13th Paris December Finance Meeting

December 17, 2015

HILTON Paris la Défense

www.eurofidai.org/december2015.html

eurofidai
CNRS UPS 3390

AFFI

LÉONARD DE VINCI
PARIS-LA DÉFENSE
ESILV iiM EMLV

CNRS

FONDATION BANQUE DE FRANCE
POUR LA RECHERCHE EN ÉCONOMIE MONÉTAIRE, FINANCIÈRE ET BANCAIRE

INSTITUT CDC POUR LA RECHERCHE

BEDOFIH
Base Européenne de Données Financières à Haute Fréquence

Initiative de recherche
Régulation et Risques Systémiques
regulation and systemic risks

Meeting's organization

Association Française de Finance
French Finance Association

Since 1979, the French Finance Association (AFFI) has brought together researchers, teachers and practitioners interested in financial management.
AFFI sets up meetings, publishes a specialized review (Finance) and supports financial research (AFFI-EUROFIDAI price, AFFI-FNEGE price…).

More information:
www.affi.asso.fr

LÉONARD DE VINCI
PARIS-LA DÉFENSE

In the heart of Paris La Défense business district, the Pôle Universitaire Léonard de Vinci unites 3500 students within its schools: the Engineering School (ESILV), the Management School (EMLV) and the Institute of Internet & Multimedia (IIM). Speaking research activities the Pole run a Research Center with 4 Labs. One of them, the De Vinci Finance Lab is dedicated to develop quality research in Economics and Finance through publications in international peer-reviewed journals.

More information:
www.devinci.fr

eurofidai
CNRS UPS 3390

EUROFIDAI (European financial data institute) is an academic institute funded by the French National Center for Scientific Research (CNRS).

Its main mission is to **develop financial databases useful to finance academic researchers.** That's why EUROFIDAI works in creating **verified, controlled and homogeneous daily databases over long periods. EUROFIDAI also developed a European high frequency database called BEDOFIH.**

The databases cover stocks, indices, mutual funds, exchange rates and corporate events, all over Europe. Daily data for Middle East, Pacific and Asia is available upon demand.

EUROFIDAI is the only European academic organization providing this type of data.

More information:
www.eurofidai.org

Numbers

347 papers were submitted for presentation at the meeting. Of this number, only 53 were accepted for regular sessions, indicating rigorous selection criteria.

In 2015, the 347 submissions were received from the US (68), France (54), Germany (44), the UK (39), Switzerland (24), the Netherlands (22), Canada (15), Australia (14), Italy (9), Belgium (7), Sweden (7), China (5), Norway (5), Austria (3), Denmark (3), Hong-Kong (3), Spain (3), Finland (2), India (2), Israel (2), Japan (2), Luxembourg (2), Singapore (2), Tunisia (2), Argentina (1), Brazil (1), Ireland (1), Republic of Korea (1), New Zealand (1), Portugal (1), Russian Federation (1), Turkey (1).

Compared with previous meetings, there is an increasingly large and strong body of high quality work coming from all parts of the world.

The Paris December Finance Meeting is **one of the top 3 European conferences in terms of the quality of the papers presented.**

Program chair

Patrice Fontaine (EUROFIDAI, CNRS)

2015 Scientific Committee

Sessions were organized by :

Yacine Aït-Sahalia
(Princeton University and NBER)
Nihat Aktas
(WHU Otto Beisheim School of Management)
Hervé Alexandre
(Université Paris-Dauphine)
Andrea Attar
(Toulouse School of Economics)
Philippe Bertrand
(Aix-Marseille University)
Véronique Bessière
(University of Montpellier)
Marie Hélène Broihanne
(University of Strasbourg)
Eric de Bodt
(Univ. Lille Nord de France - SKEMA Business School)
Bernard Dumas
(INSEAD)
Mathias Efing
(University of Geneva)
Sergio Focardi
(Léonard de Vinci Pôle Universitaire & University of New York at Stony Brook)

Patrice Fontaine
(EUROFIDAI, CNRS)
Jean-François Gajewski
(Université Savoie Mont Blanc)
Edith Ginglinger
(Université Paris-Dauphine)
Christian Gourieroux
(ENSAE and University of Toronto)
Martino Grasselli
(Léonard de Vinci Pole Universitaire and University of Padova)
Alex Guembel
(Toulouse School of Economics)
Terrence Hendershott
(UC Berkeley)
Shiyang Huang
(University of Hong-Kong)
Sonia Jimenez
(Grenoble INP)
Laurence Lescourret
(ESSEC)
Abraham Lioui
(EDHEC)
Yannick Malevergne
(University of Lyon)

Jocelyn Martel
(ESSEC)
Maxime Merli
(University of Strasbourg)
Patrick Navatte
(University of Rennes 1)
Clemens Otto
(HEC Paris)
Christophe Pérignon
(HEC Paris)
Joël Petey
(University of Strasbourg)
Patrice Poncet
(ESSEC)
François Quittard-Pinon
(EM Lyon)
Catherine Refait-Alexandre
(University of Franche-Comté)
Christophe Spaenjers
(HEC Paris)
Philip Valta
(University of Geneva & Swiss Finance Institute)
Bart Yueshen
(INSEAD)

Program - overview

On line program
https://www.eurofidai.org/programmeReservation.html?IDinfo=202

Time	Session	Session chairman	Room
08h00	Registrations		
08h30	SI-1 Job Market 1 and Corporate Governance	Patrick Navatte (University of Rennes 1)	Rome 1
08h30	SI-2 Asset Pricing 1	Patrice Poncet (ESSEC)	Rome 2
08h30	SI-3 Financial Intermediation 1	Hervé Alexandre (Université Paris-Dauphine)	Adenauer
08h30	SI-4 Financial Markets	Sonia Jimenez (Grenoble INP)	Nobel
08h30	SI-5 Phd session	Laurence Lescourret (ESSEC)	Monnet
10h30	Coffee break		
11h00	SII-1 Mergers and Acquisitions	Eric de Bodt (Univ. Lille Nord de France - SKEMA Business School)	Rome 1
11h00	SII-2 Financial Intermediation 2	Philippe Bertrand (Aix-Marseille University)	Rome 2
11h00	SII-3 Microstructure 1	Terrence Hendershott (UC Berkeley)	Adenauer
11h00	SII-4 Financial Mathematics 1	François Quittard-Pinon (EM Lyon)	Nobel
11h00	SII-5 Job market 2	Yannick Malevergne (University of Lyon)	Monnet
12h45	Lunch		

Program - overview

On line program
https://www.eurofidai.org/programmeReservation.html?IDinfo=202

Time	Session	Session chairman	Room
14h00	SIII-1 Corporate Finance	Edith Ginglinger (Université Paris-Dauphine)	Rome 1
14h00	SIII-2 Asset Pricing 2	Bernard Dumas (INSEAD)	Rome 2
14h00	SIII-3 Behavioral Finance	Clemens Otto (HEC Paris)	Adenauer
14h00	SIII-4 Crisis and Systemic Risk	Christophe Perignon (HEC Paris)	Nobel
14h00	SIII-5 Job market 3	Joël Petey (University of Strasbourg)	Monnet

Initiative de recherche Régulation et Risques Systémiques regulation and systemic risks

16h00 Coffee break

Time	Session	Session chairman	Room
16h30	SIV-1 Corporate - Financial Analysts	Philip Valta (University of Geneva & Swiss Finance Institute)	Rome 1
16h30	SIV-2 Financial Econometrics	Sergio Focardi (Léonard de Vinci Pôle Universitaire & University of New York at Stony Brook)	Rome 2
16h30	SIV-3 Microstructure 2	Jean-François Gajewski (Université Savoie Mont Blanc)	Adenauer
16h30	SIV-4 Financial Intermediation 3	Abraham Lioui (EDHEC)	Nobel
16h30	SIV-5 Job market 4	Jocelyn Martel (ESSEC)	Monnet

BEDOFIH Base Européenne de Données Financières à Haute Fréquence

18h00 Cocktail - Best paper awards

SI-1 Job Market 1 and Corporate Governance

Chairman : Navatte Patrick (University of Rennes 1)

08h30 Room : Rome 1

- **BANK MARKET STRUCTURE, PROPERTY RIGHTS AND FINANCIAL FREEDOM EFFECTS ON CAPITAL STRUCTURE: EVIDENCE FROM ASIAN DEVELOPING COUNTRIES**
  Trinh Quoc Dat; Dereeper Sébastien (University of Lille 2, ECCCS) - Discussant: Urban Daniel (Technische Universitaet Muenchen)
- **EQUITY CARVE-OUTS: A SIGN OF LOW OPPORTUNITY INDUSTRY?**
  Mashwani Asad; Cousin Jean Gabriel; Dereeper Sebastien (University of Lille 2, ECCCS) - Discussant: Jaroszek Lena (University of Mannheim and ZEW Mannheim)
- **EXECUTIVE RETENTION AND ACCELERATED OPTION VESTING**
  Ladika Tomislav; Jochem Torsten (University of Amsterdam); Sautner Zacharias (Frankfurt School of Finance and Management) - Discussant: Mashwani Asad (University of Lille 2, ECCS)
- **WOMEN ON CORPORATE BOARDS: GOOD OR BAD?**
  Urban Daniel (Technische Universitaet Muenchen, Department of Financial Management and Capital Markets); Schmid Thomas (University of Hong Kong, Faculty of Business and Economics) - Discussant: Trinh Quoc Dat (University of Lille 2, ECCS)

SI-2 Asset Pricing 1

Chairman : Poncet Patrice (ESSEC)

08h30 Room : Rome 2

- **A MARKET-BASED FUNDING LIQUIDITY MEASURE**
  Lu Andrea (University of Melbourne); Chen Zhuo (Tsinghua University) - Discussant: Gruber Peter (Università della Svizzera Italiana)
- **COMPARING ASSET PRICING MODELS BY THE CONDITIONAL HANSEN-JAGANNATHAN DISTANCE**
  Ronchetti Diego (University of Groningen); Gagliardini Patrick (University of Lugano) - Discussant: Chen Zhuo (Tsinghua University)
- **THE PRICE OF THE SMILE AND VARIANCE RISK PREMIA**
  Gruber Peter; Trojani Fabio (Universtà della Svizzera Italiana); Tebaldi Claudio (Università Luigi Bocconi); - Discussant: Ronchetti Diego (University of Groningen)

SI-3 Financial Intermediation 1

Chairman : Alexandre Hervé (Université Paris-Dauphine)

08h30 Room : Adenauer

- **CENTRAL BANK REFINANCING, INTERBANK MARKETS, AND THE HYPOTHESIS OF LIQUIDITY HOARDING: EVIDENCE FROM A EURO-AREA BANKING SYSTEM**
  Affinito Massimiliano (Bank of Italy) - Discussant: Lim Ivan (University of Edinburgh)
- **INFORMATIONAL SYNERGIES IN CONSUMER CREDIT**
  Norden Lars (FGV - EBAPE); Hibbeln Martin; Usselmann Piet; Guertler Marc (TU Braunschweig) - Discussant: Zhao Lei (ESCP Europe)

- **REGULATORY CONNECTIONS AND PUBLIC SUBSIDIES: EVIDENCE FROM THE BANKING INDUSTRY**
  Lim Ivan; Hagendorff Jens; Armitage Seth (University of Edinburgh) - Discussant: Norden Lars (FGV - EBAPE)
- **CREDIT RISK "BETA": THE SYSTEMATIC ASPECT OF BANK DEFAULT RISK**
  Zhao Lei (ESCP Europe) - Discussant: Affinito Massimiliano (Bank of Italy)

SI-4 Financial Markets

08h30 Room : Nobel

Chairman : Jimenez Sonia (Grenoble INP)

