"US Cross-Listing, High-Frequency Trading, and Market Quality"
Olga Dodd - Auckland University of Technology, New Zealand
Bart Frijns - Auckland University of Technology, New Zealand
Ivan Indriawan - Auckland University of Technology, New Zealand
Roberto Pascual - University of the Balearic Islands, Spain

Discussant: Yusuke Imani - Hitotsubashi University, Japan

We empirically examine the impact of US cross-listings on high frequency trading (HFT) of non-US stocks in their home market. The decision of non-US firms to cross-list in the US may boost HFT by creating a more favourable trading environment and increasing profits at stake for high frequency (HF) traders. We provide robust empirical support to this hypothesis using a sample of Canadian stocks cross-listed on the New York stock exchange. Using intraday trading data to estimate various proxies for HFT of cross-listed stocks and matched non-cross-listed stocks in Canadian market, we document that cross-listed stocks attract more HFT than the matched stocks and document an increase in HFT in the home market after the cross-listing event. We propose and test two potential channels for the documented increase in HFT after cross-listing. First, cross-listing opens an avenue for cross-market arbitrage that HF traders can exploit. Indeed, we document a contemporaneous increase in HFT in the US (Canadian) market caused by HFT in the US (Canadian) market. Second, US cross-listing increases the sensitivity of stock prices to the US news, creating profitable opportunities for HF traders to exploit through their relative speed advantage. Empirically, we document an increase in HFT of cross-listed stocks relative to non-cross-listed stocks in their home market around the US public news announcements.

"The Propagation of Corporate Failure and Banking Ties"
Yusuke Imani - Hitotsubashi University, Japan
Takuya Hiraiwa - Hitotsubashi University, Japan

Discussant: Sophyafadeth Lim - Lincoln University, New Zealand

Using supplier-customer relationship data on private firms, this study examines the corporate failure propagates through supply chain networks and banking ties. The study finds that the probability of a supplier’s subsequent bankruptcy after its customer went bankruptcy increases if they share a same main bank. This effect is pronounced when a supplier depends heavily on bank borrowing and a customer goes bankruptcy during financial crisis periods. This effect is economically significant compared to demand loss channel and trade credit loss channel, documented in prior studies. This paper appears to be the first to document empirically the channel of subsequent bankruptcy related to the banking ties.

"Asymmetric Effects of External Financing on Earnings Management between Developed and Developing Countries"
Sazali Abidin - Lincoln University, New Zealand
Sophyafadeth Lim - Lincoln University, New Zealand
This paper investigates the effect of corporate external financing behaviour on earnings management. By using a sample of 4,595 firms located in 12 countries, we find that the external-to-internal capital ratios significantly differ across developed countries and developing countries. Developing countries tend to have higher external-to-internal capital ratios, indicating strong reliance on external financing. We also find that earnings management is positively associated with the firm’s external-to-internal capital ratio. The positive relation holds especially true for equity-to-retained earnings ratio. These results are robust to estimation method and the definition of external-to-internal capital ratio. We argue that reliance on external financing (especially equity financing), which is subject to problems arising from information asymmetry, creates motive for earnings management. Anti-self-dealing index, Big 4 auditing, and foreign ownership are negatively associated with earnings management.

"Do Bank M&As Create Value in the Post-Crisis Period? Evidence from the US Banking Sector"
Nikolaos Kiosses - University of Macedonia, Greece
Athanasios Noulas - University of Macedonia, Greece
Ioannis Tampakoudis - University of Macedonia, Greece

Discussant: Olga Dodd - Auckland University of Technology, New Zealand

We examine the shareholders’ value using a sample of US bank Mergers and Acquisitions during the period 2012-2018. The Cumulative Abnormal Returns are estimated using alternative asset pricing models and multiple event-study windows around the announcement and the completion dates. We find that (a) different asset pricing models reach the same conclusions; (b) bank M&As are value-enhancing for acquired firms, specifically in short windows around the events; (c) acquirers of listed targets have significantly lower gains. The above results have important implications for banks, investors and policy makers and provide evidence for the determinants of bidders’ gains in the post crisis framework.

"Additionality, Crowding Out, or Cherry Picking with Government Innovation Subsidies? Evidence from Chinese hi-tech SMEs"
Dong Xiang - Qilu University of Technology, China
Andrew C. Worthington - Griffith University, Australia

Discussant: Ines Chaieb - University of Geneva, Switzerland

Using a sample of hi-tech Chinese small and medium-size enterprises (SMEs), we examine the effectiveness of government subsidies in promoting firm innovation. We particularly focus on the effects of subsidies from additionality (where projects are subsidized that would not have proceeded otherwise), crowding-out (where subsidies substitute for private funds that would have otherwise been committed to the project), and cherry picking (where subsidies are allocated to projects likely to succeed irrespective of financial support). We find strong evidence of both additionality and cherry picking effects in the analysis, with direct support such as grants and loans invoking greater cherry picking than additionality effects on firm innovation. Consequently, governments wishing to objectively and effectively foster innovation should employ indirect support in the form of tax credits over direct support such as grants and loans.

"Factors and Risk Premia in Individual International Stock Returns"
Ines Chaieb - University of Geneva, Switzerland
Hugues Langlois - HEC Paris, France
Olivier Scaillet - University of Geneva, Switzerland

Discussant: Sravani Bharandev - Indian Institute of Technology Bombay, India

We propose an estimation methodology tailored for large unbalanced panels of individual stock returns to study the factor structure and risk premia in international stock markets. We show that the local market is necessary to capture the factor structure in both developed and emerging markets. Neither the presence of multiple world risk factors, regional risk factors, systematic currency risk factors, nor a country-specific currency subsume the importance of the local market factor. Then, we show that multi-factor models generate pricing errors of similar economic magnitude across markets but that these pricing errors dramatically spike during crises.

"Empirical study of Behavioral biases in the Indian Stock Market"
Sravani Bharandev - Indian Institute of Technology Bombay, India
Sapar Rao - Indian Institute of Technology Bombay, India

Discussant: Aravind Sampath - Indian Institute of Management Kozhikode, India

This paper analyses the market anomalies and investor behavior that are not resolved with traditional finance theories. An extensive literature review is made to understand the behavioral biases. Main focus of this paper is to empirically test the impact of heuristics, disposition effect and overconfidence in the Indian stock market using Nifty50 stocks. P/E ratio, trading volume and turnover are taken as proxies to test the impact of heuristics, disposition effect and overconfidence, respectively. This study shows that there is no effect of heuristic driven bias on returns when the principle of heuristic is P/E ratio. Study showed that there is no effect of previous returns on trading volumes, thus no effect of disposition. The analysis made to test overconfidence bias resulted that returns are not different for stocks with different turnovers. However, while interpreting the results it can be noted that this study is limited to stocks of Nifty50 and for a period of 5/10 years and deviation from these results is expected when an extensive study is made.

