# 11th Paris December
# Finance Meeting

## December 19, 2013

Novotel Paris les Halles Hotel
Place Marguerite de Navarre
75001 PARIS

www.eurofidai.org/december2013.html

INSTITUT CDC
POUR LA RECHERCHE

# Meeting's organization

Since 1979, the French Finance Association (AFFI) has brought together researchers, teachers and practitioners interested in financial management.

Its objective is to develop communication between members thus contributing to enhanced progress in the financial management discipline.

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**

EUROFIDAI (European Financial Data Institute) is a public academic institute funded by the French National Center for Scientific Research (CNRS).

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

The databases cover stocks, indices, mutual funds, exchange rates and corporate events, all over Europe, Middle East, Pacific and Asia. EUROFIDAI is the only European academic organization providing this type of data.

**More information:**
**www.eurofidai.org**

## Numbers

252 papers were submitted for presentation at the meeting. Of this number, only 52 were accepted indicating rigorous selection criteria.

In 2013, submissions were received from France (46), the United States (45), Germany (35), Switzerland (17), Canada (14), the United Kingdom (13), Belgium (12), the Netherlands (10), Italy (7), Denmark (6), Australia (6), Japan (5), Sweden (4), Norway (4), Finland (4), China (4), Austria (3), other European countries (6) and 8 from the rest of the world.

Based on presenter's affiliation, the 52 accepted articles came from the United States (11), Germany (11), France (9), Switzerland (6), the United Kingdom (3), the Netherlands (3), Sweden (2), Canada (2), Japan (1), Italy (1), Finland (1), China (1), Belgium (1).

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

# Program chair

Patrice Fontaine (EUROFIDAI, CNRS & University of Grenoble 2)

# 2013 Scientific Committee

Sessions were organized by :

Yacine Aït-Sahalia (Princeton University and NBER)
Hervé Alexandre (Paris Dauphine University)
Marie Hélène Broihanne (University of Strasbourg)
Laurent Calvet (HEC Paris)
Fany Declerck (Toulouse School of Economics)
François Degeorge (Swiss Finance Institute, University of Lugano)
Bernard Dumas (INSEAD)
Patrice Fontaine (CNRS and University of Grenoble 2)
Edith Ginglinger (Paris Dauphine University)
Ulrich Hege (HEC Paris)
Laurence Lescourret (ESSEC)
Abraham Lioui (EDHEC)
Stefano Lovo (HEC Paris)
Nour Meddahi (TSE)
Maxime Merli (University of Strasbourg)
Franck Moraux (University of Rennes 1)
Joël Petey (University of Strasbourg)
Patrice Poncet (ESSEC)
Sébastien Pouget (University of Toulouse 1)
Catherine Refait-Alexandre (University of Franche-Comté)
Patrick Roger (University of Strasbourg)
Philip Valta (HEC Paris)

# Program

08h00 Registrations

08h30 Financial Econometrics
Room Cezanne

08h30 Capital Structure
Room Van Gogh

08h30 Asset Pricing 1
Room Pissarro

08h30 Credit Market
Room Caillebotte

10h30 **Coffee Break**

11h00 Microstructure
Room Cezanne

11h00 Corporate Governance 1
Room Van Gogh

11h00 Asset Pricing 2
Room Pissarro

11h00 Banking Regulation
Room Caillebotte

11h00 EUROFIDAI daily databases presentation Room Sisley

12h45 **Lunch**

14h15 Hedge-Mutual Funds
Room Cezanne

14h15 Corporate Governance 2
Room Van Gogh

14h15 Behavioral Finance
Room Pissarro

14h15 Financial Crisis
Room Caillebotte

14h15 EUROFIDAI high frequency database presentation Room Sisley

15h45 **Coffee Break**

16h15 International Finance
Room Cezanne

16h15 Mergers and Acquisitions
Room Van Gogh

16h15 Portfolio Management
Room Pissarro

16h15 Private Equity - Venture Capital
Room Caillebotte

16h15 EUROFIDAI daily databases presentation Room Sisley

18h00 **Cocktail - Best paper award**

## 08h30 Financial Econometrics

Sponsored by

Chairman: CALVET L. (HEC Paris) — Room Cezanne

**A NEW TEST FOR THE DETECTION OF THE PRICING ROLE OF AGGREGATE IDIOSYNCRATIC RISK IN THE PREDICTIVE REGRESSION**
QIAN Sun (Fudan University); RUAN Tony (Jun) (Xiamen University); XU Yexiao (University of Texas at Dallas)
Discussant: STANKIEWICZ Sandra (University of Konstanz)

**COVENANTS AND COLLATERAL IN JAPANESE CORPORATE STRAIGHT BONDS: CHOICE AND YIELD SPREAD**
KATSURA Shinichi (Kinki University); TANIGAWA Yasuhiko (Waseda University & Bocconi University) - Discussant: VIALE Ariel (Florida Atlantic University)

**ASYMMETRIES IN THE STOCK RETURN - TRADING VOLUME RELATION: A GENERALIZED IMPULSE RESPONSE APPROACH**
BRÜGGEMANN Ralf (University of Konstanz); GLASER Markus (Munich School of Management, LMU Munich); SCHAARSCHMIDT Steffen (University of Konstanz); STANKIEWICZ Sandra (University of Konstanz)
Discussant: RUAN Tony (Jun) (Xiamen University)

**A ROBUST BAYESIAN ANALYSIS OF THE STOCK MARKET'S RESPONSE TO MACROECONOMIC NEWS**
VIALE Ariel (Florida Atlantic University); GIANETTI Antoine (Florida Atlantic University)
Discussant: TANIGAWA Yasuhiko (Waseda University & Bocconi University)

## 08h30 Asset Pricing 1

Chairman: PONCET P. (ESSEC) — Room Pissarro

**ASSET PRICING WITH REGIME-DEPENDENT PREFERENCES AND LEARNING**
BERRADA Tony (University of Geneva); DETEMPLE Jérôme (Boston University School of Management); RINDISBACHER Marcel (Boston University School of Management) - Discussant: PIRVU Traian (Mc Master University)

**INVESTOR ATTENTION AND STOCK MARKET VOLATILITY**
ANDREI Daniel (UCLA); HASLER Michael (SFI at EPFL)
Discussant: CROCE Mariano (Kenan-Flagler Business School, UNC)

**PRODUCTION-BASED TERM STRUCTURE OF EQUITY RETURNS**
CROCE Mariano (Kenan-Flagler Business School, UNC)
Discussant: MARFÈ Roberto (Collegio Carlo Alberto)

**LABOR RELATIONS, ENDOGENOUS DIVIDENDS AND THE EQUILIBRIUM TERM STRUCTURE OF EQUITY**
MARFÈ Roberto (Collegio Carlo Alberto)
Discussant: DETEMPLE Jérôme (Boston University School of Management)

## 08h30 Capital Structure

Chairman: HEGE U. (HEC Paris) — Room Van Gogh

**CAN FIRMS LOOSEN FINANCIAL CONSTRAINTS?**
WILLIAMSON Rohan; YANG Jie (Georgetown University)
Discussant: MCLEAN David (MIT and University of Alberta)

**MARKING TO MARKET AND INEFFICIENT INVESTMENT DECISIONS**
OTTO Clemens (HEC Paris); VOLPIN Paolo (London Business School)
Discussant: YANG Jie (Georgetown University)

**U.S. FINANCIAL MARKETS GROWTH AND THE REAL ECONOMY**
LIANG Claire Y.C. (University of Alberta); MCLEAN David (MIT and University of Alberta); ZHAO Mengxin (University of Alberta)
Discussant: CORTES Felipe (Washington University in Saint Louis)

**FIRMS' OPAQUENESS AND CORPORATE CASH HOLDINGS**
CORTES Felipe (Washington University in Saint Louis)
Discussant: OTTO Clemens (HEC Paris)

## 08h30 Credit Market

Chairman: PETEY J. (University of Strasbourg) — Room Caillebotte

**STRUCTURED DEBT RATINGS: EVIDENCE ON CONFLICTS OF INTEREST**
EFING Matthias (Swiss Finance Institute, CesIFO, & University of Geneva); HAU Harald (Swiss Finance Institute, CesIFO, CEPR, & University of Geneva)
Discussant: JAMES Christopher (University of Florida)

**"BANK" LOAN OWNERSHIP AND TROUBLED DEBT RESTRUCTURINGS**
DEMIROGLU Cem (Koc University); JAMES Christopher (University of Florida)
Discussant: STREITZ Daniel (Humboldt University)

**INTEREST RATE DERIVATIVES AND FIRM VALUE: EVIDENCE FROM MANDATORY VERSUS VOLUNTARY HEDGING**
MARAMI Ali (University of Neuchatel); DUBOIS Michel (University of Neuchatel)
Discussant: BARROT Jean-Noel (MIT Sloan)

**FINANCIAL STRENGTH AND TRADE CREDIT PROVISION: EVIDENCE FROM TRUCKING FIRMS**
BARROT Jean-Noel (MIT Sloan) - Discussant: EFING Matthias (Swiss Finance Institute, CesIFO, & University of Geneva)

## 10h30 Coffee break

## 11h00 Microstructure

Sponsored by BEDOFIH

Chairman: DECLERCK F. (Toulouse School of Economics) Room Cezanne

**DOES LIMITED ATTENTION AFFECT INVESTORS' CHOICES?**
BENAMAR Hedi (HEC Paris)
Discussant: YUESHEN Bart (Tinbergen Institute / VU University / Duisenberg School of Finance)

