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ESSEC BUSINESS SCHOOL

17th Paris December Finance Meeting

December 19, 2019

https://paris-december.eu/conference/paris-december-2019

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

Meeting's organization

EUROFIDAI is a public academic institute developing daily and high frequency European financial databases for research, teaching and for students pedagogical use. EUROFIDAI works in creating verified, controlled and homogeneous databases over long periods.
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ESSEC BUSINESS SCHOOL

The organization committee would like to acknowledge the support provided by the French Finance Association (AFFI).

AFFI Association Française de Finance French Finance Association

www.affi.asso.fr

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...).

Numbers

434 papers were submitted for presentation at the meeting and only one out of five papers was accepted, indicating rigorous selection criteria.

In 2019, the submissions are received from the U.S. (86), France (63), Germany (59), the U.K. (45), Canada (29), Switzerland (25), Austria (17), the Netherlands (15), China (13), Italy (13), Sweden (10), Hong-Kong (8), Belgium (7), Norway (7), Denmark (5), Finland (4), Ireland (4), Japan (4), Republic of Korea (4), Greece (3), Spain (3), Brazil (2), Portugal (2), Kuwait (2), Singapore (2), Cyprus (1), Israel (1), Liechtenstein (1), Luxembourg (1), Russian Federation (1).

The Paris December Finance Meeting is considered as one of the top 2 European conferences in terms of the quality of the papers presented.

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Program Chairs

Patrice Fontaine (EUROFIDAI, CNRS); Jocelyn Martel (ESSEC Business School)

2019 Scientific Committee

Yacine Ait-Sahalia
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Hervé Alexandre
Université Paris Dauphine
Charles-Olivier Amédée-Manesme
Université Laval à Québec
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WHU Otto Beisheim School of Management
Patrick Augustin
McGill University
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University of Lugano
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Toulouse School of Economics
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EM Lyon
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University of Florida
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Abraham Lioui
EDHEC
Elisa Luciano
Collegio Carlo Alberto
Yannick Malevergne
Université de Paris 1 Panthéon-Assas
Roberto Marfé
Collegio Carlo Alberto
Jocelyn Martel
ESSEC Business School
Maxime Merli
Université de Strasbourg
Sophie Moinas
Toulouse School of Economics
Franck Moraux
Université de Rennes 1

Lorenzo Naranjo
University of Miami
Lars Norden
EBAPE/FVG
Clemens Otto
Singapore Management University
Loriana Pelizzon
Goethe Management University
Fabricio Perez
Wilfrid Laurier University
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Alberto Plazzi
University of Lugano & SFI
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Toulouse School of Economics
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HEC Lausanne
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Harvard Business School
Philip Valta
University of Geneva
Guillaume Vuillemey
HEC Paris
Ryan Williams
University of Arizona
Rafal Wojakowski
Surrey Business School
Aminas Zaldokas
HKUST

Program – Overview

Groundfloor: rooms "Halles 1" and "Halles 2"
1st floor: rooms "Edison", "Berliner", "Bell" and "Daguerre"

08:30 Welcome & Registration

09:00	**Corporate Finance 1** Chairman: Andrej Gill (Gutenberg University Mainz)	Halles 1
09:00	**Risk Management** Chairman: Yannick Malevergne (University Paris 1 - Sorbonne)	Bell
09:00	**Behavioral Finance 1** Chairman: Yakup Eser Arisoy (Neoma Business School)	Edison
09:00	**Asset Pricing 1** Chairman: Abraham Lioui (EDHEC)	Halles 2
09:00	**Interest Rates** Chairman: Hugues Langlois (HEC Paris)	Daguerre
09:00	**Banking & Financial Intermediation 1** Chairman: Joel Petey (University of Strasbourg)	Berliner

10:30 Coffee break

11:00	**Corporate Governance 1** Chairman: Ettore Croci (Universita Cattolica del Sacro Cuore)	Halles 1
11:00	**Ethical Finance** Chairman: Jocelyn Martel (ESSEC Business School)	Edison
11:00	**Asset Pricing 2** Chairman: Jean-Paul Renne (University of Lausanne)	Halles 2
11:00	**Banking Regulation & Systematic Risk (Sponsored by ACPR Chair)** Chairman: Christophe Pérignon (HEC Paris)	Daguerre
11:00	**Market Microstructure 1 (Sponsored by BEDOFIH)** Chairman: Patrice Fontaine (Eurofidai, CNRS)	Bell
11:00	**Portfolio Management 1 (Sponsored by AMUNDI)** Chairman: Philippe Bertrand (University of Aix-Marseille)	Berliner

12:30 Lunch – Restaurant "La Place", Novotel

Program – Overview

Groundfloor: rooms "Halles 1" and "Halles 2"
1st floor: rooms "Edison", "Berliner", "Bell" and "Daguerre"

14:00	**Mergers & Acquisitions** Chairman: Edith Ginglinger (University of Paris Dauphine)	Edison
14:00	**Market Microstructure 2 (Sponsored by BEDOFIH)** Chairman: Patrice Fontaine (Eurofidai, CNRS)	Bell
14:00	**Financial Econometrics** Chairman: Ian Cooper (London Business School)	Daguerre
14:00	**Asset Pricing 3** Chairman: Peter Gruber (University of Lugano)	Halles 2
14:00	**Banking & Financial Intermediation 2** Chairman: Michael Troege (ESCP)	Berliner
14:00	**Corporate Finance** 2 Chairman: Ryan Williams (University of Arizona)	Halles 1
16:00	*Coffee break*	
16:30	**Private Equity & Venture Capital (Sponsored by ARDIAN)** Chairman: Marie Brière (Amundi – University of Paris Dauphine)	Bell
16:30	**Behavioral Finance 2** Chairman: Jean-François Gajewski (University of Lyon, Jean Moulin)	Daguerre
16:30	**FinTech & Cryptocurrencies (Sponsored by FinTech Chair)** Chairman: Hervé Alexandre (University of Paris Dauphine)	Berliner
16:30	**Corporate Governance 2** Chairman: Trang Thai (SUNY Brockport)	Halles 1
16:30	**Portfolio Management 2 (Sponsored by AMUNDI)** Chairman: Jocelyn Martel (ESSEC Business School)	Edison
16:30	**Asset Pricing 4** Chairman: Guillaume Roussellet (McGill University)	Halles 2
18:00	*Cocktail & Best Paper Awards – "La Rotonde", Novotel*	

Sessions

Corporate Finance 1 — **9:00**
Chairman: Andrej Gill (Gutenberg University Mainz) — **Halles 1**

- SHAREHOLDER ILLIQUIDITY AND FIRM BEHAVIOR: FINANCIAL AND REAL EFFECTS OF THE PERSONAL WEALTH TAX IN PRIVATE FIRMS

Stacescu Bogdan (BI Norwegian Business School); Bøhren Øyvind (BI Norwegian Business School); Berzins Janis (BI Norwegian Business School)
Presenter: Stacescu Bogdan (BI Norwegian Business School)
Discussant: Yegen Eyub (University of Toronto)

- AS UNCERTAIN AS TAXES: TAXING ENTREPRENEURS IN FRANCE

Matray Adrien (Princeton University); Boissel Charles (HEC Paris)
Presenter: Matray Adrien (Princeton University)
Discussant: Stacescu Bogdan (BI Norwegian Business School)

- COMMON-OWNERSHIP AND PORTFOLIO REBALANCING

Yegen Eyub (University of Toronto, Rotman School of Management)
Presenter: Yegen Eyub (University of Toronto, Rotman School of Management)
Discussant: Matray Adrien (Princeton University)

Risk Management — **9:00**
Chairman: Yannick Malevergne (University Paris 1 - Sorbonne) — **Bell**

- MODEL RISK AND DISAPPOINTMENT AVERSION

Fallahgoul Hasan (Monash University); Mancini Loriano (Swiss Finance Institute and USI); Stoyanov Stoyan (Stony Brook University)
Presenter: Fallahgoul Hasan (Monash University)
Discussant: Dimpoulos Theodosios (HEC Lausanne)

- CLIMATE CHANGE AND ADAPTATION IN GLOBAL SUPPLY-CHAIN NETWORKS

Schiller Christoph (University of Toronto, Rotman School of Management); Pankratz Nora (Maastricht University)
Presenter: Schiller Christoph (University of Toronto, Rotman School of Management)
Discussant: Fallahgoul Hasan (Monash University)

- SELF-INFLICTED DEBT CRISES

Dimopoulos Theodosios (HEC Lausanne/ UNIL); Schürhoff Norman (HEC Lausanne/ Swiss Finance Institute)
Presenter: Dimopoulos Theodosios (HEC Lausanne/ UNIL)
Discussant: Schiller Christoph (University of Toronto)

Behavioral Finance 1
Chairman: Yakup Eser Arisoy (NEOMA Business School)

9:00
Edison

- REFERENCE POINTS IN REFINANCING DECISIONS

Gianinazzi Virginia (Swiss Finance Institute and USI Lugano)
Presenter: Gianinazzi Virginia (Swiss Finance Institute and USI Lugano)
Discussant: Liu Clark (Tsinghua University)

- DO INCENTIVES CONTRACTS LEAD TO HIGHER RISK-TAKING? THE IMPACT OF EXECUTIVES' CHARACTERISTICS

Gajewski Jean-François (Université de Lyon, Jean Moulin, iae Lyon Magellan); Desmoulins-Lebeault François (GEM); Meunier Luc (ESSCA)
Presenter: Gajewski Jean-François (Université de Lyon, Jean Moulin, iae Lyon Magellan)
Discussant: Gianinazzi Virginia (Swiss Finance Institute and USI Lugano)

- LIFE IS TOO SHORT? BEREAVED MANAGERS AND INVESTMENT DECISIONS

Liu Clark (PBC School of Finance, Tsinghua University); Shu Tao (Terry College of Business, University of Georgia); Sulaeman Johan (NUS Business School, National University of Singapore); Yeung P. Eric (Johnson Graduate School of Management, Cornell University)
Presenter: Liu Clark (PBC School of Finance, Tsinghua University)
Discussant: Meunier Luc (ESSCA)

Asset Pricing 1
Chairman: Abraham Lioui (EDHEC)

9:00
Halles 2

- HETEROGENEOUS PREFERENCES AND ASSET PRICES UNDER ENDOGENOUSLY INCOMPLETE MARKETS

Luo Ding (City University of Hong Kong)
Presenter: Luo Ding (City University of Hong Kong)
Discussant: Sun Yulong (Bocconi University)

- PRICES AND RETURNS: WHAT IS THE ROLE OF INFLATION?

Sun Yulong (Bocconi University)
Presenter: Sun Yulong (Bocconi University)
Discussant: Crosby John (University of Maryland)

- CROSS-CURRENCY CONSISTENCY, THREE-PART SDF FACTORIZATIONS, AND AN IMPOSSIBILITY THEOREM FOR THE STATIONARITY OF EXCHANGE RATES IN INTERNATIONAL ECONOMIES

Crosby John (University of Maryland); Bakshi Gurdip (Fox School of Business, Temple University)
Presenter: Crosby John (University of Maryland)
Discussant: Luo Ding (City University of Hong Kong)

Interest Rates — 9:00 Daguerre

Chairman: Hugues Langlois (HEC Paris)

- **LIQUIDITY RISK AND FUNDING COST**

Bechtel Alexander (University of St. Gallen); Ranaldo Angelo (University of St. Gallen); Wrampelmeyer Jan (VU Amsterdam)
Presenter: Bechtel Alexander (University of St. Gallen)
Discussant: Renne Jean-Paul (University of Lausanne)

- **DISSECTING THE YIELD CURVE: THE INTERNATIONAL EVIDENCE**

Berardi Andrea (University of Venice); Plazzi Alberto (Università Svizzera Italiana)
Presenter: Plazzi Alberto (Università Svizzera Italiana)
Discussant: Bechtel Alexander (University of St Gallen)

- **FISCAL LIMITS AND SOVEREIGN CREDIT SPREADS**

Renne Jean-Paul (University of Lausanne); Pallara Kevin (University of Lausanne)
Presenter: Renne Jean-Paul (University of Lausanne)
Discussant: Plazzi Alberto (Universita Svizzera Italiana)

Banking and Financial Intermediation 1 — 9:00 Berliner

Chairman: Joel Petey (University of Strasbourg)

- **NONBANKS, BANKS, AND MONETARY POLICY: U.S. LOAN-LEVEL EVIDENCE SINCE THE 1990S**

Meisenzahl Ralf (Federal Reserve Bank of Chicago); Elliott David (Bank of England); Peydro Jose-Luis (Imperial College London, ICREA-Universitat Pompeu Fabra, CREI, Barcelona GSE, and CEPR); Turner Bryce (Federal Reserve Board)
Presenter: Elliott David (Bank of England)
Discussant: Raina Sahil (University of Alberta)

- **TRADING CREDIT (SUBSIDIES) FOR VOTES: THE EFFECT OF LOCAL POLITICS ON SMALL BUSINESS LENDING**

Xu Sheng-Jun (University of Alberta); Raina Sahil (University of Alberta)
Presenter: Raina Sahil (University of Alberta)
Discussant: Yannelis Constantine (University of Chicago)

- **LOAN GUARANTEES AND CREDIT SUPPLY**

Yannelis Constantine (University of Chicago); Bachas Natalie (Princeton University); Kim Olivia (MIT)
Presenter: Yannelis Constantine (University of Chicago)
Discussant: Elliott David (Bank of England)

10:30-11:00 Coffee break

Corporate Governance 1 — 11:00
Chairman: Ettore Croci (Unversita Cattolica del Sacro Cuore) — Halles 1

- ENCOURAGING LONG-TERM SHAREHOLDERS: THE EFFECTS OF LOYALTY SHARES WITH DOUBLE VOTING RIGHTS

Belot François (Université de Cergy-Pontoise); Ginglinger Edith (Université Paris-Dauphine, PSL Research University); Starks Laura T. (University of Texas at Austin)
Presenter: Ginglinger Edith (Université Paris-Dauphine, PSL Research University)
Discussant: Young Michael (University of Virginia)

- PHANTOM OF THE OPERA: ETFS AND SHAREHOLDER VOTING

Karakaş Oğuzhan (Cambridge Judge Business School); Evans Richard (University of Virginia, Darden School of Business); Moussawi Rabih (Villanova University, School of Business); Young Michael (University of Virginia, Darden School of Business)
Presenter: Young Michael (University of Virginia, Darden School of Business)
Discussant: Thai Trang (SUNY Brockport)

- PRODUCT MARKET COMPETITION AND CORPORATE CASH HOLDINGS: A CROSS-COUNTRY EVIDENCE

Thai Trang (SUNY Brockport); Sanjiv Sabherwal (The University of Texas at Arlington)
Presenter: Thai Trang (SUNY Brockport)
Discussant: Ginglinger Edith (University Paris-Dauphine)

Ethical Finance — 11:00
Chairman: Jocelyn Martel (ESSEC Business School) — Edison

- (IN)CREDIBLY GREEN: WHICH BONDS TRADE AT A GREEN BOND PREMIUM?