"Are Offshore Futures Contracts Relevant? Evidence from SGX Nifty Futures"
Aravind Sampath - Indian Institute of Management Kozhikode, India
Kumar Sanka - Indian Institute of Management Kozhikode, India

Discussant: Dong Xiang - Qilu University of Technology, China

If offshore listed derivatives open hours before the underlying spot market is open, does it impact the information disclosure dynamics between the two assets? In this article, we set out to investigate this problem by using intra minute high frequency data of the Indian assets listed in India (spot) and Singapore (derivative). Using robust econometric estimations, we find presence of nonlinear causality between spot and derivative especially during opening one hour. We document information transmission from spot to the derivative than vice versa. Contrary to popular belief, we find that the offshore derivative opening before spot does not impact information transmission.

SESSION 3 Monday 8:00 - 9:55 UTC VROOM3

MARKET ISSUES
Session Chair: Yan Wang - Nottingham Business School, NTU, UK

"Monetary Policy, Risk Aversion and Uncertainty in an International Context"
Sakshi Saini - University Enclave, India
Sanjay Sehgal - University of Delhi, India
Florent Deisting - Groupe ESC Pau France, France
This paper analyses the interaction between monetary policy (both domestic and global), risk aversion and uncertainty for a set of advanced and emerging economies in a Structural VAR framework. Variance risk premium is used as a measure of risk aversion which is computed as the difference between the risk-neutral and the physical expectation of the return variance. Results reveal that variance risk premium is, on an average, positive for all economies and exhibits significant inter-temporal variation. We find that expansionary monetary policy leads to decrease in the risk aversion and increase in the uncertainty for most of the economies. The extent of uncertainty response to monetary policy is larger in comparison to the response of risk aversion. Further, central banks respond by reducing the policy rate in response to the uncertainty shock. Both risk aversion and uncertainty exhibit a higher magnitude of response to domestic as compared to the global monetary policy shocks. We also find negative or insignificant impact of risk aversion on risk premium in all economies, suggesting irrational choices of the investors.

"Revisiting Momentum Strategy: A New Paradigm for Investment Management"
Bhaskar Chhimwal - IIT Bombay, India
Varadraj Bapat - IIT Bombay, India
Piyush Pandey - IIT Bombay, India

"The Relationship Between Financial Integration, Inclusion, and Stability: An Empirical Study on MENA Countries"
Samar Abdelmageed - The British University in Egypt, Egypt

"The Effects of Liquidity Regulation on Banks’ and Non-banks’ Credit Supply: Evidence from U.S. Syndicated Loan Market"
In 2015 higher liquidity requirements have been started to be implemented in the U.S. in accordance with the liquidity coverage ratio (LCR) established by the Basel Committee on Banking Supervision. These requirements target the liquidity risk in the system, but also affect the credit cycle. I exploit U.S. Liquidity tightening shocks and loan-level syndicated loan data since the 2000s and estimate the effect of liquidity tightening on U.S. credit, distinguishing between banks and non-bank. I find that bank contract their lending by 17% in response to liquidity tightening, while non regulated non-banks in turn increase their lending by 18%. The substitution effect is driven by demand factors. In line with demand shifting from banks to non-banks, average spread for bank loans given liquidity tightening shock decreases by 6%, and the average spread for non-bank loans go up by 21%.

Although agency costs in the travel and leisure industry have been well documented, research on the impact of company-specific context upon agency issues is under-researched. This paper adopts a case study approach in order to fill a gap in the relevant literature by quantifying the impact of corporate governance indicators in general and CEO compensation in particular upon financial performance and the probability of default. For this purpose, we set out to investigate the extent to which the collapse of Thomas Cook in September 2019 is attributable to agency issues. We illustrate that CEO compensation at Thomas Cook was significantly above the average of other listed firms in the sector over 2007-2018. Using GMM methodology, we find a bidirectional relationship between CEO compensation and financial performance, which is consistent with the general agency theory argument. Furthermore, we assert that sound corporate governance characteristics, such as board independence and frequent board meetings contribute significantly to the enhancement of company performance. Finally, we discover a positive and highly significant influence of CEO compensation on the probability of default, while company leverage is also found to affect the probability of default in a strong, negative manner.

This study examines the level of environment, social and governance disclosure among UK extractive and retail Sectors and consequently ascertain whether corporate board characteristics and firm characteristics can explain observable differences in the extent of ESG disclosure. Based on the KPMG survey 2017, our sample comprises all the firms in the extractive industries, such as Mining, and Oil and Gas and also retail industries, such as Food and Drug Retailers and General Retailers for the sample period of 2005 to 2018. Our findings show that the level of CSR disclosure from extractive sector is...
much higher than the counterparts of retail sector. In addition, the multiple regression results show that CSR disclosure is positively and significantly associated with board gender diversity, board independence, board size. Nevertheless, the results show that board meeting and CEO duality do not have significant impact on CSR disclosure. Furthermore, the impact of corporate board characteristics and firm characteristics on ESG disclosure differs across retail and extractive sectors.

"CEO Inside Debt Holdings and Takeover Premium"
Di Xiao - University of Birmingham, UK
Ning Gao - University of Manchester, UK
Jing-Ming Kuo - University of Birmingham, UK

Discussant: Sushil Sainani - University of Liverpool, UK

This study examines the impact of CEO inside debt holdings on takeover premiums for the US markets. Our results show that there is a significant and negative relationship between CEO inside debt holdings and takeover premiums since CEO inside debt holdings can align the interests of CEOs with those of debtholders. In line with the argument that the default risk is higher for cash-dominated deals than stock-dominated deals, we further find that this negative relationship is confined to cash-dominated deals. More importantly, our results also indicate that the negative association between CEO inside debt holdings and takeover premiums only exists for bidders with credit ratings. This implies that the existence of credit ratings plays an effective monitoring role when bidders decide the premium to pay for their M&A deals. Furthermore, we find that CEOs with higher inside debt holdings are less likely to overpay for the credit-rated targets.