**COMPETITION BETWEEN HIGH-FREQUENCY TRADERS AND MARKET QUALITY**
BRECKENFELDER Johannes (Stockholm School of Economics)
Discussant: LESCOURRET Laurence (ESSEC)

**QUEUING UNCERTAINTY**
YUESHEN Bart (Tinbergen Institute / VU University / Duisenberg School of Finance)
Discussant: DUGAST Jérôme (Banque de France)

## 11h00 Asset Pricing 2

Chairman: LIOUI A. (EDHEC) Room Pissarro

**A NEW MEASURE OF EQUITY DURATION: THE DURATION-BASED EXPLANATION OF THE VALUE PREMIUM REVISITED**
ESTERER Florian (Bank J. Safra Sarasin); SCHROEDER David (University of London, Birkbeck)
Discussant: MIN Byoung-Kyu (University of Neuchatel)

**RISK PREMIA, VOLATILITIES, AND SHARPE RATIOS IN A NON-LINEAR TERM STRUCTURE MODEL**
FELDHUETTER Peter (The Wharton School); HEYERDAHL-LARSEN Christian (London Business School); ILLEDITSCH Philipp (The Wharton School)
Discussant: SCHROEDER David (University of London, Birkbeck)

**TIME-VARYING EXPECTED MOMENTUM PROFITS**
KIM Dongcheol (Korea University); ROH Tai-Yong (KAIST - Korea Advanced Institute of Science and Technology); MIN Byoung-Kyu (University of Neuchatel); BYUN Suk-Joon (KAIST - Korea Advanced Institute of Science and Technology)
Discussant: ILLEDITSCH Philipp (The Wharton School)

## 11h00 EUROFIDAI daily databases presentation

Room Sisley

## 11h00 Corporate Governance 1

Chairman: GINGLINGER E. (Paris Dauphine University) Room Van Gogh

**EXECUTIVE COMPENSATION STRUCTURE AND CREDIT SPREADS**
COLONNELLO Stefano (Swiss Finance Institute and École Polytechnique Fédérale de Lausanne); CURATOLA Giuliano (Goethe University Frankfurt); HOANG Giang Ngoc (Swiss Finance Institute and École Polytechnique Fédérale de Lausanne)
Discussant: BACH Laurent (Stockholm School of Economics)

**DOES COMPETITION MATTER FOR CORPORATE GOVERNANCE? THE ROLE OF COUNTRY CHARACTERISTICS**
COSSET Jean-Claude; SOMÉ Y. Hyacinthe; VALÉRY Pascale (HEC Montréal)
Discussant: CURATOLA Giuliano (Goethe University Frankfurt)

**THE DARK SIDE OF SHAREHOLDER ACTIVISM: EVIDENCE FROM CEO TURNOVERS**
BACH Laurent; METZGER Daniel (Stockholm School of Economics)
Discussant: VALÉRY Pascale (HEC Montréal)

## 11h00 Banking Regulation

Chairman: REFAIT-ALEXANDRE C. (University of Franche-Comté) Room Caillebotte

**A BLIND SPOT OF BANKING REGULATION: LEVEL 3 VALUATION AND BASEL RISK CAPITAL**
GLASER Markus (Munich School of Management, LMU Munich); MOHRMANN Ulf (University of Konstanz); RIEPE Jan (Munich School of Management, LMU Munich)
Discussant: LAMBERT Claudia (DIW Berlin, German Economic Institute)

**CREDIT GROWTH AND BANK CAPITAL REQUIREMENTS IN THE FRENCH BANKING SECTOR**
LABONNE Claire (Autorité de Contrôle Prudentiel); LAME Gildas (INSEE)
Discussant: RIEPE Jan (Munich School of Management, LMU Munich)

**HOW DO INSURED DEPOSITS AFFECT BANK STABILITY? EVIDENCE FROM THE 2008 EMERGENCY ECONOMIC STABILIZATION ACT**
LAMBERT Claudia (DIW Berlin, German Economic Institute); NOTH Felix (Goethe-University Frankfurt); SCHÜWER Ulrich (Goethe-University Frankfurt)
Discussant: LAME Gildas (INSEE)

## 12h45 Lunch

Novotel Restaurant

## 14h15 Hedge Funds - Mutual Funds

Chairman: ROGER P. (University of Strasbourg) Room Cezanne

**HOW DO INSTITUTIONS TRADE AROUND CORPORATE NEWS?**
HUANG Alan (University of Waterloo); TAN Hongping (University of Waterloo); WERMERS Russ (University of Maryland)
Discussant: BAQUERO Guillermo (ESMT European School of Management and Technology)

**DO HEDGE FUNDS PROVIDE LIQUIDITY? EVIDENCE FROM THEIR TRADES**
FRANZONI Francesco (University of Lugano and Swiss Finance Institute); PLAZZI Alberto (University of Lugano and Swiss Finance Institute)
Discussant: TAN Hongping (University of Waterloo)

**THE CONVEXITY AND CONCAVITY OF THE FLOW-PERFORMANCE RELATIONSHIP FOR HEDGE FUNDS**
BAQUERO Guillermo (ESMT European School of Management and Technology); VERBEEK Marno (RSM Erasmus University)
Discussant: PLAZZI Alberto (University of Lugano and Swiss Finance Institute)

## 14h15 Corporate Governance 2

Chairman: ALEXANDRE H. (Paris Dauphine University) Room Van Gogh

**THE NEW CONSERVATISM: STRUCTURE AND INFORMATION CONTENT OF QUARTERLY DIVIDENDS**
ANDRES Christian ; HOFBAUR Ulrich (WHU - Otto Beisheim School of Management)
Discussant: SCHEINERT Tobias (Humboldt University Berlin)

**VALUING CHANGES IN POLITICAL NETWORKS: EVIDENCE FROM CAMPAIGN CONTRIBUTIONS TO CLOSE CONGRESSIONAL ELECTIONS**
AKEY Pat (London Business School)
Discussant: HOFBAUR Ulrich (WHU - Otto Beisheim School of Management)

**EXPERIENCE-BASED BELIEFS AND CORPORATE RISK MANAGEMENT: DO PAST MANAGERIAL EXPERIENCES AFFECT A FIRM'S DECISION TO HEDGE?**
BURG Valentin; DRAHS Sascha; SCHEINERT Tobias; STREITZ Daniel (Humboldt University Berlin)
Discussant: AKEY Pat (London Business School)

## 14h15 Behavioral Finance

Chairman: BROIHANNE M. H. (University of Strasbourg) Room Pissarro

**DOES SOPHISTICATION AFFECT LONG-TERM RETURN EXPECTATIONS? EVIDENCE FROM FINANCIAL ADVISERS' EXAM SCORES**
KAUSTIA Markku; LEHTORANTA Antti; PUTTONEN Vesa (Aalto University)
Discussant: PFIFFELMANN Marie (EM Strasbourg Business School - University of Strasbourg)

**RUN, WALK, OR BUY? FINANCIAL LITERACY, DUAL-PROCESS THEORY, AND INVESTMENT BEHAVIOR**
GLASER Markus; WALTHER Torsten (Munich School of Management, LMU Munich)
Discussant: KAUSTIA Markku (Aalto University)

**WHEN BEHAVIORAL PORTFOLIO THEORY MEETS MARKOWITZ THEORY**
BOURACHNIKOVA Olga (EM Strasbourg Business School - University of Strasbourg); PFIFFELMANN Marie (EM Strasbourg Business School - University of Strasbourg); ROGER Tristan (CNRS (Eurofidai) - University of Grenoble (CERAG))
Discussant: WALTHER Torsten (Munich School of Management, LMU Munich)

## 14h15 Financial Crisis

Chairman: MORAUX F. (University of Rennes 1) Room Caillebotte

**IS THERE A 'BOOM BIAS' IN AGENCY RATINGS?**
DILLY Mark; MÄHLMANN Thomas (Catholic University of Eichstaett-Ingolstadt)
Discussant: RADEV Deyan (ZEW Mannheim)

**WHY DO U.S. BANKS CONTRIBUTE MORE TO GLOBAL SYSTEMIC RISK?**
BOSTANDZIC Denefa (Ruhr-Universität Bochum); WEISS Gregor N. F. (Technische Universität Dortmund)
Discussant: DILLY Mark (Catholic University of Eichstaett-Ingolstadt)

**SYSTEMIC RISK AND SOVEREIGN DEBT IN THE EURO AREA**
RADEV Deyan (ZEW Mannheim)
Discussant: BOSTANDZIC Denefa (Ruhr-Universität Bochum)

## 14h15 EUROFIDAI high frequency database presentation

Room Sisley

## 15h45 Coffee break

## 16h15 International Finance

Chairman: DUMAS B. (INSEAD) — Room Cezanne

**PUTTING ALL OF YOUR EGGS IN THE SAME BASKET? ENDOGENOUS INFORMATION ASYMMETRY AND PORTFOLIO BIAS**
VALCHEV Rosen (Duke University)
Discussant: RIDDIOUGH Steven (University of Warwick)

**CURRENCY PREMIA AND GLOBAL IMBALANCES**
DELLA CORTE Pasquale (Imperial College London); RIDDIOUGH Steven (University of Warwick); SARNO Lucio (City University London)
Discussant: GAVAZZONI Federico (INSEAD)

**CURRENCY RISK AND PRICING KERNEL VOLATILITY**
GAVAZZONI Federico (INSEAD); SAMBALAIBAT Batchimeg (Carnegie Mellon University); TELMER Chris (Carnegie Mellon University)
Discussant: VALCHEV Rosen (Duke University)