Kapraun Julia (Goethe university Frankfurt); Christopher Scheins (Goethe University Frankfurt)
Presenter: Kapraun Julia (Goethe university Frankfurt)
Discussant: Briere Marie (Amundi, Paris-Dauphine University)

- THE INFORMATION VALUE OF CORPORATE SOCIAL RESPONSIBILITY

Oh Ji Yeol Jimmy (Hanyang University); John Kose (New York University); Lee Jongsub (Seoul National University)
Presenter: Oh Ji Yeol Jimmy (Hanyang University)
Discussant: Kapraun Julia (Goethe University Frankfurt)

- DO UNIVERSAL OWNERS VOTE TO CURB NEGATIVE CORPORATE EXTERNALITIES? AN EMPIRICAL ANALYSIS OF SHAREHOLDER MEETINGS

Brière Marie (Amundi, Paris Dauphine University); Pouget Sébastien (Toulouse School of Economics); Ureche-Rangau Loredana (University of Picardie Jules Verne)
Presenter: Brière Marie (Amundi, Paris Dauphine University)
Discussant: Oh Ji Yeol Jimmy (Hanyang University)

Asset Pricing 2 — 11:00, Halles 2
Chairman: Jean-Paul Renne (University of Lausanne)

- COMPOUND RETURNS

Farago Adam (University of Gothenburg); Hjalmarsson Erik (University of Gothenburg)
Presenter: Farago Adam (University of Gothenburg)
Discussant: Bossaerts Peter (University of Melbourne)

- ASSET PRICING UNDER COMPUTATIONAL COMPLEXITY

Fattinger Felix (University of Melbourne); Bossaerts Peter (University of Melbourne); Bowman Elizabeth (University of Melbourne); Murawski Carsten (University of Melbourne)
Presenter: Bossaerts Peter (University of Melbourne)
Discussant: Lorenz Fiedrich (University of Münster)

- DOWNSIDE RISKS AND THE PRICE OF VARIANCE UNCERTAINTY

Lorenz Friedrich (University of Münster); Schumacher Malte (University of Zurich)
Presenter: Lorenz Friedrich (University of Münster)
Discussant: Farago Adam (University of Gothenburg)

Banking Regulation & Systemic Risk — 11:00, Daguerre
(Sponsored by ACPR Chair)
Chairman: Christophe Pérignon (HEC Paris)

- QUALITY VERSUS QUANTITY: THE CASE OF U.S. BANK CAPITAL BUFFERS

Williams Barry (Monash University); Kiefer de Silva Kiefer (Monash University); Shrimal Perera Shrimal (Monash University)
Presenter: Williams Barry (Monash University)
Discussant: Schmidt Christian (University of Mannheim)

- EUROPEAN STRESS TESTS AND BANKS' RISK-TAKING

Liang Ying (Monash Business School)
Presenter: Liang Ying (Monash Business School)
Discussant: Williams Barry (Monash University)

- BANK LEVERAGE, CAPITAL REQUIREMENTS AND THE IMPLIED COST OF (EQUITY) CAPITAL

Schmidt Christian (University of Mannheim)
Presenter: Schmidt Christian (University of Mannheim)
Discussant: Liang Ying (Monash Business School)

Market Microstructure 1 (Sponsored by BEDOFIH) — 11:00 Bell
Chairman: Patrice Fontaine (Eurofidai, CNRS)

- INFORMATION ENVIRONMENTS AND HIGH PRICE IMPACT TRADES: IMPLICATION FOR VOLATILITY AND PRICE EFFICIENCY

Zhou Xiaozhou (Faculty of Management (ESG), University of Quebec at Montreal); Dionne Georges (Canada Research Chair in Risk Management and HEC Montréal)
Presenter: Zhou Xiaozhou (Faculty of Management (ESG), University of Quebec at Montreal)
Discussant: Yuferova Darya (Norwegian School of Economics)

- PAYING FOR MARKET LIQUIDITY: COMPETITION AND INCENTIVES

Yuferova Darya (Norwegian School of Economics); Bellia Mario (JRC Joint Research Center - European Commission); Pelizzon Loriana (SAFE-Goethe University); Subrahmanyam Marti (NYU Stern)
Presenter: Yuferova Darya (Norwegian School of Economics)
Discussant: Metais Carole (Institut Europlace de Finance)

- ORDER PLACEMENT STRATEGIES IN HIGH-FREQUENCY MARKETS

Metais Carole (Institut Europlace de Finance)
Presenter: Metais Carole (Institut Europlace de Finance)
Discussant: Zhou Xiaozhou (University of Quebec at Montreal)

Porfolio Management 1 (Sponsored by AMUNDI) — 11:00 Berliner
Chairman: Philippe Bertrand (University of Aix-Marseille)

- MENTAL ACCOUNTS WITH HORIZON AND ASYMMETRY PREFERENCES

Lejeune Thomas (National Bank of Belgium); Hübner Georges (HEC-Université de Liège)
Presenter: Lejeune Thomas (National Bank of Belgium)
Discussant: Kang Namho (Bentley University)

- SLOW ARBITRAGE: FUND FLOWS AND MISPRICING IN THE FREQUENCY DOMAIN

Kang Namho (Bentley University); Dong Xi (Baruch College, City University of New York); Peress Joel (INSEAD)
Presenter: Kang Namho (Bentley University)
Discussant: Zoican Marius (University of Toronto)

- CROWDED ANALYST COVERAGE

Zoican Marius (University of Toronto); Martineau Charles (University of Toronto)
Presenter: Zoican Marius (University of Toronto)
Discussant: Lejeune Thomas (National Bank of Belgium)

12:30-14:00 Lunch – Restaurant "La Place", Novotel

Mergers & Acquisitions
Chairman: Edith Ginglinger (University of Paris-Dauphine)

14:00
Edison

- ACQUISITIONS AND TECHNOLOGY VALUE REVISION

De Cesari Amedeo (Alliance Manchester Business School, University of Manchester); Cai Xiangshang (Alliance Manchester Business School, University of Manchester); Gao Ning (Alliance Manchester Business School, University of Manchester); Peng Ni (School of Business and Management, Queen Mary University of London)
Presenter: De Cesari Amedeo (Alliance Manchester Business School, University of Manchester)
Discussant: Wang Sumingyue (Shanghai University of Finance and Economics)

- BUILD OR BUY? HUMAN CAPITAL AND CORPORATE DIVERSIFICATION

Beaumont Paul (Paris Dauphine); Hebert Camille (University of Toronto); Lyonnet Victor (Ohio State University)
Presenter: Lyonnet Victor (Ohio State University)
Discussant: Luo Mancy (Erasmus University)

- RETURNS TO SCALE FROM LABOR SPECIALIZATION: EVIDENCE FROM GLOBAL ASSET MANAGEMENT

Schumacher David (McGill University); Luo Mancy (Erasmus University); Manconi Alberto (Bocconi University)
Presenter: Luo Mancy (Erasmus University)
Discussant: De Cesari Amedeo (University of Manchester)

- WHY DO FIRMS BUNDLE EARNINGS AND ACQUISITION ANNOUNCEMENTS?

Wang Sumingyue (Shanghai University of Finance and Economics, School of Accountancy); Daures Lescourret Laurence (ESSEC Business School); Gaspar José-Miguel (ESSEC Business School)
Presenter: Wang Sumingyue (Shanghai University of Finance and Economics, School of Accountancy)
Discussant: Imad'Eddine Gael (Lille 2 University)

Market Microstructure 2 (Sponsored by BEDOFIH)
Chairman: Patrice Fontaine (Eurofidai, CNRS)

14:00
Bell

- MEASURING LIQUIDITY PROVISION BY CUSTOMERS IN CORPORATE BOND MARKETS: EVIDENCE FROM 54 MILLION TRANSACTIONS

Xue Jinming (University of Maryland)
Presenter: Xue Jinming (University of Maryland)
Discussant: Carré Sylvain (Ecole Polytechnique Fédérale de Lausanne)

- A TALE OF TWO CITIES - INTER-MARKET LATENCY, MARKET INTEGRATION, AND MARKET QUALITY

Scharnowski Stefan (University of Mannheim and Research Center SAFE, Frankfurt); Sagade Satchit (University of Frankfurt and Research Center SAFE, Frankfurt); Theissen Erik (University of Mannheim and Centre for Financial

Research, Cologne); Westheide Christian (University of Vienna and Research Center SAFE, Frankfurt)
Presenter: Scharnowski Stefan (University of Mannheim and Research Center SAFE, Frankfurt)
Discussant: Glebkin Sergei (INSEAD)

- INSIDER TRADING UNDER PENALTIES

Carré Sylvain (Ecole Polytechnique Fédérale de Lausanne); Collin-Dufresne Pierre (Ecole Polytechnique Fédérale de Lausanne); Gabriel Franck (Ecole Polytechnique Fédérale de Lausanne)
Presenter: Carré Sylvain (Ecole Polytechnique Fédérale de Lausanne)
Discussant: Scharnowski Stefan (University of Mannheim and Research Center)

- SIMULTANEOUS MULTILATERAL SEARCH

Yueshen Bart (INSEAD); Glebkin Sergei (INSEAD); Shen Ji (PKU)
Presenter: Glebkin Sergei (INSEAD)
Discussant: Xue Jinming (University of Maryland)

Financial Econometrics — 14:00 Daguerre
Chairman: Ian Cooper (London Business School)

- DISCOUNT RATES AND CASH FLOWS: A LOCAL PROJECTION APPROACH

Lof Matthijs (Aalto University School of Business); Nyberg Henri (University of Turku)
Presenter: Nyberg Henri (University of Turku)
Discussant: Langlois Hugues (HEC Paris)

- HEDGING LABOR INCOME RISK OVER THE LIFE-CYCLE

Fugazza Carolina (University of Torino); Fabio Bagliano (University of Torino); Raffaele Corvino (University of Torino); Giovanna Nicodano (University of Torino)
Presenter: Raffaele Corvino (University of Torino)
Discussant: Trojani Fabio (University of Geneva and SFI)

- SMART SDFS

Trojani Fabio (University of Geneva and SFI); Korsaye Sofonias (University of Geneva); Quaini Alberto (University of Geneva)
Presenter: Trojani Fabio (University of Geneva and SFI)
Discussant: Nyberg Henri (University of Turku)

- TIME-VARYING RISK PREMIA IN LARGE INTERNATIONAL EQUITY MARKETS

Langlois Hugues (HEC Paris); Chaieb Ines (University of Geneva and Swiss Finance Institute); Scaillet Olivier (University of Geneva and Swiss Finance Institute)
Presenter: Langlois Hugues (HEC Paris)
Discussant: Corvino Raffaele (University of Torino)

Asset Pricing 3 — 14:00
Chairman: Peter Gruber (University of Lugano) — Halles 2

- ARBITRAGE PORTFOLIOS

Neuhierl Andreas (University of Notre Dame); Kim Soohun (Georgia Tech); Korajczyk Robert (Northwestern - Kellogg)
Presenter: Neuhierl Andreas (University of Notre Dame)
Discussant: Roussellet Guillaume (McGill University)

- ASSET PRICING THROUGH PEER NETWORKS

Wang Dieter (VU Amsterdam and Tinbergen Institute)
Presenter: Wang Dieter (VU Amsterdam and Tinbergen Institute)
Discussant: Tancheva Zhaneta (Tilburg University)

- OPTIMAL RISK SHARING WITH TIME-INCONSISTENCY AND LONG-RUN RISK

Tancheva Zhaneta (Tilburg University)
Presenter: Tancheva Zhaneta (Tilburg University)
Discussant: Neuhierl Andreas (University of Notre Dame)

- IDENTIFYING BELIEFS FROM ASSET PRICES

Roussellet Guillaume (McGill University); Ghosh Anisha (McGill University)
Presenter: Roussellet Guillaume (McGill University)
Discussant: Wang Dieter (VU Amsterdam and Tinbergen Institute)

Banking and Financial Intermediation 2 — 14:00
Chairman: Michael Troege (ESCP) — Berliner

- DEREGULATION, MARKET STRUCTURE, AND THE DEMISE OF OLD-SCHOOL BANKING

Bisetti Emilio (HKUST); A. Karolyi Stephen (Carnegie Mellon University); Lewellen Stefan (Pennsylvania State University)
Presenter: Bisetti Emilio (HKUST)
Discussant: Sanz Leandro (Federal Reserve Bank of Richmond)

- BANK BONUS PAY AS A RISK SHARING CONTRACT

Efing Matthias (HEC Paris); Hau Harald (SFI); Rochet Jean-Charles (SFI); Kampkoetter Patrick (University of Tuebingen)
Presenter: Efing Matthias (HEC Paris)
Discussant: Bisetti Emilio (HKUST)

- UNCONVENTIONAL MONETARY POLICY AND BANK LENDING RELATIONSHIPS

Cahn Christophe (Banque de France); Duquerroy Anne (Banque de France); Mullins Will (University of California San Diego)
Presenter: Cahn Christophe (Banque de France)
Discussant: Papoutsi Melina (European Central Bank)

- GLOBAL BANKS AND SYSTEMIC RISK: THE DARK SIDE OF COUNTRY FINANCIAL CONNECTEDNESS

Sanz Leandro (Federal Reserve Bank of Richmond); Atanas Mihov (Federal Reserve Bank of Richmond)
Presenter: Sanz Leandro (Federal Reserve Bank of Richmond)
Discussant: Cahn Christophe (Banque de France)

Corporate Finance 2 — 14:00 — Halles 1

Chairman: Ryan Williams (University of Arizona)

- EMPLOYMENT EFFECTS OF ALLEVIATING FINANCING FRICTIONS: WORKER-LEVEL EVIDENCE FROM A LOAN GUARANTEE PROGRAM

Vallee Boris (Harvard Business School); Barrot Jean-Noel (HEC Paris); Martin Thorsten (Bocconi); Sauvagnat Julien (Bocconi)
Presenter: Martin Thorsten (Bocconi)
Discussant: Croci Ettore (Universita Cattolica del Sacro Cuore)

- REDUCTIONS IN CEO CAREER HORIZONS AND CORPORATE POLICIES

Croci Ettore (Universita' Cattolica del Sacro Cuore); Aktas Nihat (WHU Otto Beisheim School of Management); Boone Audra (Texas Christian University); Signori Andrea (Universita' Cattolica del Sacro Cuore)
Presenter: Croci Ettore (Universita' Cattolica del Sacro Cuore)
Discussant: Gill Andrej (Gutenberg University Mainz)

- INTELLECTUAL PROPERTY AND LEVERAGE: THE ROLE OF PATENT PORTFOLIOS

Gill Andrej (Gutenberg University Mainz); Heller David (Goethe University Frankfurt)
Presenter: Gill Andrej (Gutenberg University Mainz)
Discussant: Thorsten Martin (Bocconi)

16:00-16:30 Coffee Break

Private Equity & Venture Capital (Sponsored by Ardian)
Chairman: Marie Brière (Amundi - University Paris Dauphine)
16:30
Bell

- **HOW ALTERNATIVE ARE PRIVATE MARKETS?**

Gourier Elise (ESSEC Business School); Phalippou Ludovic (University of Oxford); Goetzmann Will (Yale University)
Presenter: Gourier Elise (ESSEC Business School)
Discussant: Bowen Donald (Lehigh University)

- **WHOM TO FOLLOW: INDIVIDUAL MANAGER PERFORMANCE AND PERSISTENCE IN PRIVATE EQUITY INVESTMENTS**

Dorau Nils (Technical University of Munich (TUM)); Braun Reiner (Technical University of Munich (TUM)); Jenkinson Tim (University of Oxford); Urban Daniel (Erasmus University Rotterdam)
Presenter: Dorau Nils (Technical University of Munich (TUM))
Discussant: Gourier Elise (ESSEC Business School)

- **TECHNOLOGICAL DISRUPTIVENESS AND THE EVOLUTION OF IPOS AND SELL-OUTS**

Bowen Donald (Lehigh University); Hoberg Gerard (University of Southern California); Fresard Laurent (Universita della Svizzera Italiana (Lugano))
Presenter: Bowen Donald (Lehigh University)
Discussant: Dorau Nils (Technical University of Munich)

Behavioral Finance 2
Chairman: Jean-François Gajewski (University of Lyon, Jean Moulin)
16:30
Daguerre