"Can CFOs Resist Undue Pressure from CEOs to Manage Earnings?"
Chris Florackis - University of Liverpool, UK
Sushil Sainani - University of Liverpool, UK

Discussant: Anna Triantafyllou - Deree College, Greece

Building upon the premise that, under certain conditions, the ability of the Chief Executive Officer (CEO) to pressure the Chief Finance Officer (CFO) is limited, we develop a measure of CFO resistance that captures the ability of the CFO to resist undue pressure from the CEO to manage earnings. In our analysis, we consider various sources of power for both the CEO and CFO, and a market setting, United Kingdom, where CFO resistance is perceived to be high. We find that firms with resistant CFOs are less likely to engage in earnings management than firms with non-resistant CFOs, ceteris paribus. Additionally, while confirming prior evidence that CEOs with high-powered incentives are more likely to manage earnings, we show that this effect is significantly less pronounced in the presence of resistant CFOs. Overall, our findings suggest that firm can improve the quality of financial reporting by creating conditions that enable CFO resistance.

SESSION 5 Monday 10:00 - 11:55 UTC VROOM2
CAPITAL STRUCTURE
Session Chair: Santiago Forte - Univ. Ramon Llull - ESADE, Spain

"Bank Debt in Private Family Firms"
Nieves Diaz-Diaz - Universidad de Las Palmas de Gran Canaria, Spain
Pedro Garcia-Teruel - University of Murcia, Spain
Pedro Martinez-Solano - University of Murcia, Spain

Discussant: Francesco Fasano - University of Calabria, Italy

This paper studies the effect of family control on private firms’ access to bank debt. The hypotheses
focus on the assumption that family firms present lower agency conflict and information asymmetries in the borrower–lender relationship. The results of this research are based on a unique, hand-collected dataset made up of more than 4,000 private Spanish firms for the period 2004-2013. We find statistical and economic evidence that firms controlled by a family shareholder have better access to bank debt. Moreover, we show that family firms in the first generation use more bank debt than those in the second and subsequent generations. Finally, in line with previous studies, we find that private firms use more bank debt when they have fewer growth opportunities, higher collateral and are more leveraged.

"Capital Structure and Corporate Performance in the Energy Sector: Financial Consequences of Environmental Policies"
Francesco Fasano - University of Calabria, Italy
Maurizio La Rocca - University of Calabria, Italy

Discussant: Ana Mol-Gómez-Vázquez - Universidad de Alicante, Spain

Considering the attention from the scientific community, the public, mass media and politicians to energy issues, this paper studies the influence of debt on the value of 12,615 European small and medium sized enterprises (SMEs) operating in the energy industry. Moreover, it investigates for the first time how environmental sustainability policies at country-level moderate the magnitude of the effect of debt on the value of European energy SMEs. In particular, we firstly studied the role of debt on the value of energy SMEs, finding that the use of debt negatively influences energy SMEs’ performance. These results indicate that in the energy sector the costs of raising debt overcome the relative benefits. Secondly, we interestingly observed how such influence surprisingly shifts from negative to positive when a strong environmental commitment exists at the country level. Thus, the national degree of attention to environmental issues is relevant per se, affecting the value of debt. Our findings suggest that countries investing in better environment quality policies, although constraining SMEs to make their production systems adequate, promote SMEs’ financial efficiency through the valuable use of debt.

"Does Banking Stability Influence Borrower Discouragement? Cross-Country Evidence for European SMEs"
Ana Mol-Gomez-Vazquez - Universidad de Alicante, Spain
Ginés Hernández-Cánovas - Universidad Politécnica de Cartagena, Spain

Discussant: Maria Dimitriou - University of Macedonia, Greece

The ongoing integration process in the European banking system aims at promoting a safer financial landscape. However, achieving a more stable banking system also comes at the cost of tougher regulations which might constrain the demand of lending to small and medium-sized firms (SMEs). The aim of this paper is to analyze whether a more stable European banking system reduces SMEs financial constraints by ameliorating the problem of borrower discouragement. Using the Survey on the Access to Finance of Enterprises, we analyze 16,382 firms for the EU-28 applying two-level models. Our results show that borrower discouragement is a less frequent phenomenon in countries with a more stable banking system. Our results also show that the likelihood of being discouraged decreases with the level of development and inflation of the economy, while it increases with the concentration of the banking system.

"What is the importance of financial reporting from Local GAAP to IFRS for companies, and how can the accounting treatment influence this factor within firms' valuation concept? Focus on the food & beverages industry: alcohol-free beverage sector in Greece and worldwide"
Maria Dimitriou - University of Macedonia, Greece

Discussant: Pedro Martínez-Solano - University of Murcia, Spain

The paper focuses on the accounting treatment under local GAAP and IAS/IFRS and the concepts of companies that are “implementing IFRS” or those “intending to implement IAS/IFRS” with a focus on
companies in the food & beverages industry: alcohol-free beverage sector in Greece and worldwide.

Financial statements under IFRS are designed to meet the common needs of a wide range of users. Thus, the need to adopt common rules in the preparation and presentation of financial statements becomes imperative, as the advantages are many in comparison with the local GAAP primarily for listed companies and as an alternative for non-listed companies only if they plan to go list. It highlights future developments and challenges (IFRS for SMEs, New Greek Accounting Standards) that could impact on accounting in the industry, mainly SMEs, in the years to come and it puts things in perspective. The results may help to improve the understanding of IFRS adoption success and quality, focusing on listed companies in the Athens Stock Exchange. The findings also suggest that assessing the firm’s financial performance through its financial statements under IFRS is a crucial stage in the financial information used to generate valuations and stock recommendations.

SESSION 6                            Monday 10:00 - 11:55 UTC                            VROOM3

IPOS
Session Chair: Ines Chaieb - University of Geneva, Switzerland

"Under-Pricing of South and East Asian IPOs: An Investigation of the Relevance of Governance Quality in Closely Controlled Companies"
Lakshman Alles - Sri Lanka Institute of Information Technology, Sri Lanka
Louis Murray - University College Dublin, Ireland

Discussant: Andrea Carosi - University of Sassari, Italy

In this paper, we investigate the impact of national governance quality on the under-pricing of new equity issues in South and East Asian equity markets. A significant feature of these markets is the dominant control position of individual shareholders or family groups in many listed companies. We explore the issue of concentrated control when assessing returns to IPO investors. Our results indicate that governance quality indicators are positively related to the level of under-pricing of new issues, consistent with the ‘governance quality hypothesis’ of Boulton, Smart and Zutter (2010). This relationship is restricted to companies not associated with concentrated control. We find that control concentration, as proxied by company size, is a better indicator of post-IPO shareholder distribution, than is concentration of share ownership. These results provide evidence in support of the ‘reduced monitoring hypothesis’ of Brennan and Franks (1997), in the developing markets of South and East Asia.