- **IMPORT COMPETITION AND THE COST OF CAPITAL**
  Barrot Jean-Noel; Loualiche Erik (Massachusetts Institute of Technology); Sauvagnat Julien (Bocconi University) - Discussant: Eisdorfer Assaf (University of Connecticut)
- **UNCOVERED INTEREST RATE PARITY: A RELATION TO GLOBAL TRADE RISK**
  Nunes Tamara ; Piloiu Andreea (University of Lausanne and Swiss Finance Institute) - Discussant: Gallais-Hamonno Georges (University of Orleans)
- **DISTRESS ANOMALY AND SHAREHOLDER RISK: INTERNATIONAL EVIDENCE**
  Eisdorfer Assaf (University of Connecticut); Goyal Amit (Swisss Finance Institute at the University of Lausanne); Zhdanov Alexei (PanAgora Asset Management)
  Discussant: Barrot Jean-Noel (Massachusetts Institute of Technology)
- **SHADES OF BLACK AND WHITE: THE PARIS CLANDESTINE GOLD MARKET IN WORLD WAR II**
  Gallais-Hamonno Georges (University of Orleans); Hoang Thi Hong Van (Montpellier Business School); Ooosterlinck Kim (Université Libre de Bruxelles)
  Discussant: Affinito Massimiliano (Bank of Italy)

SI-5 Phd session

08h30 Room : Monnet

Chairman : Lescourret Laurence (ESSEC)

- **THE DEGREE AND SENIORITY OF CONTROL, AND CEO COMPENSATION MONITORING. CONTROL THRESHOLDS ESTIMATES WITH A PTR MODEL.**
  Almeida Lionel (EconomiX, Université Paris Ouest) - Discussant: Moussavi Julien (Université Paris-Dauphine and Amundi Asset Management)
- **MARKET POWER IN HORIZONTAL MERGERS: EVIDENCE FROM WEALTH TRANSFERS BETWEEN MERGING FIRMS AND THEIR CUSTOMERS**
  Peng Ni (Institute of Management Accountants); Gao Ning (American Finance Association); Strong Norman (Journal of Business Finance and Accounting)
  Discussant: M'Saddek Oussama (University of Auvergne)
- **GLOBAL EXCESS LIQUIDITY AND ASSET PRICES IN EMERGING MARKETS: EVIDENCE FROM THE BRICS**
  Moussavi Julien (Université Paris-Dauphine and Amundi Asset Management) - Discussant: Peng Ni (Institute of Management Accountants)
- **INTERNATIONAL ASSET ALLOCATION IN PRESENCE OF SYSTEMATIC COJUMPS**
  M'Saddek Oussama; Arouri Mohamed El Hedi (University of Auvergne); Nguyen Duc Khuong (IPAG Business School); Pukthuanthong Kuntara (Trulaske College of Business, University of Missouri) - Discussant: Almeida Lionel (EconomiX, Université Paris Ouest)

SII-1 Mergers and Acquisitions

11h00 Room : Rome 1

Chairman : de Bodt Eric (Univ. Lille Nord de France - SKEMA Business School)

- **BUSTED! NOW WHAT? EFFECTS OF CARTEL ENFORCEMENT ON FIRM VALUE AND CORPORATE POLICIES**
  Zaldokas Alminas (HKUST); Massa Massimo (INSEAD); Dong Ailin (HKUST) - Discussant: Moeller Thomas (TCU, Neeley School of Business)
- **PRICE DRIFT BEFORE U.S. MACROECONOMIC NEWS: PRIVATE INFORMATION ABOUT PUBLIC ANNOUNCEMENTS?**
  Strasser Georg (European Central Bank); Kurov Alexander (West Virginia University); Sancetta Alessio (University of London); Halova Wolfe Marketa (Skidmore College)
  Discussant: Zaldokas Alminas (HKUST)
- **ALL GOOD THINGS COME TO AN END: CEO TENURE AND FIRM VALUE**
  Scholz Meik; Limbach Peter (Karlsruhe Institute of Technology); Schmid Markus (University of St. Gallen) - Discussant: Strasser Georg (European Central Bank)

SII-2 Financial Intermediation 2

11h00 Room : Rome 2

Chairman : Bertrand Philippe (Aix-Marseille University)

- **INSTITUTIONAL INVESTOR EXPECTATIONS, MANAGER PERFORMANCE, AND FUND FLOWS**
  Jones Howard (University of Oxford); Martinez Jose (University of Connecticut) - Discussant: Brown David (University of Arizona)
- **REACHING FOR YIELD BY CORPORATE BOND MUTUAL FUNDS**
  Choi Jaewon; Kronlund Mathias (University of Illinois) - Discussant: Martinez Jose (University of Connecticut)
- **MORAL HAZARD IN ACTIVE ASSET MANAGEMENT: A NEGATIVE CONSEQUENCE OF INDEX INVESTING**
  Brown David (University of Arizona); Davies Shaun (University of Colorado Boulder) - Discussant: Kronlund Mathias (University of Illinois)

SII-3 Microstructure 1

Sponsored by BEDOFIH – Base Européenne de Données Financières à Haute Fréquence

11h00 Room : Adenauer

Chairman : Hendershott Terrence (UC Berkeley)

- **FAST AND SLOW INFORMED TRADING**
  Rosu Ioanid (HEC Paris) - Discussant: Clapham Benjamin (Goethe University Frankfurt)
- **TWO SHADES OF OPACITY: HIDDEN ORDERS VERSUS DARK TRADING**
  Tombeur Geoffrey; Degryse Hans; Wuyts Gunther (KU Leuven) - Discussant: Rosu Ioanid (HEC Paris)
- **DOES SPEED MATTER? THE ROLE OF HIGH-FREQUENCY TRADING FOR ORDER BOOK RESILIENCY**
  Clapham Benjamin; Haferkorn Martin; Zimmermann Kai (Goethe University Frankfurt) - Discussant: Wuyts Gunther (KU Leuven)

SII-4 Financial mathematics 1

11h00 Room : Nobel

Chairman : Quittard-Pinon François (EM Lyon)

- **FROM THE SAMUELSON VOLATILITY EFFECT TO A SAMUELSON CORRELATION EFFECT: AN ANALYSIS OF CRUDE OIL CALENDAR SPREAD OPTIONS**
  Tavin Bertrand; Schneider Lorenz (EMLYON Business School) - Discussant: Matthys Felix (Princeton University)
- **MULTI-ASSET NOISY RATIONAL EXPECTATIONS EQUILIBRIUM WITH CONTINGENT CLAIMS**
  Zachariadis Konstantinos; Chabaukari Georgy; Yuan Kathy (London School of Economics) - Discussant: Tavin Bertrand (EMLYON Business School);
- **ECONOMIC POLICY UNCERTAINTY AND THE YIELD CURVE**
  Matthys Felix (Princeton University); Leippold Markus (Department of Banking and Finance) - Discussant: Zachariadis Konstantinos (London School of Economics)

SII-5 Job market 2

11h00 Room : Monnet

Chairman : Malevergne Yannick (University of Lyon)

- **THINK TWICE OR BE WISE IN CONSUMER CREDIT CHOICES**
  Jaroszek Lena (University of Mannheim and ZEW Mannheim); Dick Christian (ZEW Mannheim) - Discussant: Balter Anne (Maastricht University)
- **LEARNING ABOUT TERM STRUCTURE PREDICTABILITY UNDER UNCERTAINTY**
  Cao Shuo (University of Glasgow) - Discussant: Mashwani Asad (University of Lille 2, ECCS)
- **ROBUST STOCHASTIC OPTIMISATION WITH INDISTINGUISHABLE MODELS**
  Balter Anne; Pelsser Antoon (Maastricht University) - Discussant: Cao Shuo (University of Glasgow)

SIII-1 Corporate Finance

14h00 Room : Rome 1

Chairman : Ginglinger Edith (Université Paris-Dauphine)

- **SECURITY DESIGN WITH STATUS CONCERNS**
  Basak Suleyman (London Business School); Makarov Dmitry (Higher School of Economics); Shapiro Alex (New York University); Subrahmanyam Marty (New YorkUniversity)
  Discussant: Kovbasyuk Sergei (Einaudi Institute, Rome)

- **EXECUTIVE COMPENSATION AND DEPLOYMENT OF CORPORATE RESOURCES: EVIDENCE FROM WORKING CAPITAL**
  Croci Ettore (Universita' Cattolica del Sacro Cuore); Aktas Nihat (WHU Otto Beisheim School of Management); Ozbas Oguzhan (Koç University and University of Southern California Marshall School of Business); Petmezas Dimitris (Surrey Business School, University of Surrey) - Discussant: Dudley Evan (Queen's University)

- **KEY INVESTORS IN IPOS: INFORMATION, MONITORING, LADDERING OR CRONYISM?**
  Kovbasyuk Sergei (Einaudi Institute, Rome); Brown David (Eller College of Management, University of Arizona) - Discussant: Croci Ettore (Universita' Cattolica del Sacro Cuore)

- **WHAT HAPPENS AT A REFINANCING POINT? CHANGES IN DEBT STRUCTURE AND FIRM PROFITABILITY**
  Dudley Evan (Queen's University); Yin Qie (Ellie) (University of Florida) - Discussant: Makarov Dmitry (Higher School of Economics)

SIII-2 Asset Pricing 2

14h00 Room : Rome 2

Chairman : Dumas Bernard (INSEAD)

- **LABOR RIGIDITY AND THE DYNAMICS OF THE VALUE PREMIUM**
  Marfe Roberto (Collegio Carlo Alberto) - Discussant: Langlois Hugues (HEC Paris)

- **THE EFFECT OF THE GROWTH IN LABOR HOURS PER WORKER ON FUTURE STOCK RETURNS, HIRING AND PROFITABILITY**
  Gu Li (Board of Governors of the Federal Reserve System); Huang Dayong Huang (Bryan School of Business and Economics, UNC Greensboro)
  Discussant: Detzel Andrew (University of Denver)

- **ASSET PRICING WITH RETURN ASYMMETRIES: THEORY AND TESTS**
  Langlois Hugues (HEC Paris) - Discussant: Gu Li (Board of Governors of the Federal Reserve System)

- **MONETARY POLICY SURPRISES, INVESTMENT OPPORTUNITIES, AND ASSET PRICES**
  Detzel Andrew (University of Denver) - Discussant: Marfe Roberto (Collegio Carlo Alberto)

SIII-3 Behavioral Finance

14h00 Room : Adenauer

Chairman : Otto Clemens (HEC Paris)

- **THE EQUILIBRIUM ASSIGNMENT OF NARCISSISTIC CEOS TO FIRMS**
  Bollaert Helen; De Bodt Eric; Grandin Pascal (University of Lille - SKEMA Business School); Roll Richard (California Institute of Techology)
  Discussant: Lapanan Nicha (Umeå School of Business and Economics, Umeå University)

- **BEHAVIORAL BIASES IN NUMBER PROCESSING: THE CASE OF ANALYSTS' TARGET PRICES**
  Roger Patrick (LaRGE Research Center, EM Strasbourg Business School, University of Strasbourg); Roger Tristan (DRM, Université Paris-Dauphine); Schatt Alain (Dept of Accounting and Control, HEC Lausanne) - Discussant: Schmidt Daniel (HEC Paris)

- **INTERGENERATIONAL TRANSMISSION OF PRO-SOCIAL VALUES: SOCIALLY RESPONSIBLE INVESTMENT AMONG PARENTS AND ADULT CHILDREN**
  Lapanan Nicha; Hellström Jörgen; Olsson Rickard (Umeå School of Business and Economics, Umeå University) - Discussant: Roger Patrick (LaRGE Research Center, EM Strasbourg Business School, University of Strasbourg)

- **YOLO: MORTALITY BELIEFS AND HOUSEHOLD FINANCE PUZZLES**
  Heimer Rawley (Cleveland Fed); Myrseth Kristian (St Andrews); Schoenle Raphael (Brandeis University) - Discussant: Bollaert Helen (SKEMA Business School - University of Lille)

SIII-4 Crisis and Systemic Risk

Sponsored by

14h00 Room : Nobel

Chairman : Perignon Christophe (HEC Paris)

- **MEASURING TAIL RISKS AT HIGH FREQUENCY**
  Weller Brian (Northwestern University Kellogg School of Management) - Discussant: Jondeau Eric (University of Lausanne)

- **ASSET MANAGEMENT AND SYSTEMIC RISK**
  Weisang Guillaume (Clark University); Roncalli Thierry (Department of Economics, Université d'Evry, France) - Discussant: Pritsker Matthew (Federal Reserve Bank of Boston)

- **COLLATERALIZATION, LEVERAGE, AND SYSTEMIC RISK**
  Jondeau Eric; Khalilzadeh Amir (University of Lausanne) - Discussant: Weisang Guillaume (Clark University)

