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## The Swiss Finance Institute Ph D program

### A Swiss project for international excellence

Jean-Pierre Danthine\*

Since January 2006, five Swiss universities have joined forces to offer a common Ph.D. program in finance, the Swiss Finance Institute PhD program. This article describes this ambitious undertaking.

As its name suggests, the Swiss finance Institute Ph.D. program is intricately linked to a broader initiative, the Swiss Finance Institute, set up in January 2006 by the banking and finance community of Switzerland together with leading Swiss universities. The Institute aims to support and advance research, doctoral training and executive education in the banking and finance sector as well as organizing interfacing activities between researchers and practitioners. The Institute is supported by the Swiss banks, the Swiss Stock Exchange, Swiss universities and the Federal Government, which are all represented on the Foundation Board.

The underlying motive for the creation of the Swiss Finance Institute is the conviction that an important financial center such as Switzerland, in an industry that is increasingly knowledge based, deserves an academic financial place that is commensurate in importance and visibility. The Swiss Finance Institute's primary goal is therefore

to increase Switzerland's attractiveness for outstanding researchers, teachers, students and participants in executive education programs. Over the medium term, the Swiss Finance Institute wants to achieve a leading position within Europe in major research areas relevant for banking and finance. Research is promoted and universities are encouraged to recruit new researchers with established potential. More than 30 Swiss Finance Institute senior and junior chairs will be awarded. SFI provides full financing for tenure track assistant professorships, awards prizes, disseminates top-level research publications and sponsors research projects.

The 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 with a faculty of more than 50 full time researchers and a student body of close to 80 PhD students engaged in high level research in the field of banking and finance and related disciplines. Another important antecedent of the initiative under discussion is the National Center of Competence in Research (NCCR) FINRISK operated across Switzerland since 2003. FinRisk has become the research arm of the Swiss Finance Institute and the Swiss Finance Institute PhD program is offered in cooperation with FinRisk, building on the foundations established by the FAME PhD program in finance operating since 1996 in the Léman area and the FinRisk PhD program started in 2003 across Switzerland.

#### A program with high ambitions

The Swiss Finance Institute PhD Program in Finance aims at providing rigorous and inspiring PhD studies in finance with an intellectual environment and curriculum comparable with the top

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PhD programs in Europe and North America. The PhD program operates on the three Swiss Finance Institute campuses in Geneva/Lausanne (Léman), Lugano and Zurich in collaboration with the Universities of Geneva, Lausanne, Lugano, Zurich and the EPFL. Specifically, the first-year curriculum is offered on each of the three campuses, while all second year or advanced courses regrouped all students on a single location. It should be noted that all Swiss Finance Institute PhD courses are made available to qualified students from non-participating Swiss universities provided students commit to fulfill all the requirements of the courses (auditing students are not allowed) and they are recommended by their thesis advisors.

The program has four distinct features: a full offering of PhD level (post-Master) courses in finance; an international faculty dedicated to research at the highest level and covering all areas of finance; a very diverse student body comprised of 80% international students (of which 85% are European, 2% North American, 5% Central and South American and 8% Asian students) and of which (so far) 25% are women; and full financing of all degree candidates. Specifically, because the first year of the PhD program requires a full-time commitment to studies, the Swiss Finance Institute provides grants of SFR 30'000 (plus adjustment for the cost of living) to all admitted candidates. The working language of the Swiss Finance Institute PhD Program in Finance is English. Swiss Finance Institute PhD students are provided offices from the first year of the program on.

### **The curriculum**

The program's curriculum is structured along two phases: the First Phase features specific PhD level courses covering advanced financial theory and the techniques of financial research (1<sup>st</sup> year). The Second Phase is devoted to the writing of a doctoral thesis.

The program starts with a curriculum of core courses. The aim of this intensive course-work is to provide all candidates with a broad and complete education covering the basic building blocks and conceptual tools of finance and to help orient students towards a thesis supervisor. Each of the participating universities has established a program of core courses reflecting the strengths of its faculty. Their aim is to provide a sound working basis to successfully finish the PhD program within three more years following the first phase. Each core course is followed by an examination.

The faculty member in charge can decide to attribute the final grade for the course based on project assessments, on class participation as well as on graded interim homework. Students' admission to the second phase (dissertation writing) is determined on the basis of the grades obtained on the core courses as well as (1) the successful completion of a summer research paper (for Geneva/Lausanne, and Zurich) or (2) a comprehensive examination (Lugano). The summer paper should be the first draft of a "publishable" research paper and should contain original theoretical or empirical work developed independently by the student. An extensive selection of Master-level courses is available to Swiss Finance Institute PhD candidates wishing to complete their education during the first phase of their curriculum. In addition to the courses mentioned above, a large number of courses in related fields are offered by partner academic institutions. These courses can be integrated into the course program of Swiss Finance Institute PhD candidates with the approval of the PhD coordinator.