- **ANTICIPATED REGRET AND EQUITY RETURNS**

Arisoy Yakup (NEOMA Business School); Bali Turan (Georgetown University, McDonough School of Business); Tang Yi (Fordham University, Gabelli School of Business)
Presenter: Arisoy Yakup (NEOMA Business School)
Discussant: Shen Jialu (University of Missouri)

- **SAFETY FIRST, LOSS PROBABILITY, AND THE CROSS SECTION OF EXPECTED STOCK RETURNS**

Zhao Lei (ESCP Europe); Cao Ji (Yunnan University); Rieger Marc Oliver (University of Trier)
Presenter: Zhao Lei (ESCP Europe)
Discussant: Arisoy Yakup (NEOMA Business School)

- **COUNTERCYCLICAL RISKS AND OPTIMAL LIFE-CYCLE PROFILE: THEORY AND EVIDENCE**

Shen Jialu (University of Missouri)
Presenter: Shen Jialu (University of Missouri)
Discussant: Zhao Lei (ESCP Europe)

FinTech & Cryptocurrencies (Sponsored by FinTech Chair) — 16:30 — Berliner

Dauphine | PSL CHAIRE FINTECH

Chairman: Hervé Alexandre (University of Paris-Dauphine)

- ON THE TRANSMISSION OF NEWS AND MINING SHOCKS IN BITCOIN

Faia Ester (Goethe University and CEPR); Karau Soeren (Goethe University and Deutsche Bundesbank); Lamersdorf Nora (Goethe University); Moench Emanuel (Deutsche Bundesbank, Goethe University, and CEPR)
Presenter: Moench Emanuel (Deutsche Bundesbank, Goethe University, and CEPR)
Discussant: Braunseis Alexander (University of Klagenfurt)

- CONTAGIOUS VOLATILITY

Buchwalter Bastien (ESSEC Business School)
Presenter: Buchwalter Bastien (ESSEC Business School)
Discussant: Moench Emanuel (Deutsche Bundesbank, Goethe University, and CEPR)

- A HIGH-FREQUENCY ANALYSIS OF BITCOIN MARKETS

Theissen Erik (University of Mannheim); Brauneis Alexander (University of Klagenfurt); Mestel Roland (University of Graz); Riordan Ryan (Queens University)
Presenter: Brauneis Alexander (University of Klagenfurt)
Discussant: Buchwalter Bastien (ESSEC Business School)

Corporate Governance 2 — 16:30 — Halles 1

Chairman: Thai Trang T. (SUNY Brockport)

- SELECTION VERSUS INCENTIVES IN INCENTIVE PAY: EVIDENCE FROM A MATCHING MODEL

Xia Shuo (Halle Institute for Economic Research, Leipzig University)
Presenter: Xia Shuo (Halle Institute for Economic Research, Leipzig University)
Discussant: Waller Gregory (Virginia Commonwealth University)

- WHY DO BOARDS LET THEIR CEOS TAKE OUTSIDE DIRECTORSHIPS? ENTRENCHMENT AND EMBEDDEDNESS

Zhao Hong (NEOMA Business School); Hertzel Michael (Arizona State University)
Presenter: Zhao Hong (NEOMA Business School)
Discussant: Xia Shuo (Halle Institute for Economic Research, Leipzig University)

- BOARD DECLASSIFICATION AND BARGAINING POWER

Straska Miroslava (Virginia Commonwealth University); Waller Gregory (Virginia Commonwealth University)
Presenter: Waller Gregory (Virginia Commonwealth University)
Discussant: Zhao Hong (NEOMA Business School)

Porfolio Management 2 (Sponsorded by AMUNDI) — 16:30 Edison
Chairman: Jocelyn Martel (ESSEC Business School)

- **FUEL IS PUMPING PREMIUMS: A CONSUMPTION-BASED EXPLANATION OF THE VALUE ANOMALY**

Schlag Christian (Goethe University Frankfurt and Research Center SAFE); Dittmar Robert (Ross School of Business, University of Michigan); Thimme Julian (Goethe University Frankfurt)
Presenter: Schlag Christian (Goethe University Frankfurt and Research Center SAFE)
Discussant: Xu Danielle (Gonzaga University)

- **RATIONALLY NEGLECTED STOCKS**

Gorbenko Arseny (University of New South Wales); Chuprinin Oleg (University of New South Wales)
Presenter: Gorbenko Arseny (University of New South Wales)
Discussant: Andrei Daniel (McGill University)

- **THE LOW-MINUS-HIGH PORTFOLIO AND THE FACTOR ZOO**

Fournier Mathieu (HEC Montreal); Andrei Daniel (McGill University); Cujean Julien (University of Berne)
Presenter: Andrei Daniel (McGill University)
Discussant: Schlag Christian (Goethe University Frankfurt and Research Center SAFE)

Asset Pricing 4 — 16:30 Halles 2
Chairman: Guillaume Roussellet (McGill University)

- **SWITCHING PERSPECTIVE: CORPORATE DISTRESS, ASSET AND FINANCIAL RISK, AND THE CROSS-SECTION OF BOND RETURNS**

Aretz Kevin (Alliance Manchester Business School); Yang Shuwen (Alliance Manchester Business School)
Presenter: Aretz Kevin (Alliance Manchester Business School)
Discussant: Filippou Ilias (Washington University in St Louis)

- **OVERCOMING ARBITRAGE LIMITS: OPTION TRADING AND MOMENTUM RETURNS**

Ilias Filippou (Washington University in St. Louis); Abhay Abhyankar (University of Exeter); Pedro A. Garcia-Ares (University of Exeter); Ozkan Haykir (University of Exeter)
Presenter: Ilias Filippou (Washington University in St. Louis)
Discussant: Fleckenstein Matthias (University of Delaware)

- **THE U.S. TREASURY FLOATING RATE NOTE PUZZLE: IS THERE A PREMIUM FOR MARK-TO-MARKET STABILITY?**

Fleckenstein Matthias (University of Delaware); Longstaff Francis A. (UCLA)
Presenter: Fleckenstein Matthias (University of Delaware)
Discussant: Aretz Kevin (Alliance Manchester Business School)

18:00 Cocktail & Best Paper Awards – “La Rotonde”, Novotel

Abstracts

Corporate Finance 1 — 9:00
Chairman: Andrej Gill (Gutenberg University Mainz) — Halles 1

▪ SHAREHOLDER ILLIQUIDITY AND FIRM BEHAVIOR: FINANCIAL AND REAL EFFECTS OF THE PERSONAL WEALTH TAX IN PRIVATE FIRMS

Stacescu Bogdan (BI Norwegian Business School); Bøhren Øyvind (BI Norwegian Business School); Berzins Janis (BI Norwegian Business School)
Presenter: Stacescu Bogdan (BI Norwegian Business School)
Discussant: Yegen Eyub (University of Toronto)

We examine how liquidity shocks to shareholders propagate to firms. Analyzing regulatory shocks to personal wealth taxation in Norway, we show that higher taxes on residential real estate for a private firm's controlling shareholder are associated with higher dividend and salary payments from the firm to the shareholder, lower cash holdings in the firm, and lower firm growth. A one percentage-point increase in the shareholder's wealth-tax-to-liquid-assets ratio is on average followed by a half percentage-point increase in the dividends-to-earnings ratio and a half percentage-point decrease in sales growth. These findings suggest that shareholder liquidity has causal effects on firm behavior.

▪ AS UNCERTAIN AS TAXES: TAXING ENTREPRENEURS IN FRANCE

Matray Adrien (Princeton University); Boissel Charles (HEC Paris)
Presenter: Matray Adrien (Princeton University)
Discussant: Stacescu Bogdan (BI Norwegian Business School)

We exploit one of the largest reform of dividend taxation in France in 2012 to estimate the effect of an increase in dividend tax rate on corporate policies, using administrative data covering the universe of firms and employees. In a difference-in-difference setting, we find that exposed firms swiftly cut dividend payments, both at the extensive and intensive margin, with an implied elasticity of -0.6. We find that treated firms build up considerable amount of cash reserves after reducing their dividend payment but do not change their investment policies. We report a precisely estimated null effect of dividend taxes on investment rate, with an implied elasticity around 0.04.

▪ COMMON-OWNERSHIP AND PORTFOLIO REBALANCING

Yegen Eyub (University of Toronto, Rotman School of Management)
Presenter: Yegen Eyub (University of Toronto, Rotman School of Management)
Discussant: Matray Adrien (Princeton University)

The empirical literature on the potential collusive effects of common-ownership relies heavily on financial institution mergers to make causal inferences. I find that more than 85% of newly-formed common-ownership relationships due to such financial institution mergers are no longer commonly-held by the acquiring institution during the post-merger period (with most being liquidated in the first quarter following the merger). Firms that are no longer commonly-held by the merged institution drive the anti-competitive results found in previous studies. The fact that portfolio firms are so quickly rebalanced casts doubt on the utility of financial institution mergers as a natural experiment. I also find evidence that portfolio rebalancing post-merger is driven by other factors, such as portfolio diversification or index tracking. Further, I find no significant positive risk-adjusted returns for a common-ownership based portfolio strategy, suggesting that investors do not make a profit from commonly-held stocks. Taken together, these findings suggest that empirical basis for claiming collusive effects of common-ownership is weaker than it appears and there is no strong evidence that provides a basis for policy concerns about institutional common-ownership.

Risk Management Chairman: Yannick Malevergne (University Paris 1 - Sorbonne)	9:00 Bell

- MODEL RISK AND DISAPPOINTMENT AVERSION

Fallahgoul Hasan (Monash University); Mancini Loriano (Swiss Finance Institute and USI); Stoyanov Stoyan (Stony Brook University)

Presenter: Fallahgoul Hasan (Monash University)
Discussant: Dimpoulos Theodosios (HEC Lausanne)

Extensions of utility functions sensitive to the tail behavior of the portfolio return distribution may not be approximated reliably through higher-order moment expansions and require specifying a complete distribution. This, however, implies that an optimal allocation can be adversely influenced by an incorrect distribution specification. We develop a novel approach for model risk assessment based on a projection method which is applied to portfolio construction. In an out-of-sample empirical study, we find that the marginal utility gains of the optimal portfolio of a generalized disappointment aversion investor are remarkably robust to misspecifications in the marginal distributions but are very sensitive to the structural assumption of stock returns implemented through a factor model.

- CLIMATE CHANGE AND ADAPTATION IN GLOBAL SUPPLY-CHAIN NETWORKS

Schiller Christoph (University of Toronto, Rotman School of Management); Pankratz Nora (Maastricht University)

Presenter: Schiller Christoph (University of Toronto, Rotman School of Management)
Discussant: Fallahgoul Hasan (Monash University)

This paper examines how firms adapt to climate-change risks resulting from their supply-chain networks. Combining a large sample of global supplier-customer relationships with granular data on local temperatures and flooding incidents, we first document that the occurrence of climate shocks at affected supplier firms has both a large direct and indirect negative effect on earnings and revenues of suppliers and their customers. Second, we show that customers are 10% to 20% more likely to terminate existing supplier-relationships when realized climate shocks at the supplier firms exceed ex-ante expected climate shocks. Further, customers subsequently switch to suppliers with lower heatwave and flooding exposure. Our results indicate that climate change affects the formation of global production networks.

▪ SELF-INFLICTED DEBT CRISES

Dimopoulos Theodosios (HEC Lausanne/ UNIL); Schürhoff Norman (HEC Lausanne/ Swiss Finance Institute)
Presenter: Dimopoulos Theodosios (HEC Lausanne/ UNIL)
Discussant: Schiller Christoph (University of Toronto)

In a dynamic model of optimal bailouts, we show how borrower myopia affects the severity of debt crises and the pricing of credit risk. Myopic borrowers misprice the option to default with a Ushaped negative pricing error. The myopia discount changes default incentives, bailout policies, and credit spreads. Optimal bailouts punish myopia when the distortions from default mispricing outweigh future bailout costs, but reward myopia otherwise. The model explains why (i) defaults get procrastinated and debt crises protracted, (ii) credit spread dynamics are more asymmetric for lower-quality borrowers, (iii) default can be cheaper to resolve for lower-quality borrowers, and (iv) countries can benefit from populist governments.

Behavioral Finance 1 Chairman: Yakup Eser Arisoy (NEOMA Business School)	9:00 Edison

▪ REFERENCE POINTS IN REFINANCING DECISIONS

Gianinazzi Virginia (Swiss Finance Institute and USI Lugano)
Presenter: Gianinazzi Virginia (Swiss Finance Institute and USI Lugano)
Discussant: Liu Clark (Tsinghua University)

This paper shows that households' mortgage refinancing decisions suboptimally depend on uninformative reference points, imposing a friction to the refinancing channel of monetary policy. I study refinancing behavior in the UK, where on pre-determined dates initial fixed rates reset and mortgagors automatically move onto a reversion rate above market rates. A borrower's expired fixed rate determines whether failing to refinance is perceived as a loss or as a gain, thus serving as a salient reference point. I find that borrowers for whom inaction implies a relative gain refinance on average 13.4% less than borrowers who face a loss. This evidence is at odds with optimal models of refinancing since future borrowing costs are unrelated to past rates.

▪ DO INCENTIVES CONTRACTS LEAD TO HIGHER RISK-TAKING? THE IMPACT OF EXECUTIVES' CHARACTERISTICS

Gajewski Jean-François (Université de Lyon, Jean Moulin, iae Lyon Magellan); Desmoulins-Lebeault François (GEM); Meunier Luc (ESSCA)
Presenter: Gajewski Jean-François (Université de Lyon, Jean Moulin, iae Lyon Magellan)
Discussant: Gianinazzi Virginia (Swiss Finance Institute and USI Lugano)

Stock-option compensation is coherent with the principle of agency theory, by encouraging risk averse executives to take a more risk neutral stance. However,

it is unclear whether the contract is actually more powerful than personal characteristics in shaping decision-making. We compare experimentally the risk aversion and prudence of 100 participants under a stock-option incentive contract and a classic equity granting one. We measure a number of personality variables, as well as cortisol and testosterone levels, which have been related to risk taking in previous studies. We first underline that stock-options contract indeed drives more risk neutral behaviour, both regarding variance and skewness. This effect is mainly driven by a shift in focus from losses to gains. Loss aversion and higher cortisol levels were linked to a preference for the safer equity contract. Second, we show that cortisol and testosterone levels are linked to preferences for variance and skewness, often in a quadratic fashion. Third, we show that this impact is actually stronger than the one of the contract, both in terms of predictive power and economic effect. Therefore, our study highlights the impact of personality and even biological variables on risk taking, and underline the need for a behavioural approach of contract setting.

- LIFE IS TOO SHORT? BEREAVED MANAGERS AND INVESTMENT DECISIONS

Liu Clark (PBC School of Finance, Tsinghua University); Shu Tao (Terry College of Business, University of Georgia); Sulaeman Johan (NUS Business School, National University of Singapore); Yeung P. Eric (Johnson Graduate School of Management, Cornell University)

Presenter: Liu Clark (PBC School of Finance, Tsinghua University)
Discussant: Meunier Luc (ESSCA)

We examine whether bereavement affects managerial investment decisions. In separate samples of mutual funds and publicly traded firms, we find managers take less risk after deaths in the family. Mutual funds managed by bereaved managers exhibit smaller tracking errors, lower active share measures, and higher portfolio weights on larger stocks after bereavement events. Firms managed by bereaved CEOs exhibit lower capital expenditures, fewer acquisitions, and lower CEO ownerships after bereavement events. These long-term effects cannot be explained merely by short-term distraction. The risk-shifting patterns of bereaved managers have negative implications on the performance of mutual funds and firms they manage.