"Local IPO Waves, Local Shocks, and the Going Public Decision"
Giulia Baschieri - University of Bologna, Italy
Andrea Carosi - University of Sassari, Italy
Stefano Mengoli - University of Bologna, Italy

Discussant: Milos Vulanovic - EDHEC Business School, France

We classify IPOs not only as ‘on’ or ‘off’ an industry IPO wave, but also as ‘on’ or ‘off’ a regional IPO wave: the subsample of IPOs on-the-wave by industry only partially overlaps the subsample of IPOs on-the-wave by region. Consistently with extant research on industry IPO waves, early-in-the-wave IPOs, either by industry or region, are more underpriced than late-in-the-wave IPOs. We also find that the listing decision is highly sensitive not only to high valuations of firms in the same industry, but also to high valuations of firms out of the same industry but in the same region. Finally, we show that industries and regions hosting an IPO wave will have better economic ratios post-wave, and that early- and late-in-the-wave IPOs equally underperform off-the-wave IPOs. Overall, our results support rational local IPO waves, mainly originated by positive local shocks.

"The Determinants of IPO Withdrawals: Evidence from SPACs"
Nebojsa Dimic - University of Vaasa, Finland
This study examines the determinants of IPO withdrawal using a unique sample of Specified Purpose Acquisition Companies (SPACs) in the period 2003-2019. Our results show that both prospectuses' characteristics and market characteristics determine choices of withdrawal. The likelihood of withdrawals is in direct relation with the level of volatility on the day of IPO/withdrawal and if the acquisition target is in the private equity domain. SPACs are less likely to withdraw their IPO if they have a clear focus of acquisition, have a larger number of underwriters in the syndicate, and if their legal counsel is specialized in the SPAC market. We also document that the speed of IPO for SPACs is directly related to the level of the market, size of IPO, and if the CEO was previously manager of other public companies. On the other side, IPO takes longer if two lead underwriters underwrite SPAC.

"Writing Cases to Teach Finance: Overview of Benefits and Academic Publication Opportunities; Case Example ‘Uber's IPO 2019: Assessing Value of a Disruptive Innovator’"
Olga Kandinskaia - CIIM, Cyprus
Francisco López Lubián - IE Business School, Spain

Discussant: Louis Murray - University College Dublin, Ireland

This paper presents a case study intended for the use in the classroom and for the publication in a peer-reviewed case research academic journal. We start with an overview of the academic case writing, its professional benefits, academic recognition and publication venues. The main part of the paper is a case example prepared as per the requirements of a typical peer-reviewed case journal. The example is a decision case about Uber. In 2019, Uber, the famous ride-sharing company, made waves in financial markets as the most controversial IPO valuation. With a wide range of proposed values, Uber puzzled investors, once again living up to its fame of a rebel and a disruptor. When Uber finally went public in May 2019, its IPO valuation stood at $82.4 billion. The heated discussion in the media continued even after the IPO: “Is Uber worth this amount? Is there still an upside potential for the investors who bought shares at the IPO price? What if this is a hype and markets are simply embracing higher valuations?” Via this case, students are introduced to several alternative methods of valuation, including the valuation based on the ‘real options’ theory. The novelty of the case is the link between valuation and the type of innovation that the company represents. The suggested valuation framework is applicable not only in the context of an IPO valuation, but also in the context of any kind of M&A activity.

"The Influence of Board Independence on Dividend Policy for Controlling Agency Problems in Family Firms"
Erhan Kilincarslan - University of Huddersfield, UK

Discussant: Adam Zaremba - Poznań University of Economic, Poland

This study uses an agency theory framework to investigate the impact of board independence on cash dividend payments of family firms listed on the Borsa Istanbul (BIST) in the post-2012 period. The study focuses on this period because Turkish authorities implemented mandatory regulations, starting in fiscal year 2012, for the BIST firms regarding the employment of independent directors on the board. Analyzing a panel dataset of 153 BIST-listed family firms over the period 2012-2017, the results show a significantly positive effect of board independence on corporate dividend decisions of family firms. This evidence, therefore, suggests that independent directorship and dividend policy are complementary
governance mechanisms to reduce agency conflicts of interest between family owners and minority shareholders in the emerging Turkish market.

"Momentum Spillover from Government Bonds to Equity Markets"
Adam Zaremba - Poznań University of Economic, Poland
Robert Bianchi - Griffith University, Australia
Huaigang Long - Zhejiang University, China

Discussant: Andreas Andrikopoulos - University of the Aegean, Greece

We investigate the momentum spillover effect from government bonds to their respective equity markets. Using a unique long-run dataset of 61 countries for the years 1900–2019, we demonstrate that past bond yield changes positively predict future stock index returns in the cross-section. The quintile of countries with the largest decline (or smallest increase) in government bond yields outperforms the quintile of countries with the smallest decline (or largest increase) by 0.63% per month. The effect is robust to many considerations. Our findings support the hypothesis that investors underreact to changes in government bond yields. Finally, we show that global investors can employ this bond momentum spillover effect to enhance international asset allocation decisions.

"Female Board Members and Corporate Performance: The Case of Bank Mergers and Acquisitions"
Ioannis Tampakoudis - University of Macedonia, Greece
Andreas Andrikopoulos - University of the Aegean, Greece
Michail Nerantzidis - University of Thessaly, Greece
Nikolaos Kiosses - University of Macedonia, Greece

Discussant: Ana Mol-Gómez-Vázquez - Universidad de Alicante, Spain

Gender diversity in the boardroom bears an impact on corporate performance. We investigate the effect of female board members on stock returns as response to announcements of bank mergers and acquisitions (M&As). Exploring M&As that were announced by US banks between 2003 and 2018, we discover that gender diversity is associated with smaller stock returns after the global financial crisis. These findings are robust to diverse model specifications. Our results imply that board gender diversity may have limited advantages and should be cautiously regulated by policy makers and advocated by corporate leaders.

