TWENTY-SIXTH ANNUAL CONFERENCE
MULTINATIONAL FINANCE SOCIETY

http://www.mfsociety.org

Sponsored by

Jerusalem School of Business Administration,
The Hebrew University, Israel

June 30 - July 3, 2019
Jerusalem School of Business Administration
The Hebrew University of Jerusalem
Mount Scopus 9190501
Jerusalem, ISRAEL

Multinational Finance Society

Multinational Finance Society : A non-profit organization established in 1995 for the advancement and dissemination of financial knowledge and research findings pertaining to industrialized and developing countries among members of the academic and business communities.

Conference Objective

To bring together researchers, doctoral students and practitioners from various international institutions to focus on timely financial issues and research findings pertaining to industrialized and developing countries.

Keynote Speakers

Eti Einhorn - Tel Aviv University, Israel
Dan Galai - Hebrew University of Jerusalem, Israel
Roni Michaely - University of Geneva, Switzerland

Program Committee - Chairs

Keren Bar-Hava - Hebrew University of Jerusalem, Israel
Jeffrey Lawrence Callen - University of Toronto, Canada
Panayiotis Theodossiou - CUT, Cyprus

Program Committee

Meni Abudy - Bar-Ilan University, Israel
Sagi Akron - University of Haifa, Israel
Andreas Andrikopoulos - University of the Aegean, Greece
George Athanassakos - University of Western Ontario, Canada
Balasingham Balachandran - La Trobe University, Australia
Laurence Booth - University of Toronto, Canada
Christian Bucio - Universidad Autónoma del Estado de México, Mexico
Alejandra Cabello - Universidad Nacional Autonoma de Mexico, Mexico
Jeffrey Lawrence Callen - University of Toronto, Canada
George Constantinides - University of Chicago, USA
Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA
Eti Einhorn - Tel Aviv University, Israel
Elyas Elyasiani - Temple University, USA
Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong
Can Inci - Bryant University, USA
Petko Kalev - La Trobe University, Australia
Mehmet Karan - Hacettepe University, Turkey
Dimitrios Kousenidis - Aristotle University, Greece
Yoram Kroll - Ono Academic College (OAC), Israel
Shiki Levy - Hebrew University of Jerusalem, Israel
Radu Lupu - Bucharest University of Economic Studies, Romania
Anastasios Malliaris - Loyola University Chicago, USA
Minna Martikainen - Hanken School of Economics, Finland
Robert Mathieu - Wilfrid Laurier University, Canada
Roni Michaely - Cornell University, USA
Yevgeny Mugerman - Bar-Ilan University, Israel
Christos Negakis - University of Macedonia, Greece
Edgar Ortiz - Universidad Nacional Autonoma de Mexico, Mexico
Stylianos Perrakis - Concordia University, Canada
Wendy Rotenberg - University of Toronto, Canada
Frank Skinner - Brunel University, UK
Stella Spilioti - Athens University of Economics and Business, Greece
Lorne Switzer - Concordia University, Canada
Malick Sy - RMIT University, Australia
Samuel Szewczyk - Drexel University, USA
Uwe Walz - Goethe University of Frankfurt, Germany
Dan Weiss- Tel Aviv University, Israel
Zvi Wiener - Hebrew University of Jerusalem, Israel
Ania Zalewska - University of Bath, UK

Local Organizing Committee

Adi Peled-Tomashover - Hebrew University of Jerusalem, Israel
Irit Reiner - Hebrew University of Jerusalem, Israel
Yafit Sherer - Hebrew University of Jerusalem, Israel

27TH ANNUAL CONFERENCE OF THE MULTINATIONAL FINANCE SOCIETY

28 June - 1 July, 2020
Gdańsk, Poland

ORGANIZING INSTITUTION

Gdańsk University of Technology - Politechnika Gdańska, Poland

FURTHER INFORMATION

Information regarding the conference, accommodations, feature speakers, travel arrangements, fees and other activities can be found on the MFS website as needed. Information about past conferences can also be found on the website.

האוניברסיטה העברית בירושלים
THE HEBREW UNIVERSITY OF JERUSALEM

LETTER FROM THE PROGRAM CHAIRS

Dear Colleagues,

We welcome you to the 26th Annual Conference of the Multinational Finance Society in the beautiful city of Jerusalem, Israel. The economic and political developments around the world have been challenging to businesses, financial institutions, regulations and governments. The general economic conditions, the increased public and private debt, the non-performing loans in the portfolios of many European banks and the turbulence in the financial and banking sectors of numerous European Union countries, necessitate the discussion of micro- and macro-finance issues and the exploration of timely solutions to financial problems.

The experience of recent years has shown once more that no modern country can operate and develop without a strong - healthy financial sector - building such is neither easy nor straightforward and therefore discussing financial issues is of paramount importance. The wide range of participation from academicians and practitioners circles and the broad range of research topics covered in this conference proves this point very clearly.

This year's meeting has also received many excellent submissions. We received a large number of submission and the program includes 159 registered papers covering a wide range of research areas making the conference a perfect platform for research exchange and inspiration. Once more, it is wonderful to welcome our participants from so many countries, such as Australia, Austria, Belgium, Brazil, Canada, China, Colombia, Cyprus, Finland, France, Germany, Ghana, Greece, Hong Kong, Israel, Italy, Kazakhstan, Luxembourg, Macao, Mexico, New Zealand, Poland, Portugal, Romania, Singapore, Spain, Switzerland, Taiwan, Turkey, United Kingdom and United States of America. This creates an opportunity to not only meet our old friends again but also our new colleagues from Israel as well as other first-comers.