Asset Pricing 1 — 9:00

Chairman: Abraham Lioui (EDHEC) — Halles 2

- HETEROGENEOUS PREFERENCES AND ASSET PRICES UNDER ENDOGENOUSLY INCOMPLETE MARKETS

Luo Ding (City University of Hong Kong)

Presenter: Luo Ding (City University of Hong Kong)
Discussant: Sun Yulong (Bocconi University)

I study how heterogeneous preferences (heterogeneity in risk aversion and time discount factor) affect asset prices and risk sharing in endowment economy, when financial markets are endogenously incomplete due to the contracting friction of limited enforcement. I find that heterogeneous preferences lead to more conditional variation in the stochastic discount factor (SDF), which results in a higher and more volatile equity premium. In contrast to the standard findings under heterogeneous preferences, the long run distribution of agents' consumption is stationary and nondegenerate, because limited enforcement entitles the agents to the option of autarky for all times.

- PRICES AND RETURNS: WHAT IS THE ROLE OF INFLATION?

Sun Yulong (Bocconi University)

Presenter: Sun Yulong (Bocconi University)

Discussant: Crosby John (University of Maryland)

We document that both the dividend yield and earnings yield can predict the future inflation across advanced economies. The inflation predictability reinforces the return predictability and reduces the dividend growth predictability and we show both discount rates and cash flows play important roles in determining prices. We test three hypothesis related to future growth prospect, risk aversion and behavior bias to justify the positive correlation among inflation and dividend (earnings) yields. Evidence suggests that high expected inflation has tended to coincide with periods of lower real economic growth and higher discount rates which lead to the drop in today's prices. To rationalize the inflation predictability, we develop and estimate a long-run risk model featuring inflation non-neutrality. The estimated model can reproduce both the inflation predictability and the documented asset pricing facts.

- CROSS-CURRENCY CONSISTENCY, THREE-PART SDF FACTORIZATIONS, AND AN IMPOSSIBILITY THEOREM FOR THE STATIONARITY OF EXCHANGE RATES IN INTERNATIONAL ECONOMIES

Crosby John (University of Maryland); Bakshi Gurdip (Fox School of Business, Temple University)

Presenter: Crosby John (University of Maryland)

Discussant: Luo Ding (City University of Hong Kong)

We consider an incomplete markets international economy in discrete-time. The first result is an impossibility theorem showing that if cross-currency no-arbitrage is to hold, the exchange rate cannot be a stationary process in levels. The second result is a system of stochastic discount factor (SDF) factorizations that enforce no-arbitrage in international economies. For example, the domestic SDF admits a new three-part multiplicative factorization: the inverse of (gross) exchange rate growth, a martingale, and a non-martingale component which is the reciprocal of the gross return of the foreign long-term bond. Examples and empirical work showcase our theoretical characterizations and economic insights.

▪ LIQUIDITY RISK AND FUNDING COST

Bechtel Alexander (University of St. Gallen); Ranaldo Angelo (University of St. Gallen); Wrampelmeyer Jan (VU Amsterdam)
Presenter: Bechtel Alexander (University of St. Gallen)
Discussant: Renne Jean-Paul (University of Lausanne)

We propose and test a new channel that links funding liquidity risk and interest rates in short-term funding markets. Borrowers with high liquidity risk are willing to pay a markup to lock in their funding, independent of risk premiums demanded by lenders. We test the channel using unique trade-by-trade data and reveal systematic and persistent differences in borrowers' funding liquidity risk that lead to systematic and persistent heterogeneity in funding costs. Our results have important implications for financial stability, the transmission of monetary policy, and banks' asset and liability management.

▪ DISSECTING THE YIELD CURVE: THE INTERNATIONAL EVIDENCE

Berardi Andrea (University of Venice); Plazzi Alberto (Università Svizzera Italiana)
Presenter: Plazzi Alberto (Università Svizzera Italiana)
Discussant: Bechtel Alexander (University of St Gallen)

Using a stochastic volatility affine term structure model, we explicitly consider the interrelation between yield curves and macro and volatility factors. We provide estimates of short rate expectations, term premium and convexity of nominal yields and for their real and inflation components for four different currency areas: US, Euro Area, UK, and Japan. We find that in all areas there are non-negligible convexity effects in correspondence with high volatility periods, and that term premium and convexity explain a significant proportion of the dynamics at the long end of the yield curve. Using panel regressions, we show that, overall, short rate expectations are procyclical while term premia exhibit a countercyclical behaviour and tend to increase with yield volatility. We also detect strong cross-country co-movements both in short rate expectations and term premia, with the degree of connectedness exhibiting significant time variation.

▪ FISCAL LIMITS AND SOVEREIGN CREDIT SPREADS

Renne Jean-Paul (University of Lausanne); Pallara Kevin (University of Lausanne)
Presenter: Renne Jean-Paul (University of Lausanne)
Discussant: Plazzi Alberto (Universita Svizzera Italiana)

This paper presents a novel sovereign-credit-risk model aimed at extracting information from the term structure of credit spreads. At the heart of the model lies the fiscal limit, defined as the maximum outstanding debt that can credibly be covered by future government budget surpluses. By predicting how sovereign credit default swaps (CDS) react to changes in fiscal limit expectations, our model allows to back out such expectations from market data.

The fiscal limit estimates feature substantial time-variation, between 100 % and 300 % of GDP. Our results allow us to quantify the non-linear relationship between credit spreads and the fiscal space. Moreover, we obtain sizeable estimates of sovereign credit risk premiums -- that are those components of sovereign spreads that would not exist if agents were risk-neutral.

Banking and Financial Intermediation 1 — 9:00 Berliner

Chairman: Joel Petey (University of Strasbourg)

- NONBANKS, BANKS, AND MONETARY POLICY: U.S. LOAN-LEVEL EVIDENCE SINCE THE 1990S

Meisenzahl Ralf (Federal Reserve Bank of Chicago); Elliott David (Bank of England); Peydro Jose-Luis (Imperial College London, ICREA-Universitat Pompeu Fabra, CREI, Barcelona GSE, and CEPR); Turner Bryce (Federal Reserve Board)
Presenter: Elliott David (Bank of England)
Discussant: Raina Sahil (University of Alberta)

We analyze the effects of monetary policy on nonbank and bank credit supply to firms and households, in particular the associated real effects and the distribution of risk. For identification, we use exhaustive loan-level data since the 1990s and Gertler-Karadi (2015) monetary policy shocks. First, different from the literature showing that low monetary policy rates increase risk-taking in bank loans, we find that higher monetary policy rates lead to an expansion of credit supply and more risk-taking by nonbank lenders. During monetary contractions, credit supply for corporates, mortgages, and consumers shifts from regulated banks to less regulated, more fragile nonbanks. Moreover, this shift is more pronounced for ex-ante riskier borrowers. Second, nonbanks reduce the effectiveness of the bank lending channel of monetary policy at the loan-level. However, this reduction varies substantially by borrower type. Total credit and real effects are largely neutralized in consumer loans and the associated consumption, but not in corporate loans and investment.

- TRADING CREDIT (SUBSIDIES) FOR VOTES: THE EFFECT OF LOCAL POLITICS ON SMALL BUSINESS LENDING

Xu Sheng-Jun (University of Alberta); Raina Sahil (University of Alberta)
Presenter: Raina Sahil (University of Alberta)
Discussant: Yannelis Constantine (University of Chicago)

Small businesses are championed by politicians looking to win votes, but face significant credit constraints that limit their growth. We study how the competitiveness of congressional elections affects government subsidies to small business lending. To identify the causal impact of electoral competitiveness, we examine politically-motivated congressional redistricting ("gerrymandering") and exploit the discontinuity in post-redistricting electoral competitiveness between districts where redistricting party incumbents narrowly won and narrowly lost the pre-redistricting election. We find that districts with electorally vulnerable congressional representatives receive larger Small Business Administration (SBA) loan guarantees than districts with more entrenched representatives, and this leads to higher growth in local employment and wages in the short run. The gains in employment and wages disappear in the long run, and is accompanied by a decline in the number of business establishments. Overall, our results suggest that politically-motivated credit subsidies to small businesses can provide short-term economic benefits, but may distort local credit markets in the long run.

- LOAN GUARANTEES AND CREDIT SUPPLY

Yannelis Constantine (University of Chicago); Bachas Natalie (Princeton University); Kim Olivia (MIT)

Presenter: Yannelis Constantine (University of Chicago)
Discussant: Elliott David (Bank of England)

The efficiency of federal lending guarantees depends on whether guarantees increase lending supply, or simply act as a subsidy to lenders. We use notches in the guarantee rate schedule for loans backed by the Small Business Administration to estimate the elasticity of bank lending volume to loan guarantees. We document significant bunching in the loan distribution on the side of the size threshold that carries a more generous loan guarantee. The excess mass implies that increasing guarantee generosity by 1 percentage point of loan principal would increase per-loan lending volume by $19,000. Bank lending is responsive both in the cross- section and in the time-series - excess mass increases with the guarantee discontinuity, and placebo results indicate that the effect disappears when the guarantee notch is eliminated.

10:30-11:00   Coffee break

Corporate Governance 1 Chairman: Ettore Croci (Unversita Cattolica del Sacro Cuore)	11:00 Halles 1

- ENCOURAGING LONG-TERM SHAREHOLDERS: THE EFFECTS OF LOYALTY SHARES WITH DOUBLE VOTING RIGHTS

Belot François (Université de Cergy-Pontoise); Ginglinger Edith (Université Paris-Dauphine, PSL Research University); Starks Laura T. (University of Texas at Austin)

Presenter: Ginglinger Edith (Université Paris-Dauphine, PSL Research University)
Discussant: Young Michael (University of Virginia)

The 2014 passage of the Florange Act in France changed an opt-in provision for loyalty shares (allocating a second voting right for shares held at least two years) to an opt-out provision with shareholder approval. We find that before 2014, loyalty shares were popular among small family firms. Following the Act, firms with a one share – one vote structure that announced they would opt out of the law incurred a negative market reaction, suggesting that shareholders have a positive perception of loyalty shares. It appears that by encouraging costly monitoring by long-term shareholders, loyalty shares can potentially benefit all shareholders.

- PHANTOM OF THE OPERA: ETFS AND SHAREHOLDER VOTING

Karakaş Oğuzhan (Cambridge Judge Business School); Evans Richard (University of Virginia, Darden School of Business); Moussawi Rabih (Villanova University, School of Business); Young Michael (University of Virginia, Darden School of Business)
Presenter: Young Michael (University of Virginia, Darden School of Business)
Discussant: Thai Trang (SUNY Brockport)

The short-selling of exchange-traded funds (ETFs) creates "phantom" ETF shares with cash flows rights but no associated voting rights. Both regular and phantom ETF shares trade at ETF market prices. However, while regular shares are backed by the underlying securities of the ETF and voted as directed by the sponsor, phantom shares are backed by collateral that is not voted. Introducing a novel measure of phantom shares both of the ETF and corresponding underlying securities, we find that increases in phantom shares are associated with (i) decreases in number of proxy votes cast (for and against), (ii) increases in broker non-votes, and (iii) increases in the vote premium over the voting record date for important votes for the underlying stocks of the ETF. Consistent with poor governance, firms with the highest proportion of phantom shares underperform.

- PRODUCT MARKET COMPETITION AND CORPORATE CASH HOLDINGS: A CROSS-COUNTRY EVIDENCE

Thai Trang (SUNY Brockport); Sanjiv Sabherwal (The University of Texas at Arlington)
Presenter: Thai Trang (SUNY Brockport)
Discussant: Ginglinger Edith (University Paris-Dauphine)

From a mixed sample of developed and emerging economies, this study documents a positive relationship between product market competition and corporate cash holdings, using a new composite measure of competition that complements existing proxies in two ways: it is likely the first to captures all three horizontal dimensions of product pricing power, and, the accounting data-based construction facilitates the computation of competition for non-U.S. firms. The positive association between competition and liquidity is influenced by various firm- and country-level factors. Specifically, competition-driven cash stockpile is lower when the firms are more dependent on external financing, more financially constrained, or located in countries with stronger investor protection. Across countries, this cash hoarding behavior is strengthened in developed equity markets but weakened in developed credit markets. Overall, the role of product market competition as a global driver of corporate cash holdings is statistically positive and economically significant after many robustness checks.

- (IN)CREDIBLY GREEN: WHICH BONDS TRADE AT A GREEN BOND PREMIUM?

Kapraun Julia (Goethe university Frankfurt); Christopher Scheins (Goethe University Frankfurt)
Presenter: Kapraun Julia (Goethe university Frankfurt)
Discussant: Briere Marie (Amundi, Paris-Dauphine University)

The most important determinant for the existence of a Green premium is the perceived "Green-credibility" of the corresponding bond and its issuer. We analyze a large sample of more than 1,500 Green bonds with respect to their pricing on the primary and secondary market. On both markets, only certain types of Green bonds trade at a Green premium (i.e., exhibit lower yields) relative to their conventional counterparts, namely those, which are issued by governments or supranational entities, denominated in EUR or USD, or corporate bonds with very large issue sizes. These bonds and their issuers might be viewed as more credible in terms of a better implementation or a greater impact of the financed Green project. For corporate issues, credibility of the Green label reveals to be of particular importance. Investors are more likely to consider a corporate bond as Green, i.e., be willing to pay a premium for it, when the bond is certified as such by a third party, or when the bond is listed on an exchange with a dedicated Green bond segment and tight listing requirements.

- THE INFORMATION VALUE OF CORPORATE SOCIAL RESPONSIBILITY

Oh Ji Yeol Jimmy (Hanyang University); John Kose (New York University); Lee Jongsub (Seoul National University)
Presenter: Oh Ji Yeol Jimmy (Hanyang University)
Discussant: Kapraun Julia (Goethe University Frankfurt)

Using a simple cheap-talk game, we theoretically demonstrate that corporate social responsibility (CSR) helps mitigate the CEO-board information asymmetry, leading to more informed advising and monitoring by the board. By optimally engaging in CSR, the board can take advantage of stakeholder-induced information revelation and reduce its informational dependence on the CEO, which enables the shareholders to choose an ex ante higher level of board independence. For a sample of U.S. firms between 1999 and 2013, we find strong support for this strategic complementarity between board in-dependence and the information value of CSR. Our results highlight a novel rationale for CSR – the information motive.

- DO UNIVERSAL OWNERS VOTE TO CURB NEGATIVE CORPORATE EXTERNALITIES? AN EMPIRICAL ANALYSIS OF SHAREHOLDER MEETINGS

Brière Marie (Amundi, Paris Dauphine University); Pouget Sébastien (Toulouse School of Economics); Ureche-Rangau Loredana (University of Picardie Jules Verne)
Presenter: Brière Marie (Amundi, Paris Dauphine University)
Discussant: Oh Ji Yeol Jimmy (Hanyang University)

This paper tests whether very diversified and patient investors, also known as universal owners, tend to vote in favor of shareholder resolutions instructing corporations to reduce or communicate on the negative externalities they produce. Our sample includes 213 US fund families that voted on 13,108 different shareholder resolutions at 2,352 companies over the period from 2013 to 2016. We find that, contrary to the common ownership logic, universal owners' support for issues related to externalities is lower than the one of otherwise similar fund families. Instead, support is positively associated with the proportion of socially responsible investment funds in the family. We discuss various practical implications of our results.

Asset Pricing 2 Chairman: Jean-Paul Renne (University of Lausanne)	11:00 Halles 2

▪ COMPOUND RETURNS

Farago Adam (University of Gothenburg); Hjalmarsson Erik (University of Gothenburg)
Presenter: Farago Adam (University of Gothenburg)
Discussant: Bossaerts Peter (University of Melbourne)

We provide a theoretical basis for understanding the properties of compound returns. At long horizons, multiplicative compounding induces extreme positive skewness into individual stock returns, an effect primarily driven by single-period volatility. As a consequence, most individual stocks perform very poorly. However, holding just a few stocks (instead of a single one) greatly improves the long-run prospects of an investment strategy, indicating that missing out on the "lucky few" winner stocks is not a great concern. We show analytically how this somewhat counterintuitive result arises from an interaction between compounding, diversification, and rebalancing that has seemingly not been previously noted.