"Lease Financing and Economic Development. New International Evidence Across 25 European Countries"
Ana Mol-Gomez-Vazquez - Universidad de Alicante, Spain
Ginès Hernández-Cánovas - Universidad Politécnica de Cartagena, Spain
Johanna Koëter-Kant - Vrije University Amsterdam, Netherlands

Discussant: Renfang Zhang - University of Edinburgh, UK

Understanding the role of lease financing in facilitating debt to SMEs becomes increasingly important in less developed European countries, where severe informational asymmetries arising from weak institutions hamper SME access to bank loans. This paper provides new evidence into the association between lease financing and a country's development, using a sample of SMEs from 25 European countries. Our results show large cross-country variations in the use of leasing due to differences in the level of economic development in a country. After controlling for firm and country-specific characteristics, our results show that firms operating in less developed countries are more likely to use leasing to finance its activities. We also find that firm characteristics play a decisive role in explaining differences in the use of leasing between developed and developing countries.
"Is Sustainable Investing Driven by Altruism: Evidence from Substitutability with Philanthropy"
Maria Boutchkova - University of Edinburgh, UK
Angelica Gonzalez - University of Edinburgh, UK
Renfang Zhang - University of Edinburgh, UK

Discussant: Erhan Kilincarslan - University of Huddersfield, UK

We test the conjecture that sustainable investing (SI) is driven by altruistic motives by examining the responses of charitable giving and SI flows to exogenous shocks to altruism. We find that while philanthropy responds strongly and significantly, SI flows do not. In addition, two further types of shocks to the reputation and tax shield benefits of philanthropy do not result in an increase in SI either. Our results contribute to understanding the channels behind SI and suggest that altruism is not as an important determinant as previously suggested.

SESSION 8                      Monday 12:00 - 14:25 UTC.                           VROOM2

ACCOUNTING & FINANCE
Session Chair: Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece

"Re-examining the relationship between creditor rights and corporate leverage through a cultural lens"
Harshal Mulay - IIM Calcutta, India
Arpita Ghosh - IIM Calcutta,
Rama Seth - Copenhagen Business School,

Discussant: Celia Alvaredez-Botas - University of Oviedo, Spain

Impact of creditor rights strengthening reforms on corporate credit demand is governed by two opposing effects. The income effect states that, creditor rights strengthening increases the debt capacity of the borrowers, which may lead to higher credit demand. On the other hand, the substitution effect states that, creditor rights strengthening leads to higher threat of bankruptcy and thus may lead to lower credit demand. Single country studies from different countries have documented contradicting results on the impact of creditor rights on firm leverage. In this multi-country study, we postulate that, national culture determines firms’ preference for debt, which in turn determines whether the income effect or the substitution effect will dominate in a given country, Thus we examine how culture moderates the impact of creditor rights strengthening reforms on firm leverage. We find that individualism and indulgence have a positive moderating effect while power distance, masculinity and long term orientation have a negative moderating effect on impact of creditor rights strengthening on corporate leverage. We utilize a large sample of 24,000 firms from 31 countries for a period of 20 years and implement generalized DIDID (triple difference) method to exploit exogenous quasi natural experiments of creditor rights reforms. Our results are robust to the inclusion of firm and year fixed effects, firm s and country specific control variables

"Does Trust Matter for the Cost of Bank Loans?"
Celia Alvarez-Botas - University of Oviedo, Spain
Victor González Méndez - University of Oviedo, Spain

Discussant: Dimitra Kolia - University of Macedonia, Greece

This paper analyses the effect of trust on bank loan spreads for a sample of 16,324 loans from 36 countries over the period 2003-2013, considering not just the role of trust, but also how its effect is moderated by the country’s legal protection of property rights and economic development. The results show that greater trust tends to reduce bank loan spreads when the degree of protection of property rights is weak, in line with trust and legal protection being alternative mechanisms for reducing the cost of debt. As regards the degree of economic development, the results show that both trust and legal protection have
a greater influence on the interest rate spread of bank loans in countries with a lower degree of economic development.

"The Development of the Levels of Bank Capital, Risk and Efficiency in the Eurozone and the U.S. After the Global Financial Crisis"

Dimitra Kolia - University of Macedonia, Greece
Simeon Papadopoulos - University of Macedonia, Greece

Discussant: Annalisa Ferrando - European Central Bank, Germany

Purpose: This study investigates the development of the levels of capital, risk and efficiency of the Eurozone and the U.S. banking institutions after the financial crisis. Methodology: We estimate bank efficiency by applying the input-oriented C.C.R. model of Data Envelopment Analysis developed by Charnes, A., et al. (1978). We estimate bank capital by employing the ratio of the value of total equity to total assets and the Z-score is used as an indicator of bank risk. Findings: Initially, we estimated bank efficiency, and the findings convey that the efficiency level of the Eurozone banks is considerably lower than that of the U.S. banks. Moreover, the efficiency levels on average increase during the reported period while they reach their peak in the year 2014. Secondly, concerning capitalization, our findings indicate that the capital ratios of the banks of the same sector and different country unions have striking differences with each other. As for the risk ratio, U.S. banks record higher levels of risk than Eurozone banks. Originality: This study builds on the existing literature by thoroughly examining bank capital, risk and efficiency with a contemporaneous data set, as the research with data from the period 2013 and onwards is very limited. Additionally, our study is the first to focus on the comparison of U.S. and Eurozone bank samples.

"Do Innovation and Financial Constraints Explain the Profit Efficiency of European Enterprises?"

Graziella Bonanno - University of Campania “Luigi Vanvitelli”, Italy
Annalisa Ferrando - European Central Bank, Germany
Stefania P. S. Rossi - University of Trieste, Italy

Discussant: Panayiotis Tahinakis - University of Macedonia, Greece

This paper investigates the relationship between firms’ profit efficiency, finance and innovation. By adopting stochastic frontiers, we pioneer the use of a novel dataset that merges firm level survey data with balance sheet information for a large sample of European companies. We find that firms having difficulties in access to finance, as well as firms introducing product innovation display an incentive to improve their efficiency. We document nuanced differences between firms in industry and services, while they are more pronounced when we look at disaggregation across High-Tech and Low-Tech companies. From a policy perspective, our results enrich the understanding on the link between innovation, financial constraints and efficiency, which goes beyond the idea that easier access to finance is the panacea to get higher performance.

"The Effects of Favorable Tax Regimes on Earnings Management: Results from the EU"

Panayiotis Tahinakis - University of Macedonia, Greece

Discussant: Rama Seth - Copenhagen Business School,

Tax havens and their effects on the level of earnings management of firms domiciled in these jurisdictions has been the subject of a number of studies during the last years. What is important in these cases, is the motives of firms that decide to operate in these countries. However, most of the research of this kind focuses on tax havens that in most of the cases are small island countries. The scope of the present study is to examine if and in what extend, there are countries in the European Union that offer the advantages of a tax haven and if countries domiciled in such countries take advantage of the special tax haven characteristics to manage earnings. The results of the study show that the level of earnings management of firms domiciled in Eurozone countries is affected by the presence of tax haven
characteristics in the country that they are incorporated.