- **SOVEREIGN COLLATERAL AS A TROJAN HORSE: WHY DO WE NEED AN LCR+**
  Buschmann Christian (Frankfurt School of Finance & Management); Schmaltz Christian (Aarhus University)
  Discussant: Weller Brian (Northwestern University Kellogg School of Management)

SIII-5 Job market 3

14h00 Room : Monnet

Chairman : Petey Joël (University of Strasbourg)

- **DISCLOSURE, BANKS CDS SPREADS AND THE EUROPEAN SOVEREIGN CRISIS**
  Guillemin Francois; Refait-Alexandre Catherine (Université de Franche-Comté); Alexandre Hervé (Université Paris-Dauphine)
  Discussant: Schaefer Larissa (Tilburg University, Frankfurt School of Finance & Management)

- **BANK'S BUSINESS MODELS AND THE HEDGE AGAINST FINANCIAL SHOCKS**
  Vinas Frédéric (Paris School of Economics, University Paris 1, ACPR) - Discussant: Wang Tingwei (Université Paris-Dauphine)

- **RELATIONSHIP LENDING AND LOAN PERFORMANCE**
  Schaefer Larissa (Tilburg University, Frankfurt School of Finance & Management) - Discussant: Vinas Frédéric (Paris School of Economics, University Paris 1, ACPR)

- **ARE BANK CREDIT RISKS LINKED TO SOVEREIGN CREDIT RISKS? EVIDENCE FROM THE EURO AREA**
  Wang Tingwei (Université Paris-Dauphine); Hervé Alexandre (Université Paris-Dauphine) - Discussant: Guillemin Francois (Université de Franche-Comté)

SIV-1 Corporate - Financial Analysts

16h30 Room : Rome 1

Chairman : Valta Philip (University of Geneva & Swiss Finance Institute)

- **DO CORPORATE TAXES HINDER INNOVATION?**
  Singh Manpreet; Mukherjee Abhiroop; Zaldokas Alminas (HKUST) - Discussant: Perez M. Fabricio (Wilfrid Laurier University)
- **CAREER CONCERNS OF BANKING ANALYSTS**
  Wu Shan (University of Exeter); Horton Joanne (University of Exeter); Serafeim George (Harvard Business School) - Discussant: Zaldokas Alminas (HKUST)

SIV-2 Financial Econometrics

16h30 Room : Rome 2

Chairman : Sergio Focardi (Léonard de Vinci Pôle Universitaire & University of New York at Stony Brook)

- **CAN MACROECONOMISTS GET RICH NOWCASTING ECONOMIC TURNING POINTS WITH MACHINE-LEARNING?**
  Raffinot Thomas (Université Paris-Dauphine) - Discussant: Hambuckers Julien (University of Liege)
- **THE ENTROPY-BASED IMPLIED VOLATILITY AND ITS INFORMATION**
  Xiao Xiao (Erasmus University Rotterdam); Zhou Chen (De Nederlandsche Bank) - Discussant: Raffinot Thomas (Université Paris-Dauphine)
- **MODELING THE DEPENDENCE BETWEEN EXTREME OPERATIONAL LOSSES AND ECONOMIC FACTORS: A CONDITIONAL SEMI-PARAMETRIC GENERALIZED PARETO APPROACH**
  Hambuckers Julien; Heuchenne Cédric (University of Liege); Lopez Olivier (Université Pierre et Marie Curie et ENSAE Paris-Tech) - Discussant: Zhou Chen (De Nederlandsche Bank)

SIV-3 Microstructure 2

Sponsored by BEDOFIH Base Europeenne de Données Financières à Haute Fréquence

16h30 Room : Adenauer

Chairman : Gajewski Jean-François (Université Savoie Mont Blanc)

- **FIRST TO "READ" THE NEWS: NEWS ANALYTICS AND INSTITUTIONAL TRADING**
  von Beschwitz Bastian (Federal Reserve Board); Keim Donald (Wharton School); Massa Massimo (INSEAD) - Discussant: Lines Anton (London Business School)
- **FINANCIAL MARKET LIQUIDITY: WHO IS ACTING STRATEGICALLY?**
  Mero Gulten (THEMA - Université de Cergy-Pontoise); Darolles Serge; Le Fol Gaëlle (Université Paris-Dauphine and CREST-INSEE)
  Discussant: von Beschwitz Bastian (Federal Reserve Board)
- **ALPHA DECAY**
  Lines Anton; Naik Narayan (London Business School); Di Mascio Rick (Inalytics) - Discussant: Mero Gulten (THEMA - Université de Cergy-Pontoise)

SIV-4 Financial Intermediation 3

16h30 Room : Nobel

Chairman : Lioui Abraham (EDHEC)

- **RETURNS TO TALENT AND THE FINANCE WAGE PREMIUM**
  Vallee Boris (Harvard Business School); Celerier Claire (University of Zurich) - Discussant: Zoican Marius Andrei (Université Paris-Dauphine)
- **RISK MANAGEMENT FAILURES**
  Bouvard Matthieu (McGill University, Desautels Faculty of Management); Lee Samuel (NYU Stern and Stanford Institute for Economic Policy Research)
  Discussant: Vallee Boris (Harvard Business School)
- **TOO-INTERNATIONAL-TO-FAIL? SUPRANATIONAL BANK RESOLUTION AND MARKET DISCIPLINE**
  Zoican Marius Andrei (Université Paris-Dauphine); Gornicka Lucyna Anna (University of Amsterdam) - Discussant: Bouvard Matthieu (McGill University, Desautels Faculty of Managemen

SIV-5 Job market 4

16h30 Room : Monnet

Chairman : Martel Jocelyn (ESSEC)

- **HUMAN CAPITAL DRIVEN ACQUISITION: EVIDENCE FROM THE INEVITABLE DISCLOSURE DOCTRINE**
  Ma Yujing; Gao Huasheng (Nanyang Technological University) - Discussant: Kadach Igor (Stern School of Business)
- **HOW MUCH SHOULD LIFE-CYCLE INVESTORS ADAPT THEIR BEHAVIOR WHEN CONFRONTED WITH MODEL UNCERTAINTY?**
  Shen Sally (Capital University of Economics and Business) - Discussant: Ma Yujing (Nanyang Technological University)
- **MUTUAL FUND TRADING PRESSURE, STOCK MISPRICING, AND MANAGEMENT EARNINGS FORECASTS**
  Kadach Igor (Stern School of Business) - Discussant: Shen Sally (Capital University of Economics and Business)

SI-1 Job Market 1 and Corporate Governance

08h30 Room : Rome 1

Chairman : Navatte Patrick (University of Rennes 1)

BANK MARKET STRUCTURE, PROPERTY RIGHTS AND FINANCIAL FREEDOM EFFECTS ON CAPITAL STRUCTURE: EVIDENCE FROM ASIAN DEVELOPING COUNTRIES

Trinh Quoc Dat; Dereeper Sébastien (University of Lille 2, ECCCS) - Discussant: Urban Daniel (Technische Universitaet Muenchen)

The paper aims to consider direct and indirect impacts of bank concentration, property rights and financial freedom on corporate leverage in 12 Asian developing countries from 2000 to 2013. Our result shows that bank concentration has a directly negative relationship with leverage in these countries. Highly concentrated banking market structure favors for profited firms to obtain debts and is considered as a solution against strong private property rights proxy. A strong private property rights decreases amount of debts financed by banking system and leads firms to prefer using internal funds to obtain protection advantages for newly established assets. Our results also indicate stronger degree of financial freedom encourages enterprise borrow more as well as supports for profitable firms and reduces the importance of collapse coverage in accessing debts whilst weaker degree of financial freedom leads to an increase of using trade credit as a substitute for bank loans.

EQUITY CARVE-OUTS: A SIGN OF LOW OPPORTUNITY INDUSTRY?

Mashwani Asad; Cousin Jean Gabriel; Dereeper Sebastien (University of Lille 2, ECCCS) - Discussant: Jaroszek Lena (University of Mannheim and ZEW Mannheim)

Equity carve-outs have been studied since long, but the main focus of previous studies has been the firm level impact of carve-outs. We take this discussion to the industry level and argue that equity carve-outs, on average, are carried out in industries, where opportunities are low. These industries have low operating performance, gauged on profitability, cash flow and profit margin compared to industries where there are no carve-outs. In addition to this evidence, we found that the merger and acquisitions activities, in which the target is in industries where carve-out activity happened in last three years, bidders have less value created compared to mergers where the target industry has no carve-out activity. Both, the low operating performance of industries three years post carve-outs and low value created by bidders having targets in industries where carve-outs happen, signal that industries where carve-outs take place have low opportunities ahead.

EXECUTIVE RETENTION AND ACCELERATED OPTION VESTING

Ladika Tomislav; Jochem Torsten (University of Amsterdam); Sautner Zacharias (Frankfurt School of Finance and Management) - Discussant: Mashwani Asad (University of Lille 2, ECCS)

We show that deferred equity pay generates retention incentives by documenting a sharp rise in executive turnover after the sudden elimination of vesting periods. Our analysis exploits a unique regulatory change (FAS 123-R) that prompted 767 firms to accelerate stock option vesting. Option acceleration allowed executives to retain more equity when departing the firm, and we find that CEO turnover rose 70% in response. We identify the causal effect of option acceleration by exploiting FAS 123-R's almost-random timing, which was staggered by firms' fiscal year ends. Executive departures after acceleration led to negative stock price reactions, and firms that experienced departures responded by increasing the pay of their remaining executives.

WOMEN ON CORPORATE BOARDS: GOOD OR BAD?

Urban Daniel (Technische Universitaet Muenchen, Department of Financial Management and Capital Markets); Schmid Thomas (University of Hong Kong, Faculty of Business and Economics) - Discussant: Trinh Quoc Dat (University of Lille 2, ECCS)

Prior literature shows that mandatory gender quotas are detrimental to firm value. However, little is known about causal effects of voluntarily appointed women. A large board dataset covering 53 countries and about 500,000 people enables us to identify exogenous retirements of board members due to death or illness. Long and short-run event studies yield evidence for a positive valuation effect of women. This is confirmed in panel regressions for the entire dataset. This positive impact is not driven by women per se, but a glass ceiling effect due to more rigorous selection. Thus, firms can benefit from a corporate culture that fosters the promotion of women.

SI-2 Asset Pricing 1

Chairman : Poncet Patrice (ESSEC) 08h30 Room : Rome 2

A MARKET-BASED FUNDING LIQUIDITY MEASURE

Lu Andrea (University of Melbourne); Chen Zhuo (Tsinghua University) - Discussant: Gruber Peter (Università della Svizzera Italiana)

In this paper, we construct a tradable funding liquidity measure from stock returns. Using a stylized model, we show that the expected return of a beta-neutral portfolio, which exploits investors' borrowing constraints (Black (1972)), depends on both the market-wide funding liquidity and stocks' margin requirements. We extract the funding liquidity shock as the return spread between two beta-neutral portfolios constructed using stocks with high and low margins. Our return-based measure is correlated with other funding liquidity proxies derived from various markets. It delivers a positive risk premium, which cannot be explained by existing risk factors. Using our measure, we find that while hedge funds in general are inversely affected by funding liquidity shocks, some funds exhibit funding liquidity management skill and thus earn higher returns. In addition, adverse shocks affect the real economy by lowering investment.

COMPARING ASSET PRICING MODELS BY THE CONDITIONAL HANSEN-JAGANNATHAN DISTANCE

Ronchetti Diego (University of Groningen); Gagliardini Patrick (University of Lugano) - Discussant: Chen Zhuo (Tsinghua University)

We compare non-nested parametric specifications of the Stochastic Discount Factor (SDF) in terms of their conditional Hansen-Jagannathan (HJ-) distance. This distance is defined as the discrepancy between a parametric SDF family identifying an asset pricing model and the set of admissible SDF's satisfying the conditional no-arbitrage restrictions for a set of traded assets. The conditional HJ-distance accounts for the models' ability to match the dynamic pricing restrictions for any set of managed portfolios, and not just a set of static restrictions for a specific choice of instruments like the often employed (unconditional) HJ-distance. We estimate the conditional HJ-distance by a kernel-based Generalized Method of Moments estimator and establish its large sample properties for model selection purposes. We demonstrate empirically the usefulness of our approach by comparing several SDF models including preference-based specifications, beta-pricing models and recently proposed SDF models that are conditionally linear in the priced risk factors.