▪ ASSET PRICING UNDER COMPUTATIONAL COMPLEXITY

Fattinger Felix (University of Melbourne); Bossaerts Peter (University of Melbourne); Bowman Elizabeth (University of Melbourne); Murawski Carsten (University of Melbourne)
Presenter: Bossaerts Peter (University of Melbourne)
Discussant: Lorenz Fiedrich (University of Münster)

We study how markets solve the standard but computationally hard problem of maximizing utility subject to a budget constraint in the face of indivisibilities. In a first experiment with complete markets, we test whether prices fully reveal the solution. We find that complete markets are fairly ineffective, and that quality decreases with instance complexity using a metric suggested in the theory of computation. Still, participants use information in prices and volume to improve their choices. In a second experiment, inspired by the theory of oracles in computer science, we show that a reduction to only one carefully chosen traded asset dramatically improves price quality and information dispersion. Our analysis provides a formalization of Hayek's ideas about the transmission of knowledge in societies through markets (Hayek, 1945). Ours is fundamentally different from the noisy rational expectations asset pricing model proposed in Grossman (1976, 1981), i.e., it does not appeal to mathematical statistics, but to the theory of computation.

- DOWNSIDE RISKS AND THE PRICE OF VARIANCE UNCERTAINTY

Lorenz Friedrich (University of Münster); Schumacher Malte (University of Zurich)
Presenter: Lorenz Friedrich (University of Münster)
Discussant: Farago Adam (University of Gothenburg)

This paper studies the role of generalized disappointment aversion (GDA) in reconciling several asset-pricing puzzles in models of long-run risks. To fully capture the nonlinearities introduced by these preferences, we solve the model globally with projection. This allows us to scrutinize the channels through which GDA unfolds. A key feature of our calibrated model is the significant wedge GDA drives between the physical and the risk-neutral measure. The model captures not only the size of the variance risk premium (VRP), but also the humpshaped predictability pattern and the prominent role of downside risks for the VRP and its predictive power.

Banking Regulation & Systemic Risk
(Sponsored by ACPR Chair)
Chairman: Christophe Pérignon (HEC Paris)

11:00
Daguerre

- QUALITY VERSUS QUANTITY: THE CASE OF U.S. BANK CAPITAL BUFFERS

Williams Barry (Monash University); Kiefer de Silva Kiefer (Monash University); Shrimal Perera Shrimal (Monash University)
Presenter: Williams Barry (Monash University)
Discussant: Schmidt Christian (University of Mannheim)

We find that larger US bank holding companies (BHCs) hold lower quality capital buffers than their smaller peers. US BHCs' capital buffer quality is found to be a function of their operational complexity, risk-weighted assets and profitability. We, however, find no evidence that large US BHCs trade–off capital buffer quality with their liquid asset investments. On average, US BHCs narrow the gap between their actual and target buffer quality by 49.5 per cent per quarter. This (buffer quality) adjustment speed, however, is substantially faster than that observed in pre-GFC US studies of buffer size. The well capitalised US BHCs (top 20 percent) adjust their buffer quality 8 percent faster than poorly capitalised ones. The latter seem to face impediments in raising new capital due to higher reputation costs. The costs of adjusting buffers also seem an important explanation for holding higher quality buffers. Our results shed more light on the trade-offs associated with banks holding higher quality capital buffers.

- EUROPEAN STRESS TESTS AND BANKS' RISK-TAKING

Liang Ying (Monash Business School)
Presenter: Liang Ying (Monash Business School)
Discussant: Williams Barry (Monash University)

I investigate how the 2011 and 2014 EU stress tests affect the risk-taking of European banks. I document a non-monotonic relationship between banks' risk-shifting resulting from regulatory arbitrage and the tightness of their capital constraint (i.e., the distance between their ex-ante capital ratio and the regulatory level): banks with capital ratios marginally above the regulatory level do more regulatory arbitrage than banks with a level of capital ratio significantly below or above the regulatory level. I also study the indirect effect of the tests on the financing costs of banks which are excluded from the tests: their financing costs on the corporate bond market increase with the level of negative information released in the country in which they are located.

- BANK LEVERAGE, CAPITAL REQUIREMENTS AND THE IMPLIED COST OF (EQUITY) CAPITAL

Schmidt Christian (University of Mannheim)
Presenter: Schmidt Christian (University of Mannheim)
Discussant: Liang Ying (Monash Business School)

Do heightened capital requirements impose private costs on banks by adversely affecting cost of capital (CoC)? And if so, does the effect differ across different groups of banks? Using an international sample of listed banks from 1990 to 2017, I find that equity investors adjust their expected return weakly in accordance with the MM-Theorem. The adjustment is stronger for smaller banks, banks that rely more on deposit financing and when debt is reduced rather than deposits. In any case, the adjustment is not strong enough to keep banks' CoC constant which is estimated to increase by 10 to 40bps (a relative increase of 2.8% to 12.6%), when shifting equity from 8% to 16%. When using the 2011 EBA capital exercise as a quasi-natural experiment, results indicate a strong reduction in required returns for treated banks. However, the reduction is mainly caused by shifts in asset risk, highlighting the importance of differentiating between short-run and long-run effects.

Market Microstructure 1 (Sponsored by BEDOFIH)
Chairman: Patrice Fontaine (Eurofidai, CNRS)

11:00
Bell

- INFORMATION ENVIRONMENTS AND HIGH PRICE IMPACT TRADES: IMPLICATION FOR VOLATILITY AND PRICE EFFICIENCY

Zhou Xiaozhou (Faculty of Management (ESG), University of Quebec at Montreal); Dionne Georges (Canada Research Chair in Risk Management and HEC Montréal)
Presenter: Zhou Xiaozhou (Faculty of Management (ESG), University of Quebec at Montreal)
Discussant: Yuferova Darya (Norwegian School of Economics)

Using the high-frequency transaction and Limit Order Book (LOB) data, we propose a new way, augmented by LOB matchedness, to identify High Price Impact Trades (HPITs), which are associated with disproportionately large price changes relative to their proportion of volume. We find that a higher presence of HPITs leads to a decline in volatility due to more contrarian trades against uninformed traders, but this decline varies with information environments and liquidity levels. Further, we show that more HPITs lead to higher price efficiency for stocks with greater public disclosure and higher liquidity. Our empirical results provide evidence that HPITs mainly reflect fundamental-based information in a high public information environment and belief-based information in a low public information environment.

- PAYING FOR MARKET LIQUIDITY: COMPETITION AND INCENTIVES

Yuferova Darya (Norwegian School of Economics); Bellia Mario (JRC Joint Research Center - European Commission); Pelizzon Loriana (SAFE-Goethe University); Subrahmanyam Marti (NYU Stern)
Presenter: Yuferova Darya (Norwegian School of Economics)
Discussant: Metais Carole (Institut Europlace de Finance)

Do competition and incentives offered to designated market makers (DMMs) improve market liquidity? Using data from NYSE Euronext Paris, we show that an exogenous increase in competition among DMMs leads to a significant decrease in quoted and effective spreads, mainly through a reduction in adverse selection costs. In contrast, changes in incentives, through small changes in rebates and requirements for DMMs, do not have any tangible effect on market liquidity. Our results are of relevance for designing optimal contracts between exchanges and DMMs and for regulatory market oversight.

- ORDER PLACEMENT STRATEGIES IN HIGH-FREQUENCY MARKETS

Metais Carole (Institut Europlace de Finance)
Presenter: Metais Carole (Institut Europlace de Finance)
Discussant: Zhou Xiaozhou (University of Quebec at Montreal)

I analyze order placement strategies by high-frequency traders (HFT) and non-HFT on Euronext Paris. Virtually all orders are limit orders submitted by fast traders, in most cases acting as market makers. Fast traders display high limit to market order ratios and their orders have lower fill rates, higher cancellation rates, and shorter lifetime than non-HFT orders. Liquidity taking orders are less costly for HFT than non-HFT whereas liquidity supplying orders are cheaper for non-HFT than HFT. As volatility rises, the ratio of limit order to market orders increases (decreases) for fast (slow) traders but fast traders become more conservative in their limit order submissions.

Porfolio Management 1 (Sponsored by AMUNDI)
Chairman: Philippe Bertrand (University of Aix-Marseille)
11:00
Berliner

- MENTAL ACCOUNTS WITH HORIZON AND ASYMMETRY PREFERENCES

Lejeune Thomas (National Bank of Belgium); Hübner Georges (HEC-Université de Liège)
Presenter: Lejeune Thomas (National Bank of Belgium)
Discussant: Kang Namho (Bentley University)

The paper extends the mental accounting framework with investors' horizon and asymmetric trade-off between extreme gains and losses. This Horizon-Asymmetry Mental Accounting (HAMA) framework considerably widens the spectrum of investors' optimal portfolio choices. Risk aversion and the bond-to-stock ratio decline with investment horizon. Investors who care much about upside potential hold less diversified portfolios. We develop a parsimonious semi-parametric version of the model that only relies on the moments of the returns distributions. It is flexible enough to nest portfolios allocations resulting from prominent parametric frameworks such as the linear-exponential and the flexible three-parameter (FTP) classes of utility functions.

- SLOW ARBITRAGE: FUND FLOWS AND MISPRICING IN THE FREQUENCY DOMAIN

Kang Namho (Bentley University); Dong Xi (Baruch College, City University of New York); Peress Joel (INSEAD)
Presenter: Kang Namho (Bentley University)
Discussant: Zoican Marius (University of Toronto)

We conduct a spectral analysis of the relation between fund flows and mispricing. Hedge funds and mutual funds both behave as low-pass filters, deploying high-frequency flows toward low-frequency mispricing. But hedge funds attenuate high-frequency flows more than do mutual funds, thus improving market efficiency 2 to 7 times more slowly than mutual funds worsen efficiency. Time-series and cross-sectional tests indicate that risk, limited access to capital, and implementation costs explain why hedge funds behave as low-pass filters. We propose a model to rationalize these results, which highlight the frequency dependent effects of (especially arbitrage) capital on market efficiency.

- CROWDED ANALYST COVERAGE

Zoican Marius (University of Toronto); Martineau Charles (University of Toronto)
Presenter: Zoican Marius (University of Toronto)
Discussant: Lejeune Thomas (National Bank of Belgium)

Analyst stock coverage is "crowded:" the most-covered 5% U.S. equities amount to 25% of earnings forecasts. Coverage clustering persists after controlling for firm size, and correlates with investors' demand for information. Is information supply optimally distributed in financial markets? We build a model where limited-attention investors endogenously learn about securities. Analysts compete for scarce investor attention, providing forecasts that reduce learning costs. Coverage crowding emerges through strategic complementarity effects. For limited investor attention, analysts prefer to share a crowded space rather than "going against the wind" to cover more opaque assets. However, coverage skewness is excessive from the investors' perspective.

12:30-14:00 Lunch – Restaurant "La Place", Novotel

▪ ACQUISITIONS AND TECHNOLOGY VALUE REVISION

De Cesari Amedeo (Alliance Manchester Business School, University of Manchester); Cai Xiangshang (Alliance Manchester Business School, University of Manchester); Gao Ning (Alliance Manchester Business School, University of Manchester); Peng Ni (School of Business and Management, Queen Mary University of London)
Presenter: De Cesari Amedeo (Alliance Manchester Business School, University of Manchester)
Discussant: Wang Sumingyue (Shanghai University of Finance and Economics)

Merger announcements cause upward revisions in the market value of target firms' technology peers, whether targets and their peers belong to the same industry or not. Firms having deeper technology overlaps with the targets experience more dramatic price revisions. Consistent with the acquisition probability theory, a firm is more likely to be taken over if at least one of its technology peers has been acquired recently; and peers more vulnerable to acquisitions have greater upward price revisions. Our findings demonstrate that the market for corporate control is an important information source to resolve the uncertainties in technology valuation.

▪ BUILD OR BUY? HUMAN CAPITAL AND CORPORATE DIVERSIFICATION

Beaumont Paul (Paris Dauphine); Hebert Camille (University of Toronto); Lyonnet Victor (Ohio State University)
Presenter: Lyonnet Victor (Ohio State University)
Discussant: Luo Mancy (Erasmus University)

Why do some firms enter a new sector by acquiring an existing company ("buy"), while others do so using their existing resources ("build")? Using a novel data set constructed by merging French employer payrolls with commercial M&A data sets, we show that firms are more likely to buy when their existing workforce does not include skills needed in the sector of entry. This relationship is more pronounced when labor market frictions make it difficult to hire key workers. Using a novel data set constructed by merging French employer payrolls with commercial M&A data sets, we study firms' decision to build or buy. Firms with an existing workforce that is not adapted to the sector of entry are more likely to buy, especially when it is difficult to hire key workers for the sector of entry. Firms that enter by building realize lower entry sales when their existing workforce is not adapted to the sector of entry, especially in the presence of labor market frictions. Our results suggest that firms buy to acquire their targets' human capital when adapting their existing workforce is too costly.

▪ RETURNS TO SCALE FROM LABOR SPECIALIZATION: EVIDENCE FROM GLOBAL ASSET MANAGEMENT

Schumacher David (McGill University); Luo Mancy (Erasmus University); Manconi Alberto (Bocconi University)
Presenter: Luo Mancy (Erasmus University)
Discussant: De Cesari Amedeo (University of Manchester)

We use mergers in the global asset management industry to study the returns to scale from labor specialization. Mergers are followed by an increase in managerial turnover that assigns fund managers to more specialized tasks. This leads to increased specialization and product differentiation, creating an incremental $60 million of value added per merger per year on average. Such value creation is concentrated in "mergers of equals" that lead to the largest increases in firm size. Our results provide direct and quantifiable evidence on the value of the firm's role in assigning employees to tasks.

▪ WHY DO FIRMS BUNDLE EARNINGS AND ACQUISITION ANNOUNCEMENTS?

Wang Sumingyue (Shanghai University of Finance and Economics, School of Accountancy); Daures Lescourret Laurence (ESSEC Business School); Gaspar José-Miguel (ESSEC Business School)
Presenter: Wang Sumingyue (Shanghai University of Finance and Economics, School of Accountancy)
Discussant: Imad'Eddine Gael (Lille 2 University)

An increasing fraction of M&A deals are announced on the same day in which the bidder reports its quarterly earnings, a phenomenon we call 'bundled' announcements. Compared to other bids, bundled bids are associated with strongly lower bidder announcement returns. In addition, reported earnings of bundling acquirers are lower than those of other bidders. Bidders engage in bundling in moments of high investor attention, and when analysts' views about the firm are divided. Our findings indicate that bundling is a tool of strategic disclosure used to decrease stock price volatility.

Market Microstructure 2 (Sponsored by BEDOFIH) — 14:00 Bell
Chairman: Patrice Fontaine (Eurofidai, CNRS)

▪ MEASURING LIQUIDITY PROVISION BY CUSTOMERS IN CORPORATE BOND MARKETS: EVIDENCE FROM 54 MILLION TRANSACTIONS

Xue Jinming (University of Maryland)
Presenter: Xue Jinming (University of Maryland)
Discussant: Carré Sylvain (Ecole Polytechnique Fédérale de Lausanne)

This paper measures the role of liquidity provision by buy-side customers in corporate bond markets via a structural vector autoregression (SVAR). Unobservable shocks to the willingness of customers and bond dealers to provide liquidity affect the choice of bond dealers, in opposite directions, between market-making (principal) and matchmaking (riskless principal) transactions. Exploiting this distinction, the SVAR disentangles these two shocks and reveals two episodes of high level of liquidity provision by customers in

corporate bond markets: (i) the 2008 "fight-to-safety" and (ii) the 2014-2015 "requests for quotations" technology developments. Furthermore, yield spreads for bonds of different credit ratings respond differentially to shocks in liquidity provision by dealers and customers. My empirical identification strategy for the SVAR is motivated using a theoretical model of decentralized liquidity provision.