**SESSION 9**                          **Monday 12:00 - 14:25 UTC.**                          **VROOM3**

**DERIVATIVES**
*Session Chair:* Milos Vulanovic - EDHEC Business School, France

"Do Traders Use Options Markets to Bypass Regulatory Short Sale Restrictions? Evidence from the Short Sale Circuit Breaker Rule 201"
Nabil El Meslmani - American University of Beirut, Lebanon
Lorne Switzer - Concordia University, Canada

*Discussant:* Gonzalo Rubio - Universidad CEU Cardenal Herrera, Spain

This paper examines the effects of the short selling circuit breaker on firms with traded options. Over the full compliance period for SEC Rule 201, stocks with traded options react more negatively on short sale restriction trigger days relative to their counterparts without traded options. Short sale circuit breaker events are associated with increases in put and call options spreads as well as put-call parity violations. The increase in spreads partially deters traders from using the options markets for the affected stocks to bypass short sale restrictions. Including the full spread, the synthetic short-sale price discount is about 3%.

"Guarantee Requirements by Central Counterparties and Connectedness Dynamics"
Ana Gonzalez-Urteaga - Universidad Pública de Navarra, Spain
Gonzalo Rubio - Universidad CEU Cardenal Herrera, Spain

*Discussant:* Prasenjit Chakrabarti - Indian Institute of Management Ranchi, India

Our analysis addresses the potential systemic effects of margining and collateral requirements of central counterparties. Using data from the Spanish and EUREX central clearing counterparties, we report a significant, positive and robust relation between margining and spillover or total connectedness effects among nine financial assets of the Spanish, U.S., and German capital markets, even controlling for tail risk and monetary and real activity variables. Moreover, bad economic times show a significant incremental effect on the relation between margining and connectedness. These findings are robust across central clearing corporations and futures contracts on the IBEX 35, DAX 30, and EURO STOXX 50. These results do not imply causation from margining practices on global spillover effects. An event study suggests that global spillover effects increase before central counterparty institutions increase their guarantees. They react to rather than cause bad economic times, although they also seem to be exacerbating the effects.

"Cross-Sectional Drivers of Systematic Volatility Risk: Evidence from Stock Options"
Prasenjit Chakrabarti - Indian Institute of Management Ranchi, India
R.L. Shankar - Case Western University, USA
K Kiran Kumar - Indian Institute of Management Indore, India

*Discussant:* Santiago Forte - Univ. Ramon Llull - ESADE, Spain

In this paper, we study whether investors demand the systematic component of the volatility risk (VRP Beta) in the options market. We explore the possible determinants of the systematic component of the volatility risk. Using stock options listed on the National Stock exchange of India (NSE India), we report a strong existence of the systematic component of volatility risk beta in the single stock options market, which is both statistically and economically significant. The VRP Beta remains significant even in the presence of traditional Fama-French risk factors and various other robustness checks. Further, VRP Beta is found to be higher for stocks with relatively high tail risk and illiquid stocks and unrelated to size and
volatility of the stock.

"Credit Default Swaps, the Leverage Effect, and Cross-Sectional Predictability of Equity and Firm Asset Volatility"
Santiago Forte - Univ. Ramon Llull - ESADE, Spain
Lidija Lovreta - EADA Business School, Spain

Discussant: Andrea Marchioni - University of Modena and Reggio Emilia, Italy

We investigate the informational content of credit default swap (CDS) spreads for future volatility of (firm) assets and equity. In the cross-section, CDS spreads are significantly more informative about future asset than equity volatility. The informational content of historical and option implied volatilities is generally lower than that of CDS implied volatilities but exhibits the same pattern. We argue both theoretically and empirically that this common pattern reflects a fundamental difference in the cross-sectional predictability of asset and equity volatility. This difference lies in the leverage effect component in equity volatility, and the interconnection between leverage and asset volatility.

"Sortino(γ): A Modified Sortino Ratio with Adjusted Threshold"
Yoram Kroll - Ono Academic College (OAC), Israel
Andrea Marchioni - University of Modena and Reggio Emilia, Italy
Moshe Ben-Horin - Ono Academic College- Israel, Israel

Discussant: Lorne Switzer - Concordia University, Canada

A portfolio’s Sortino ratio is strongly affected by the risk-free vs. risky assets mix, except for the case where the threshold, T is equal to the risk-free rate. Therefore, if T differs from the risk-free rate, the portfolio’s Sortino ratio could potentially be increased by merely changing the mix of the risk-free and the risky components. The widely used Sharpe ratio, on the other hand, does not share this caveat. We introduce a modified Sortino ratio, Sortino(γ), which is invariant with respect to the portfolio’s risk-free vs. risky assets mix, and hence eliminates the above deficiency. The selected threshold T(γ), mimics the portfolio composition in the sense that it equals to the risk-free rate plus γ times the portfolio’s equity risk premium. Higher selected γ reflects higher risk/loss aversion. We propose a procedure for optimizing the composition of the risky portion of the portfolio to maximize the Sortino(γ) ratio. In addition, we show that Sortino(γ) is consistent with first and second order stochastic dominance with riskless asset rules.

SESSION 10 Monday 14:30 -15:45 UTC VROOM1
SPECIAL SESSION: WELFARE COST OF BUSINESS CYCLES
Session Chair: Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

"Welfare Cost of Business Cycles"
George Constantinides - University of Chicago, USA

Discussant: Andrew Karolyi - Cornell University, USA

I re-visit Lucas’ (1987, 2003) evaluation of the welfare costs of shocks to consumption. I demonstrate that the welfare costs of household consumption growth shocks are about 15% and are far greater than the welfare costs of aggregate consumption growth shocks, about 6%. I also demonstrate that the welfare benefits of decoupling shocks to consumption growth from the business cycle are of the same order of magnitude, albeit lower, than the benefits of eliminating such shocks: 1-2% versus 6% for shocks to aggregate consumption growth; and 0-14% versus 15% for household consumption growth. These results suggest that the policy debate should focus on smoothing household consumption shocks and in decoupling shocks from the business cycle.
"Electricity Pricing Using a Periodic Garch-M Model with Conditional Skewness and Kurtosis Components"
Filippos Ioannidis - Aristotle University of Thessaloniki, Greece
Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece
Christos Savva - Cyprus University of Technology, Cyprus
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

Discussant: Miriam Sosa Castro - Universidad Nacional Autónoma de México, Mexico

This paper contributes to the literature by extending the investigation of the stochastic properties of electricity price growth rates beyond their first two conditional moments allowing for the impact of seasonality on their parameters. Other contributions presented in the paper include the presentation of a risk neutral method for forecasting future electricity prices and the decomposition of the price risk into its pure and skewness components. The empirical results depict the presence of time varying moments of the distribution of electricity price growth rates. The impact of seasonality on their estimated parameters is pronounced.