THE PRICE OF THE SMILE AND VARIANCE RISK PREMIA

Gruber Peter; Trojani Fabio (Universtà della Svizzera Italiana); Tebaldi Claudio (Università Luigi Bocconi); - Discussant: Ronchetti Diego (University of Groningen)

In a three-factor volatility model with (i) mutually-exciting risks, (ii) a skewness component disconnected from volatility and (iii) a compensation for variance risk independent of volatility, we study the dynamics of the term structures of option and variance risk premia. We find that option risk premia are spanned by mid-run and long-run volatility risks correlated with option-implied skewness. In normal times, the term structure of variance risk premia is downward sloping and spanned by option risk premia. In periods of financial distress, it is upward sloping and it reflects a high-frequency jump volatility risk premium at the short-end. Consistent with a long-run risk mechanism, market equity premia are in a nonlinear relation with the risk premia for persistent volatility shocks and with the frequency structure of the volatility.

SI-3 Financial Intermediation 1

08h30 Room : Adenauer

Chairman : Alexandre Hervé (Université Paris-Dauphine)

CENTRAL BANK REFINANCING, INTERBANK MARKETS, AND THE HYPOTHESIS OF LIQUIDITY HOARDING: EVIDENCE FROM A EURO-AREA BANKING SYSTEM

Affinito Massimiliano (Bank of Italy) - Discussant: Lim Ivan (University of Edinburgh)

This is the first paper to analyse the relationship between single banks' positions vis-à-vis the central bank and the interbank market and to perform an extensive test of the liquidity hoarding hypothesis using micro data. According to the most critical version of the hypothesis, during the crisis, central banks have been ineffective because banks hoarded the liquidity injected rather than channelling it on to other banks and the real economy. The results show that in Italy during the 2007-2011 financial crisis, contrary to widespread conjecture, the liquidity injected by the Eurosystem was intermediated among banks and towards the economy.

INFORMATIONAL SYNERGIES IN CONSUMER CREDIT

Norden Lars (FGV - EBAPE); Hibbeln Martin; Usselmann Piet; Guertler Marc (TU Braunschweig) - Discussant: Zhao Lei (ESCP Europe)

Lenders can tap into different sources of private information to assess borrower quality but little is known about synergies between different sources. We investigate whether activity measures from different credit products lead to informational synergies on the probability of default and credit line usage of consumers. We use a large and unique dataset comprising all checking accounts and credit card accounts of a bank during 2007-2014. We find that the activity measures from both credit products contain information beyond credit scores, borrower characteristics, and bank-borrower relationship characteristics. Interestingly, checking accounts indicate credit quality deterioration earlier and more accurately than credit card accounts. We further distinguish variables that affect the probability of default but not credit line usage (and vice versa) to identify the reasons for consumer defaults and selection problems. The evidence highlights how financial intermediaries can exploit cross-product informational synergies to manage credit risk and customer relationships.

REGULATORY CONNECTIONS AND PUBLIC SUBSIDIES: EVIDENCE FROM THE BANKING INDUSTRY

Lim Ivan; Hagendorff Jens; Armitage Seth (University of Edinburgh) - Discussant: Norden Lars (FGV - EBAPE)

Nearly one in three US banks employs at least one board member who is either an ex-bank regulator or a (former) advisor to a bank regulator. We show that these connections undermine regulatory discipline and transfer wealth from taxpayers to the shareholders of connected banks. Connected banks extract higher public subsidies by shifting risk to the financial safety-net compared with non-connected banks. We argue that our results are driven by connections causing regulators to be biased rather than by quid-pro-quo arrangements or by transfer of expertise from connected directors on how to evade regulatory discipline.

CREDIT RISK "BETA": THE SYSTEMATIC ASPECT OF BANK DEFAULT RISK

Zhao Lei (ESCP Europe) - Discussant: Affinito Massimiliano (Bank of Italy)

Using information in US and European bank and sovereign CDS spreads we study the systematic component of banks' credit risk that stems from banks' common exposure to sovereign default risk. Based on a default intensity model, we find that sovereign default risk is a significant factor of bank default risk. During the period 2008-2014, on average US banks are much less sensitive to sovereign risk than their European counterparts. Within Europe the systematic component accounts for quite different proportions of the total bank default risk across countries. We also empirically confirm the asset holdings channel of the risk contagion theory by showing that a bank's credit risk Beta (a bank's sensitivity to sovereign risk) estimated with our model is positively related to its holdings of sovereign debt. Our findings have policy implications with respect to financial stability.

SI-4 Financial Markets

08h30 Room : Nobel

Chairman : Jimenez Sonia (Grenoble INP)

IMPORT COMPETITION AND THE COST OF CAPITAL

Barrot Jean-Noel; Loualiche Erik (Massachusetts Institute of Technology); Sauvagnat Julien (Bocconi University) - Discussant: Eisdorfer Assaf (University of Connecticut)

We investigate how the displacement risk associated with import competition is reflected in the cost of capital. We use shipping costs to measure the vulnerability of U.S. industries to import competition. We find that output and employment in high exposure industries is more sensitive to tariff cuts than in low exposure industries, consistent with the idea that they face a higher risk of being displaced by import competition. We then show that high exposure industries have a higher cost of capital. We confirm displacement risk of import competition is priced and covaries with the marginal utility of the representative agent.

UNCOVERED INTEREST RATE PARITY: A RELATION TO GLOBAL TRADE RISK

Nunes Tamara ; Piloiu Andreea (University of Lausanne and Swiss Finance Institute) - Discussant: Gallais-Hamonno Georges (University of Orleans)

The paper gives evidence of a novel pricing factor for the cross-section of carry trade returns based on trade relations between countries. In particular, we apply network theory on countries' bilateral trade to construct a measure for countries' exposure to a global trade risk. A high level of exposure to global trade risk implies that the economic activity in one country is highly dependent on the economic activity of its trade partners and on aggregate trade flow, which reflects in carry trade returns. We find empirically that low interest rate currencies are seen by investors as a hedge against global trade risk while high interest rate currencies deliver low returns when global trade risk is high. These results provide evidence on the underlying macroeconomic sources of systematic risk in currency markets.

DISTRESS ANOMALY AND SHAREHOLDER RISK: INTERNATIONAL EVIDENCE

Eisdorfer Assaf (University of Connecticut); Goyal Amit (Swisss Finance Institute at the University of Lausanne); Zhdanov Alexei (PanAgora Asset Management)
Discussant: Barrot Jean-Noel (Massachusetts Institute of Technology)

Financially distressed stocks in the U.S. earn puzzlingly low returns giving rise to the distress risk anomaly. We provide evidence on the performance of distressed stocks in 34 different countries. The distress anomaly appears to exist in developed countries but not in emerging ones. Using cross-country analyses we explore several alternative potential drivers of returns to distressed stocks. The distress anomaly is stronger in countries with stronger takeover legislation, lower barriers to arbitrage, higher information transparency, and easier access to new loans. These findings suggest that various aspects of shareholders' risk play an important role in shaping distressed stocks returns.

SHADES OF BLACK AND WHITE: THE PARIS CLANDESTINE GOLD MARKET IN WORLD WAR II

Gallais-Hamonno Georges (University of Orleans); Hoang Thi Hong Van (Montpellier Business School); Ooosterlinck Kim (Université Libre de Bruxelles)
Discussant: Affinito Massimiliano (Bank of Italy)

This study aims to investigate the black market on gold in Paris during the Second World War. Based on documents from the Banque de France and French National archives, we discover that this black market was not so black since it was well known and tolerated by the German army and French police. An original data set of daily prices of three gold coins from 1941 to 1948 shows that this black market responded to war and political events. We also find an active arbitrage of these gold coins between Switzerland and Paris, particularly in 1941 and 1942. This arbitrage leads to a â€œTuesdayâ€ effect phenomenon, meaning that prices on Tuesday day were lower than other days. This is due to the fact that gold coins that were bought in Switzerland during the weekends were sold in Paris at the beginning of the later week, especially on Tuesday.

SI-5 Phd session

Chairman : Lescourret Laurence (ESSEC)

08h30 Room : Monnet

THE DEGREE AND SENIORITY OF CONTROL, AND CEO COMPENSATION MONITORING. CONTROL THRESHOLDS ESTIMATES WITH A PTR MODEL.

Almeida Lionel (EconomiX, Université Paris Ouest) - Discussant: Moussavi Julien (Université Paris-Dauphine and Amundi Asset Management)

Based on CEO compensation monitoring, this study first defines shareholders who exert an effective control. Second, a panel threshold regression model is used to identify the existence and the number of regimes in the degree of control. Four regimes are identified: non-controlled firms where no controlling shareholder owns more than about 10% of interest, controlled firms include firms with "influential" shareholders owning between 10% and one third of the common stock, "dominant" shareholders up to one half of equity, and "majority" shareholders above. Third, this study introduces the seniority of control as a second criteria to measure the effectiveness of control. It aims to measure the time needed to acquire enough experience and firm-specific knowledge before effectively monitoring the management. The study finds that a monitor needs about six to eight years to control effectively the management and to define incentive schemes that are consistent with a "long-term" horizon.

MARKET POWER IN HORIZONTAL MERGERS: EVIDENCE FROM WEALTH TRANSFERS BETWEEN MERGING FIRMS AND THEIR CUSTOMERS

Peng Ni (Institute of Management Accountants); Gao Ning (American Finance Association); Strong Norman (Journal of Business Finance and Accounting)

Discussant: M'Saddek Oussama (University of Auvergne)

Previous large sample studies of horizontal mergers observe that the average wealth effects to merging and related firms provide little or no evidence of market power. We argue that studying the relation between the wealth effects to merging firms and their corporate customers provides a more informative test of the presence of market power, a negative relation indicating the presence of market power. When we instrument the endogenous wealth effects due to merger announcements, we find that higher abnormal returns to merging firms systematically relate to lower abnormal returns to reliant downstream customers. Further analysis shows that this wealth transfer effect exists for deals in industries that face less foreign competition but not for deals in industries that face intense foreign competition. These results demonstrate the presence of market power (either pre-existing or merger-induced) in merging industries systematically affecting customer value.

GLOBAL EXCESS LIQUIDITY AND ASSET PRICES IN EMERGING MARKETS: EVIDENCE FROM THE BRICS

Moussavi Julien (Université Paris-Dauphine and Amundi Asset Management) - Discussant: Peng Ni (Institute of Management Accountants)

Since the early 2000s, global liquidity has experienced very strong growth. Emerging Markets (EMs) have accumulated large foreign exchange reserves while developed markets have dramatically eased their monetary policies. Global excess liquidity has resulted in an increase in the size of international capital inflows, especially toward EMs and may significantly impact their financial stability. In this paper, we examine the impact of global excess liquidity on asset prices for the well-known BRICS countries. Using vector autoregressive and error correction frameworks, we estimate the interaction between global excess liquidity, economic activity and asset prices. Despite mixed results for commodity prices, we show that global excess liquidity causes significant increases in equity and bond prices, a real appreciation of exchange rates, a decrease in 10-year sovereign interest rates and a spread compression.

INTERNATIONAL ASSET ALLOCATION IN PRESENCE OF SYSTEMATIC COJUMPS

M'Saddek Oussama; Arouri Mohamed El Hedi (University of Auvergne); Nguyen Duc Khuong (IPAG Business School); Pukthuanthong Kuntara (Trulaske College of Business, University of Missouri) - Discussant: Almeida Lionel (EconomiX, Université Paris Ouest)

The objective of this article is to explain the home bias phenomenon in international asset holdings from an investigation of intraday jumps and cojumps. We hypothesize that global investors will overweigh domestic assets if the benefit from the international diversification is negatively affected by a high level of synchronization and transmission of intraday jumps across markets. Using intraday index-based data for equity traded funds, we provide evidence of significant systematic jump risks in international markets that drive investors to reduce the proportion of foreign assets in their diversified portfolios. Considering the composition of the optimal portfolio in the sense of mean-variance and mean-CVaR approaches, we provide evidence of a negative correlation between the demand of foreign assets and the number of cojumps between domestic and foreign assets.