## 16h15 Portfolio Management

Chairman: POUGET S. (University of Toulouse 1) — Room Pissarro

**THE TAIL RISK PREMIA OF THE CARRY TRADES**
DUPUY Philippe (Grenoble Ecole de Management)
Discussant: FRANZ Richard (WU - Vienna University of Economics and Business)

**FINANCIAL LITERACY AND THE DEMAND FOR FINANCIAL ADVICE**
CALCAGNO Riccardo (EM LYON Business School); MONTICONE Chiara (OECD)
Discussant: SPIRA Sven Michael (HEC Paris)

**SUBJECTIVE LIFE HORIZON AND PORTFOLIO CHOICE**
SPAENJERS Christophe; SPIRA Sven Michael (HEC Paris)
Discussant: DUPUY Philippe (Grenoble Ecole de Management)

## 16h15 EUROFIDAI daily databases presentation

Room Sisley

## 16h15 Mergers & Acquisitions

Chairman: VALTA P. (HEC Paris) — Room Van Gogh

**BIDDER HUBRIS AND FOUNDER TARGETS**
NAGARAJAN Nandu (University of Pittsburgh); SCHLINGEMANN Frederik (University of Pittsburgh); VAN DER POEL Marieke (RSM Erasmus University); YALIN Mehmet (University of Pittsburgh)
Discussant: De BRUYNE DEMIDOVA Irina (Univ. Lille Nord de France - Skema Business School)

**TIME LOST IN NEGOTIATIONS: PRODUCTIVE OR WASTEFUL?**
DE BRUYNE DEMIDOVA Irina (Univ. Lille Nord de France - Skema Business School) - Discussant: WILLIAMS Ryan (University of Arizona)

**FORTUNE FAVORS THE BOLD**
MENEGHETTI Costanza (University of West Virginia); WILLIAMS Ryan (University of Arizona)
Discussant: VAN DER POEL Marieke (RSM Erasmus University)

## 16h15 Private Equity - Venture Capital

Chairman: LOVO S. (HEC Paris) — Room Caillebotte

**IS THE RISE OF SECONDARY BUYOUTS GOOD NEWS FOR INVESTORS?**
DEGEORGE François (Swiss Finance Institute, University of Lugano); MARTIN Jens (University of Amsterdam); PHALIPPOU Ludovic (University of Oxford, Said Business School and Oxford-Man Institute) - Discussant: CALCAGNO Riccardo (EM LYON Business School)

**FUND MANAGERS UNDER PRESSURE: RATIONALE AND DETERMINANTS OF SECONDARY BUYOUTS**
ARCOT Sridhar (ESSEC Business School); FLUCK Zsuzsanna (University of Paris-Dauphine and Michigan State University); GASPAR José-Miguel (ESSEC Business School); HEGE Ulrych (HEC Paris) - Discussant: UMBER Marc (Frankfurt School of Finance and MGMT)

**GP ACTIVISM AND LP RETURNS IN LEVERAGED BUYOUTS**
FUERTH Sven (Goethe University); RAUCH Christian (Goethe University); UMBER Marc (Frankfurt School of Finance and MGMT)
Discussant: MARTIN Jens (University of Amsterdam)

## 18h00 Cocktail - Best paper award

## 08h30 Financial Econometrics

Sponsored by BEDOFIH

Chairman: CALVET L. (HEC Paris)

### A NEW TEST FOR THE DETECTION OF THE PRICING ROLE OF AGGREGATE IDIOSYNCRATIC RISK IN THE PREDICTIVE REGRESSION

**QIAN Sun (Fudan University); RUAN Tony (Jun) (Xiamen University); XU Yexiao (University of Texas at Dallas) - tony_ruan@xmu.edu.cn**

Discussant: STANKIEWICZ Sandra (University of Konstanz)

The standard test for the pricing role of aggregate idiosyncratic risk in the conventional predictive regression considers aggregate total idiosyncratic risk a reasonable proxy for its undiversified component, which should be priced as theory suggests. However, when the priced component is relatively small, the test has little statistical power to reject the null hypothesis that idiosyncratic risk does not matter, even when the priced component, albeit small, explains an economically large portion of future excess return variation. We propose a simple regression-based method that can, under certain conditions, substantially improve the power of the test when economically important alternative hypotheses are true, but sacrifices little in the size of the test for the improved power. Based on the new test, we strongly reject the proposition that idiosyncratic risk does not matter and uncover a significantly positive relationship between aggregate undiversified idiosyncratic risk and future market excess returns.

### COVENANTS AND COLLATERAL IN JAPANESE CORPORATE STRAIGHT BONDS: CHOICE AND YIELD SPREAD

**KATSURA Shinichi (Kinki University); TANIGAWA Yasuhiko (Waseda University & Bocconi University) - ytanigawa@waseda.jp**

Discussant: VIALE Ariel (Florida Atlantic University)

How a firm chooses a set of covenants and of collateral to pledge when issuing straight bonds publicly in Japan? Covenants and collaterals are contract clauses intended to protect rights of the bondholders. If the protection is priced in the issue, why do firms try to put them all in the issue? Taking it into account that we only observe data for a covenant-collateral type chosen by firms, we estimate a relation between issue prices (yield spreads) and credit risk factors. We obtained a distinct relationship for each covenant-collateral type. We conduct two-step estimates of a Heckman type. In the first step we estimate multinomial logit models of covenant-collateral choice, and found supports for the physical cost hypothesis, the hysteresis hypothesis, and signaling hypothesis. Most notably, however, we found that strategic default concerns involve direct costs in the choice, not through indirect effects on the yield spread.

### ASYMMETRIES IN THE STOCK RETURN - TRADING VOLUME RELATION: A GENERALIZED IMPULSE RESPONSE APPROACH

**BRÜGGEMANN Ralf (University of Konstanz); GLASER Markus (Munich School of Management, LMU Munich); SCHAARSCHMIDT Steffen (University of Konstanz); STANKIEWICZ Sandra (University of Konstanz) - steffen.schaarschmidt@uni-konstanz.de**

Discussant: RUAN Tony (Jun) (Xiamen University)

We investigate the asymmetries in the stock return - trading volume relation by using daily stock market data for 16 selected European countries in an asymmetric vector autoregressive model. In the presence of asymmetries, the estimates of the impulse response functions from standard methods are inconsistent. To avoid this problem we use a simulation based procedure to compute generalized impulse response functions (GIRFs). We find that the reaction of trading volume on the return shock is not only asymmetric but also depends on the size of the shock. For all considered countries we find that stock returns have a significant influence on trading volume. Specifically, after stock markets go up, investors trade significantly more in small and mid cap stocks, supporting overconfidence theory.

### A ROBUST BAYESIAN ANALYSIS OF THE STOCK MARKET'S RESPONSE TO MACROECONOMIC NEWS

**VIALE Ariel (Florida Atlantic University); GIANNETTI Antoine (Florida Atlantic University) - aviale@fau.edu**

Discussant: TANIGAWA Yasuhiko (Waseda University & Bocconi University)

This paper explores the quality of the information that macroeconomic news convey to the stock market as forward looking signals of future business conditions. We introduce a novel robust Bayesian semi-parametric analysis of investors' correspondence functions (i.e., signal-to-price mappings) in the stock market and a feasible ex ante measure of the level of ambiguity in Survey responses anticipating macroeconomic announcements. Using both survey and vector autoregressive (VAR)-based data we show that macroeconomic announcements are relatively ambiguous signals of future economic fundamentals in the stock market, potentially explaining some of previous controversial results in the literature.

# Capital Structure

## Chairman: HEGE U. (HEC Paris)

### CAN FIRMS LOOSEN FINANCIAL CONSTRAINTS?

**WILLIAMSON Rohan (Georgetown University); YANG Jie (Georgetown University) - jy44@georgetown.edu**

Discussant: McLEAN David (MIT and University of Alberta)

This paper studies the ability of firms to impact its own financial constraint status. First, we study the persistence of firms' financial constraint status and show that this changes across time. Next, we find that diversified firms are less financially constrained than single segment firms. Additionally, among diversified firms, those that are more concentrated in their main industries are more constrained than those that are less concentrated. This leads us to examine the ability of firms to ease financial constraints through acquisitions. The results show that aquirers that are relatively more constrained become less constrained following an acquisition. Acquiring a target in the same industries hinders this loosening of financial constraints. Furthermore, the reduction in financial constraint status increases with the difference between acquirer and target financial constraint status in the pre-acquisition period. The results are robust to several measures of financial constraints.

### MARKING TO MARKET AND INEFFICIENT INVESTMENT DECISIONS

**OTTO Clemens (HEC Paris); VOLPIN Paolo (London Business School) - otto@hec.fr**

Discussant: YANG Jie (Georgetown University)

We examine how mark-to-market accounting affects investment decisions in an agency model with reputation concerns. Reporting the current market value of a firm's assets in the financial statements can serve as a disciplining device because the information contained in the market prices provides a benchmark against which the agent's actions can be evaluated. However, the fact that market prices are informative about which decision the agent should take can have a perverse effect: the agent may prefer to ignore relevant but contradictory private information whose revelation would damage his reputation. Surprisingly, this effect makes mark-to-market accounting less desirable as market prices become more informative.

