Research, Risk and Regulation in the Hedge Fund Industry

Sponsored by the Global Capital Markets Center-Duke University
Organized by David A. Hsieh, Steven Schwarcz, and Stephen Wallenstein

November 18-20, 1999

All events to be held at the Washington Duke Inn & Golf Club, 3001 Cameron Boulevard, Durham NC

Thursday, November 18

5:00-8:00 p.m. ***Registration***

6:30-7:30 p.m. ***Reception***

7:30 p.m ***Welcoming Dinner***
Introduction: Duke GCMC Advisory Board Members
Welcome: Deans Rex Adams (Fuqua School of Business)
and Clark Havighurst (Duke University Law School)

Friday, November 19

8:00 - 9:00 a.m.Continental Breakfast

9:00-10:30 ***Session I:*** ***Introduction to Hedge Funds Research and Preview of Conference Topics***

Moderator: Albert "Pete" Kyle, Fuqua School of Business, Duke University

Presenters: William N. Goetzmann, School of Management, Yale University
David A. Hsieh, Fuqua School of Business, Duke University
Todd Pulvino, J.L. Kellogg Graduate School of Management, Northwestern University

The panel will discuss topics that are currently the focus of academic research into the hedge fund industry. Specific topics will include: survivorship bias and its implications for empirical and event study research; the current regulatory framework; and comparisons between hedge funds and other financial institutions. This discussion will set the stage for the later sessions, as well as raising key issues to be examined throughout the Conference.

10:30 - 10:45 ***Break***

10:45-12:15 ***Session II: Hedge Funds & Institutional Investors***

Moderator: William N. Goetzmann, School of Management,Yale University

Presenters: Cynthia Frost, Duke Management Company
Douglas Breeden, Smith Breeden Associates, Inc.
Howard Wohl, Ivy Asset Management

In this panel, institutional investors will address the role of hedge funds as part of institutional portfolios. They will assess many of the same issues raised in the first session, but from the standpoint of the market, rather than academia. In addition, they will introduce some new areas for debate, such as risk management issues and disclosure requirements, which are covered in more depth in subsequent sessions.

12:30-2:00 ***Lunch***

2:00-3:30 ***Session III: Risk Management***

Moderator: S. Viswanathan, Fuqua School of Business, Duke University

Presenters: Richard Lindsey, Bear Stearns Securities Corporation
Gary Smeal, The Chase Manhattan Bank
Brian Simpson, First Union Capital Markets Group

This session will address risk management from various standpoints. The panel will consider how best to manage counterparty risk, both from loans and other balance-sheet items, and from off-balance-sheet transactions such as foreign exchange and derivative products. They will discuss how to measure risk, as well how to reduce risk by a) netting, b) collateral and c) legal agreements with features such as termination and default covenants.

3:30-3:45 ***Break***

3:45-5:15 ***Session IV: Disclosure & Regulations***

Moderator: Steven L. Schwarcz, Duke University Law School

Presenters: John Kambhu, New York Federal Reserve Board
Richard Lindsey, Bear Stearns Securities Corporation
Anthony Richards, International Monetary Fund
John F. ("Jack") Rigney,Seward & Kissel
Peter Greenough, Greenough & Co.

This session will address whether changes in hedge fund regulation are appropriate, particularly in the aftermath of last year's dramatic hedge fund failures and the spillover into the global financial markets. The panel will consider to what extent hedge funds should be regulated, and draw comparisons with their more heavily regulated counterparties. Should hedge fund regulation be overseen by an existing regulatory body, or should a new entity be created? What implications will such a decision have on the legal issues involved in regulating the hedge fund industry?

5:30-6:30 **Duke Global Capital Markets Center Advisory Board Annual Meeting (Board Members Only)**

6:30-7:30 ***Reception***

7:30 ***Dinner*** ***Keynote speaker: Merton Miller, University of Chicago***

Saturday, November 20, 1999

8:30 - 9:30 a.m. ***Continental Breakfast***

9:30-12:00 ***Session V: Future Academic Research/Open Discussion/Conference Summary***

Moderator: David Hsieh, Fuqua School of Business, Duke University
Presenters: Jennifer Carpenter, Leonard N. Stern School of Business, New York University
Pete Kyle, Fuqua School of Business, Duke University
Anthony Richards, International Monetary Fund
Ravi Bansal, Fuqua School of Business, Duke University
Narayan Naik, London Business School

Academic research presentation

Carpenter: Hedge fund compensation and incentives
Kyle: Hedge fund & market volatility
Anthony Richards: Relative Value Trading
Bansal: Forward risk premium
Naik: Multi-period Performance Persistence

12:15-2:00 ***Closing Luncheon***