Upon admission to the second phase of the program, Swiss Finance Institute PhD students select a thesis topic and choose their thesis advisor. Typically, students can become part of the research projects carried out at one of the partner institutes and work within this project as a research or teaching assistant. The NCCR FINRISK network also guarantees intensive contact with PhD students from other Swiss Universities and provides an excellent and stimulating research environment. In this second phase of the PhD program, advanced courses are offered on an elective basis. The goal of the advanced courses is to provide students with the opportunity to acquire the specialized skills that are most relevant to their thesis work. The selection of the appropriate specialized PhD courses for each candidate is made jointly with the dissertation supervisor. In 2008 more than 12 advanced PhD courses were offered by Swiss Finance Institute and FinRisk together.

The completion of the PhD Program in Finance requires two successful evaluations: a first evaluation after the first phase of the program and a final defense of the PhD dissertation. The degree "Doctorate in Economics with Specialization in Finance" is awarded by the University. In order to qualify as a Swiss Finance Institute doctorate, the thesis jury of a candidate must include a Swiss Finance Institute chaired professor; the supervisor should be a faculty member of SFI and if at all possible the thesis jury should include a

SFI Faculty member from another SFI center than the center with which the PhD student is affiliated.

### **A national community**

Throughout the year, activities connecting researchers of the three SFI centers are organized and encouraged. FinRisk research projects typically combine researchers from more than one institution. The seminars series of each SFI center always include guest speakers from researchers of another Swiss Finance Institute center. Joint recruiting missions at the American Finance Association meeting, which constitutes in early January the "job market" for the planet, are organized yearly. Each year all Swiss Finance Institute and FinRisk PhD students are invited to present their research in progress at a two-day workshop organized by Swiss Finance Institute and FinRisk with the support of the Study Center Gerzensee Foundation. Each paper is discussed by another doctoral student before invited academics (in the last years, Prof. René Stulz (Ohio State University) and Jerome Detemple (Boston U.) as well as other Swiss Finance Institute professors provide their comments. Since 2007, the SFI Best Paper Doctoral Award is offered to the author of the best paper presented at the Gerzensee doctoral workshop while the three best discussions are rewarded with SFI Best Discussion Doctoral Awards. The Seventh Swiss Doctoral Workshop in Finance was held from June 2-3, 2008 in parallel to the FINRISK Research Day 2008. SFI and FINRISK also held their General Assemblies during the Workshop with the first evening ending with a keynote lecture by Felix Kubler, SFI Senior Chair at the University of Zurich, on robust computational experiments in finance. The winners of the various awards for 2008 were Laurent Frésard, UNINE, for a paper entitled "Financial Strength and Product Market Behaviors: The Real Effects of Corporate Cash Holdings" and Jan-Peter Kulak, SFI Léman, Rodolfo Prieto, SFI Léman, and Leon Bogdan Stacescu, SFI Zurich for their excellent discussions.

### **Part of a worldwide research network**

Swiss Finance Institute PhD students with academic ambitions are strongly encouraged to spend an extended visit abroad in a top department under the pre-arranged supervision of a researcher interested in the PhD student's research. To that effect, on the recommendation of the Scientific Council, SFI instituted a program of

advanced doctoral grants guaranteeing financial support for up to CHF 40'000 per candidate. Under this program Swiss Finance Institute PhD students have recently visited or are currently visiting the following universities: UC Berkeley, Boston U., Chicago, Columbia, Harvard and Rochester.

The ultimate measure of success of a PhD program is students' placement. The Swiss Finance Institute PhD Program counts a growing number of outstanding graduate placements. Coming from either its foundation programs (FAME and FINRISK) or the Swiss Finance Institute program itself, our graduates have secured notable positions at prestigious academic and financial institutions. The 2008 graduates of the Swiss Finance Institute doctoral program have taken up assistant professorships at the Fuqua School of Business, Duke University, the Jones Graduate School of Management, Rice University, and the BI Norwegian School of Management. Graduates selecting a career in the financial marketplace have obtained positions at recognized institutions such as UBS, Credit Suisse, RiskMetrics, Morgan Stanley, Barclay's Wealth and BCV to name just a few. We have 8 PhD students on the market this year. At the time of this writing, they are currently flying all over the world being interviewed by prospective employers. One of them has already accepted an offer to become an assistant professor at Carnegie Mellon University in Pittsburgh.

### **Conclusion**

The Swiss Finance Institute PhD program described in this article is an unusual undertaking: a joint effort by five universities, sponsored by an entire industry, to achieve standards of excellence in fundamental research and Ph.D. training. With recent student placement as strong as ever obtained for graduates in finance from Swiss universities, it is already a resounding success. What we expect in the near future is an ever stronger recruiting base for our students, an increase in the number of doctors in finance available both for academia and for the industry, ever closer ties between the different sub-entities of this joint project with positive externalities for all involved and improved research and academic achievement. More generally we are convinced that this investment in PhD training will be a cornerstone of the world-level competence center in finance in construction in Switzerland.