SII-1 Mergers and Acquisitions

11h00 Room : Rome 1

Chairman : de Bodt Eric (Univ. Lille Nord de France - SKEMA Business School)

BUSTED! NOW WHAT? EFFECTS OF CARTEL ENFORCEMENT ON FIRM VALUE AND CORPORATE POLICIES

Zaldokas Alminas (HKUST); Massa Massimo (INSEAD); Dong Ailin (HKUST) - Discussant: Moeller Thomas (TCU, Neeley School of Business)

In a cross-country study we look at the staggered passage of national leniency laws over 1990-2012. We show that these laws lead to more cartel convictions, and generally increase the costs of collusion by reducing the average gross margins of the affected firms. We further examine how changing costs of collusion shape firm boundaries and show that firms reorganize their activities by engaging in more horizontal acquisitions, both in the roles as the acquirer and the target. These acquisitions tend to be associated with higher announcement returns. We find little evidence of the increase in strategic alliances or greenfield investments.

PRICE DRIFT BEFORE U.S. MACROECONOMIC NEWS: PRIVATE INFORMATION ABOUT PUBLIC ANNOUNCEMENTS?

Strasser Georg (European Central Bank); Kurov Alexander (West Virginia University); Sancetta Alessio (University of London); Halova Wolfe Marketa (Skidmore College)
Discussant: Zaldokas Alminas (HKUST)

We examine stock index and Treasury futures markets around releases of U.S. macroeconomic announcements. Seven out of 21 market-moving announcements show evidence of substantial informed trading before the ocial release time. Prices begin to move in the «correct» direction about 30 minutes before the release time. The pre-announcement price drift accounts on average for about half of the total price adjustment. These results imply that some traders have private information about macroeconomic fundamentals. The evidence suggests that the pre-announcement drift likely comes from a combination of information leakage and superior forecasting based on proprietary data collection and reprocessing of public information.

ALL GOOD THINGS COME TO AN END: CEO TENURE AND FIRM VALUE

Scholz Meik; Limbach Peter (Karlsruhe Institute of Technology); Schmid Markus (University of St. Gallen) - Discussant: Strasser Georg (European Central Bank)

We investigate the relation between CEO tenure and firm value hypothesizing that longer tenure has both benefits (e.g., experience, learning) and costs (e.g., CEO-firm mismatch, reluctance to change). In fact, we find an inverted U-shaped relation between CEO tenure and firm value with optimal tenure for the average firm of about 12 years where costs outweigh benefits. This relation is robust to various alternative explanations including CEO age and power and the use of CEO-firm fixed effects. We investigate M&A announcement returns and profitability as potential channels and find a similar U-shaped pattern suggesting that better fitting CEOs do better acquisitions and improve firm profitability. Moreover, we find optimal tenure to vary significantly depending on a firm's economic environment that determines this cost-benefit relation. Hence, our results do not support a one-size-fits-all policy of CEO term limits. Finally, results from sudden deaths confirm that high-tenure CEOs reduce shareholder value.

SII-2 Financial Intermediation 2

11h00 Room : Rome 2

Chairman : Bertrand Philippe (Aix-Marseille University)

INSTITUTIONAL INVESTOR EXPECTATIONS, MANAGER PERFORMANCE, AND FUND FLOWS

Jones Howard (University of Oxford); Martinez Jose (University of Connecticut) - Discussant: Brown David (University of Arizona)

Using survey data we analyze institutional investors' expectations about the future performance of fund managers and the impact of those expectations on asset allocation decisions. We find that institutional investors allocate funds mainly on the basis of fund managers' past performance and of investment consultants' recommendations, but not because they extrapolate their expectations from these. This suggests that institutional investors base their investment decisions on the most defensible variables at their disposal, and supports the existence of agency considerations in their decision making.

REACHING FOR YIELD BY CORPORATE BOND MUTUAL FUNDS

Choi Jaewon; Kronlund Mathias (University of Illinois) - Discussant: Martinez Jose (University of Connecticut)

We study reaching for yield among corporate bond mutual funds. In a low-interest-rate environment, funds may seek to invest in bonds with relatively higher yields than their benchmarks in order to attract flows. We show that funds engage in more reaching for yield when the level and slope of the yield curve are low and when the default spread is narrow. The funds that engage in reaching for yield are also exposed to greater illiquidity, exacerbating redemption risks. Younger and larger funds engage in more reaching for yield. When funds actively shift their portfolio towards higher yields, they experience higher inflows, indicating that investors respond positively to this behavior. Funds that engage in reaching for yield generate relatively higher returns, but their performance is explained by common risk factors and thus driven primarily by risk-taking rather than skill.

MORAL HAZARD IN ACTIVE ASSET MANAGEMENT: A NEGATIVE CONSEQUENCE OF INDEX INVESTING

Brown David (University of Arizona); Davies Shaun (University of Colorado Boulder) - Discussant: Kronlund Mathias (University of Illinois)

We consider a model of active portfolio management with costly research effort. Effort is unobservable leading to moral hazard, however returns provide a noisy signal of skill and effort. Although the presence of moral hazard lowers gross expected returns, we show that moral hazard improves the information content in realized returns. Thus, greater moral hazard allows investors to identify skilled managers more quickly. The analysis reconciles several recently identified empirical trends. We also show that moderately-skilled managers employ a costly signal to reveal their types while highly-skilled managers forgo the signal and instead rely on performance to separate.

SII-3 Microstructure 1

Chairman : Hendershott Terrence (UC Berkeley)

Sponsored by BEDOFIH Base Européenne de Données Financières à Haute Fréquence

11h00 Room : Adenauer

FAST AND SLOW INFORMED TRADING

Rosu Ioanid (HEC Paris) - Discussant: Clapham Benjamin (Goethe University Frankfurt)

This paper develops a model in which traders receive a stream of private signals, and differ in their information processing speed. In equilibrium, the fast traders (FTs) quickly reveal a large fraction of their information, and generate most of the volume, volatility and profits in the market. If a FT is averse to holding inventory, his optimal strategy changes considerably as his aversion crosses a threshold. He no longer takes long-term bets on the asset value, gets most of his profits in cash, and generates a «hot potato» effect: after trading on information, the FT quickly unloads part of his inventory to slower traders. The results match evidence about high frequency traders.

TWO SHADES OF OPACITY: HIDDEN ORDERS VERSUS DARK TRADING

Tombeur Geoffrey; Degryse Hans; Wuyts Gunther (KU Leuven) - Discussant: Rosu Ioanid (HEC Paris)

This paper investigates two distinct ways in which traders can hide their trading intentions: (1) hidden orders on lit trading venues and (2) completely dark trading venues. Using a detailed high-frequency dataset, we find that a number of market condition differently affect hidden orders and dark trading. In particular, hidden order trading is preferred over dark trading on high volume days, when visible depth is smaller, the quoted spread is more narrow and fewer traders employ smart order routers. Algorithmic trading is negatively related to both types of opaque trading. Furthermore, we find that dark trading and hidden order trading are substitutes. However, dark trading appears to be a better substitute for hidden order trading than the other way around. These findings have implications for regulation: regulatory restriction on dark trading might harm investors that now use dark trading venues, since hidden orders do not offer a perfect substitute.

DOES SPEED MATTER? THE ROLE OF HIGH-FREQUENCY TRADING FOR ORDER BOOK RESILIENCY

Clapham Benjamin; Haferkorn Martin; Zimmermann Kai (Goethe University Frankfurt) - Discussant: Wuyts Gunther (KU Leuven)

This paper explores limit order book resiliency following liquidity shocks in the presence of high-frequency trading firms. Based on a unique data set that enables the identification of orders submitted by algorithmic traders and subscribers of co-location services, we study whether high-frequency traders are involved in the reconstruction of the order book. We analyze order submission and deletion activity before and after a liquidity shock initiated by a large market order. Our results show that exclusively high-frequency traders reduce the spread within the first seconds after the market impact making use of their speed advantage. However, liquidity recovery in terms of order book depth takes significantly longer and is accomplished by human traders' submission activity only.

SII-4 Financial mathematics 1

11h00 Room : Nobel

Chairman : Quittard-Pinon François (EM Lyon)

FROM THE SAMUELSON VOLATILITY EFFECT TO A SAMUELSON CORRELATION EFFECT: AN ANALYSIS OF CRUDE OIL CALENDAR SPREAD OPTIONS

Tavin Bertrand; Schneider Lorenz (EMLYON Business School) - Discussant: Matthys Felix (Princeton University)

We introduce a multi-factor stochastic volatility model based on the CIR/Heston volatility process. In order to capture the Samuelson effect displayed by commodity futures, we add expiry-dependent exponential damping factors to their volatility coefficients. The pricing of single underlying European options on futures is straightforward and can incorporate a volatility smile. We calculate the joint characteristic function of two futures contracts in analytic form that is suitable for a one-dimensional Fourier inversion method to price calendar spread options. We then propose analytical expressions to obtain the copula and copula density directly from the joint characteristic function of a pair of futures. These expressions are convenient to analyze the term-structure of dependence between the two futures produced by the model. In an empirical application, we provide evidence that the model is able to produce the desired stylized facts in terms of volatility and dependence.

MULTI-ASSET NOISY RATIONAL EXPECTATIONS EQUILIBRIUM WITH CONTINGENT CLAIMS

Zachariadis Konstantinos; Chabaukari Georgy; Yuan Kathy (London School of Economics) - Discussant: Tavin Bertrand (EMLYON Business School);

We consider a noisy rational expectations equilibrium in a multi-asset economy populated by informed and uninformed investors, and noise traders. We relax the usual assumption of normally distributed asset payoffs and allow for assets with very general payoff distributions, including non-redundant contingent claims, such as options and other derivatives. We provide necessary and sufficient conditions under which contingent claims provide information about the source of uncertainty in the economy and, hence, reduce the asymmetry of information. We also apply our results to pricing risky debt and equity and demonstrate that firms cannot manipulate the information contained in debt and equity prices by changing the face value of debt. Our paper provides a new tractable framework for studying asset prices under asymmetric information. When the market is complete, we derive the equilibrium in closed form. When the market is incomplete, we derive it in terms of easily computable inverse functions.

ECONOMIC POLICY UNCERTAINTY AND THE YIELD CURVE

Matthys Felix (Princeton University); Leippold Markus (Department of Banking and Finance) - Discussant: Zachariadis Konstantinos (London School of Economics)

This paper analyzes the impact of economic policy uncertainty on the term structure of real and nominal interest rates. We derive a general equilibrium model where the real side of the economy is driven by government policy uncertainty and the central bank sets money supply endogenously following a Taylor rule. We analyze the impact of government and monetary policy uncertainty on nominal yields, short rates, bond risk premia and the term structure of bond yield volatility. Furthermore, we show that our standard affine yield curve model is able to capture both, the shape of the term structure of interest rates as well as the hump-shaped bond yield volatility curve. Finally, the empirical analysis shows that, whereas higher government policy uncertainty leads to a decline in yields, and an increase in bond yield volatility, monetary policy uncertainty does not have a significant contemporaneous effect on movements in the yield or volatility but is however an important predictor for bond risk premia.

SII-5 Job market 2

11h00 Room : Monnet

Chairman : Malevergne Yannick (University of Lyon)

THINK TWICE OR BE WISE IN CONSUMER CREDIT CHOICES

Jaroszek Lena (University of Mannheim and ZEW Mannheim); Dick Christian (ZEW Mannheim) - Discussant: Balter Anne (Maastricht University)

We analyze whether the frequent use of credit lines is influenced by households' thinking dispositions, i.e. their tendency to reflect upon decisions or to opt for intuitive and impulsive solutions. We consider the special case of Germany where credit lines on current accounts are available to 80 % of the population. We document that the frequent usage of costly credit lines is more likely for people who give intuitive but incorrect answers in the Cognitive Reflection Test. Our analysis of a rich sample of household data also adds to the discussion on the role of financial literacy in credit decisions. Our results provide evidence that consumers with higher levels of financial literacy buy less on credit lines independently from their tendency to reflect.