▪ A TALE OF TWO CITIES - INTER-MARKET LATENCY, MARKET INTEGRATION, AND MARKET QUALITY

Scharnowski Stefan (University of Mannheim and Research Center SAFE, Frankfurt); Sagade Satchit (University of Frankfurt and Research Center SAFE, Frankfurt); Theissen Erik (University of Mannheim and Centre for Financial Research, Cologne); Westheide Christian (University of Vienna and Research Center SAFE, Frankfurt)
Presenter: Scharnowski Stefan (University of Mannheim and Research Center SAFE, Frankfurt)
Discussant: Glebkin Sergei (INSEAD)

We study the introduction of a microwave link between Frankfurt and London and identify its effects on German stocks that trade in both locations using French firms that trade only in London as the control group. We find that the link improves the integration between the two markets as evidenced by a reduction in arbitrage opportunities. The effects on market quality differ across stocks as high-frequency traders strategically utilize their speed advantage to supply or consume liquidity. In London, mid cap stocks benefit from increased liquidity provision whereas order flow for large stocks becomes more toxic. London's increased competitiveness for mid cap stocks also translates into an increase in its information share, while the information shares of large cap stocks are unchanged. These results suggest that market integration differently affects investors based on their speed advantage, trading venues based on their level of competitiveness, and stocks based on their size.

▪ INSIDER TRADING UNDER PENALTIES

Carré Sylvain (Ecole Polytechnique Fédérale de Lausanne); Collin-Dufresne Pierre (Ecole Polytechnique Fédérale de Lausanne); Gabriel Franck (Ecole Polytechnique Fédérale de Lausanne)
Presenter: Carré Sylvain (Ecole Polytechnique Fédérale de Lausanne)
Discussant: Scharnowski Stefan (University of Mannheim and Research Center)

We establish existence and uniqueness of equilibrium in a generalised one-period Kyle (1985) model where insider trades can be subject to a penalty, i.e. a cost that is non-decreasing in the trade size. The result is obtained by considering uniform noise and holds for virtually any penalty function. Uniqueness is among all nondecreasing strategies. The insider demand and price functions are in general non-linear, yet tractable. We apply this result to a problem of optimal insider trading regulation. We show analytically that the penalty functions maximising price informativeness for given noise traders' losses eliminate small rather than large trades. We generalise this result to cases where a budget constraint distorts the set of implementable regulations.

▪ SIMULTANEOUS MULTILATERAL SEARCH

Yueshen Bart (INSEAD); Glebkin Sergei (INSEAD); Shen Ji (PKU)
Presenter: Glebkin Sergei (INSEAD)
Discussant: Xue Jinming (University of Maryland)

We study simultaneous multilateral search (SMS) in an over-the-counter market: when searching, an investor contacts several potential counterparties and then chooses to trade with the one offering the best quote. Search intensity (how frequently one can search) and search capacity (how many potential counterparties one can contact) affect equilibrium objects differently. Despite investor homogeneity, quote dispersion arises in equilibrium, with bids possibly crossing asks. We contrast SMS to bilateral bargaining (BB), where investors engage in Nash bargaining with one potential counterparty each time. Given the choice, investors might prefer BB over SMS, hurting allocative efficiency.

Financial Econometrics — 14:00, Daguerre
Chairman: Ian Cooper (London Business School)

▪ DISCOUNT RATES AND CASH FLOWS: A LOCAL PROJECTION APPROACH

Lof Matthijs (Aalto University School of Business); Nyberg Henri (University of Turku)
Presenter: Nyberg Henri (University of Turku)
Discussant: Langlois Hugues (HEC Paris)

We develop a volatility decomposition derived from flexible and robust local projections to quantify the relative contributions of expected discount rates and cash flows to the variation of dividend yields. Local projections enable the incorporation of large information sets, the use of monthly data in addition to annual data, and the consideration of time variation of the volatility decomposition. While the variation of expected discount rates remains the dominant contributor to market volatility, we find that the contribution of expected cash flows is non-negligible when moving beyond the standard model with the dividend yield as the single state variable.

▪ HEDGING LABOR INCOME RISK OVER THE LIFE-CYCLE

Fugazza Carolina (University of Torino); Fabio Bagliano (University of Torino); Raffaele Corvino (University of Torino); Giovanna Nicodano (University of Torino)
Presenter: Raffaele Corvino (University of Torino)
Discussant: Trojani Fabio (University of Geneva and SFI)

We show that the decision to participate in the stock market depends on the ability of equities to hedge the individual permanent earnings shocks, consistent with implications of life-cycle models. Those households who refrain from stock investing display positive correlation between their own permanent income innovations and market returns. These results owe to a two-step empirical strategy. First, a minimum distance estimation disentangles the aggregate from the idiosyncratic permanent component of labor income risks. The second step reconstructs the individual life-cycle dynamics of persistent shocks through a

Kalman filter applied to the estimated labor income process. We are thus able to obtain the full cross-sectional distribution of individual correlations between permanent shocks and market returns.

- SMART SDFS

Trojani Fabio (University of Geneva and SFI); Korsaye Sofonias (University of Geneva); Quaini Alberto (University of Geneva)
Presenter: Trojani Fabio (University of Geneva and SFI)
Discussant: Nyberg Henri (University of Turku)

We introduce model-free Smart Stochastic Discount Factors (S–SDFs) minimizing various notions of SDF variability under general convex constraints on pricing errors, which can be motivated by particular market frictions, asymptotic APT-type no-arbitrage assumptions or a need for regularization in large arbitrage-free asset markets. S–SDFs give rise to new nonparametric SDF bounds for testing asset pricing models, under more general assumptions on a model's ability to price cross-sections of assets. They arise from a simple transformation of the optimal payoff in a penalized dual portfolio selection problem with uniquely determined penalization function. We demonstrate the properties of S–SDFs induced by various economically motivated pricing error penalizations, which can load on a sparse set of endogenously selected securities and can produce a more robust pricing performance. We then show how pricing error and dual portfolio weight sparsity can be made compatible with tractability, i.e., smoothness, of the corresponding dual portfolio problem. For such settings, we develop the relevant methodology for the empirical analysis of S–SDFs. Lastly, we demonstrate the properties and the improved out-of-sample pricing performance of S–SDFs in various APT settings where SDF–regularization naturally matters.

- TIME-VARYING RISK PREMIA IN LARGE INTERNATIONAL EQUITY MARKETS

Langlois Hugues (HEC Paris); Chaieb Ines (University of Geneva and Swiss Finance Institute); Scaillet Olivier (University of Geneva and Swiss Finance Institute)
Presenter: Langlois Hugues (HEC Paris)
Discussant: Corvino Raffaele (University of Torino)

We estimate and test factor models with time-varying loadings and risk premia for a large unbalanced panel of 62, 320 individual stock returns in 46 countries. First, we check that the tested factor models achieve weak cross-sectional dependence crucial for inference on risk premia. Adding an excess country market factor to world or regional market and non-market factors captures the factor structure for both developed and emerging markets. Second, we do not reject asset pricing restrictions in up to 91% of countries. Third, we uncover significant heterogeneity in level and dynamics of factor risk premia between and within developed and emerging markets.

▪ ARBITRAGE PORTFOLIOS

Neuhierl Andreas (University of Notre Dame); Kim Soohun (Georgia Tech); Korajczyk Robert (Northwestern - Kellogg)
Presenter: Neuhierl Andreas (University of Notre Dame)
Discussant: Roussellet Guillaume (McGill University)

Abstract We propose new methodology to estimate arbitrage portfolios by utilizing information contained in firm characteristics for both abnormal returns and factor loadings. The methodology gives maximal weight to risk-based interpretations of characteristics' predictive power before any attribution to abnormal returns. We apply the methodology in simulated factor economies and to a large panel of U.S. stock returns from 1965–2014. The methodology works well in simulation and when applied to U.S. stocks. Empirically, we find the arbitrage portfolio has (statistically and economically) significant alphas relative to several popular asset pricing models and annualized Sharpe ratios ranging from 1.35 to 1.75.

▪ ASSET PRICING THROUGH PEER NETWORKS

Wang Dieter (VU Amsterdam and Tinbergen Institute)
Presenter: Wang Dieter (VU Amsterdam and Tinbergen Institute)
Discussant: Tancheva Zhaneta (Tilburg University)

We propose a framework that prices assets with respect to other assets and treat the excess return of every stock as a potential risk factor. In addition to the market, size or profitability premia, individual excess returns also carry a premium for their similarity with their peers. The peer risk premium manifests itself as a markup to fundamental factor loadings. Neglecting peer effects results in mispricing and misinterpreting factor risk as idiosyncratic risk. We find statistical evidence that markets price firm similarities by scrutinizing the S&P100 constituents. The Fama-French residuals of the returns contain a non-idiosyncratic common factor, which vanishes upon inclusion of peer effects. The model also produces a peer factor that withstands the five Fama-French factors.

▪ OPTIMAL RISK SHARING WITH TIME-INCONSISTENCY AND LONG-RUN RISK

Tancheva Zhaneta (Tilburg University)
Presenter: Tancheva Zhaneta (Tilburg University)
Discussant: Neuhierl Andreas (University of Notre Dame)

I examine the role of time-inconsistency, modeled by hyperbolic discounting, for the dynamics of asset prices and the wealth distribution between agents. Naive time-inconsistent investors with recursive preferences overconsume and have a lower effective elasticity of intertemporal substitution (EIS) than otherwise similar investors who are time-consistent. In both survival and overlapping generations economies with i.i.d. consumption growth, I show that the suboptimal consumption and saving decisions of the naive time-inconsistent investors endogenously generate long-run risks in the consumption dynamics of

the time-consistent agents. As a result, the presence of naive shortsighted investors increases the risk-free rate, volatility, and risk premium in the economy.

- IDENTIFYING BELIEFS FROM ASSET PRICES

Roussellet Guillaume (McGill University); Ghosh Anisha (McGill University)
Presenter: Roussellet Guillaume (McGill University)
Discussant: Wang Dieter (VU Amsterdam and Tinbergen Institute)

This paper proposes a novel information-theoretic procedure to identify investors' beliefs about future macroeconomic and financial outcomes from observed asset prices. Our approach recovers *price-consistent beliefs*, i.e. the conditional distribution of macro and financial variables that satisfy the conditional Euler equations, given a cross-section of assets, a pricing kernel, and a conditioning set. Our procedure is non-parametric, not requiring any functional-form assumption about the dynamics of the variables, or regarding investor rationality or lack thereof. The price-consistent beliefs show strong cyclicality in the conditional mean and skewness of aggregate consumption growth, while the conditional volatility is mostly flat over the business cycle. This contrasts with the widely assumed conditionally normal dynamics in the existing literature. Looking at stock market returns, we observe that the price-consistent beliefs contain similar information as survey data on institutional investors' expectations. A comparison of these price-consistent beliefs with a non-parametric objective benchmark suggests large beliefs distortions. Investors underestimate the expected consumption growth mostly during recessions, but consistently overestimate the skewness of the consumption growth rate to a much larger extent.

Banking and Financial Intermediation 2 — 14:00
Chairman: Michael Troege (ESCP) — Berliner

- DEREGULATION, MARKET STRUCTURE, AND THE DEMISE OF OLD-SCHOOL BANKING

Bisetti Emilio (HKUST); A. Karolyi Stephen (Carnegie Mellon University); Lewellen Stefan (Pennsylvania State University)
Presenter: Bisetti Emilio (HKUST)
Discussant: Sanz Leandro (Federal Reserve Bank of Richmond)

We construct a new network-based measure of U.S. state-level bank deregulation intensity that allows us to separately identify the effects of deregulation on competition and investment opportunities. In contrast to existing studies, we find that increased competition leads to higher deposit funding costs and a reduction in banks' net interest margins and profitability. In response, banks increase their risk-taking, shift their business models towards new sources of non-interest income, and become more likely to be acquired by other banks. Our findings resolve conflicting evidence in the literature and support theories in which reductions in bank charter values lead to increased bank risk-taking.

- BANK BONUS PAY AS A RISK SHARING CONTRACT

Efing Matthias (HEC Paris); Hau Harald (SFI); Rochet Jean-Charles (SFI); Kampkoetter Patrick (University of Tuebingen)
Presenter: Efing Matthias (HEC Paris)
Discussant: Bisetti Emilio (HKUST)

We argue that risk sharing motivates the bank-wide structure of bonus pay. In the presence of financial frictions that make external financing costly, the optimal contract between shareholders and employees involves some degree of risk sharing whereby bonus pay partially absorbs earnings shocks. Using payroll data for 1.26 million employee-years in all functional divisions of Austrian, German, and Swiss banks, we uncover several empirical patterns in bonus pay that are difficult to rationalize with incentive theories of bonus pay but support an important risk sharing motive. In particular, bonuses respond to performance shocks that are outside the control of employees because they originate in other bank divisions or even outside the bank.

- UNCONVENTIONAL MONETARY POLICY AND BANK LENDING RELATIONSHIPS

Cahn Christophe (Banque de France); Duquerroy Anne (Banque de France); Mullins Will (University of California San Diego)
Presenter: Cahn Christophe (Banque de France)
Discussant: Papoutsi Melina (European Central Bank)

How do banks transmit long-term central bank liquidity injections to borrowers? We exploit unique variation in how the ECB's 2011-12 Long-Term Refinancing Operations (LTROs) affected lending to firms discontinuously across credit ratings (within banks) to make four contributions. (i) We show the LTROs induced increased bank lending to firms in France, including to SMEs, an elusive policy objective. (ii) We uncover important heterogeneity: banks pass through LTRO liquidity very differently to multi-bank firms than they do to firms with only one bank. (iii) Differences in liquidity transmission map to archetypal lending types: single-bank firms receive relationship lending, and these firms invest and grow in response, while multi-bank firms receive transactions-style lending and do not increase their investment. (iv) While the majority of the effect flows to firms whose loans are policy-eligible, we identify a spillover (onto multi-bank firms only) that appears to be driven by bank competition for borrowers.

- GLOBAL BANKS AND SYSTEMIC RISK: THE DARK SIDE OF COUNTRY FINANCIAL CONNECTEDNESS

Sanz Leandro (Federal Reserve Bank of Richmond); Atanas Mihov (Federal Reserve Bank of Richmond)
Presenter: Sanz Leandro (Federal Reserve Bank of Richmond)
Discussant: Cahn Christophe (Banque de France)

We study the relation between country financial connectedness and systemic risk for U.S. banking organizations with global exposures. We find that banks with more foreign claims in countries that are well connected to global financial markets contribute more to U.S. systemic risk. We document specific bank-level (systemic importance, leverage and illiquidity) and country-level (financial crises) channels that amplify these effects. We also examine the roles different forms of connectedness, and types and sectors of foreign claims, play for cross-border risk propagation. Our findings are particularly relevant for macro-prudential policy given the concentration of U.S. financial claims in well-connected markets.

