

**NEW YORK UNIVERSITY
SALOMON CENTER**

and

THE DERIVATIVES RESEARCH PROJECT

CONFERENCE ON

**DERIVATIVES 2003:
REPORTS FROM THE FRONTIERS**

January 31, 2003



DERIVATIVES 2003: REPORTS FROM THE FRONTIERS

The knowledge base supporting the world of derivatives and risk management--let us say "rocket science"--keeps expanding rapidly. In the academic world, theoretical advances have made it possible to construct models that are significantly more complex technically than what was attempted just a few years ago. We now have the technology to deal with instruments that are subject to time varying volatility, Poisson jumps, time and state-dependent correlations, and more. At the same time, innovation in the real world is also proceeding at a remarkable pace. New classes of securities, such as Collateralized Debt Obligations, are transforming the derivatives landscape.

This conference brings together an extraordinary group of speakers, all of whom have made important contributions, both theoretical and practical, in this area. The conference title "Reports from the Frontiers" captures the idea that our objective is at least partly to learn about what is happening at the forefront of academic research and real world practice from those who are on the spot.

The speakers in the morning sessions will cover a range of important frontier topics from the academic perspective, discussing their own work and also describing the current state of the art in the area. The keynote speaker, Robert Litzenberger, will share his thoughts on several timely topics, gained from his years as Head of Firmwide Risk Management at Goldman Sachs, following an extremely productive academic career as a finance professor at Wharton and Stanford.

In the afternoon, we will hear from practitioners in several areas about the latest developments in their respective fields. The final session of the conference will bring together some of the most respected people in finance to discuss their views on what new ideas they expect will have the greatest impact on the real world.

Conference Organizer:

Stephen Figlewski, Professor of Finance
NYU Stern School of Business

Friday, January 31, 2003

8:15 *Registration and Continental Breakfast*

8:45 *Welcome and Conference Overview*
Ingo Walter, NYU Salomon Center
Stephen Figlewski, NYU Stern School of Business

9:00 THE FRONTIERS IN THEORY I: MODELING THE PRICE PROCESS

Chair: Emanuel Derman, Columbia University

“Modeling Volatility”
Robert Engle, NYU Stern School of Business

“Modeling Distributions: Extreme Value Theory and Copulas”
Paul Embrechts, Dept. of Mathematics, ETH Zurich

“Option Pricing using Integral Transforms”
Peter Carr, NYU Courant Institute of Mathematical Sciences

10:30 *Refreshment Break*

11:00 THE FRONTIERS IN THEORY II: MODELING DERIVATIVE SECURITIES

Chair: Raghu Sundaram, NYU Stern School of Business

"Likelihood Estimation for Continuous Time Models in Finance"
Yacine Ait-Sahalia, Princeton University

“Mortgages and Mortgage-Backed Securities”
Francis Longstaff, UCLA

“Modeling Interest Rate Risk, Equity Risk, and Default Simultaneously”
Sanjiv Das, University of Santa Clara

12:30 *Lunch*

Keynote Address: Robert Litzenberger (Emeritus Professor, Wharton, and retired Partner, Goldman Sachs)
"Issues Related to Incompleteness, Transaction Costs, Counterparty Credit, and Moral Hazard"

2:00 THE FRONTIERS OF DERIVATIVES AND RISK MANAGEMENT PRACTICE

Chair: Michel Crouhy, CIBC

Presentations by practitioners on

Regulation—Richard Lindsey, Bear Stearns

Credit Risk—Jeffrey R. Bohn, Moody's KMV

Derivatives Markets—David Krell, International Securities Exchange

Financial Software—Speaker TBA

Risk Management Tools—Speaker TBA

3:30 *Refreshment Break*

4:00 PANEL DISCUSSION: CONNECTING THE ACADEMIC FRONTIERS TO THE REAL WORLD

Chair: Mark Kritzman, Windham Capital Management

Sanford Grossman, Quantitative Financial Strategies, Inc.

Robert Litzenberger, Wharton (Emeritus) and retired Partner, Goldman Sachs

Stephen Ross, M.I.T. Sloan School

Myron Scholes, Oak Hill Capital Management

Robert Shiller, Yale University

5:30 *Cocktail Reception*

The conference will be held in the main auditorium at the Henry Kaufman Management Center, 44 West 4th 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 8th Street), A, B, C, D, E, F (to West 4th Street) or #6 (to Astor Place) subway routes.

REGISTRATION FORM

CONFERENCE ON DERIVATIVES 2003: REPORTS FROM THE FRONTIERS

January 31, 2003

Conference Fee: \$525 (Academics& Government Regulators: \$250)

Conference fee includes proceedings when published, as well as the continental breakfast, luncheon and cocktail reception.

Advance reservations are necessary and must be made by Monday, January 27, 2003

For additional information, call (212) 998-0700 Fax (212) 995-4220

To register, complete the form and mail together with a check payable to *New York University* to:
New York University Salomon Center, Stern School of Business, 44 West 4th Street, Suite 9-160,
New York, NY 10012

Name: _____

Affiliation: _____

Address: _____

Telephone: _____ Fax _____

Email: _____

Enclosed is a check for (check one) ____ \$525 ____ \$250

Please reserve ____ place (payment is in process)