LEARNING ABOUT TERM STRUCTURE PREDICTABILITY UNDER UNCERTAINTY

Cao Shuo (University of Glasgow) - Discussant: Mashwani Asad (University of Lille 2, ECCS)

This paper proposes a generalized framework of term structure modeling with learning and model uncertainty. The representative agent considers parameter instability, as well as the uncertainty in learning speed and model restrictions, so the sources of prediction uncertainty can be revealed within this framework. With adaptive learning, the agent is able to select the optimal model specification over time based on predictive performance, which potentially mitigates small-sample bias problem. It is important that an ambiguity-averse investor incorporates the ensemble of these salient features to construct the optimal portfolio. We show that with ambiguity aversion, the out-of-sample predictability of excess returns implied by the learning model can be translated into significant and consistent economic gains over the Expectation Hypothesis benchmark. Hence, we reconcile the contradictory evidence that significant statistical predictability fails to contribute to favorable economic value in previous bond return literature.

ROBUST STOCHASTIC OPTIMISATION WITH INDISTINGUISHABLE MODELS

Balter Anne; Pelsser Antoon (Maastricht University) - Discussant: Cao Shuo (University of Glasgow)

Models can be wrong and recognising their limitations is important in financial decision making. In asset pricing, model uncertainty has implications for the valuation of derivatives and long-dated contracts. We develop a method that provides a credible set of models to use in robust decision making. The choice of the specific size of the uncertainty region is what we will focus on. We use the Neyman-Pearson Lemma to characterise a set of models that cannot be distinguished statistically from a «central» model. Both deterministic as time-consistent stochastic deviations are proven to have maximal power for a log normal Radon-Nikodym derivative with bounded volatility. Therefore the set of indistinguishable models can explicitly be obtained ex ante, for a given Type I and II error. The quantification of uncertainty has applications for robust optimisation problems.

SIII-1 Corporate Finance

14h00 Room : Rome 1

Chairman : Ginglinger Edith (Université Paris-Dauphine)

SECURITY DESIGN WITH STATUS CONCERNS

Basak Suleyman (London Business School); Makarov Dmitry (Higher School of Economics); Shapiro Alex (New York University); Subrahmanyam Marty (New YorkUniversity)
Discussant: Kovbasyuk Sergei (Einaudi Institute, Rome)

This paper studies security design in a dynamic economy in the presence of status concerns. Our setting involves an entrepreneur with status concerns who has an idea for a project requiring an initial investment, which she raises by issuing a security to a financier. We characterize analytically the optimal security and find that its payoff profile is considerably similar to that of a convertible security. In contrast to existing explanations for convertible securities, ours does not rely on agency problems or asymmetric information. The more volatile the project is, the more similar the optimal security is to a convertible security. This is consistent with the observation that convertible securities are primarily used to finance relatively volatile projects. Our analysis uncovers the entrepreneur's and financier's risk attitudes as factors in explaining different conversion ratios of convertibles. Our analysis is potentially relevant for other hybrid securities and executive compensation contracts.

EXECUTIVE COMPENSATION AND DEPLOYMENT OF CORPORATE RESOURCES: EVIDENCE FROM WORKING CAPITAL

Croci Ettore (Universita' Cattolica del Sacro Cuore); Aktas Nihat (WHU Otto Beisheim School of Management); Ozbas Oguzhan (Koç University and University of Southern California Marshall School of Business); Petmezas Dimitris (Surrey Business School, University of Surrey) - Discussant: Dudley Evan (Queen's University)

This paper develops a theory of liquidity management that highlights the trade-off between the disciplinary role of short-term debt and financial flexibility. We empirically test the theory by examining changes in the structure of debt claims when firms rebalance their capital structure. As predicted by the theory, firms adjust both the priority and maturity of their debt claims when they refinance. We show that the correlation between debt and profitability at refinancing points varies with the type of debt and the type of firm. Shortterm claims and subordinated claims are more correlated with profitability than other types of debt claims, and this correlation is strongest in firms with high-hedging needs.

KEY INVESTORS IN IPOS: INFORMATION, MONITORING, LADDERING OR CRONYISM?

Kovbasyuk Sergei (Einaudi Institute, Rome); Brown David (Eller College of Management, University of Arizona) - Discussant: Croci Ettore (Universita' Cattolica del Sacro Cuore)

We identify a small group of institutional investors whose IPO participation is significantly related to underpricing and offer price revisions. These key investors are only 10% of funds at any given time, but their participation accounts for approximately 70% of the relation between underpricing and overall investor participation and 80% of the relation between offer price revisions and underpricing. However, key investors receive only 15% of allocations and only 21% of the total money left on the table in IPOs. These results suggest firms benefit from key investor participation, but rents associated with underpricing may be inefficiently allocated from firms' perspectives.

WHAT HAPPENS AT A REFINANCING POINT? CHANGES IN DEBT STRUCTURE AND FIRM PROFITABILITY

Dudley Evan (Queen's University); Yin Qie (Ellie) (University of Florida) - Discussant: Makarov Dmitry (Higher School of Economics)

This paper develops a theory of liquidity management that highlights the trade-off between the disciplinary role of short-term debt and financial flexibility. We empirically test the theory by examining changes in the structure of debt claims when firms rebalance their capital structure. As predicted by the theory, firms adjust both the priority and maturity of their debt claims when they refinance. We show that the correlation between debt and profitability at refinancing points varies with the type of debt and the type of firm. Shortterm claims and subordinated claims are more correlated with profitability than other types of debt claims, and this correlation is strongest in firms with high-hedging needs.

SIII-2 Asset Pricing 2

14h00 Room : Rome 2

Chairman : Dumas Bernard (INSEAD)

LABOR RIGIDITY AND THE DYNAMICS OF THE VALUE PREMIUM

Marfe Roberto (Collegio Carlo Alberto) - Discussant: Langlois Hugues (HEC Paris)

This paper empirically and theoretically investigates the relation between labor rigidity and the value premium. Aggregate labor rigidity shifts dividend risk towards the short horizon and enhances the pricing of short-run risk. In turn, shorter duration equity deserves a premium over longer duration equity, that is the value premium obtains. Consistently, labor-share variation strongly explains the contemporaneous and intertemporal excess return of value firms over growth firms. A closed-form general equilibrium model reproduces the term-structure effect of labor rigidity and naturally gives rise to the value premium and its dynamics. The model is robust to many features of financial markets.

THE EFFECT OF THE GROWTH IN LABOR HOURS PER WORKER ON FUTURE STOCK RETURNS, HIRING AND PROFITABILITY

Gu Li (Board of Governors of the Federal Reserve System); Huang Dayong Huang (Bryan School of Business and Economics, UNC Greensboro)

Discussant: Detzel Andrew (University of Denver)

The high growth rate in labor hours per worker signals low future stock market returns and high future hiring. In the presence of an increase in the number of labor hours per worker, hiring becomes less responsive to the future discount rate. The growth rate in the number of labor hours per worker does not appear to be related to future profitability.

ASSET PRICING WITH RETURN ASYMMETRIES: THEORY AND TESTS

Langlois Hugues (HEC Paris) - Discussant: Gu Li (Board of Governors of the Federal Reserve System)

I derive an equilibrium asset pricing model incorporating both systematic and idiosyncratic return asymmetries, and show their respective impact on expected returns. With systematic return asymmetry, investors allocate their wealth between the risk-free security, the market portfolio, and a factor which overweights assets with high systematic asymmetry. Investors who prefer positive asymmetry remain underdiversied from a mean-variance perspective to preserve skewness in their portfolio, and idiosyncratic asymmetry therefore is priced in equilibrium. I find that a systematic asymmetry factor and a factor capturing idiosyncratic asymmetry help explain the cross-sectional variation of expected returns across U.S. equities, international equity markets, government bonds, currencies, and commodities. My results offer a risk-based explanation of expected returns that contributes to our understanding of asset pricing across multiple markets.

MONETARY POLICY SURPRISES, INVESTMENT OPPORTUNITIES, AND ASSET PRICES

Detzel Andrew (University of Denver) - Discussant: Marfe Roberto (Collegio Carlo Alberto)

I use changes in Federal funds futures rates on days of FOMC announcements to isolate monetary policy shocks. Recent evidence suggests that contractionary (positive) monetary policy shocks increase expected excess market returns. All else equal, standard intertemporal asset pricing theory predicts that these shocks should therefore earn a positive risk premium. Consistent with this prediction, I find that a mimicking portfolio for these shocks earns positive average excess returns, and along with the market factor prices portfolios formed on size, book-to-market, and momentum with an R2 of 86%. The policy shock portfolio also eliminates the alphas of value and momentum factors.

SIII-3 Behavioral Finance

14h00 Room : Adenauer

Chairman : Otto Clemens (HEC Paris)

THE EQUILIBRIUM ASSIGNMENT OF NARCISSISTIC CEOS TO FIRMS

Bollaert Helen; De Bodt Eric; Grandin Pascal (University of Lille - SKEMA Business School); Roll Richard (California Institute of Techology)
Discussant: Lapanan Nicha (Umeå School of Business and Economics, Umeå University)

We analyze how boards use monitoring mechanisms, in particular the compensation package, to regulate CEO narcissism and maintain it at an appropriate level which protects shareholder interests. We first develop a model which formalizes the desirable level of CEO narcissism from the shareholders' point of view. We then use the model to interpret the relations that we find between the variation in CEO narcissism and the lagged level of compensation package components, controlling for governance mechanisms and firm characteristics. Our empirical evidence is based on a ten-year panel data set tracking S&P500 CEO narcissism. Our results clearly support that the time-varying component of CEO narcissism is affected by the compensation package (specifically cash bonuses) and that shareholders are therefore in position to control (to some extent) the evolution of CEO narcissism.

BEHAVIORAL BIASES IN NUMBER PROCESSING: THE CASE OF ANALYSTS' TARGET PRICES

Roger Patrick (LaRGE Research Center, EM Strasbourg Business School, University of Strasbourg); Roger Tristan (DRM, Université Paris-Dauphine); Schatt Alain (Dept of Accounting and Control, HEC Lausanne) - Discussant: Schmidt Daniel (HEC Paris)

Research in neuropsychology shows that the human brain processes differently small and large numbers. In this paper, we show that financial analysts process differently low prices and high prices when they issue one-year ahead target prices. First, analysts are more optimistic on low price stocks than on high price stocks, even after controlling for risk factors. Second, their price forecasts are significantly more dispersed on low price stocks. We strengthen these results by showing that target prices become more optimistic and more dispersed after stock splits. Finally, we show that the link between risk-adjusted expected returns and share prices does not survive in analysts' (qualitative) recommendations. Our results suggest that a deeply-rooted behavioral bias in number processing explains a significant part of analysts' forecast errors.

INTERGENERATIONAL TRANSMISSION OF PRO-SOCIAL VALUES: SOCIALLY RESPONSIBLE INVESTMENT AMONG PARENTS AND ADULT CHILDREN

Lapanan Nicha; Hellström Jörgen; Olsson Rickard (Umeå School of Business and Economics, Umeå University)
Discussant: Roger Patrick (LaRGE Research Center, EM Strasbourg Business School, University of Strasbourg)

Novel evidence on the transmission of pro-social values from parents to individuals is provided by the finding of a positive correlation between parental and individuals subsequent investments in socially responsible mutual funds. Although captured parental–individual correlations reflect contemporary relationships, they reveal potentially important insight into the origin of heterogeneity in individuals' pro-social behavior. Consistent with research on socialization, the results imply an influence from both parents, stronger for mothers, and reinforced for parents agreeing in pro-social values, i.e. for individuals' with both parents investing in socially responsible mutual funds. Parental resources during individuals' adolescent (financial and parental life experience) are further found to significantly explain individuals' adult pro-social investment behavior. The results are robust towards conditioning upon a number of alternative explanations.

YOLO: MORTALITY BELIEFS AND HOUSEHOLD FINANCE PUZZLES

Heimer Rawley (Cleveland Fed); Myrseth Kristian (St Andrews); Schoenle Raphael (Brandeis University) - Discussant: Bollaert Helen (SKEMA Business School - University of Lille)

Subjective mortality beliefs affect pre- and post-retirement consumption and savings decisions, as well as portfolio allocation. New survey evidence shows that individuals overestimate their mortality at short horizons and survival rate at long horizons. For example, a 28-year-old male with a 99.4% chance of surviving beyond 5 years believes he will do so with 92.8% probability. A 68 year old with a 71.4% probability of living to 78 believes he has an 82.4% chance of living that long. The formation of these beliefs across age cohorts can be attributed to overweighting salient causes-of-death. This bias matters empirically: Survival expectations correlate with heterogeneity in Financial education and investment behavior. Embedded in a run-of-the-mill life-cycle model, these beliefs cause the young to under-save and retirees to not fully draw down their assets. In addition, for reasonable levels of risk-tolerance, the required excess rate of return on equity is in line with historical averages once subjective beliefs are accounted for.

