatives Research Project** directed by Stephen Figlewski (Founding Editor, *Journal of Derivatives*) — focuses on theoretical and applied research on derivative instruments and markets, risk management and financial engineering.
- **Center for Financial Econometrics** directed by Robert F. Engle (2003 Nobel Laureate in Economics) — focuses on the application of econometrics to the field of finance with special attention to the development of techniques for risk management, derivatives pricing, and market performance
- **Financial Institutions** directed by Alexander Ljungqvist—focuses not only on “traditional” banking questions, such as the regulation of commercial banks and the monetary transmission channels between the banking sector and the real economy, but also on the role and efficiency of investment banks and private equity funds in helping companies raise capital.

### Database Center

The NYU Salomon Center's partnership with a number of important financial institutions, called Corporate Associates, has led to the formation of a Database Center, which allows academics to address questions using a variety of proprietary data sources. In addition, the Center processes particular data of interest to practitioners. For example, the Center maintains a monthly time-series of indices on defaulted bond and bank loan prices since the 1980s. With the recent development of the database facility, this type of offering is an expanding part of the Salomon Center. Using this data, the Center's various research programs are becoming online portals for news, academic research, and data processing in their particular areas of interest.

[www.stern.nyu.edu/salomon](http://www.stern.nyu.edu/salomon)

## NEW YORK UNIVERSITY SALOMON CENTER

### The NASDAQ Derivatives Research Project

### CONFERENCE ON

### DERIVATIVES 2007: NEW IDEAS, NEW INSTRUMENTS, NEW MARKETS

May 18, 2007  
NYU Stern School of Business

### Sponsors:

#### International Securities Exchange



and

#### The NASDAQ Stock Market, Inc.



## DERIVATIVES 2007: NEW IDEAS, NEW INSTRUMENTS, NEW MARKETS

In 1973, Black and Scholes published their seminal article on option pricing, which launched academic finance into modern derivatives theory, and the Chicago Board Options Exchange introduced exchange trading of standardized option contracts, which launched the modern options marketplace. Since then, derivatives has been an area of extraordinary growth and development in both theory and practice. Moreover, unlike most academic disciplines, the gulf between theory and practice—and between professors and practitioners—is unusually narrow for derivatives. Advances in theoretical understanding of derivatives have rapidly seen practical application in the marketplace, and at the same time, market innovations have stimulated new theory and academic research.

This conference will focus on some of the most significant recent developments in this important and exciting area. We are delighted to have a group of speakers who are recognized as being among the foremost intellectual leaders in the field. Most have had highly successful careers in both academics and the real world.

As a principal in a highly successful hedge fund, following a stellar academic career, our Keynote Speaker, Myron Scholes, exemplifies this synthesis of theory and practice.

The morning sessions will cover new kinds of derivatives based on credit risk, on real estate, and on energy, and new models of the underlying returns processes with stochastic volatility and correlation, or non-diffusive jumps. Complementing the academic-style presentations will be speakers who will discuss the issues that arise in translating theoretical advances into implementable trading and risk management strategies.

The afternoon will be devoted to two panel discussions. The first features a group of speakers all of whom have been at the pinnacle of academic achievement and are now doing the same in the real world of trading and risk management. The second panel brings together a group of prominent market professionals to share their views on the future of trading technology and the rapidly evolving derivatives marketplace.

*Conference Organizer:*

### **Stephen Figlewski**

Professor of Finance and Director of The NASDAQ Derivatives Research Project  
NYU Stern School of Business

**Friday, May 18, 2007**

8:15	<i>Registration and Continental Breakfast</i>	
8:45	<b>Welcome and Opening Remarks</b>	2:00 <b>SESSION III: PANEL DISCUSSION ON "DERIVATIVES THEORY AND PRACTICE: WHERE ARE WE? WHERE ARE WE GOING NEXT?"</b> <i>Chair: Richard Lindsey, Callcott Group</i>
9:00	<b>SESSION I: NEW IDEAS</b> <i>Chair: Peter Carr, Bloomberg L.P./Courant Institute, NYU</i>	<b>Myron S. Scholes</b> , Chairman, Oak Hill Platinum Partners <b>Sanford J. Grossman</b> , Chairman, CEO and President, Quantitative Financial Strategies, Inc. <b>Robert Litzenberger</b> , Executive Director, Azimuth Trust <b>Emanuel Derman</b> , Columbia University
	<b>John C. Hull</b> and <b>Alan D. White</b> , University of Toronto "Dynamic Models of Portfolio Credit Risk: A Simplified Approach" <b>Liuren Wu</b> , Baruch College "Incorporating Jumps in Option Models using Jump-Diffusions and Lévy Processes" <b>Michel Crouhy</b> , IXIS Corporate & Investment Bank "Managing the Newest Derivatives Risks" <b>Thierry F. Bollier</b> , WestLB "Model-Based Trading in the Real World"	
10:30	<i>Refreshment Break</i>	3:30 <i>Refreshment Break</i>
11:00	<b>SESSION II: NEW INSTRUMENTS</b> <i>Chair: Rangarajan K. Sundaram, New York University</i> <b>Robert F. Engle</b> , NYU "The Dynamic Structure of Implied Volatilities and Correlations" <b>Robert J. Shiller</b> , Yale University "Real Estate Derivatives" <b>Ehud I. Ronn</b> , University of Texas at Austin "Energy Derivatives after Enron"	4:00 <b>SESSION IV: PANEL DISCUSSION ON "THE DERIVATIVES MARKETPLACE: TRANSACTIONS TECHNOLOGY IN FLUX"</b> <i>Chair: Mark P. Kritzman, Windham Capital Management, LLC</i> <b>Chester S. Spatt</b> , Chief Economist, Securities and Exchange Commission <b>Frank M. Hatheway</b> , Chief Economist, The NASDAQ Stock Market Inc. <b>David Krell</b> , President and CEO, International Securities Exchange
		5:15 <b>Wrap up</b>
		5:30 <i>Cocktail Reception</i>
12:30	<i>Lunch</i> Keynote Speaker: <b>Myron S. Scholes</b> , Chairman, Platinum Grove Asset Management, L.P.	6:30 <i>Dinner for Speakers and Honored Guests</i>

The conference will be held in the main auditorium at the Henry Kaufman Management Center, 44 West 4<sup>th</sup> Street, New York City--part of the New York University Leonard N. Stern School of Business. The School is accessible via the N, R (to 8<sup>th</sup> Street), A, B, C, D, E, F (to West 4<sup>th</sup> Street) or #6 (to Astor Place) subway routes