Corporate Finance 2 — 14:00
Chairman: Ryan Williams (University of Arizona) — Halles 1

- **EMPLOYMENT EFFECTS OF ALLEVIATING FINANCING FRICTIONS: WORKER-LEVEL EVIDENCE FROM A LOAN GUARANTEE PROGRAM**

Vallee Boris (Harvard Business School); Barrot Jean-Noel (HEC Paris); Martin Thorsten (Bocconi); Sauvagnat Julien (Bocconi)
Presenter: Martin Thorsten (Bocconi)
Discussant: Croci Ettore (Universita Cattolica del Sacro Cuore)

We document the impact on worker employment trajectories of countercyclical loan guarantee programs aiming at mitigating financing frictions for SMEs. Our identification strategy exploits plausibly exogenous heterogeneity in policy generosity between French regions, interacted with a geographical regression discontinuity design. We show that the guarantees result in a significantly higher likelihood of being employed over the seven years following the intervention, which translates into significantly higher cumulated earnings. We estimate the gross cost to preserve a job(-year) to be in the range of EUR 2,400 - EUR 5,400, and a negative net cost when we include the savings on unemployment benefits.

- **REDUCTIONS IN CEO CAREER HORIZONS AND CORPORATE POLICIES**

Croci Ettore (Universita' Cattolica del Sacro Cuore); Aktas Nihat (WHU Otto Beisheim School of Management); Boone Audra (Texas Christian University); Signori Andrea (Universita' Cattolica del Sacro Cuore)
Presenter: Croci Ettore (Universita' Cattolica del Sacro Cuore)
Discussant: Gill Andrej (Gutenberg University Mainz)

We provide evidence on how personal shocks that reduce a CEO's career horizon, triggered by either the CEO's diagnosis of a serious illness or an illness or death of a close relative, affects corporate policies. We validate our identification strategy by showing that these events are not predictable based on observable characteristics and that the CEOs exposed to such events experience greater turnover rates and lower residual time-in-office. Following the shock, and while the CEO is still in office, these firms moderate both R&D and capital expenditures and increase in cash distributions. While these results are consistent with greater short-term orientation in this setting, it is not necessarily detrimental to shareholders, as performance increases in the aftermath of the shock. Earnings management, CEO compensation, and the likelihood of being acquired remain unchanged, indicating that the improved performance comes from the implementation of relatively more efficient firm policies rather than from opportunistic behavior.

- INTELLECTUAL PROPERTY AND LEVERAGE: THE ROLE OF PATENT PORTFOLIOS

Gill Andrej (Gutenberg University Mainz); Heller David (Goethe University Frankfurt)

Presenter: Gill Andrej (Gutenberg University Mainz)
Discussant: Thorsten Martin (Bocconi)

This paper analyses the importance of intellectual property in determining capital structure decisions. We argue that firms can use their patent stock as collateral and thereby relax possible debt financing restrictions. Using data from the European Patent Office and balance sheet data of European companies, we find that larger and more valuable patent stocks lead to higher debt-ratios - controlling for well-established capital structure determinants. We further assess variation across as well as within industries and show that effects are mainly driven by tech-oriented and research intensive firms. Drawing on a legislative change in EU-law, allows us to establish a causal relationship between firms' patent portfolio and their use of debt. Results provide a new perspective on optimal capital structure decisions. From a policy perspective, our findings suggest to further harmonize enforcement rules on intellectual property to support financially constrained, innovative firms.

16:00-16:30 Coffee Break

Private Equity & Venture Capital (Sponsored by Ardian) ARDIAN 16:30 Bell
Chairman: Marie Brière (Amundi - University Paris Dauphine)

- HOW ALTERNATIVE ARE PRIVATE MARKETS?

Gourier Elise (ESSEC Business School); Phalippou Ludovic (University of Oxford); Goetzmann Will (Yale University)

Presenter: Gourier Elise (ESSEC Business School)
Discussant: Bowen Donald (Lehigh University)

We present a new and flexible methodology to build factors in illiquid markets, from an unbalanced panel of smoothed asset returns. We apply this methodology to a large and unique panel of private market funds. We build a set of eight private factors that capture the common variation in private market returns. Four of these factors command a risk premium above 3%, but half of the variation in their returns is explained by standard listed equity factors. Exposure to these factors can be gained by forming a portfolio with given fund characteristics that include region of investment, industry focus, investment strategy, and fund size.

- WHOM TO FOLLOW: INDIVIDUAL MANAGER PERFORMANCE AND PERSISTENCE IN PRIVATE EQUITY INVESTMENTS

Dorau Nils (Technical University of Munich (TUM)); Braun Reiner (Technical University of Munich (TUM)); Jenkinson Tim (University of Oxford); Urban Daniel (Erasmus University Rotterdam)

Presenter: Dorau Nils (Technical University of Munich (TUM))
Discussant: Gourier Elise (ESSEC Business School)

Using a sample of 3,977 individual buyout managers with more than 10,330 deal involvements in 5,030 unique buyout transactions, we investigate individual manager performance and its persistence. We find evidence for deal-level gross PME performance persistence at this level of analysis. In explaining the cross-section of deal returns, the individual is around four times more important than the PE organization. Interestingly, none of the typical human capital variables (age, PE tenure, MBA, Ivy League attendance) has explanatory power in the cross-section of deal returns. Instead, we document that investment performance increases with a manager's industry expertise. As a consequence, we find that individual persistence only exists for managers who stay within a certain industry, whereas it disappears for manager who invest across different industries.

▪ TECHNOLOGICAL DISRUPTIVENESS AND THE EVOLUTION OF IPOS AND SELL-OUTS

Bowen Donald (Lehigh University); Hoberg Gerard (University of Southern California); Fresard Laurent (Universita della Svizzera Italiana (Lugano))
Presenter: Bowen Donald (Lehigh University)
Discussant: Dorau Nils (Technical University of Munich)

Using novel text-based measures of patents from 1930 to 2010, we study VC-backed startups' exit choices. We show that startups with ex-ante disruptive technologies are more (less) likely to exit via IPO (sell-out). These cross sectional results are consistent with IPOs being favored by firms with the potential to carve out independent market positions, avoiding the need to share gains with an acquirer. In time series, we document a new 80-year economy-wide trend of declining technological disruptiveness. Together, these findings predict a shift in exits, which explains 20% of the recent decline in IPOs, and 49% of the surge in sell-outs.

Behavioral Finance 2 — 16:30 Daguerre

Chairman: Jean-François Gajewski (University of Lyon, Jean Moulin)

▪ ANTICIPATED REGRET AND EQUITY RETURNS

Arisoy Yakup (NEOMA Business School); Bali Turan (Georgetown University, McDonough School of Business); Tang Yi (Fordham University, Gabelli School of Business)
Presenter: Arisoy Yakup (NEOMA Business School)
Discussant: Shen Jialu (University of Missouri)

We investigate the cross-sectional asset pricing implications of anticipated regret for mean-variance investors. We propose a theoretical framework in which mean-variance investors anticipate regret due to deviations from their expected return and variance objectives. We show that equity portfolios with low anticipated regret generate 7.6% more annualized alpha than portfolios with high anticipated regret. The anticipated regret premium is not explained by costly arbitrage, investor inattention, or prospect theory. We further decompose anticipated regret into two components, return-regret and variance-regret, and show that both components play a significant role in mean-variance investors' financial decision making under anticipated regret.

- SAFETY FIRST, LOSS PROBABILITY, AND THE CROSS SECTION OF EXPECTED STOCK RETURNS

Zhao Lei (ESCP Europe); Cao Ji (Yunnan University); Rieger Marc Oliver (University of Trier)
Presenter: Zhao Lei (ESCP Europe)
Discussant: Arisoy Yakup (NEOMA Business School)

Recent studies show that loss probability (LP) is a decisive factor when people evaluate risk of assets in laboratory experiments, suggesting a positive relationship between LP and expected stock returns. This corresponds to the classical "Safety-First" principle. We find strong empirical support for this prediction in the U.S. stock market. During our sample period, average risk-adjusted return differences between stocks in the two extreme LP deciles exceed 0.75% per month. The positive LP effect, characterized by the intention of some investors to pay low prices for high LP stocks, remains significant after controlling for traditional downside risk measures.

- COUNTERCYCLICAL RISKS AND OPTIMAL LIFE-CYCLE PROFILE: THEORY AND EVIDENCE

Shen Jialu (University of Missouri)
Presenter: Shen Jialu (University of Missouri)
Discussant: Zhao Lei (ESCP Europe)

I show that countercyclical earnings risk alone can cause countercyclical consumption risk and generate moderate stock holdings for young households. Moreover, countercyclical earnings risk quantitatively affects savings and portfolio choice decisions over the business cycle. Using the Panel Study of Income Dynamics survey, I construct an empirical measure of earnings risk and investigate how consumption risk and households' portfolio allocations and consumption change in response to earnings risk. My analysis shows that larger downside earnings risk increases consumption risk and reduces risky asset holdings and consumption, which are consistent with the model's predictions. Moreover, countercyclicality in consumption risk is more significant for stockholders than for nonstockholders. Using the flexibility of the model, I find that the elasticity of intertemporal substitution and the expected return of a stock can explain this heterogeneity between stockholders and nonstockholders.

- ON THE TRANSMISSION OF NEWS AND MINING SHOCKS IN BITCOIN

Faia Ester (Goethe University and CEPR); Karau Soeren (Goethe University and Deutsche Bundesbank); Lamersdorf Nora (Goethe University); Moench Emanuel (Deutsche Bundesbank, Goethe University, and CEPR)

Presenter: Moench Emanuel (Deutsche Bundesbank, Goethe University, and CEPR)
Discussant: Braunseis Alexander (University of Klagenfurt)

Cryptocurrency prices fluctuate strongly despite the fact that their supply typically follows mechanical rules. In this paper we focus on two determinants of Bitcoin valuations. Using an agnostic narrative approach to identify exogenous events related to Bitcoin mining (mining shocks) and news affecting investor perception (news shocks), we first show that both types of events have sizable and persistent effects on Bitcoin valuation and aggregate mining activity. We then rationalize our findings in a model with search frictions in which heterogeneous investors can trade Bitcoin but have their transactions validated by competitive miners. The model endogenously generates waiting times and an equilibrium distribution of asset positions, which is driven by competition among miners on validation speed. Finally, we use our model to inform sign restrictions in a structural VAR analysis. We confirm the model narrative and our initial findings that both news and mining shocks significantly and persistently affect Bitcoin valuations.

- CONTAGIOUS VOLATILITY

Buchwalter Bastien (ESSEC Business School)

Presenter: Buchwalter Bastien (ESSEC Business School)
Discussant: Moench Emanuel (Deutsche Bundesbank, Goethe University, and CEPR)

How does uncertainty of crypto-assets affect traditional asset classes? Using a vector autoregression (VAR) methodology, I answer this question by analyzing volatility spillovers between five asset classes (crypto-assets, stocks, bonds, fiat-currencies, and commodities). Given the vast heterogeneity within each asset class, my VAR specification accounts for cross sectional variation across and within each asset class. By transforming the VAR residuals into sectoral shocks, I am able to distinguish between volatility spillovers across, and volatility co-movements within asset classes. I find that on average volatility of crypto-assets accounts for 15% of the volatility contagion received by traditional asset classes. The directional spillovers from crypto-asset to bonds and to fiat-currencies are particularly strong, capturing the wealth channel and the remittance channel, respectively.

▪ A HIGH-FREQUENCY ANALYSIS OF BITCOIN MARKETS

Theissen Erik (University of Mannheim); Brauneis Alexander (University of Klagenfurt); Mestel Roland (University of Graz); Riordan Ryan (Queens University)
Presenter: Brauneis Alexander (University of Klagenfurt)
Discussant: Buchwalter Bastien (ESSEC Business School)

We study trading of Bitcoin (BTC) against US dollar (USD) on ex-changes on three continents, Bitfinex, Bitstamp and Coinbase Pro. We use a high frequency dataset that contains transactions and order book information. The BTCUSD market is highly liquid in terms of bid-ask spreads and order book depth. While spreads are low, markets are not integrated. Persistent differences exist between the three exchanges in terms of transaction and posted prices, and markets are crossed most of the time. The liquidity of the Bitcoin exchanges is predominantly deter-mined by local factors and is essentially independent of liquidity in equity and FX markets.

Corporate Governance 2 | 16:30
Chairman: Thai Trang T. (SUNY Brockport) | Halles 1

▪ SELECTION VERSUS INCENTIVES IN INCENTIVE PAY: EVIDENCE FROM A MATCHING MODEL

Xia Shuo (Halle Institute for Economic Research, Leipzig University)
Presenter: Xia Shuo (Halle Institute for Economic Research, Leipzig University)
Discussant: Waller Gregory (Virginia Commonwealth University)

Higher incentive pay is associated with better firm performance. I introduce a model of CEO-firm matching to disentangle the two confounding effects that drive this result. First, higher incentive pay directly induces more effort; second, higher incentive pay indirectly attracts more-talented CEOs. I find that both effects are essential to explain the result, with the selection effect accounting for 22% of the total effect. The relative importance of the selection effect is the largest in submarkets with high talent mobility and in more recent years.

▪ WHY DO BOARDS LET THEIR CEOS TAKE OUTSIDE DIRECTORSHIPS? ENTRENCHMENT AND EMBEDDEDNESS

Zhao Hong (NEOMA Business School); Hertzel Michael (Arizona State University)
Presenter: Zhao Hong (NEOMA Business School)
Discussant: Xia Shuo (Halle Institute for Economic Research, Leipzig University)

We study the supply side of the market for CEOs as outside board members in the context of increasing legal and shareholder pressure on CEOs to refrain from accepting outside directorships. Consistent with potential benefits to their employing firms, CEOs have been increasingly more likely to accept directorships at vertically-related firms, especially when information and learning about upstream/downstream industries is expected to be particularly valuable. CEO directorships at vertically-related firms have a significant positive effect on firm value and performance and help their firms handle industry shocks. Consistent with agency/entrenchment costs, CEO outside directorships at

unrelated firms are more likely for sending firms with weaker governance and have a significant negative effect on firm value. Taken together, our results suggest that external pressure has reduced the number of outside directorships that CEOs take and has improved their overall quality, although some evidence of agency problems remains.

▪ BOARD DECLASSIFICATION AND BARGAINING POWER

Straska Miroslava (Virginia Commonwealth University); Waller Gregory (Virginia Commonwealth University)
Presenter: Waller Gregory (Virginia Commonwealth University)
Discussant: Zhao Hong (NEOMA Business School)

We examine the relations between recent board declassifications, takeover activity and takeover gains over the period 2003-2011. We report that firms that declassified their boards in the previous five years are more likely to be the target of a takeover than other firms. We also report that these firms receive lower takeover offers and realize lower abnormal returns around the announcement of the transaction. Additionally, the takeover bids received by these firms are more likely to result in a successful takeover. These results are consistent with the interpretation that firms that declassified their boards have lost some bargaining power.

Porfolio Management 2 (Sponsorded by AMUNDI) 16:30
Chairman: Jocelyn Martel (ESSEC Business School) Edison

▪ FUEL IS PUMPING PREMIUMS: A CONSUMPTION-BASED EXPLANATION OF THE VALUE ANOMALY

Schlag Christian (Goethe University Frankfurt and Research Center SAFE); Dittmar Robert (Ross School of Business, University of Michigan); Thimme Julian (Goethe University Frankfurt)
Presenter: Schlag Christian (Goethe University Frankfurt and Research Center SAFE)
Discussant: Xu Danielle (Gonzaga University)

The standard approach in empirical consumption-based asset pricing to use nondurables and services as a proxy for consumption appears inappropriate. We estimate substitution elasticities between different consumption bundles and show that households cannot substitute energy consumption by consumption of other nondurable goods or services. As a consequence, energy consumption shows up as a separate factor in the pricing kernel. Cross-sectional variation in energy consumption betas explains a large part of the value premium. Value stocks are typically more energy-intensive than growth stocks and thus riskier, since they suffer more from the oil supply shocks that also affect households.