SIII-4 Crisis and Systemic Risk

Chairman : Perignon Christophe (HEC Paris)

Sponsored by Régulation et Risques Systémiques

14h00

Room : Nobel

MEASURING TAIL RISKS AT HIGH FREQUENCY

Weller Brian (Northwestern University Kellogg School of Management) - Discussant: Jondeau Eric (University of Lausanne)

I develop a new methodology for measuring tail risks using the cross section of bid-ask spreads. Market makers embed tail risk information into spreads because (1) they lose to arbitrageurs when changes to asset values exceed the cost of liquidity and (2) underlying price movements and potential costs are linear in factor loadings. Using this insight, simple crosssectional regressions relating spreads and trading volume to factor betas can recover tail risks in real time for priced or non-priced return factors. The methodology disentangles financial and aggregate market risks during the 2007–2008 Financial Crisis; anticipates jump risks associated with Federal Open Market Committee announcements; and quantifies a sharp, temporary increase in market tail risk before and throughout the 2010 Flash Crash. The recovered time series of implied market risks also aligns closely with both realized market jumps and the VIX.

ASSET MANAGEMENT AND SYSTEMIC RISK

Weisang Guillaume (Clark University); Roncalli Thierry (Department of Economics, Université d'Evry, France) - Discussant: Pritsker Matthew (Federal Reserve Bank of Boston)

The sweeping scope of global prudential reforms to address systemic risk touches areas and actors of the financial markets, such as asset managers, not previously perceived as systemically important and warrants detailed examination to shape adequate policies. In this paper, after an overview of the definition of systemic risk for banks and insurers, we examine the FSB-IOSCO proposal for an assessment methodology for the identification of non-bank non-insurance systemically important financial institutions (SIFIs). We compare how the methodology fairs empirically against what the literature and the 2007-2008 crisis reveal about the role of asset managers in contributing to systemic risk. We find the current proposal in part fails to identify natural candidates for the SIFI designation and perhaps confuses large institutions with systemically strategic institutions giving wealth loss greater weight over the potential for “real” economic disruption and market dislocation. Finally, we propose a more risk-sensitive approach to identifying SIFIs.

COLLATERALIZATION, LEVERAGE, AND SYSTEMIC RISK

Jondeau Eric; Khalilzadeh Amir (University of Lausanne) - Discussant: Weisang Guillaume (Clark University)

We describe a general equilibrium model with a banking system, with the deposit bank collecting deposits from households and the merchant bank providing funds to firms. The merchant bank borrows collateralized short-term funds from the deposit bank. In a financial downturn, as the value of collateral goes down, the merchant bank has to sell assets with short notice, reinforcing the crisis, and default if its cash buffer is insufficient. The deposit bank suffers from the loss due to the depreciated assets. If the value of its assets is insufficient to cover deposits, it also defaults. Deposits are insured by the government. The premium paid by the deposit bank is the expected loss on the deposits. Systemic risk is defined as the expected loss on deposits under stress, i.e., in a financial crisis. We calibrate the model on the U.S. economy and show how this measure behaves under stress.

SOVEREIGN COLLATERAL AS A TROJAN HORSE: WHY DO WE NEED AN LCR+

Buschmann Christian (Frankfurt School of Finance & Management); Schmaltz Christian (Aarhus University)

Discussant: Weller Brian (Northwestern University Kellogg School of Management)

Sovereign bonds are crucial for both sovereign funding and bank funding. Banks borrow in repo transactions against sovereign creditworthiness rather than their own creditworthiness. However, Basel III's current LCR does not address sovereign bond distress. Accordingly, currently compliant banks can be exposed to a neglected liquidity risk stemming from distressed sovereign debt moving through the collateral channel. This unaccounted risk can translate into a system wide liquidity shock. To gauge the potential damage caused by such a shock, we have developed a model in which sovereign distress triggers bank distress. Our model shows how deteriorating sovereign collateral can lead to an overall liquidity squeeze and non compliance with Basel III's liquidity standards. Since this risk is highly material, we conclude that LCR should address this event, and we call for an altered version - LCR+. LCR+ is the current LCR adjusted for the liquidity impact of sovereign distress.

SIII-5 Job market 3

14h00 Room : Monnet

Chairman : Petey Joël (University of Strasbourg)

DISCLOSURE, BANKS CDS SPREADS AND THE EUROPEAN SOVEREIGN CRISIS

Guillemin Francois; Refait-Alexandre Catherine (Université de Franche-Comté); Alexandre Hervé (Université Paris-Dauphine)
Discussant: Schaefer Larissa (Tilburg University, Frankfurt School of Finance & Management)

Empirical investigation of the impact of banks disclosure on the evolution of their CDS spreads during the period 2011-2013. If the banks that disclose the most have the smallest reaction, then disclosure enhances the financial stability on the CDS market. The disclosure by a bank about its sovereign exposure help investors in building expectations: an increase of disclosure participates into the reduction of the information risk premium and reduces CDS spread. We cumulated the evolution of the spread of CDS on 4 different timeframes. Then we explain cumulative abnormal returns by sovereign exposure and by bank disclosure. We modeled two disclosure indexes: global and one specifically dedicated to sovereign exposure. We obtained significant results on the impact of targeted sovereign disclosure on the evolution of the CDS spreads, showing that disclosure reduces the reaction on the CDS market, while the global index have not significant impact on the CDS spread.

BANK'S BUSINESS MODELS AND THE HEDGE AGAINST FINANCIAL SHOCKS

Vinas Frédéric (Paris School of Economics, University Paris 1, ACPR) - Discussant: Wang Tingwei (Université Paris-Dauphine)

This paper analyzes bank's business models in period of financial crisis. I distinguish retail banks from banks that develop market activities along with retail lending (called transaction banks hereafter). The question raised is : How those two banking models supply credit in a period of financial crisis ? Relying on a unique database of loan, firm and bank data, I show that retail banks provide a better funding continuation in period of crisis contrary to transaction banks. (i) Controlling for credit demand, I find that transaction banks had a lower credit supply during the 2007-08's crisis than retail banks. (ii) Transaction banks adjusted their credit supply in quantity rather than in price. (iii) Each business model had specific transmission channels. Transaction banks were deeply impacted by a lack of stable funding whereas retail banks were not. Thus, retail banks provided a hedge against financial shocks of the 2007-08's crisis.

RELATIONSHIP LENDING AND LOAN PERFORMANCE

Schaefer Larissa (Tilburg University, Frankfurt School of Finance & Management) - Discussant: Vinas Frédéric (Paris School of Economics, University Paris 1, ACPR)

This paper studies whether relationship lending helps firms in financial distress by examining the effect of relationship lending on ex-post loan performance. I combine a new and direct measure of relationship lending with unique credit registry data, exploiting an exogenous rule that determines the lending technique for each loan of a firm. My findings demonstrate that the same firm is more likely to become delinquent on a relationship-based relative to a transaction-based loan. Consistent with theory, relationship banks tolerate temporary delinquencies of a firm as long as they can extract rents in the long run. Relationship banks are also more likely to continue to lend to firms after past non-performance. These findings reveal that relationship lending serves as a liquidity insurance for firms in distress. I conclude that relationship banks must be better at enforcing contracts, not having ex-ante riskier customers or rescheduling loans more often despite higher delinquency rates.

ARE BANK CREDIT RISKS LINKED TO SOVEREIGN CREDIT RISKS? EVIDENCE FROM THE EURO AREA

Wang Tingwei (Université Paris-Dauphine); Hervé Alexandre (Université Paris-Dauphine) - Discussant: Guillemin Francois (Université de Franche-Comté)

We study the link of sovereign and bank credit risks in the euro area by extracting default information from the most liquid 5Y CDS spreads over the period 2010-2014. Using German CDS spread and iTraxx financials index as proxies for systemic default risk of sovereigns and banks, we estimate the systemic credit risk and idiosyncratic credit risk of each sovereign and bank. We find that after controlling for both global macroeconomic shocks and country-specific risks, idiosyncratic sovereign credit risk change can explain bank credit risk change. We also find that co-integration between sovereign and bank only exists in Belgium and Greece. Results of error correction model reveal that credit risk of Belgian bank Granger-causes sovereign credit risk due to the massive government bail-out while in Greece this is not found since the crisis is rooted in the high fiscal deficit of Greek government.

SIV-1 Corporate - Financial Analysts

16h30 Room : Rome 1

Chairman : Valta Philip (University of Geneva & Swiss Finance Institute)

DO CORPORATE TAXES HINDER INNOVATION?

Singh Manpreet; Mukherjee Abhiroop; Zaldokas Alminas (HKUST) - Discussant: Perez M. Fabricio (Wilfrid Laurier University)

We exploit staggered changes in state-level corporate tax rates to show that an increase in taxes reduces future innovation. Our evidence, which also exploits policy discontinuity at contiguous counties straddling state borders, shows that local economic conditions do not drive our results. The effect we document is consistent across the innovation spectrum: taxes affect not only patenting and R&D investment but also new product introductions. In the cross-section, we document that the tax effect is stronger among firms that face higher marginal tax rates, those that have a higher proportion of operations in states that change taxes, and those that are located in states which make shifting profits out of the state for tax reasons more difficult. Finally, we examine potential channels, and find that our empirical results are particularly consistent with models that highlight the role of higher corporate taxes in reducing innovator incentives and discouraging risk-taking.

CAREER CONCERNS OF BANKING ANALYSTS

Wu Shan (University of Exeter); Horton Joanne (University of Exeter); Serafeim George (Harvard Business School) - Discussant: Zaldokas Alminas (HKUST)

We study how career concerns influence banking analysts' forecasts and find that banking analysts issue early in the year relatively more optimistic and later in the year more pessimistic forecasts for banks that could be their future employers. This pattern is not observed when the same analysts forecast earnings of financial institutions with no equity research departments. We use the Global Settlement as an exogenous shock on career concerns and show that this forecast pattern is more pronounced after the Settlement. Moreover, we find evidence that both analysts and bank executives benefit from this behavior.

SIV-2 Financial Econometrics

16h30 Room : Rome 2

Chairman : Sergio Focardi (Léonard de Vinci Pôle Universitaire & University of New York at Stony Brook)

CAN MACROECONOMISTS GET RICH NOWCASTING ECONOMIC TURNING POINTS WITH MACHINE-LEARNING?

Raffinot Thomas (Université Paris-Dauphine) - Discussant: Hambuckers Julien (University of Liege)

This paper aims at nowcasting economic cyclical turning points in real time to get useful signals for policymakers and for investors. To nowcast economic turning points, probabilistic indicators are created from a simple machine-learning algorithm known as Learning Vector Quantization (LVQ), introduced in economics by Guisto and Piger (2014). The real-time ability of the indicators to quickly and accurately detect economic turning points in the United States and in the euro area is gauged. To asses the value of the indicators, profit maximization measures based on trading strategies are employed in addition to more standard criteria. A substantial improvement in profit measures over the benchmark is found: macroeconomists can get rich nowcasting economic turning points.

THE ENTROPY-BASED IMPLIED VOLATILITY AND ITS INFORMATION

Xiao Xiao (Erasmus University Rotterdam); Zhou Chen (De Nederlandsche Bank) - Discussant: Raffinot Thomas (Université Paris-Dauphine)

This paper investigates the maximum entropy method for extracting the implied volatility. Numerical examples show that the maximum entropy method outperforms the Black-Scholes model and the model-free method in extracting the implied volatility. This phenomenon is more pronounced if the risk neutral distribution of the underlying asset deviates from the normal distribution, or if the number of available options is limited. In addition, the maximum entropy method allows for constructing confidence intervals around the implied volatility and extracting the implied skewness and kurtosis. We apply the maximum entropy method to the S&P 500 index options for predicting future realized volatility. We nd that the entropy-based implied volatility subsumes all information in the Black-Scholes implied volatility and historical volatility and has more predictive power than the model-free implied volatility. Lastly, entropy-based variance risk premium performs better than other alternatives in predicting future monthly market returns.

