

Back from Korea, Isenberg School Professor Discusses Expanding Role for School's Alternative Investments Center



"South Korea has the highest volume of options derivatives in the world," notes Isenberg School finance professor **Hossein Kazemi**.

"Koreans buy derivatives almost like they're lottery tickets. The odds on derivatives, of course, are far better for the buyer." The popularity of derivatives in Korea, Kazemi continues, dovetails with the country's high savings rate, a phenomenon that it shares with China, Japan, and other East Asian countries. But alternative investments in Korea are tightly regulated by the Korean government, which has yet to give Korea's financial institutions the green light on hedge funds or structured collateralized debt options.



To help Korea's investment community prepare for an expanded palette of alternative investments, Kazemi and his colleagues at the Isenberg School's Center for International Securities and Derivatives Markets (CISDM) helped set up an annual three-day conference on the subject in 2002. A year later, Korea's leading financial newspaper, *The Financial News*, assumed sponsorship of the event, which takes place in late August. According to Kazemi, who is a CISDM board member and research associate, this year's conference attracted more than 400 attendees from the investment community, government, and academe. CISDM's influence at the conference remains influential with Kazemi and CISDM director **Tom Schneeweis** as key participants. (Professor Schneeweis, who appeared in a front page photo of the *Financial News* during the conference, has iconic status in Korea.) CISDM research associate **Richard Spurgin** and Isenberg School Ph.D. graduate and Associate Dean of Long Island University's business school **Sam Chung '99 Ph.D.** have also been active participants.

"Korea's financial markets are far more regulated and protectionist than our own," adds Kazemi. But the investment community and other interests in Korean society are pushing hard to open them up. CISDM's role in the conference is to help Korea develop local skill sets and infrastructure that will pave the way for the introduction of new financial products and markets. There's no end in sight to the accelerated movement of capital into Korea and other East Asian countries. Our goal is to help the Koreans make the most of that movement by helping them to improve the efficiency of their financial markets."

Throughout its ten-year history, CISDM has lived up to the "international" component of its moniker. "Each year, we've held an annual meeting in London with academics and members of the financial community," observes Kazemi. "Next fall, we will join forces with the EDHEC Risk and Asset Management Research Centre in Nice to coordinate an alternative investments conference in London. In addition to attracting our friends in London, the event should have a significant EEC [European Economic Community] presence."

CISDM also exerts global influence in its close ties with CAIA, the dominant force in accreditation standards for alternative investment professionals. Founded by CISDM and the Alternative Investments Management Association (AIMA), CISDM director Thomas Schneeweis is one of four CAIA board members, while other CISDM members, including Kazemi, participate in CAIA's curriculum committee. "Almost 50% of CAIA's 2,000 students are from overseas, including Asian financial centers like Singapore, Australia, and Hong Kong," emphasizes Kazemi.

On the research front, CISDM has improved the accessibility and international content of its extensive hedge fund and commodity trading data base through a year-old alliance with the global fund manager CASAM (Credit Agricole Structured Asset Management). The new CASM CISDM Database significantly expands CISDM's international data resources through its coverage of 5,000 hedge funds, funds of funds, commodity trading advisors, and commodity pool operators. At the same time, CISDM's industry-leading *Journal of Alternative Investments*—its audience is

increasingly international—is the fastest-growing periodical among Institutional Investor's family of journals.

"Since the beginning, our commitment has been to move with the financial markets," notes Kazemi. "As those markets continue to disperse, CISDM itself will continue to adapt."

Anna Nagurney Awarded Fulbright Senior Specialist Grant to the University of Catania, Sicily



Professor **Anna Nagurney** of the Isenberg School of Management has been selected as a Fulbright Senior Specialist in Business Administration at the University of

Catania in Italy. The theme of her project is: "Complex Networks and Vulnerability Analysis: From Innovations in Theory to Education and Practice." During her two weeks at the University of Catania in March 2008, Professor Nagurney will give both graduate and undergraduate lectures. She will conduct a workshop on the topic and will also evaluate curricular and educational materials, including datasets. At Catania, Professor Nagurney will address a variety of applications including congested urban (and other) transportation networks, electric power generation and distribution networks, supply chains, financial networks, and the Internet.