### U.S. FINANCIAL MARKETS GROWTH AND THE REAL ECONOMY

**LIANG Claire Y.C. (University of Alberta); MCLEAN David (MIT and University of Alberta); ZHAO Mengxin (University of Alberta) - rdmclean@ualberta.ca**

Discussant: CORTES Felipe (Washington University in Saint Louis)

U.S. financial development varies significantly over the last half century, primarily increasing since the 1980s. Difference-in-difference tests reveal that financial development has disproportionate effects on industries that depend more on external finance. Higher financial development forecasts externally-dependent industries having higher turnover of leading businesses, greater variation in firm-growth rates, more new firms entering, more mature firms exiting, lower concentration, and at the aggregate level more innovation and faster growth. The evidence is consistent with a Schumpeterian framework linking finance to competition, innovation, and growth. Our findings suggest that the growth in finance had some real effects that are socially beneficial.

### FIRMS' OPAQUENESS AND CORPORATE CASH HOLDINGS

**CORTES Felipe (Washington University in Saint Louis) - cortesf@wustl.edu**

Discussant: OTTO Clemens (HEC Paris)

Although existing theories predict a causal link between firm opaqueness and firm cash holdings, endogenous and coarse measures of opaqueness hinder the identification of this link. Using the discontinuous requirement of financial reporting introduced by Sarbanes-Oxley Act, Section 404, we estimate the causal effect of opaqueness on cash holdings. We show that firms that comply with Section 404 and provide more reliable information exhibit lower cash holdings compared to observationally similar firms. Further, compliant firms that hold less cash exhibit higher R&D expenditures relative to non-compliant firms. This difference sheds light on the opportunity costs of holding cash.

# 08h30 Asset Pricing 1

Chairman: PONCET P. (ESSEC)

### ASSET PRICING WITH REGIME-DEPENDENT PREFERENCES AND LEARNING

**BERRADA Tony (University of Geneva); DETEMPLE Jerome (Boston University School of Management); RINDISBACHER Marcel (Boston University School of Management) - detemple@bu.edu**

Discussant: PIRVU Traian (Mc Master University)

This paper studies equilibrium in a pure exchange economy with unobservable Markov switching consumption growth regimes and regime-dependent preferences. Variations in risk attitudes have fundamental effects on the structure of equilibrium. Explicit solutions are provided for the market price of risk, the interest rate, stock and bond prices, and asset return volatilities. Calibration shows that this one-factor model can simultaneously support empirical long run values of the market price of risk, the interest rate, the stock market volatility, the equity premium and the moments of the consumption growth rate. Dynamic properties of the model are examined. An implied recession index is constructed and its performance evaluated. The ability to explain the dividend strips puzzle, the term structure of interest rates and the predictive behavior of the term premium are studied.

### INVESTOR ATTENTION AND STOCK MARKET VOLATILITY

**ANDREI Daniel (UCLA); HASLER Michael (SFI at EPFL) - michael.hasler@epfl.ch**

Discussant: CROCE Mariano (Kenan-Flagler Business School, UNC)

We offer a framework to simultaneously study the role played by investors' attention to news and learning uncertainty in the determination of asset prices. We show that asset return volatility and risk premia increase quadratically with both attention and uncertainty. Our empirical investigation lends support to these theoretical predictions. Moreover, learning yields a lead-lag relation between attention and uncertainty; this relation is found to enable "panic states," featuring spikes in volatilities and risk premia. During these panic states asset prices are very sensitive to news, consistent with recent empirical findings.

### PRODUCTION-BASED TERM STRUCTURE OF EQUITY RETURNS

**CROCE Mariano (Kenan-Flagler Business School, UNC) - mmc287@gmail.com**

Discussant: MARFÈ Roberto (Collegio Carlo Alberto)

We study the link between timing of cash flows and expected returns in general equilibrium production economies. Our model incorporates (i) heterogenous exposure to aggregate pro- ductivity shocks across capital vintages, and (ii) an endogenous stock of growth options. Our economy features a V-shaped term structure of aggregate dividends in which dividend yields decrease with maturity up to ten years, consistent with the empirical findings of Binsbergen et al. (2012a). Our model also reproduces the empirical negative relationship between cash-flow duration and expected returns in the cross section of book-to-market sorted stocks.

### LABOR RELATIONS, ENDOGENOUS DIVIDENDS AND THE EQUILIBRIUM TERM STRUCTURE OF EQUITY

**MARFÈ Roberto (Collegio Carlo Alberto) - roberto.marfe@carloalberto.org**

Discussant: DETEMPLE Jerome (Boston University School of Management)

Leading asset pricing models are inconsistent with the recent empirical evidence documenting downward sloping term structures of equity risk and premia. This paper shows that a simple general equilibrium model can accommodate such stylized facts as long as dividends endogenously obtain from a model of labor relations. Unlike standard Walrasian models but in line with the empirical evidence, wages do not equal the marginal product of labor but incorporate an income insurance from shareholders to workers. Such a distributional risk provides a rationale to the counter-cyclical labor share and the high riskiness of owning capital. Fluctuations in the degree of income insurance that workers can exploit within the firm lead to short-term equity risk. Therefore, the model captures simultaneously the negative slope of the term structure of equity and dividends as well as traditional asset pricing facts, such as the equity premium and the excess volatility and their endogenous time-variation.

# 08h30 Credit Market

## Chairman: PETEY J. (University of Strasbourg)

### STRUCTURED DEBT RATINGS: EVIDENCE ON CONFLICTS OF INTEREST

**EFING Matthias (Swiss Finance Institute, CesIFO, & University of Geneva); HAU Harald (Swiss Finance Institute, CesIFO, CEPR, & University of Geneva)**
**matthias.efing@gmail.com**

Discussant: JAMES Christopher (University of Florida)

This paper tests for conflicts of interest in the rating process of asset- and mortgage-backed securities based on a new aggregation method for a deal's different tranche ratings. Controlling for a large set of determinants of credit risk, we find that credit rating agencies provide better credit ratings for the structured products of those issuers that provide them with more overall bilateral rating business. This effect is particularly pronounced in the run-up to the subprime crisis and for structured products with the worst collateral. Rating favors to the largest clients generate economically significant competitive distortion, foster issuer concentration and contribute to the»too big to fail» status of large issuer banks.

### "BANK" LOAN OWNERSHIP AND TROUBLED DEBT RESTRUCTURINGS

**JAMES Christopher (University of Florida); DEMIROGLU Cem (Koc University) - christopher.james@warrington.ufl.edu**

Discussant: STREITZ Daniel (Humboldt University Berlin)

This paper examines whether the number and type of lenders that participate in loan facilities are related to the nature of the troubled debt restructuring process. Using a hand-collected sample of debt restructurings both outside and within bankruptcy, we find that the likelihood of a successful out of court restructuring is significantly related to the identity of the firm's lenders. Overall, we find evidence that loans from traditional bank lenders are much easier to restructure out of court than loans from institutional lenders. Moreover, we find evidence that securitized commercial loans are more difficult to restructure due to holdout problems than publicly traded debt. Consistent with greater holdout problems in the institutional loan market, we find that reliance on institutional loans is positively related to the likelihood of a prepackaged bankruptcy.

### INTEREST RATE DERIVATIVES AND FIRM VALUE: EVIDENCE FROM MANDATORY VERSUS VOLUNTARY HEDGING

**MARAMI Ali (University of Neuchatel); DUBOIS Michel (University of Neuchatel) - michel.dubois@unine.ch**

Discussant: BARROT Jean-Noel (MIT Sloan)

This paper examines the impact of interest rate derivatives enforced by creditors and interest rate derivatives used voluntarily on firm value, separately in a sample of 3881 firm-years from 1998 to 2005. Voluntary hedging positions include derivatives for corporate risk management practices and those for private benefit of managers. Consequently, these derivatives might not have the positive impact on firm value predicted by risk management theories. However, there is no managerial incentive in the use of derivatives mandated by credit agreements. Therefore, shareholders refer to mandatory term of derivatives obliged by creditors and classify these instruments as real risk management practices and reward such positions by a premium on firm value. This argument is strongly supported by the results of this empirical research in which we find an economically large and statistically significant positive impact from mandatory interest rate derivatives on firm value and no significant impact from voluntary ones.

### FINANCIAL STRENGTH AND TRADE CREDIT PROVISION: EVIDENCE FROM TRUCKING FIRMS

**BARROT Jean-Noel (MIT Sloan) - jnbarrot@mit.edu**

Discussant: EFING Matthias (Swiss Finance Institute, CesIFO, & University of Geneva)

When customers value trade credit, financial strength confers a comparative advantage in the product market. To test this idea and its implications, I consider an exogenous restriction on the trade credit provision of French trucking firms enacted in 2006. Using a difference-in-differences approach, I find that trade credit provision and profits decrease mostly among financially stronger firms, that financially weaker ones increase investment more and default less, and that entry in the trucking sector increases following the reform. Transport users facing larger financial constraints or growth opportunities experience the sharpest drop in accounts payable, which they offset by shrinking their inventories. Altogether, the results suggest that financially weaker firms curtail investment to offer trade credit to their customers, and that long payment terms extended by financially stronger suppliers impede the entry and expansion of financially weaker ones.

Sponsored by BEDOFIH

Chairman: DECLERCK F. (Toulouse School of Economics)

## TO SEE IS TO KNOW: EFFICIENT DISPLAY OF MARKET DATA FOR RETAIL INVESTORS

**BENAMAR Hedi (HEC Paris) - hedi.benamar@gmail.com**

Discussant: YUESHEN Bart (Tinbergen Institute / VU University / Duisenberg School of Finance)

I test whether the display format of market data affects the trading performance of retail investors. To do so, I exploit a large brokerage dataset covering a period during which the market information provided to the broker customers changed in format, but not in content. I find that a more efficient information display allows investors to increase returns on their limit orders, because it becomes easier for them to mitigate the risk of adverse selection when trading with those orders. Hence, the display format of market data matters for the individual investor.