Miriam Sosa Castro - Universidad Nacional Autónoma de México, Mexico
Edgar Ortiz Caslito - National Autonomous University of Mexico, Mexico
Alejandra Cabello Rosales - National Autonomous University of Mexico, Mexico

Discussant: Ifigenia Georgiou - University of Nicosia, Cyprus

Governments and particularly their economic authorities are deeply concerned about economic and financial agents’ responses due to economic policy changes. Economic Policy Uncertainty is a key variable because it promotes or inhibits portfolio and direct investment decisions which impacts economic growth. This paper analyzes the impact of local and American Economic Policy Uncertainty on economic and financial activity in Mexico, employing monthly data during the period (January, 1996 - September 2019). To achieve this purpose, a Dynamic Conditional Correlation analysis is proposed. Results evidence that local Economic Policy Uncertainty has significant impact on financial variables (stock and currency markets), but not on economic variables (Economic Activity and Industrial Production); on the contrary, American Economic Policy Uncertainty does not have a significant impact on real and financial Mexican variables.

"An Asymmetric Garch Model of the Relationship Between Bitcoin Returns, Volatility, and Volume"
Angelika Kokkinaki - University of Nicosia, Cyprus
Svetlana Sapuric - University of Nicosia, Cyprus
Ifigenia Georgiou - University of Nicosia, Cyprus

Discussant: Beatriz Valadez - Universidad Nacional Autónoma de México, Mexico

We study the relationship between Bitcoin trading volume, volatility, and returns using financial data for the period July 2010 to November 2017. When we compare the raw annualized volatility of the Bitcoin exchange rate against common currencies, we observe that Bitcoin’s is higher. However, when the volume of Bitcoin transactions is considered, the volatility of the Bitcoin stabilizes significantly. Then we divide our sample into four distinct time periods, defined by three important events, namely, the loss
of public confidence in the banking system in 2013, the MtGox Bitcoin Exchange hack in early 2014, and the introduction of the Bitcoin legislation in Japan in April 2017. We employ asymmetric EGARCH models with the lag of the natural logarithm of the volume of the Bitcoin both as a regressor in the mean equation as well as in the specification of the conditional variance as multiplicative heteroskedasticity to show that volume and volatility are related after 2013, and volume and returns are related before the MtGox hack, positively and significantly. Further, during the euphoric period between the beginning of 2013 and up to the MtGox hack an unexpected rise in Bitcoin returns increases Bitcoin volatility more than an unexpected, equally sized decrease (asymmetry).

"Hedging with Peso Futures in the CME and Dollar Futures in Mexder Applying Var and Cvar Metrics (2014-2017)"
Beatriz Valadez - Universidad Nacional Autónoma de México, Mexico
Edgar Ortiz - Universidad Nacional Autónoma de México, Mexico

Discussion: Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece

This paper analyzes the performance of currency hedging for futures on the dollar traded in the Mexican Derivatives Market (MexDer) as well as peso futures traded in the Chicago Mercantile Exchange. It applies Value at Risk and Conditional Value at Risk (Expected Shortfall) to estimate, compare and identify the most advantageous strategies for 12 subperiods of high volatility in these markets. Backtesting is also applied to identify the statistical soundness of the results. The evidence indicates that the CVaR metric provides more rigorous results than traditional VaR for these markets and currencies during the periods analyzed.

SESSION 12  Monday 16:00 - 17:55 UTC.  VROOM2
CORPORATE ISSUES II
Session Chair: Panayiotis Tahinakis - University of Macedonia, Greece

"Analysis of risk management practices of the oil and gas industry in Southeast Texas during Hurricane Harvey"
Gevorg Sargsyan - Lamar University, USA

Discussion: Aslihan Korkmaz - Dominican University of California, USA

The rapid recovery of the oil and gas sector from natural disasters such as Hurricane Harvey is important for the local economic development of Southeast Texas. The recovery of this industry depends on efficient risk management from natural disasters. In this study Participatory Analysis of Risk Management (PARM) methodology is developed to determine the best risk management practices of recovery and resiliency from natural disasters. The other aim of this tool is to diagnose challenges and use past experiences of local stakeholders to avoid big losses in the future. This comprehensive analysis tool will help to analyze how oil and gas companies do risk identification, assessment, response and monitoring after natural disasters, to reach reliable conclusions and recommendations. This study describes in detail the PARM methodology and applies it to the oil and gas sector in Southeast Texas.

"Will Longer Working Hours Hurt Household Well-Being When Accompanied by Higher Income? - Evidence from China"
Pengpeng Yue - Beijing Technology and Business University, China
Aslihan Korkmaz - Dominican University of California, USA
Zhichao Yin - Capital University of Economics and Business, China
Haigang Zhou - Cleveland State University, USA

Discussion: Shee Yee Khoo - University of Aberdeen, UK
This study explores the relationship between income and labor supply. We extend the laboratory experiment in Bracha et al. (2015) by testing the hypothesis that a high income will lead to an increase in labor supply using a large household survey dataset. We also try to shed light on an important psychological factor in play, happiness, which is in the center of the discussion around work-life dynamics. Our results show that higher income, whether absolute or relative, is related to an increase in labor supply measured in weekly working hours. When we run additional tests to see how increased income and weekly working hours will affect individual happiness, the results show that increased labor supply when accompanied by higher income is not associated with a decrease in happiness.