Professor Nagurney's well-known expertise on the subject has been highlighted in various publications, including articles and co-authored papers with her doctoral student, Patrick Qiang, in such journals as *Europhysics Letters*, the *Journal of Global Optimization*, and *Optimization Letters*. Their joint research on the identification of the most important nodes and links in networks, subject to deteriorations or outright failures due to natural disasters, terrorist attacks, critical failures, etc., has been featured in such publications as *WebWeek* magazine, *Science Daily*, *Network World*, and *Computerworld*. The network efficiency measure developed by Nagurney and Qiang has been used, to-date, to determine the importance and rankings of nodes and links in transportation

networks, electric power supply chains, financial networks, and the Internet. It has been shown to outperform earlier proposed measures in applications to the German highway system as well as the well-known Braess paradox network. Their research has important implications for national security as well as for the study of climate change effects on infrastructure network efficiency.

Professor Nagurney's host at the University of Catania will be Dr. Patrizia Daniele, who is a Center Associate of the Virtual Center for Supernetworks at UMass Amherst, and whose Founding Director is Professor Nagurney.

Isenberg School Celebrates International Education Week

"Our students live and work in an increasingly global economy. International awareness and experience are critical to their education and success after graduation," insists Isenberg School undergraduate dean **Carol Barr**. For three years, the school has celebrated International Education Week in November with an eye-catching display of flags and student cultural exhibits in the school's atrium.¹ Coordinated by the School's George Spiro Business Communication Center and the undergraduate program, the week's events culminate with a scholarship award of \$1,000 to further international study by an Isenberg School student. The award is based on a student essay and financial need.

When former undergraduate dean **Dennis Hanno** initiated the festivities three years ago, he purchased 73 flags, each representing the national origin—either as citizens or by birth—of students, faculty, and staff members at the Isenberg School. Today, the number of flags has blossomed to 85. "Our students know that their community is internationally diverse. But it's on International Education Week that they appreciate the extent of that diversity," underscores Barr. The events also acquaint Isenberg School students with some of their international education options, including the university's International Programs Office's semester-long overseas study opportunities in 27 countries and the Isenberg School's own two-week class trips to Australia, Brazil, China, Denmark, Germany/France, Ghana, Ireland, and Italy.

This year's \$1,000 scholarship recipient was freshman **Valeriya Leikina**, whose essay was judged superior by International Week coordinator **Gail Cruise** and her fellow Isenberg School writing instructors. Valeriya describes her



family's recent move from Moscow to Devens, Massachusetts as a "Horatio Algeresque" story. She plans to pursue a dual degree in management and neuroscience. Valeriya's award will defray costs toward her Isenberg School class trip in January to Germany and France. A second award went to hospitality major **Grisha Maziya** for correctly identifying all but one of the 85 flags on display (Grisha's nemesis—the flag of Peru).

Back from France and Germany two months later, Valeriya commented: "Overall, I thought the trip and the program ran very smoothly. I found the balance between scheduled events and free time very successful." At the same time, she found that her experiences in Paris corroborated the stereotype of subpar service by clerks and waitstaff in restaurants and shops. "I came to the conclusion that this is simply a difference of culture and environment induced by the disparity in our economic systems," she remarked. "Our profit maximization-business culture teaches us to do everything possible to make our customers happy to bring business to the company . . . Americans seem to be thrown off our guard at the foreign indifference to customer satisfaction, especially in daily interactions."

¹ The cultural exhibits-posters are communication assignments completed by students in the school's Transitions Program, a mandatory introduction to the School for its freshmen. English-as-a-Second Language students in the school's junior-year writing seminar also contribute posters.



Pictured left to right: Business Communication faculty members Gail Cruise and Sharon Desmond Paradiso, scholarship recipient Valeriya Leikina '11, Associate Undergraduate Dean Carol Barr, and contest winner Grisha Maziya.



Isenberg School Students at Versailles