## COMPETITION BETWEEN HIGH-FREQUENCY TRADERS AND MARKET QUALITY

**BRECKENFELDER Johannes (Stockholm School of Economics) - johannes.breckenfelder@hhs.se**

Discussant: LESCOURRET Laurence (ESSEC)

High-frequency trading has been the subject of controversial discussions among legislators, regulators and investors alike, leading to calls for legislative and regulative intervention. The first entries of large international high-frequency traders into the Swedish equity market in 2009, using NASDAQ OMXS tick data, offers a unique chance to empirically examine how competition affects market quality. Competition among high-frequency market makers coincides (i) with an increase in intraday volatility of about 25%, but interestingly (ii) with no effect on interday volatility, (iii) with a decrease in order-execution time (length of time between an incoming market order or marketable limit order and the standing limit order against which the trade is executed) by about 20%, and (iv) with an increase in market share for high-frequency traders, but (v) with no significant effect on overall volume. We provide results for both entries and exits, and offer several potential explanations for this first empirical evidence on competition.

## QUEUING UNCERTAINTY

**YUESHEN Bart (Tinbergen Institute / VU University / Duisenberg School of Finance) - yueshenbartzhou@gmail.com**

Discussant: DUGAST Jérôme (Banque de France)

In a high-speed trading environment, traders simultaneously react to public information not knowing the sequence in which their orders arrive at the exchange. A theoretical model is developed to capture such queuing uncertainty. Market makers strategically choose the size of their limit orders to compete for a common profit opportunity in liquidity provision. In equilibrium, liquidity overshoots—orders at the end of the queue make expected losses. Once realized, liquidity provision in the bottom of the queue is withdrawn, resulting in “flickering orders”. A boost in the trading speed amplifies the overshoot but the effect on order book dynamics (strategic order submission and cancellation) depends on the source of the speed increase. These predictions echo empirical evidence on and policy concerns over “quote stuffing”, order-to-trade ratios, and minimum quote life. The model points to an optimal level of queuing uncertainty, to which the exchange can steer by carefully randomizing the limit order queues.

# 11h00 Corporate Governance 1

Chairman: GINGLINGER E. (Paris Dauphine University)

## EXECUTIVE COMPENSATION STRUCTURE AND CREDIT SPREADS

**CURATOLA Giuliano (Goethe University Frankfurt); COLONNELLO Stefano (Swiss Finance Institute and École Polytechnique Fédérale de Lausanne); HOANG Giang Ngoc (Swiss Finance Institute and École Polytechnique Fédérale de Lausanne) - curatola@safe.uni-frankfurt.de**

Discussant: BACH Laurent (Stockholm School of Economics)

We develop a model to study the asset risk choice of a risk-averse manager whose compensation consists of salary, stock holdings and inside debt. The model provides several predictions about how inside debt features affect the relationship between credit spreads and CEO compensation components. First, inside debt reduces credit spreads only if it is unsecured. Second, stock holdings reduce credit spreads only if inside debt is small or secured; when inside debt is large and unsecured, this effect is reversed. Third, these relationships may be affected by macroeconomic conditions. We test our model on a comprehensive sample of U.S. public firms with CDS contracts traded, finding evidence supportive of our predictions.

## DOES COMPETITION MATTER FOR CORPORATE GOVERNANCE? THE ROLE OF COUNTRY CHARACTERISTICS

**COSSET Jean-Claude (HEC Montréal); SOMÉ Y. Hyacinthe (HEC Montréal); VALÉRY Pascale (HEC Montréal) - jean-claude.cosset@hec.ca**

Discussant: CURATOLA Giuliano (Goethe University Frankfurt)

We investigate the empirical relation between competition and corporate governance and the effect of country characteristics on this relation. We find that competition is associated with lower corporate governance ratings in developed countries. In developing countries, firms from competitive industries have, on average, higher corporate governance ratings than firms from less competitive industries. We next examine the impact of corporate governance on firm value. We show that corporate governance is positively associated with greater firm value, but only in less competitive industries from developed countries. For developing countries, the evidence suggests that corporate governance is valuable mostly in competitive industries.

## THE DARK SIDE OF SHAREHOLDER ACTIVISM: EVIDENCE FROM CEO TURNOVERS

**BACH Laurent (Stockholm School of Economics); METZGER Daniel (Stockholm School of Economics) - laurent.bach@hhs.se**

Discussant: VALÉRY Pascale (HEC Montréal)

Strong corporate governance may bear some costs to shareholders when it leads to the departure of value-enhancing CEOs out of disagreement with the board. We test this hypothesis using the passing of shareholder proposals related to anti-takeover provisions in closely contested votes as a natural experiment. We measure the quality of a CEO departure by the cumulative abnormal returns observed around the announcement of such an event. We find that the approval of such proposals by general assemblies very significantly increases the likelihood that the current CEO leaves at the expense of firm value. Moreover, CEO departures provoked by stronger governance are not followed by an improvement in operating performance. We interpret this as evidence that the indiscriminate lifting of anti-takeover provisions is detrimental to shareholder value due to its adverse impact on the allocation of CEOs to firms.

# 11h00 Asset Pricing 2

## Chairman: LIOUI A. (EDHEC)

### A NEW MEASURE OF EQUITY DURATION: THE DURATION-BASED EXPLANATION OF THE VALUE PREMIUM REVISITED

**SCHROEDER David (University of London, Birkbeck); ESTERER Florian (Bank J. Safra Sarasin) - d.schroeder@bbk.ac.uk**

Discussant: MIN Byoung-Kyu (University of Neuchatel)

This paper uses analyst forecasts to estimate a share's equity duration, a measure of a company's average cash-flow maturity. We find that short-duration equity is associated with high expected and realized returns, which cannot be attributed to the shares' systematic risk exposure as implied by the market beta. Instead, this paper shows that equity duration is a priced risk factor that is closely related to the Fama-French value indicator B/M ratio. The results suggest that the B/M ratio can be conceived as a simple proxy for a more fundamental cash-flow risk factor captured by a firm's equity duration.

### RISK PREMIA, VOLATILITIES, AND SHARPE RATIOS IN A NON-LINEAR TERM STRUCTURE MODEL

**ILLEDITSCH Philipp (The Wharton School); FELDHUETTER Peter (London Business School); HEYERDAHL-LARSEN Christian (London Business School)**
**pille@wharton.upenn.edu**

Discussant: SCHROEDER David (University of London, Birkbeck)

In this paper we propose an expansion of Gaussian term structure models where the short rate and market prices of risk are non-linear in the state variables. We provide closed-form solutions for bond prices and since the latent factors are Gaussian the expanded model is as tractable as the Gaussian model. We estimate a three-factor expanded model and nd that the model matches the time variation in both expected excess returns and yield volatilities of U.S. Treasury bonds. Comparing Sharpe ratios in the Gaussian and expanded model, the expanded model implies that Treasury bonds are more attractive investments in periods with low volatility. A signicant part of expected excess returns in the expanded model is not spanned by the cross section of yields. This suggests that more information than previously thought is contained in the yield curve, but in a non-linear way.

### TIME-VARYING EXPECTED MOMENTUM PROFITS

**KIM Dongcheol (Korea University); ROH Tai-Yong (KAIST - Korea Advanced Institute of Science and Technology); MIN Byoung-Kyu (University of Neuchatel); BYUN Suk-Joon (KAIST - Korea Advanced Institute of Science and Technology) - byoungkyu.min@unine.ch**

Discussant: ILLEDITSCH Philipp (The Wharton School)

We examine the time variations of expected momentum profits using a two-state Markov switching model with time-varying transition probabilities to evaluate the empirical relevance of recent rational theories of momentum profits. We find that in the expansion state the expected returns of winner stocks are more affected by aggregate economic conditions than those of loser stocks, whereas in the recession state the expected returns of loser stocks are more affected. Consequently, expected momentum profits display strong procyclical variations. We provide a plausible explanation for time-varying momentum profits through the differential effect of leverage and growth options across business cycles.

## 11h00 Banking Regulation

Chairman: REFAIT-ALEXANDRE C. (University of Franche-Comté)

### A BLIND SPOT OF BANKING REGULATION: LEVEL 3 VALUATION AND BASEL RISK CAPITAL

**RIEPE Jan (Munich School of Management, LMU Munich); GLASER Markus (Munich School of Management, LMU Munich); MOHRMANN Ulf (Department of Economics, University of Konstanz) - riepe@bwl.lmu.de**

Discussant: LAMBERT Claudia (DIW Berlin, German Economic Institute)

This paper explores the relation between the valuation of fair value assets and banks' default risk. Using a publicly available dataset of more than 8,500 bank quarters from 2008 to 2012, we document a robust link between banks' probability of default and their share of Level 3 assets even when several other factors, such as mortgage risk, opacity, and regulatory capital, are controlled for. The link is especially strong in times of economic recovery. In connection with our result that constrained banks with respect to regulatory capital most heavily use Level 3 assets, we argue that banks use discretion in the valuation of fair value assets to ease regulatory constraints. In contrast to regulatory capital ratios, the market reacts accordingly and therefore seems to understand the effects of Level 3 asset usage. These results have important consequences for practitioners and regulators.