"Sectoral Diversification and Credit Ratings"
Shee Yee Khoo - University of Aberdeen, UK
Huong Vu - University of Aberdeen, UK
Xiaofei Xing - University of Birmingham, UK

Discussant: Hatice Uzun - Long Island University, USA

In this paper, we examine whether sectoral diversification strategies can improve corporate credit ratings. Using a sample of 2,403 non-financial US companies in the period 1990-2016, we find that only unrelated diversification can improve ratings, particularly those with diversification premium. The coinsurance effect inherent in unrelated diversification is the driving factor maintained by credit rating agencies (CRAs) independently and it is not influenced by the ongoing debate about the value effects of diversification in the literature. Furthermore, the coinsurance effect arising from unrelated diversification might reduce the negative impact of diversification discount on shareholders by improving firms’ credit ratings, but it is not evident in the case of related diversification. Our findings are robust to model specifications and to the self-selection bias associated with diversifying decisions.

"Busy Directors and Corporate Sustainability Performance"
Elizabeth Cooper - La Salle University, USA
Hatice Uzun - Long Island University, USA

Discussant: Gevorg Sargsyan - Lamar University, USA

In this paper we analyze the impact of busy directors (directors with multiple board appointments) on ESG performance. Firms today are keenly aware of the importance of ESG from a stakeholder and shareholder perspective. Therefore, making good decisions in this space is good for the firm. We analyze both the Overcommitment Hypothesis and the Reputation Hypothesis as they relate to busy directors. Using a sample of almost 600 firms across a span of five years, we do not find a conclusive relationship between busy directors and ESG performance. Further research will be done to examine interconnectedness between board size, independence, and diversity and busy directors to see if there is a moderating effect on ESG.

SESSION 13                            Monday 16:00 - 17:55 UTC.                            VROOM3
INVESTMENTS
Session Chair: Lorne Switzer - Concordia University, Canada

"What Information Variables Predict Bitcoin Returns?"
Sang Baum Kang - Illinois Institute of Technology, USA
Yao Xie - Illinois Institute of Technology, USA
Jialin Zhao - St. Mary's University, USA

Discussant: Ivilina Popova - Texas State University, USA

Bitcoin has attracted significant public attention in recent years. However, empirical and theoretical
understanding is still limited regarding the expected price returns of such an asset. We explore many predictors for subsequent Bitcoin returns as opposed to Bitcoin prices. Specifically, we include information variables summarizing economic conditions as well as the state of financial, commodity, and crypto asset markets. To address multi-collinearity between explanatory variables and dust off “noise” of predictors, we use three different dimension-reduction methods: three-pass regression filter (3PRF), least absolute shrinkage and selection operator (LASSO), and principal component regression (PCR). We find that financial factors, financial/economic stress level, and public interest play important roles in predicting Bitcoin returns. We also compare the accuracy of predictions using different return horizons: daily, weekly, and bi-weekly. We find that predictability for longer horizon is significantly stronger than that for shorter horizon, an observation consistent with the stylized fact of stock returns. Furthermore, we conduct out-of-sample trading exercises in which we compare the risk-adjusted returns of various strategies for dynamically taking positions in Bitcoin, equity index, and commodity. Trading strategies that use predictive signals from our 3PRF model generate higher risk-adjusted returns than those that do not.

"Cryptocurrencies are for Daring Investors"
Ivilina Popova - Texas State University, USA

*Discussant:* Kyungyeon Koh - California State University Channel Islands, USA

We show that large allocation in cryptocurrencies can be explained by Prospect theory. Using piecewise linear value function, we show optimal portfolio construction with eleven asset classes including two cryptocurrencies, Bitcoin and Ethereum. We introduce a new Monte Carlo simulation approach that attaches tails to observed empirical distributions. A combination of stochastic optimization and the new simulation method shows that loss aversion and lottery type behavior are the main drivers behind large allocations in the cryptocurrencies.

"Firm Efficiency and the Investment Anomalies"
Kyungyeon Koh - California State University Channel Islands, USA

*Discussant:* Katarzyna Bilicka - Utah State University, USA

The purpose of this paper is to investigate whether firms’ efficiency in generating revenues can explain the investment anomaly. The investment anomaly refers to the persistent negative relation between firm growth related to investment and future risk-adjusted returns. When firms grow by investing heavily, the market often takes the growth as positive news initially but will correct prices downwards subsequently if the firms lack skills to materialize value from the investments. The author finds that the NSI, dAA, and IA anomalies are concentrated in firms with low overall efficiency. In addition, there is strong evidence that manager-driven efficiency is closely related to the NSI anomaly and limited evidence that net-operating-asset efficiency plays a role in the NSI, IA and NOA anomalies. The research contributes to the literature by employing advanced efficiency measures developed by Demerjian, Lev, and McVay (2012) to resolve extant asset pricing puzzles.

"Real Responses to Anti-tax Avoidance Policies: Evidence from the UK Worldwide Debt Cap"
Katarzyna Bilicka - Utah State University, USA
Yaxuan Qi - City University of Hong Kong, Hong Kong
Jing Xing - Shanghai Jiao Tong University, China

*Discussant:* Jialin Zhao - St. Mary's University, USA

We analyze how multinational firms reallocate real operations and debt across their affiliates in response to anti-tax avoidance policies. The UK introduced a worldwide debt cap in 2010, generating a quasi-natural experiment that limited interest deductibility for a group of multinational firms. We find that multinationals affected by the reform reduced the amount of debt held in the UK and increased debt held abroad. Affected multinationals reallocated a share of their real operations away from the UK. Our
findings provide causal evidence for tax-motivated debt and real activity reallocation within multinationals and show how multinationals can circumvent tax avoidance regulations.

"Using Textual Analysis to Gauge Risk in the Banking Sector"
Kyriaki Kosmidou - Aristotle University of Thessaloniki, Greece
Dimitrios Kousenidis - Aristotle University of Thessaloniki, Greece
Anestis Ladas - University of Macedonia, Greece
Christos Negkakis - University of Macedonia, Greece

Discussant: Alejandra Cabello Rosales - National Autonomous University of Mexico, Mexico

A number of studies in the literature have underlined the relation between opacity of financial statements and stock crash risk of firms in the banking sector. These studies have also underlined the critical role of opacity in the stability of the banking system. Moreover, most of this research has used measures of opacity based on the accounting numbers reported in the financial statements. However, a rich information set on opacity, stemming from textual information, remains unused. Specifically, information from textual analysis of annual financial reports and the notes of financial statements may provide useful information to gauge financial statements opacity and in turn stock crash risk in the banking sector. Using a sample of US banks, we attempt to provide evidence on the role of opacity in the determination of stock crash risk. For the task in hand, we develop a number of textual-based risk measures and use these measures as determinants of stock crash risk. Our results show that a number of these measures may have incremental information content over other determinants of stock crash risk used in the literature.