Center for Finance and Policy: New Developments

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CFP Organization and Mission

• An interdisciplinary MIT initiative led by Sloan’s finance group
  – D. Lucas (Director); A. Lo, R. Merton, A Kirilenko (co-directors)

• Mission is to produce and disseminate:
  – Original and timely research at intersection of finance and policy that will lead to improved decision-making by policy-makers and regulators
  – Innovative educational materials and curricula that will make state-of-the-art financial tools relevant and accessible to students of public policy, employees of public institutions, and policymakers
Highlights

• Recent events
  – Distinguished Speakers Series

• Research
  – People and projects
  – “New Approaches to Funding Biomedical Innovation”

• Infrastructure
  – CFP Advisory Board

• Upcoming events
  – Inaugural CFP conference
MIT Center for Finance and Policy presents:

Stephen G. Cecchetti
Former Head of the Monetary and Economic Department at the Bank for International Settlements, and Professor, Brandeis International Business School

“Regulatory Reform: A Report from the Front Lines”

Monday, March 10, 12:00–1:00PM
Room E62-276, 100 Main Street
Open to the MIT community, refreshments provided at 11:30
Recent Distinguished Speakers

The MIT Sloan Center for Finance and Policy present:

Richard G. Ketchum
Chairman and CEO of Financial Industry Regulatory Authority (FINRA)

“The New Frontiers in Financial Regulation”

Thursday, April 10, 12:00–1:00PM
Room E51-345, 70 Memorial Drive
Open to all of MIT, refreshments provided
Recent Distinguished Speakers

The MIT CFP Distinguished Speaker Series invites you to attend a presentation by Dr. Craig Lewis.

Craig Lewis, Chief Economist and Director of the Division of Economic and Risk Analysis at the U.S. Securities and Exchange Commission. He is currently on leave from Vanderbilt University where he is the Madison S. Wigginton Professor of Finance at the Owen Graduate School of Management.

**Topic:** The Future of Capital Formation:
How companies raise capital, and the regulations affecting those transactions are coevolving. Dr. Lewis will address several key issues including: How will changes in regulation affect the channels available for acquiring capital? How will issuer incentives create demand for different alternatives? What are the prospects for financing alternatives such as crowd funding, private issues, and public underwritings?
Research: People and Projects

• People
  – Students
  – Visiting scholars
  – Faculty affiliates and fellows

• Projects
  – Many underway
  – Wide range of topics
    • Retirement finance, government finance, financial regulation…
• The Challenge
  – Substantial advances in our understanding of the scientific basis of human diseases have been achieved.
  – Yet, pharmaceutical and life-sciences-focused VC funds report significant and continuing declines in early stage R&D investments.
  – The industry needs novel approaches for early-stage drug development that are more efficient, more diversified, have higher success rates, and are financed at lower costs of capital by a new pool of investors.
**Research: New Approaches to Funding Biomedical Innovation**

- **Looking for solutions**
  - Partnering with the National Center for Advancing Translational Sciences (NCATS) to develop more effective models for public/private partnerships (PPP) to support life sciences R&D

- **Analytical support**
  - Selecting an effective portfolio of projects for developing therapies for rare diseases;
  - Leveraging funding from various sources including venture philanthropy and federal and local government grants;
  - Applying and improving industry best practices of portfolio and project management
Research: New Approaches to Funding Biomedical Innovation

• Fostering collaboration between industry, government and academia
  • NCATS-MIT Meeting
    • Conference brought together members of the biopharma industry, the investment industry, MIT faculty, and the senior leadership of the NIH’s National Center for Advancing Translational Sciences (NCATS)
    • Met in January 2014 at MIT to explore new approaches to public/private partnerships to scale up the NCATS portfolio of translational medical projects in the area of rare and neglected diseases.
Infrastructure

- CFP Advisory Board
- Purpose is to support, review and advise on the activities of the CFP
  - Chaired by Ben Golub, BS’78, MS’82, PhD’84
    - co-founder of BlackRock, Senior Managing Director and Chief Risk Officer
  - Membership

- Many foundational efforts underway
Inaugural CFP Conference
September 12-13, 2014, Cambridge, MA

Preliminary Program

Friday, September 12

12:00 – 1:00 Lunch
1:00 – 1:15 Welcome and Introduction

Part I: Evaluation and Management of Government Financial Institutions

Author: Deborah Lucas, MIT
Discussants: Christian Leuz, University of Chicago and TBA

2:30 – 3:30 Paper Session II “Modeling the Budgetary Costs of FHA Single Family Mortgage Insurance”
Authors: Francesca Castelli, UBS, Gabriel Ehrlich, CBO
Damien Moore, CBO, Jeffrey Perry, CBO
Discussants: Andrew Caplin NYU and TBA

3:45 – 4:45 Panel I: Improving Government Financial Institutions

Moderator: James Hearn, National Academy of Public Administration
and former Deputy Staff Director, Senate Budget Committee
Panelists: Chris Carroll, CFPB and Johns Hopkins
Doug Criscitello, Grant Thornton, and former CFO of FHA
Andrew Lo, MIT
David Sena, CFO, Export-Import Bank
Preliminary Program (cont.)

Friday, September 12

Part II: Measurement and Control of Systemic Risk

5:00 – 6:00 Paper Session III: “The Failure of Stress Testing: Fannie Mae, Freddie Mac, and OFHEO”

Authors: W. Scott Frame, UNC, FRB Atlanta, and FRB Richmond
         Kristopher Gerardi, FRB Atlanta
         Paul Willen, FRB Boston and NBER

Discussants: 1. Edward Golding, former Senior VP of Economics & Policy, Freddie Mac and TBA

6:00 – 7:00 Cocktails
7:00 – 9:00 Dinner

Keynote Speaker: Peter Fisher, Dartmouth and BlackRock
Preliminary Program (cont.)

Saturday, September 13

9:00 – 10:00   Paper Session IV  “How Likely is Contagion in Financial Networks?”
   Authors:    Paul Glasserman, Columbia University
              H. Peyton Young, University of Oxford

   Discussants: 1. Tobias Adrian, Federal Reserve Bank of New York

   Moderator: TBA
   Panelists: Robert Merton, MIT
              Paul Tucker, Harvard, formerly Bank of England
              TBA
Part III: Regulation of Financial Markets and Institutions

Authors: Andrei Kirilenko MIT
Shawn Mankad, University of Maryland
George Michalidis, University of Michigan

Discussant: Henry Hu, University of Texas Austin Law School

12:30 – 1:30 Lunch and Speaker: Issues in Micro-prudential Regulation
Moderator: TBA
Speaker: TBA

1:30 – 2:30 Paper Session VI: “Cost-Benefit Analysis of Financial Regulation: Case Studies and Implications”
Author: John C. Coates, IV, Harvard Law School

Discussants: Eric Posner, University of Chicago Law School
Pete Kyle, University of Maryland

2:30 – 2:45 Wrap-up and Adjourn
Thank you!