### CREDIT GROWTH AND BANK CAPITAL REQUIREMENTS IN THE FRENCH BANKING SECTOR

**LAME Gildas (INSEE); LABONNE Claire (Autorité de Contrôle Prudentiel) - gildas.lame@insee.fr**

Discussant: RIEPE Jan (Munich School of Management, Ludwig-Maximilians-Universität München)

This paper examines the potential effects of bank capital ratio on credit growth using both a micro- and macro-level approach. Taking advantage of the confidential bank-level answers to the Bank Lending Survey and Pillar II discretionary capital surcharges, our paper disentangles the effects of business-model-driven capital from those of supervision-driven capital while also singling out the effects of capital associated with market pressure. We find a 1-ppt increase in the Tier1-capital-to-assets ratio increases credit growth to non-financial corporations in France by nearly 1 ppt. When banks are constrained by their supervisor, raising their capital comes on the contrary at the expense of loan growth. We then build shocks to capital ratios, supervisory and market-related, using a dynamic model of capital ratios. To correct for the small-sample bias, we implement the bootstrap-after-bootstrap methodology. After a negative 1-SD supervisory-pressure shock to the capital ratio, lending to non-financial corporations first increases by 1.4% before falling back due to deleveraging and the binding supervisory constraint. After a positive 1-SD market-pressure shock, lending decreases by 2.3% after one year.

### HOW DO INSURED DEPOSITS AFFECT BANK STABILITY? EVIDENCE FROM THE 2008 EMERGENCY ECONOMIC STABILIZATION ACT

**LAMBERT Claudia (DIW Berlin, German Economic Institute); NOTH Felix (Goethe-University Frankfurt); SCHÜWER Ulrich (Goethe-University Frankfurt)
clambert@diw.de**

Discussant: LAME Gildas (INSEE)

This paper tests whether an increase in the amount of insured deposits causes a bank to become more risky. We use variation introduced by the U.S. Emergency Economic Stabilization Act in October 2008, which increased the deposit insurance coverage from $100,000 to $250,000 per depositor. For some U.S. banks, this event significantly increased the amount of insured deposits. For other U.S. banks, it had only a minor effect. Our analysis shows that an increase in the amount of insured deposits induces the affected banks to become more risky relative to the unaffected banks. In particular, the affected banks increase their investments in risky loans. To our knowledge, this is the first study that provides causal within-country evidence on the effect of insured deposits on bank stability for a large economy.

## 14h15 Hedge Funds - Mutual Funds

Chairman: ROGER P. (University of Strasbourg)

### HOW DO INSTITUTIONS TRADE AROUND CORPORATE NEWS?

**HUANG Alan (University of Waterloo); TAN Hongping (University of Waterloo); WERMERS Russ (University of Maryland) - hptan@uwaterloo.ca**

Discussant: BAQUERO Guillermo (ESMT European School of Management and Technology)

Combining a comprehensive database of news releases during 2000 to 2010 with a large high-frequency database of institutional trades, we examine how institutions trade on the qualitative information embedded in public news releases. We find that institutions trade on the tone of news on the days of news releases but not around news arrivals. That institutions trade speedily on but do not predict qualitative information in corporate news suggests that institutions' informational advantage, if any, stems mostly from their ability to process information in a highly timely manner.

### DO HEDGE FUNDS PROVIDE LIQUIDITY? EVIDENCE FROM THEIR TRADES

**FRANZONI Francesco (University of Lugano and Swiss Finance Institute); PLAZZI Alberto (University of Lugano and Swiss Finance Institute) - alberto.plazzi@usi.ch**

Discussant: TAN Hongping (University of Waterloo)

The paper provides significant evidence of limits of arbitrage in the hedge fund sector. Using unique data on institutional transactions, we show that the price impact of hedge fund trades increases when aggregate conditions deteriorate. The finding is consistent with arbitrageurs' withdrawal from liquidity provision following a tightening in funding liquidity. A substantial run-up in trading impatience is observed during the financial crisis, but the result holds also outside the crisis. Compared to other institutions in our data, hedge funds display the largest sensitivity of trading costs to aggregate conditions. We pin down this effect to a subset of hedge funds whose leverage, lack of share restrictions, asset illiquidity, and low reputational capital make them particularly exposed to funding constraints. These characteristics appear to negatively impact hedge funds' trading performance when times get worse.

### THE CONVEXITY AND CONCAVITY OF THE FLOW-PERFORMANCE RELATIONSHIP FOR HEDGE FUNDS

**BAQUERO Guillermo (ESMT European School of Management and Technology); VERBEEK Marno (RSM Erasmus University) - baquero@esmt.org**

Discussant: PLAZZI Alberto (University of Lugano and Swiss Finance Institute)

The shape of the flow-performance relationship in the hedge fund industry is not constant over time, but varies across market conditions. We employ a switching regression approach to explain quarterly hedge fund flows, based on two regimes where either inflows or outflows are dominating, combined with a flexible functional form for each of the equations, allowing for a nonlinear impact of past performance at different lags. For most periods, the flow-performance relationship is locally convex for a large subset of funds but becoming concave for the top three deciles of performers. The kink in the top part is more pronounced when aggregate inflows to the industry are high. This effect seems mostly driven by funds that restrict new inflows, for example due to capacity constraints or decreasing returns to scale. These results are helpful in understanding the incentives of hedge fund managers based on both performance fees and management fees.

# 14h15 Corporate Governance 2

Chairman: ALEXANDRE H. (Paris Dauphine University)

## THE NEW CONSERVATISM: STRUCTURE AND INFORMATION CONTENT OF QUARTERLY DIVIDENDS

**HOFBAUR Ulrich (WHU - Otto Beisheim School of Management, Vallendar); ANDRES Christian (WHU - Otto Beisheim School of Management, Vallendar)**
**ulrich.hofbaur@whu.edu**

Discussant: SCHEINERT Tobias (Humboldt University Berlin)

This paper examines the serial structure of quarterly dividends announced by U.S. corporations over the period from 1926 to 2012. We uncover profound changes in the timing of dividend increases: In recent years, almost 60% of all dividend increases are announced exactly every four quarters. This compares to less than 30% in the 1970s. Examining the characteristics of these firms, we find the use (and flexibility) of stock repurchases to be one the main reasons for an increased conservatism in dividend policy. We further provide strong evidence that market participants incorporate this conservatism into their expectations about future announcements. Accordingly, dividend increases that are part of a 4-quarter series are associated with a 41% lower announcement return. At face value, this indicates that the timing of dividend (change) announcements conveys information beyond the magnitude of the dividend change. In addition, our results help to explain the documented decline in the information content of dividends.

## VALUING CHANGES IN POLITICAL NETWORKS: EVIDENCE FROM CAMPAIGN CONTRIBUTIONS TO CLOSE CONGRESSIONAL ELECTIONS

**AKEY Pat (London Business School) - pakeyjr.phd2009@london.edu**

Discussant: HOFBAUR Ulrich (WHU - Otto Beisheim School of Management, Vallendar)

This paper investigates the value of firm political connections to U.S. congressional candidates in close elections using a regression discontinuity design. In a sample of off-cycle special elections, set exogenously to the contributing firms, I compare the outcomes of firms who contributed to winning candidates to firms which contributed to the losing candidate, and find the wedge between these firms to be 1.7 to 6.8% of firm equity value. I study which congressional committee assignment seats are most valuable to examine which areas of policy matter most and show that these connections matter for future sales.

## EXPERIENCE-BASED BELIEFS AND CORPORATE RISK MANAGEMENT: DO PAST MANAGERIAL EXPERIENCES AFFECT A FIRM'S DECISION TO HEDGE?

**BURG Valentin (Humboldt University Berlin); DRAHS Sascha (Humboldt University Berlin); SCHEINERT Tobias (Humboldt University Berlin); STREITZ Daniel (Humboldt University Berlin) - tobias.scheinert@wiwi.hu-berlin.de**

Discussant: AKEY Pat (London Business School)

Yes. Using a large sample of all companies contained in the ExecuComp database for the 1993 to 2009 period, we find --- after controlling for the age of the manager, time fixed effects, as well as firm characteristics --- that firms with managers that have experienced a higher stock market volatility in their lives are more likely to use derivatives for hedging purposes. Recent experiences are as important for hedging decisions as early life experiences. Consistent with different managerial duties, we find a strong effect for CFO past experiences on corporate risk management but not for CEO past experiences. We do not find an effect of experienced stock market returns on hedging decisions.

# 14h15 Behavioral Finance

Chairman: BROIHANNE M.H. (University of Strasbourg)

## DOES SOPHISTICATION AFFECT LONG-TERM RETURN EXPECTATIONS? EVIDENCE FROM FINANCIAL ADVISERS' EXAM SCORES

**KAUSTIA Markku (Aalto University); LEHTORANTA Antti (Aalto University); PUTTONEN Vesa (Aalto University) - markku.kaustia@aalto.fi**

Discussant: PFIFFELMANN Marie (EM Strasbourg Business School - University of Strasbourg)

We use unique data from financial advisers' professional exam scores and combine it with other variables to create an index of Financial sophistication. Using this index to explain long-term stock return expectations, we find that more sophisticated financial advisers tend to have lower return expectations. A one standard deviation increase in the sophistication index reduces expected returns by 1.1 percentage points. The effect is stronger for emerging market stocks (2.3 percentage points). The sophistication effect contributes 60% to the model fit, while employer fixed effects combined contribute less than 30%. These results help understand the formation of potentially excessively optimistic expectations.