MODELING THE DEPENDENCE BETWEEN EXTREME OPERATIONAL LOSSES AND ECONOMIC FACTORS: A CONDITIONAL SEMI-PARAMETRIC GENERALIZED PARETO APPROACH

Hambuckers Julien; Heuchenne Cédric (University of Liege); Lopez Olivier (Université Pierre et Marie Curie et ENSAE Paris-Tech)

Discussant: Zhou Chen (De Nederlandsche Bank)

We model the severity distribution of operational loss data, conditionally to some covariates. Indeed, previous studies suggest that this distribution might be influenced by firm-specific factors. We introduce a conditional Generalized Pareto model for the tail of the severity distribution, where the shape parameter is an unknown function of a linear combination of the covariates. More precisely, we rely on a single-index assumption to perform a dimension reduction that enables to use univariate nonparametric techniques. Hence, we suffer neither from too strong parametric assumption nor from the curse of dimensionality. We apply this methodology on a novel database provided by the bank UniCredit. We use firm-specific factors to estimate the conditional shape parameter. Our analysis suggests that the leverage ratio of the company andthe proportion of the revenue coming from fees have an important impact on the probability of suffering from large operational losses.

SIV-3 Microstructure 2

Chairman : Gajewski Jean-François (Université Savoie Mont Blanc)

Sponsored by BEDOFIH Base Européenne de Données Financières à Haute Fréquence

16h30 Room : Adenauer

FIRST TO "READ" THE NEWS: NEWS ANALYTICS AND INSTITUTIONAL TRADING

von Beschwitz Bastian (Federal Reserve Board); Keim Donald (Wharton School); Massa Massimo (INSEAD) - Discussant: Lines Anton (London Business School)

We investigate whether providers of high frequency news analytics affect the stock market. As identification, we exploit a unique identification strategy experiment based on differences in news event classifications between different product releases of a major provider of news analytics. We document a causal effect of news analytics on the market, irrespective of the informational content of the news. Coverage in news analytics speeds up the market reaction in terms of stock price response and trading volume, but increases illiquidity immediately after the article. Furthermore, we document that traders learn dynamically about the precision of news analytics.

FINANCIAL MARKET LIQUIDITY: WHO IS ACTING STRATEGICALLY?

Mero Gulten (THEMA - Université de Cergy-Pontoise); Darolles Serge; Le Fol Gaëlle (Université Paris-Dauphine and CREST-INSEE)

Discussant: von Beschwitz Bastian (Federal Reserve Board)

We propose a model that specifies the impact of information arrival on market characteristics, in the context of liquidity frictions. We distinguish short-lasting liquidity frictions, impacting intradaily prices, from long-lasting liquidity frictions, when information is not fully incorporated into prices within the day. We link the former to the strategic behavior of intraday liquidity providers and the latter to the strategic behavior of long-term liquidity consumers who split up their orders not to be detected. Our results show that amongst 61% of the stocks facing liquidity problems, 57% of them point up liquidity providers as the sole strategic market investor, 27% feature long-term investors as the single strategic player, while both liquidity providers and liquidity consumers act strategically in the remaining 16%. Thus 43% of these stocks are facing a slow-down in the information propagation resulting in a significant decrease of daily price efficiency due to long-term investors' strategic behavior.

ALPHA DECAY

Lines Anton; Naik Narayan (London Business School); Di Mascio Rick (Inalytics) - Discussant: Mero Gulten (THEMA - Université de Cergy-Pontoise)

Stocks purchased by institutional investors earn positive alpha that declines gradually over twelve months following the original trade. Using new transaction-level data, we link this phenomenon to strategic trading behaviour. Fund managers in our sample continue to buy a stock in small increments for as long as the alpha persists, with trade sizes proportional to the remaining mispricing. Greater competition for information is associated with more aggressive trading and lower post-purchase alpha, but only in the first 3-6 months, consistent with the initial "rat race" and subsequent "waiting game" phases of trading first predicted by Foster and Viswanathan (1996).

SIV-4 Financial Intermediation 3

16h30 Room : Nobel

Chairman : Lioui Abraham (EDHEC)

RETURNS TO TALENT AND THE FINANCE WAGE PREMIUM

Vallee Boris (Harvard Business School); Celerier Claire (University of Zurich) - Discussant: Zoican Marius Andrei (Université Paris-Dauphine)

We study the role of talent in the distribution of pay in the finance industry since the 1980s. We exploit a special feature of the French educational system to build a precise measure of talent that we match with compensation data on graduates of elite French institutions. Using this measure, we show that wage returns to talent are three times higher in the finance industry than in the rest of the economy. This greater sensitivity to talent almost fully absorbs the level of the finance wage premium, as well as its increase since the 1980s. Finally, returns to talent correlate with the share of variable compensation.

RISK MANAGEMENT FAILURES

Bouvard Matthieu (McGill University, Desautels Faculty of Management); Lee Samuel (NYU Stern and Stanford Institute for Economic Policy Research)
Discussant: Vallee Boris (Harvard Business School)

We present a model in which firms are engaged in preemptive competition for trading opportunities and the cost of risk management increases with time pressure in financial markets. Because time pressure is in turn endogenous to risk management choices, strategic complementarities can trigger a race to the bottom: firms' decisions to abandon risk management, while individually rational, are constrained inefficient, and cause a misallocation of risks among financial intermediaries. Externalities operate through opportunity costs and agency costs, and provide a rationale for regulation that views risk management both as a coordination problem (among firms) and as a governance problem (inside firms).

TOO-INTERNATIONAL-TO-FAIL? SUPRANATIONAL BANK RESOLUTION AND MARKET DISCIPLINE

Zoican Marius Andrei (Université Paris-Dauphine); Gornicka Lucyna Anna (University of Amsterdam)
Discussant: Bouvard Matthieu (McGill University, Desautels Faculty of Management)

Supranational resolution of insolvent banks does not necessarily improve welfare. We build an international banking model with costly loan monitoring. A supranational regulator (SR) bails out insolvent banks to prevent cross-border contagion. Contrastingly, national regulators (NR) minimize domestic costs and liquidate high-leveraged international banks: Interbank loans become risky. The SR welfare effect depends on monitoring costs. For low monitoring costs, NR promotes market discipline: interbank loan terms depend on default risk. The SR removes interbank loan risk and destroys market discipline: Monitoring incentives and welfare decrease. For high monitoring costs, SR improves welfare as it eliminates inefficient liquidations and endogenous interbank trading «balkanization».

SIV-5 Job market 4

16h30 Room : Monnet

Chairman : Martel Jocelyn (ESSEC)

HUMAN CAPITAL DRIVEN ACQUISITION: EVIDENCE FROM THE INEVITABLE DISCLOSURE DOCTRINE

Ma Yujing; Gao Huasheng (Nanyang Technological University) - Discussant: Kadach Igor (Stern School of Business)

We present evidence that the desire to gain human capital is an important motive for corporate acquisitions. Our tests exploit the staggered recognition of the Inevitable Disclosure Doctrine by U.S. state courts, which prevents a firm's employees from working for other firms. We find a significant increase in the likelihood of being acquired for firms headquartered in states that pass such doctrine relative to firms headquartered in states that do not. Heterogeneous treatment effects confirm the human capital channel: our result is more pronounced for firms with greater human capital and for firms whose employees previously could switch jobs more easily.

HOW MUCH SHOULD LIFE-CYCLE INVESTORS ADAPT THEIR BEHAVIOR WHEN CONFRONTED WITH MODEL UNCERTAINTY?

Shen Sally (Capital University of Economics and Business) - Discussant: Ma Yujing (Nanyang Technological University)

I investigate a dynamic life-cycle asset allocation and consumption problem when an investor has fragile beliefs of her income process and future inflation dynamics. I provide a robust model under which an investor with a max-min expected utility preference can allocate her wealth to various financial instruments including stocks, nominal bonds. A tractable solution is derived with the help of «homothetic robustness» developed by Maenhout (2004). I present a feasible boundary for the ambiguity aversion parameter using econometric theory. This parameter may help the investor to quantify systematically how much to adapt her investment and consumption behavior. The ambiguity aversion parameter ranges from 0 to 2 based on my calibration result. Robustness increases the demand for long-term bonds while reduces the exposure to stocks.

MUTUAL FUND TRADING PRESSURE, STOCK MISPRICING, AND MANAGEMENT EARNINGS FORECASTS

Kadach Igor (Stern School of Business) - Discussant: Shen Sally (Capital University of Economics and Business)

Does a company's stock mispricing influence its decision to issue earnings forecast? Does executive compensation affect the nature of the forecast? How does the market react to these forecasts? I address these questions by using cross-section and over time variation in stock mispricing related to liquidity-driven trades of mutual funds. I find that managers issue earnings forecasts more frequently when their company's stock appears mispriced. I also uncover unintended consequences of executive compensation scheme, in that managers of mispriced firms strategically withhold corrective information to benefit from option exercises. Finally, I show that the market acts as if it is able to distinguish management earnings forecasts with corrective information from forecasts with prolonging information, in that it reacts stronger to corrective forecasts relative to prolonging forecasts of the same sign and magnitude. Overall, my findings highlight the interplay between stock mispricing, company's disclosure policy, and the market reaction to it.

ABOUT EUROFIDAI

EUROFIDAI is an academic institute funded by the CNRS (French National Center for Scientific Research), the largest research institute in France. Its main mission is to develop financial databases that are useful to academic researchers in finance. The databases cover stocks, indices, mutual funds, exchange rates and corporate events, all over Europe (*). EUROFIDAI is the only European academic organization providing this type of data.

eurofidai
CNRS UPS 3390

DAILY DATABASES

- **STOCKS**

  The current daily stock database covers France (1977-2014), and 37 other countries in Europe (1980-2014) (*). This global stocks database consists of more than 100 000 securities. It provides verified and proven data over a long timeframe, which is what sets it apart from other currently available stock databases.

- **EUROFIDAI BENCHMARK INDICES**

  Indices calculated by EUROFIDAI, based on its high quality stock data, for France (1977-2014) and Europe (1988-2014) (*): 1) Per sector, per country and for Europe - 2) Factors and specific benchmark indices (formed on size, market, book-to-market and momentum).

- **MUTUAL FUNDS**

  EUROFIDAI builds a historical European mutual funds database, which has no equivalent in Europe. It contains mutual funds over a long period (1980-2013) and for a large sample of funds (more than 383 401 funds), ensuring a strong diversity of funds in terms of investment strategy and domicile.
  This database is divided between funds quoted over the counter and funds listed on organized markets (ETF...) and provides information on prices (net asset value, subscription and redemption prices, dividend...) and very precise background information on a daily basis : general characteristics (fund manager, name, website, brochure...), fees, benchmark, taxability, investment policy, fund asset allocation...).

- **CORPORATE EVENTS**

  EUROFIDAI provides to its users an organized and classified corporate events database (1977-2014) on more than 4 000 000 corporate events affecting companies (name change, sector change, general meeting, merger, liquidation, bankruptcy proceedings, class actions...) and their securities (change of capital structure, split, issue conditions, purchase/exchange offer...) for more than 500.000 instruments and 190 000 firms.

- **OTHER DATABASES**

  Code correspondance table (table linking the different codes of issuers and instruments), Exchange rates, Other indices (traditional indices for Europe and Asia (1980-2014)).

  (*) data for Middle East, Pacific and Asia is available on demand

EUROPEAN HIGH FREQUENCY DATABASE BEDOFIH

EUROFIDAI is developing a European high frequency financial database named BEDOFIH. It includes trades, order books, and all order details (modifications, cancellations, partial executions...), with the highest frequency (millisecond, nanosecond), for the most important European stock markets: NYSE Euronext Paris, Eurex and Xetra of Deutsche Boerse, London Stock Exchange and electronic platforms with important data volumes like BATS Chi-X.

DOCUMENT DATABASE

Another EUROFIDAI mission consists of building a bibliographical database on the research production in European Universities and research centers: finance theses and working papers since the year 2000, with the link to the original documents.