▪ RATIONALLY NEGLECTED STOCKS

Gorbenko Arseny (University of New South Wales); Chuprinin Oleg (University of New South Wales)
Presenter: Gorbenko Arseny (University of New South Wales)
Discussant: Andrei Daniel (McGill University)

There are large cross-sectional differences in the probability and magnitudes of mispricing among stocks. The traditional explanation for mispricing is limits to arbitrage. We show that, regardless of arbitrage costs, mispricing persists when professional investors lack incentives to expend investigative resources to detect mispricing. In the cross-section, these incentives are driven by the expected dollar gains from arbitrage opportunities. Arbitrageurs rationally neglect to investigate stocks if the expected arbitrage revenue is small. For such stocks, information discovery by investors is slow and the mispricing is corrected mostly through mandatory financial disclosures by firms. Using measures of institutional attention and trading discreteness we confirm this mechanism empirically. The revenue potential channel explains persistent mispricing better than any classic arbitrage frictions.

- THE LOW-MINUS-HIGH PORTFOLIO AND THE FACTOR ZOO

Fournier Mathieu (HEC Montreal); Andrei Daniel (McGill University); Cujean Julien (University of Berne)
Presenter: Andrei Daniel (McGill University)
Discussant: Schlag Christian (Goethe University Frankfurt and Research Center SAFE)

Anomalies in the cross section of returns should not be regarded as evidence against the CAPM. Regardless whether the CAPM is rejected for valid reasons or by mistake, a single long-short portfolio will always explain, together with the market, 100% of the cross-sectional variation in returns. Yet, this portfolio need not proxy for fundamental risk. We show theoretically how factors based on valuation ratios (e.g, book-to-market), or on investment rates, can be proxies for this portfolio. More generally, the empiricist can uncover an infinity of proxies for this portfolio, thus unleashing the factor zoo.

Asset Pricing 4 — 16:30
Chairman: Guillaume Roussellet (McGill University) — Halles 2

- SWITCHING PERSPECTIVE: CORPORATE DISTRESS, ASSET AND FINANCIAL RISK, AND THE CROSS-SECTION OF BOND RETURNS

Aretz Kevin (Alliance Manchester Business School); Yang Shuwen (Alliance Manchester Business School)
Presenter: Aretz Kevin (Alliance Manchester Business School)
Discussant: Filippou Ilias (Washington University in St Louis)

We offer evidence suggesting a significantly negative relation between firm-level distress risk and the cross-section of corporate bond returns, analogous to the often negative relation between distress risk and stock returns found in prior studies ("distress anomaly"). Our evidence casts doubts on theories arguing that the distress anomaly arises due to shareholders shifting financial risk onto debtholders in distress. In accordance, proxy variables suggested by such theories do not condition the distress risk-bond return relation. More promising, however, are theories suggesting that the anomaly arises due to distressed firms having a low levered asset risk due to them owning valuable disinvestment options, with some of the proxy variables suggested by these theories conditioning the former relation.

- OVERCOMING ARBITRAGE LIMITS: OPTION TRADING AND MOMENTUM RETURNS

Ilias Filippou (Washington University in St. Louis); Abhay Abhyankar (University of Exeter); Pedro A. Garcia-Ares (University of Exeter); Ozkan Haykir (University of Exeter)
Presenter: Ilias Filippou (Washington University in St. Louis)
Discussant: Fleckenstein Matthias (University of Delaware)

In this paper we find that the decline in the momentum profitability is partly driven by option trading. Momentum profits arise from the short leg and therefore on barriers to short selling. We find strong evidence that the presence of stock options creates alternate avenues for short selling, augmenting the stock lending market, thus contributing to improved pricing efficiency. However, when option trading becomes expensive, there are more barriers to short selling and the short position offers lower returns. Our results are robust to exogenous changes in short selling due to Regulation SHO and are supported by other short-leg depended anomalies.

- THE U.S. TREASURY FLOATING RATE NOTE PUZZLE: IS THERE A PREMIUM FOR MARK-TO-MARKET STABILITY?

Fleckenstein Matthias (University of Delaware); Longstaff Francis A. (UCLA)
Presenter: Fleckenstein Matthias (University of Delaware)
Discussant: Aretz Kevin (Alliance Manchester Business School)

We find that Treasury floating rate notes (FRNs) trade at a significant premium relative to the prices of Treasury bills and notes. This premium differs from previously-documented liquidity premia in Treasury security prices, is directly related to the near-constant nature of FRN prices, and is correlated with measures reflecting investor demand for safe assets. Motivated by evidence that money market funds are often the primary investors in FRNs, we use an important discontinuity in the recent regulatory reform of money market funds to identify exogenous shocks in the demand for investments with stable net asset values (NAVs). The FRN premium is related to flows into money market funds with fixed NAVs, but not to flows into similar funds with variable NAVs. These results provide strong evidence that the FRN premium represents a convenience yield for the mark-to-market stability feature of FRNs.

18:00 Cocktail & Best Paper Awards – “La Rotonde”, Novotel

List of Participants

Name	First name	Affiliation	Email
ALEXANDRE	Hervé	University of Paris-Dauphine	herve.alexandre@dauphine.psl.eu
AMIN	Shehryar	ESSEC Business School	shehryar.amin@essec.edu
AMINI	Hamed	Georgia State University	hamini@gsu.edu
ANDREI	Daniel	McGill University	daniel.andrei@mcgill.ca
ARCOT	Sridhar	ESSEC Business School	arcot@essec.edu
ARETZ	Kevin	Alliance Manchester Business School	kevin.aretz@manchester.ac.uk
ARISOY	Yakup Eser	NEOMA Business School	eser.arisoy@neoma-bs.fr
BECHTEL	Alexander	University of St. Gallen	alexander.bechtel@unisg.ch
BERTRAND	Philippe	University of Aix-Marseille	philippe.bertrand@iae-aix.com
BISETTI	Emilio	HKUST	bisetti@ust.hk
BOSSAERTS	Peter	The University of Melbourne	peter.bossaerts@unimelb.edu.au
BOWEN	Donald	Lehigh University	deb219@lehigh.edu
BRAUNEIS	Alexander	University of Klagenfurt	alexander.brauneis@aau.at
BRIERE	Marie	Amundi - University of Paris Dauphine	marie.briere@amundi.com
BUCHWALTER	Bastien	ESSEC Business School	bastien.buchwalter@essec.edu
CAHN	Christophe	Banque de France	christophe.cahn@gmail.com
CARRÉ	Sylvain	National Research University Higher School of Economics	scarre@hse.ru
COOPER	Ian	London Business School	icooper@london.edu
CORVINO	Raffaele	University of Torino	rcorvino@unito.it
CROCI	Ettore	Universita' Cattolica del Sacro Cuore	ettore.croci@unicatt.it
CROSBY	John	University of Maryland	jcrosby@rhsmith.umd.edu
DAROLLES	Serge	Université Paris Dauphine-PSL	serge.darolles@dauphine.psl.eu
DE CESARI	Amedeo	Alliance Manchester Business School	decesariam@libero.it
DIMOPOULOS	Theodosios	University of Lausanne	theodosios.dimopoulos@unil.ch
DORAU	Nils	Technical University of Munich (TUM)	nils.dorau@tum.de
EFING	Matthias	HEC Paris	matthias.efing@gmail.com
ELLIOTT	David	Bank of England	d.elliott16@imperial.ac.uk
ERKE	Burkhard	Westfälische Hochschule	burkhard.erke@t-online.de
FALLAHGOUL	Hasan	Monash University	hfallahgoul@gmail.com
FARAGO	Adam	University of Gothenburg	adam.farago@cff.gu.se
FILIPPOU	Ilias	Washington University in St. Louis	iliasfilippou@wustl.edu
FLECKENSTEIN	Matthias	University of Delaware, Alfred Lerner College of Business and Economics	mflecken@udel.edu
FONTAINE	Patrice	EUROFIDAI, CNRS	patrice.fontaine@eurofidai.org
FULOP	Andras	ESSEC Business School	fulop@essec.edu
GABRIEL	Franck	EPFL	franckr.gabriel@gmail.com
GAJEWSKI	Jean-François	Université de Lyon - Jean Moulin - iaelyon magellan	jean-francois.gajewski@univ-lyon3.fr
GAN	Ying	Erasmus University Rotterdam	gan@ese.eur.nl
GIANINAZZI	Virginia	Swiss Finance Institute and USI Lugano	virginia.gianinazzi@usi.ch
GILL	Andrej	Gutenberg University Mainz	gill@uni-mainz.de
GINGLINGER	Edith	Université Paris-Dauphine	edith.ginglinger@dauphine.psl.eu
GLEBKIN	Sergei	INSEAD	sergei.glebkin@insead.edu
GORBENKO	Arseny	University of New South Wales	a.gorbenko@unsw.edu.au
GOURIER	Elise	ESSEC Business School	elise.gourier@essec.edu
GRUBER	Peter	Università della Svizzera italiana	bookings.eco@usi.ch
GUECIOUEUR	Ahmed	INSEAD	ahmed.guecioueur@insead.edu
HELLER	David	Max Planck Institute for Innovation and Competition	david.heller@ip.mpg.de
IMAD'EDDINE	Gael	Universite de Lille	gael.imad-eddine@univ-lille.fr
IUNG	Hélène	ESSEC Business School	helene.iung@essec.edu
JEONG	In-Gi	The Graduate School of Science in Taxation, University of Seoul	ingee435@uos.ac.kr
JIMENEZ-GARCES	Sonia	University of Grenoble INP	sonia.jimenez-garces@univ-grenoble-alpes.fr
KANG	Namho	Bentley University	nkang@bentley.edu
KAPRAUN	Julia	Goethe University Frankfurt	julia.kapraun@hof.uni-frankfurt.de
KLAUSMANN	Johannes	ESSEC Business School	johannes.klausmann@essec.edu
LANGLOIS	Hugues	HEC Paris	langlois@hec.fr
LEE	Jongsub	Seoul National University	jongsub.lee@snu.ac.kr
LEJEUNE	Thomas	National Bank of Belgium	thomas.lejeune@nbb.be
LI	Yong	King's Business School	yong.li@kcl.ac.uk
LIANG	Ying	Monash University	ying.liang@monash.edu
LIOUI	Abraham	EDHEC	abraham.lioui@edhec-risk.com
LIU	Clark	PBC School of Finance, Tsinghua University	liuyue@pbcsf.tsinghua.edu.cn
LORENZ	Friedrich	University of Muenster - Finance Center Muenster	friedrich.lorenz@wiwi.uni-muenster.de
LUO	Ding	City University of Hong Kong	dingluo@cityu.edu.hk

Name	First name	Affiliation	Email
LUO	Mancy	Erasmus University Rotterdam	mancy.luo@rsm.nl
LYONNET	Victor	Ohio State University	lyonnet.1@osu.edu
MALEVERGNE	Yannick	University Paris 1 - Sorbonne	Yannick.Malevergne@univ-paris1.fr
MARTEL	Jocelyn	ESSEC Business School	martel@essec.edu
MATRAY	Adrien	Princeton university	amatray@princeton.edu
MÉTAIS	Carole	Institut Europlace de Finance	carole.metais@eurofidai.org
MEUNIER	Luc	ESSCA Aix-en-Provence	luc.meunier@essca.fr
MIHOV	Atanas	Federal Reserve Bank of Richmond	atanas.mihov@rich.frb.org
MOENCH	Emanuel	Deutsche Bundesbank, Goethe University Frankfurt	emanuel.moench@bundesbank.de
MSELMI	Nada	RITM, University of Paris Sud	nada.mselmi@u-psud.fr
NEUHIERL	Andreas	University of Notre Dame	aneuhierl@gmail.com
NGUYEN	My	RMIT University	my.nguyen@rmit.edu.au
NYBERG	Henri	University of Turku	henri.nyberg@utu.fi
OH	Ji Yeol Jimmy	Hanyang University	jyjoh@hanyang.ac.kr
PAPOUTSI	Melina	ECB	melina.papoutsi@ecb.europa.eu
PEKELIS	Alexandr	Ansa Capital Management GmbH	alexandr.pekelis@ansa.de
PÉRIGNON	Christophe	HEC Paris	perignon@hec.fr
PETEY	Joel	University of Strasbourg	joel.petey@unistra.fr
PLAZZI	Alberto	Universita' della Svizzera Italiana and SFI	alberto.plazzi@usi.ch
RAINA	Sahil	University of Alberta, Alberta School of Business	sraina@ualberta.ca
RENNE	Jean-Paul	University of Lausanne	jean-paul.renne@unil.ch
RIVA	Camillo	ESSEC Business School	camillo.riva@essec.edu
ROUSSELLET	Guillaume	McGill University	guillaume.roussellet@mcgill.ca
SANZ	Leandro	The Ohio State University	sanz.8@osu.edu
SCHARNOWSKI	Stefan	University of Mannheim	scharnowski@uni-mannheim.de
SCHILLER	Christoph	Arizona State University - W.P. Carey School of Business	christoph.schiller@asu.edu
SCHLAG	Christian	Goethe University Frankfurt and Research Center SAFE	schlag@finance.uni-frankfurt.de
SCHMIDT	Christian	University of Mannheim	cschmidt@uni-mannheim.de
SHEN	Jialu	University of Missouri	jshen@missouri.edu
STACESCU	Bogdan	BI Norwegian Business School	bogdan.stacescu@bi.no
SUN	Yulong	Bocconi University	yulong.sun@phd.unibocconi.it
TAILLET	Nicolas	ESCP	nicolas.taillet@edu.escpeurope.eu
TANCHEVA	Zhaneta	Tilburg University	zhaneta.tancheva@gmail.com
TÉDONGAP	Roméo	ESSEC Business School	tedongap@essec.edu
THAI	Trang	SUNY Brockport	tthai@brockport.edu
THEISSEN	Erik	University of Mannheim	theissen@uni-mannheim.de
THOMAS	Vanessa	ESSEC Business School	thomas@essec.edu
THORSTEN	Martin	Bocconi University	thorsten.martin@unibocconi.it
TRAN	Vu Le	Nord University	vu.l.tran@nord.no
TROEGE	Michael	ESCP Europe	troege@escpeurope.eu
TROJANI	Fabio	University of Geneva and Swiss Finance Institute	fabio.trojani@alphacruncher.com
URECHE-RANGAU	Loredana	CRIISEA, Université de Picardie Jules Verne	loredana.ureche@u-picardie.fr
WALLER	Gregory	Virginia Commonwealth University	hgwaller@vcu.edu
WANG	Dieter	Vrije Universiteit Amsterdam	d.wang@vu.nl
WANG	Sumingyue	Shanghai University of Finance and Economics	wang.sumingyue@mail.shufe.edu.cn
WILLIAMS	Barry	Monash University	barry.williams@monash.edu
WILLIAMS	Ryan	University of Arizona	rwilliams@email.arizona.edu
XIA	Shuo	Halle Institute for Economics Research, Leipzig University	Shuo.Xia@iwh-halle.de
XU	Danielle	Gonzaga University Faculty	xu@gonzaga.edu
XUE	Jinming	University of Maryland	jinming.xue@rhsmith.umd.edu
YANNELIS	Constantine	University of Chicago	constantine.yannelis@chicagobooth.edu
YEGEN	Eyub	University of Toronto, Rotman School of Management	eyegen@g.harvard.edu
YOUNG	Michael	University of Virginia - Darden	youngm@darden.virginia.edu
YUFEROVA	Darya	Norwegian School of Economics	darya.yuferova@nhh.no
ZERBIB	Olivier	Tilburg University (CentER) and ISFA	odzerbib@gmail.com
ZHAO	Hong	NEOMA Business School	zhao89hong@gmail.com
ZHAO	Lei	ESCP Europe	lzhao@escpeurope.eu
ZHOU	Xiaozhou	ESG, University of Quebec at Montreal (UQAM)	zhou.xiaozhou@uqam.ca
ZOICAN	Marius	University of Toronto	marius.zoican@rotman.utoronto.ca

Notes

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