## RUN, WALK, OR BUY? FINANCIAL LITERACY, DUAL-PROCESS THEORY, AND INVESTMENT BEHAVIOR

**GLASER Markus (Munich School of Management, LMU Munich); WALTHER Torsten (Munich School of Management, LMU Munich) - walther@bwl.lmu.de**

Discussant: KAUSTIA Markku (Aalto University)

Combining recent empirical findings on the usefulness of financial literacy for investment decisions and literature from psychology, we argue that the behavior of people with a high level of financial literacy might depend on the prevalence of the two thinking styles according to dual-process theories: intuition and cognition. We hypothesize that a high level of financial literacy might be overruled if subjects believe in trusting their hunches. We expect this interaction effect to be most pronounced when people are stressed. We test these hypotheses within an innovative experimental design which makes the participants experience the stock market development and their personal performance. Our results confirm the hypothesized interaction effect. We successfully replicate the findings in a follow-up experiment. Moreover, we show that this behavior has negative consequences on the risk-adjusted performance.

## WHEN BEHAVIORAL PORTFOLIO THEORY MEETS MARKOWITZ THEORY

**PFIFFELMANN Marie (EM Strasbourg Business School - University of Strasbourg); ROGER Tristan (CNRS (Eurofidai) - University of Grenoble (CERAG)); BOURACHNIKOVA Olga (EM Strasbourg Business School - University of Strasbourg) - m.pfiffelmann@unistra.fr**

Discussant: WALTHER Torsten (Munich School of Management, LMU Munich)

The Behavioral Portfolio Theory (BPT) developed by Shefrin and Statman is often confronted to the Markowitz's Mean Variance Theory (MVT). Although the BPT optimal portfolio is theoretically not mean variance efficient, some recent studies show that under the assumption of normally distributed returns, MVT and some models incorporating features of BPT can generate similar asset allocations. In this paper, we compare the asset allocations generated by BPT and MVT without restrictions. Using US stock prices from the CRSP database for the 1995-2011 period, we empirically determine the BPT optimal portfolio. We show that the Shefrin and Statman's optimal portfolio is MV efficient in more than 70% of cases. However, our results also indicates that MV investors will typically not select the BPT portfolio as this portfolio is always associated with a high return and an important level of risk. We show that the risk aversion coefficient of the BPT portfolio is up to 60 times smaller than the risk aversion degree of usual MV investors.

## 14h15 Financial Crisis

Chairman: MORAUX F. (University of Rennes 1)

### IS THERE A ‘BOOM BIAS’ IN AGENCY RATINGS?

**DILLY Mark (Catholic University of Eichstaett-Ingolstadt); MÄHLMANN Thomas (Catholic University of Eichstaett-Ingolstadt) - mark.dilly@arcor.de**

Discussant: RADEV Deyan (ZEW Mannheim)

Theory predicts that conflicts of interest within rating agencies are more pronounced in boom periods, leading to countercyclical rating quality. We empirically investigate this prediction using a large sample of more than 13,000 U.S. corporate bonds, issued between 1989 and 2011, for which we track the rating and credit performance up to 24 months after issuance. Our main findings are twofold: First, initial ratings of bonds issued during market booms are more heavily downgraded (and less correlated with bond values), and second, investors demand a higher spread on boom bonds, conditional on ratings. In various robustness checks, we verify that these results are most likely a reflection of perverse incentives during boom periods, consistent with theory, and that investors are skeptical of boom ratings.

### WHY DO U.S. BANKS CONTRIBUTE MORE TO GLOBAL SYSTEMIC RISK?

**BOSTANDZIC Denefa (Ruhr-Universität Bochum); WEISS Gregor N.F. (Technische Universität Dortmund) - denefa.bostandzic@rub.de**

Discussant: DILLY Mark (Catholic University of Eichstaett-Ingolstadt)

We show that U.S. banks contribute more to systemic risk in the global financial system than European banks.We find that U.S. banks are more systemically relevant for the global financial system because of their more pronounced reliance on non-interest income, better shareholder rights and higher deposit insurance coverage limits in the U.S. As we match U.S. banks to European banks based on firm size and valuation, the differences we find in the banks’ systemic risk contribution cannot be explained by the too-big-to-fail or charter value hypotheses.

### SYSTEMIC RISK AND SOVEREIGN DEBT IN THE EURO AREA

**RADEV Deyan (ZEW Mannheim) - radev@zew.de**

Discussant: BOSTANDZIC Denefa (Ruhr-Universität Bochum)

We introduce a new systemic risk measure, the change in the conditional joint probability of default, which assesses the effects of the interdependence in the fiancial system on the general default risk of sovereign debtors. We apply our measure to examine the fragility of the European financial system during the ongoing sovereign debt crisis. We document an increase in systemic risk contributions in the euro area during the post-Lehman global recession, especially after the beginning of the euro area sovereign debt crisis. We also find a considerable potential for cascade effects from small to large EA sovereigns. When we investigate the effect of sovereign default on the EU banking system, we find that bigger banks with riskier activities, poor asset quality, and funding and liquidity constraints tend to be more vulnerable to a sovereign default. Surprisingly, an increase in leverage does not seem to in influence systemic vulnerability.

# 16h15 International Finance

## Chairman: DUMAS B. (INSEAD)

### PUTTING ALL OF YOUR EGGS IN THE SAME BASKET? ENDOGENOUS INFORMATION ASYMMETRY AND PORTFOLIO BIAS

**VALCHEV Rosen (Duke University) - rv35@duke.edu**

Discussant: RIDDIOUGH Steven (University of Warwick)

Observed portfolios are concentrated in asset classes which comove strongly with the non-financial income of investors. As an explanation, I propose a framework of endogenously generated information asymmetry, where rational agents optimally choose to focus their limited attention on risk factors that drive both their non-financial income and some of the risky asset payoffs. In turn, the agents concentrate their portfolios in assets driven by those factors. The paper also shows that exogenous information asymmetry cannot deliver the result and that a theory of endogenous information asymmetry is key for an information based explanation of portfolio bias.

### CURRENCY PREMIA AND GLOBAL IMBALANCES

**DELLA CORTE Pasquale (Imperial College London); RIDDIOUGH Steven (University of Warwick); SARNO Lucio (City University London) - s.j.riddiough@warwick.ac.uk**

Discussant: GAVAZZONI Federico (INSEAD)

Global imbalances are a fundamental economic determinant of currency risk premia. We propose a factor that captures exposure to countries' external imbalances - termed the global imbalance risk factor - and show that it explains most of the cross-sectional variation in currency excess returns. The economic intuition of this factor is simple: net foreign debtor countries offer a currency risk premium to compensate investors willing to finance negative external imbalances. Investment currencies load positively on the global imbalance factor while funding currencies load negatively, implying that carry trade investors are compensated for taking on global imbalance risk.

### CURRENCY RISK AND PRICING KERNEL VOLATILITY

**GAVAZZONI Federico (INSEAD); TELMER Chris (Carnegie Mellon University); SAMBALAIBAT Batchimeg (Carnegie Mellon Univeristy) - federico.gavazzoni@insead.edu**

Discussant: VALCHEV Rosen (Duke University)

A basic tenet of lognormal asset pricing models is that a risky currency is associated with a low pricing kernel volatility. Empirical evidence implies that a risky currency is associated with a relatively high interest rate. Taken together, these two statements associate high-interest-rate currencies with low pricing kernel volatility. We document evidence suggesting that the opposite is true. We approximate the volatility of the pricing kernel with the volatility of the short-term interest rate. We find that, across currencies, relatively high interest rate volatility is associated with relatively high interest rates. This contradicts the prediction of lognormal models. One possible reason is that our approximation of the volatility of the pricing kernel is inadequate. We argue that this is unlikely, in particular for questions involving currencies. We conclude that lognormal models of the pricing kernel are inadequate for explaining currency risk and that future work should place increased emphasis on distributions that incorporate higher moments.

# 16h15 Mergers & Acquisitions

## Chairman: VALTA P. (HEC Paris)

### BIDDER HUBRIS AND FOUNDER TARGETS

**NANDU Nagarajan (University of Pittsburgh); SCHLINGEMANN Frederik (University of Pittsburgh); VAN DER POEL Marieke (RSM Erasmus University); YALIN Mehmet (University of Pittsburgh) - mpoel@rsm.nl**

**Discussant : DE BRUYNE DEMIDOVA Irina (Univ. Lille Nord de France - Skema Business School)**

Managerial hubris leads to overpayment for acquisitions if bidders overestimate the target's stand-alone value under their control. We provide a unique test of this, analyzing whether bidders overpay for founder targets because they assume the value of the founder CEOs' human capital stays intact post-acquisition. We show that the founder CEOs' human capital is valuable and embedded in the ex-ante target value, and that this component is negatively related with bidder and synergy returns. Our findings suggest that bidders underestimate the value of founder CEOs' firm-specific human capital and overestimate the value of targets as stand-alone firms under their control.

### TIME LOST IN NEGOTIATIONS: PRODUCTIVE OR WASTEFUL?

**DE BRUYNE DEMIDOVA Irina (Univ. Lille Nord de France - Skema Business School) - irina.debruyne@univ-lille2.fr**

**Discussant : WILLIAMS Ryan (University of Arizona)**

This paper examines the in uence of time devoted to merger negotiations on the outcomes of mergers and acquisitions. Under «productive negotiation» hypothesis, longer negotiations would increase the probability of success as a result of a greater potential to achieve understanding between the parties. Under «wasteful negotiation» hypothesis, longer negotiations would decrease the probability of success as a result of a greater potential for discord between the parties. Using the Probit analysis, I find that length of the private part of the takeover process (before the public announcement) positively influences the overall probability of completion. Refining my results in the framework of Survival analysis, I identify factors that drive total durations and show that the shape of the estimated hazard rate is not constant over time. Indeed, the conditional likelihood of deal completion first grows with negotiation times (increasing hazard) and then becomes negatively affected by them (decreasing hazard).

### FORTUNE FAVORS THE BOLD

**MENEGHETTI Costanza (University of West Virginia); WILLIAMS Ryan (University of Arizona) - rwilliams@email.arizona.edu**

**Discussant : VAN DER POEL Marieke (RSM Erasmus University)**

We investigate whether prestige generated from inclusion in the annual Fortune 500 ranking affects corporate decision making. We find that firms near the 500th spot on the Fortune 500 list are more likely to engage in size/revenue-increasing behavior, potentially in an attempt to join or remain in the list. Specifically, these firms are more likely to make M&A bids, pay higher takeover premiums in these bids, appear to "over-advertise", and are more likely to restate earnings due to revenue recognition problems. Additionally, stock market reactions to bids are worse when bidders are close to Fortune's cutoff. Our results suggest that managers respond to non-monetary incentives such as the prestige associated with the Fortune 500, but such actions adversely affect shareholders.

16h15

# Portfolio Management

Chairman: POUGET S. (University of Toulouse 1)

## THE TAIL RISK PREMIA OF THE CARRY TRADES

**DUPUY Philippe (Grenoble Ecole de Management) - philippe.dupuy@grenoble-em.com**
Discussant: FRANZ Richard (WU - Vienna University of Economics and Business)

We study the relationship between the excess returns of portfolios invested in carry trade positions and a set of candidate risk factors including an innovative tail risk factor. We find that high interest rate currencies are related to innovations in global currency tail risk. They deliver low returns in time of unexpected high tail risk and high returns in time of unexpected low tail risk suggesting a standard Asset Pricing Theory approach to explaining the returns to the carry trade. Furthermore, our tail risk factor seems to price the returns to the carry trade better than factors such as volatility or skewness tested earlier in the literature. This result is natural because, by its construction, our indicator aggregates in one single variable all the information that these concurrent factors convey. And it makes sense since the ultimate risk for carry traders is to reach their funding limits which are set, because of the regulations, on the back of tail risk statistics (Value at Risk) and not simply on the back of the volatility or the skewness alone. The result holds whether the global tail risk indicators are estimated in the currency, the equity or the bond market.

## FINANCIAL LITERACY AND THE DEMAND FOR FINANCIAL ADVICE

**CALCAGNO Riccardo (EM LYON Business School); MONTICONE Chiara (OECD, Paris) - calcagno@em-lyon.com**
Discussant: SPIRA Sven Michael (HEC Paris)

The low level of financial literacy across households suggests they are at risk of taking sub-optimal financial decisions. In this paper we assess to what extent financial advisors can substitute for low financial knowledge. We analyze the effect of investors' financial literacy on their demand of professional, non-independent advice. Using the 2007 Unicredit Customers' Survey we find that non-independent advisors are not sufficient to alleviate the problem of low financial literacy. Investors with a low level of financial literacy are less likely to consult with an advisor, while they delegate their portfolio choice more often or do not invest in risky assets. We explain this evidence with a highly stylized model of strategic interaction between investors and better informed advisors facing conflicts of interests. Advisors reveal information only to the more knowledgeable investors, who anticipating this are then more likely to consult with them.

## SUBJECTIVE LIFE HORIZON AND PORTFOLIO CHOICE

**SPAENJERS Christophe (HEC Paris); SPIRA Sven Michael (HEC Paris) - michael.spira@hec.edu**
Discussant: DUPUY Philippe (Grenoble Ecole de Management)

Using data from a U.S. household survey, we examine the empirical relation between subjective life horizon (i.e., the self-reported expectation of remaining life span) and portfolio choice. We find that equity portfolio shares are higher for investors with longer horizons, ceteris paribus, in line with theoretical predictions. This result is robust to controlling for optimism and health status, accounting for the endogeneity of equity market participation, or instrumenting subjective life horizon with parental survival. Finally, we show that bequest motives can offset the effects of a shortening horizon on portfolio allocation.

## 16h15 Private Equity - Venture Capital

Chairman: LOVO S. (HEC Paris)

### IS THE RISE OF SECONDARY BUYOUTS GOOD NEWS FOR INVESTORS?

**DEGEORGE Francois (Swiss Finance Institute, University of Lugano); MARTIN Jens (University of Amsterdam); PHALIPPOU Ludovic (University of Oxford, Said Business School, and Oxford-Man Institute) - j.martin@uva.nl**

Discussant: CALCAGNO Riccardo (EM LYON Business School)

Private equity firms increasingly sell their portfolio companies to other private equity firms. We find that these secondary buyouts (SBOs) underperform primary buyouts (PBOs). Our evidence is consistent with funds using SBOs to ‘go for broke’ when approaching the end of their investment period (Axelson, Stromberg and Weisbach (2009)). Only SBOs made late in the investment period underperform. Differences in risk do not seem to explain these results. A subset of SBOs seem to be efficient transactions. SBOs bought by more specialized funds, or from a fund-raising seller perform better. We also find persistence in returns between successive buyout transactions, consistent with Jensen’s (1989) view that some companies are better suited to private equity ownership.

### FUND MANAGERS UNDER PRESSURE: RATIONALE AND DETERMINANTS OF SECONDARY BUYOUTS

**ARCOT Sridhar (ESSEC Business School); FLUCK Zsuzsanna (University of Paris-Dauphine and Michigan State University); GASPAR José-Miguel (ESSEC Business School); HEGE Ulrich (HEC Paris) - arcot@essec.edu**

Discussant: UMBER Marc (Frankfurt School of Finance & Mgmt)

During the last decade an increasing fraction of PE exits have been secondary deals, in which one PE fund sells their portfolio company to another PE fund. On a comprehensive sample of 9,771 LBO deals in the U.S. and in 12 European countries from 1980 to 2010, this paper investigates to what extent secondary deals are outcomes of opportunistic behavior of the sponsor or adverse incentives of the PE contract. We report evidence that a secondary deal is significantly more likely if either the buyer fund is under pressure to invest or if the seller fund is under pressure to exit. We measure deal pressure by the closeness to the end of the lifecycle/investment period of a fund, by its degree of inactivity or unused funds and by its lack of reputation. Deal pressure also has an impact on deal valuation: Buyers under pressure pay relatively more for the secondary deals that they enter into, while sellers under pressure are willing to accept lower prices for their portfolio firms in secondary buyouts. The latter effect in dominated by the former suggesting that sellers have more bargaining power in secondary transactions.

### GP ACTIVISM AND LP RETURNS IN LEVERAGED BUYOUTS

**FUERTH Sven (Goehte University); RAUCH Christian (Goehte University); UMBER Marc (Frankfurt School of Finance & Mgmt) - m.umber@fs.de**

Discussant: MARTIN Jens (University of Amsterdam)

We analyze general partner (GP) activism on portfolio company level and its impact on value creation. By dissecting buyout returns into three components, i.e., leverage, dividend, and economic return, we show that restructuring efforts can have dissimilar impact on general partner and limited partner (LP) level. Our sample consists of 224 buyout-backed IPOs in the U.S. between 1999 and 2008. We distinguish four different value creation hypotheses, i.e., fundamental engineering, financial engineering, cash draining, and market timing. Our analysis shows that (1) monitoring and governance intervention create value for all stakeholders, while buy-and-build is value destructing. (2) Leverage increases IRR but does not create economic value. (4) Cash draining surges if cash is ample or timing is favorable. (5) Fees are paid at the expense of economic and LP returns. And, (6) there is no support for market timing in buyout returns.

# ABOUT EUROFIDAI

EUROFIDAI is a public 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 useful to academic researchers in finance**. The databases cover **stocks, indices, mutual funds, exchange rates and corporate events**, all over **Europe, Middle East, Pacific and Asia**. **EUROFIDAI is the only European academic organization providing this type of data.**

## DAILY DATABASES

### STOCKS

The current daily stock database covers France (1977-2012), and 60 other countries in Europe, Asia, Pacific and Middle East (1986-2012). This global stocks database consists of more than 268 000 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 (1977-2012), Europe, Asia, Pacific and Middle East (1990-2012): 1) Per sector, per country and for Europe 2) Factor and specific benchmark indices (portfolios and factors formed on the size, the book-to-market and momentum).

### MUTUAL FUNDS

EUROFIDAI built a historical European mutual funds database, which has no equivalent in Europe. It contains mutual funds over a long period (1980-2012) and for a large sample of funds (more than 280,000 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 (1977-2012) for equities and mutual funds, which reports information on more than 3 000 000 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 430.000 instruments and 187 000 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 (1980-2011)).

## EUROPEAN HIGH FREQUENCY DATABASE BEDOFIH

EUROFIDAI is the support organization of the BEDOFIH project, selected within the 'Excellence facilities' (Equipex) program launched by the French government. The BEDOFIH project aims to create a European high frequency financial database. Such a database is most effective in precisely assessing how European securities markets work. Thanks to the BEDOFIH project, researchers will be able to conduct research based on historical European high frequency data, and therefore work toward defining more reliable financial models and new modalities for financial regulation. Regulatory institutions such as the 'Autorité des marchés financiers', 'Direction générale du Trésor, Ministère de l'économie et des finances' support the project.

## 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.