We are lucky this year to have three outstanding keynote speakers, Professor Eti Einhorn of Tel Aviv University, Israel, Professor Dan Galai of Hebrew University of Jerusalem, Israel and Professor Roni Michaely of University of Geneva, Switzerland.

We have a wonderful location in the lively city of Jerusalem and surrounding areas, which is well known for its outstanding architecture and culture.

We would like to thank Jerusalem School of Business Administration, The Hebrew University, Israel for the support in the organization of our conference. We are especially grateful to Dean Zvi Wiener for his proactive stance in supporting our conference.

On behalf of everyone involved, we would like to thank the members of the Organizing Committee, and all other individuals who have helped bring the conference about. Special thanks go to our local organizing committee members from Hebrew University of Jerusalem and in particular Ms. Irit Reiner.

Special thanks go to our support staff Gregoris Gregoriou, Theodoros Theodossiou and Fanos Theodosiou for their administrative assistance. This conference would have not been possible without all of their hard work!

We wish you a pleasant stay in Jerusalem and we hope you enjoy the conference.

The Program Chairs,

KBJCPT

Keren Bar-Hava
Jeffrey Lawrence Callen
Panayiotis Theodossiou

GENERAL INFORMATION

CONFERENCE INQUIRIES

Global Business Publications
mfc2019c@mfsociety.org

CONFERENCE REGISTRATION

Saturday, June 29 (Crown Plaza hotel)	5:00 p.m. - 9:00 p.m.
Sunday, June 30 (Crown Plaza hotel)	8:00 a.m. - 10:00 a.m.
Sunday, June 30 (Crown Plaza hotel)	5:00 p.m. - 9:00 p.m.
Monday, July 1 (Jerusalem School of Business Administration)	8:30 a.m. - 4:30 p.m.
Tuesday, July 2 (Jerusalem School of Business Administration)	8:30 a.m. - 4:30 p.m.

SOCIAL FUNCTIONS

Sunday, June 30

Tour of the City	10:00 a.m. - 1:00 p.m.

Monday, July 1

Refreshments	10:15 - 10:30 a.m.
Luncheon (Maiersdorf Faculty Club - 2 floor)	12:00 - 1:15 p.m.
Keynote Speech (Prof. Michaely - Senat Hall)	1:15 - 2:00 p.m.
Refreshments	3:30 - 3:45 p.m.
Meeting of the Board of Directors and Trustees (place TBA)	5:15 - 6:30 p.m.

Tuesday, July 2

Refreshments	10:15 - 10:30 a.m.
Luncheon (Lobby of the Senat Hall)	12:00 - 1:15 p.m.
Keynote Speech (Prof. Einhorn - Senat Hall)	1:15 - 2:00 p.m.
Refreshments	3:30 - 3:45 p.m.
Keynote Speech (Prof. Galai - Kedma Restaurant (Mamila Avenue))	7:30 - 8:15 p.m.
Gala Dinner (Kedma Restaurant (Mamila Avenue))	8:30 - 11:00 p.m.

LIST OF SESSIONS

Monday 8:45 - 10:15 a.m.

Session 1	Asset Pricing I	2112
Session 2	Behavioral I	2202
Session 3	Corporate Governance I	2302
Session 4	Accounting Issues I	2305
Session 5	Fixed Income Securities	3205
Session 6	Financial Econometrics I	3304
Session 7	Corporate Finance I	3305

Monday 10:30 - 12:00 p.m.

Session 8	Asset Pricing II	2112
Session 9	Behavioral II	2202
Session 10	Corporate Governance II	2302
Session 11	Accounting Issues II	2305
Session 12	Financial Options	3205
Session 13	Financial Econometrics II	3304
Session 14	Corporate Finance II	3305

Monday 2:00 - 3:30 p.m.

Session 15	Asset Pricing III	2112
Session 16	Behavioral III	2202
Session 17	Corporate Governance III	2302
Session 18	Accounting Issues III	2305
Session 19	Risk Management	3205
Session 20	Hedge Funds	3304
Session 21	Corporate Finance III	3305

Monday 3:45 - 5:15 p.m.

Session 22	Asset Pricing IV	2112
Session 23	Behavioral Issues IV	2202
Session 24	Corporate Governance IV	2302
Session 25	Accounting Issues IV	2305
Session 26	Regulation and Disclosure	3205
Session 27	Corporate Risk Management	3304
Session 28	Tutorial: Corporate Finance Issues	3305

LIST OF SESSIONS

Tuesday 8:45 - 10:15 a.m.

Session 29	Special Tutorial Presentation and Panel Discussion	2112
Session 30	IPOs	2202
Session 31	Corporate Governance V	2302
Session 32	Firm Valuation	2305
Session 33	Financial Intermediaries I	3205
Session 34	Informed Trading	3304
Session 35	Value Investing	3305

Tuesday 10:30 - 12:00 p.m.

Session 36	Portfolio Management I	2112
Session 37	Mergers and Acquisitions	2202
Session 38	Corporate Governance VI	2302
Session 39	Tutorial: Accounting Issues	2305
Session 40	Financial Intermediaries II	3205
Session 41	Money and Capital	3304
Session 42	Venture Capital & Regulation	3305

Tuesday 2:00 - 3:30 p.m.

Session 43	Portfolio Management II	2112
Session 44	Capital Structure I	2202
Session 45	Corporate Governance VII	2302
Session 46	Executive Compensation I	2305
Session 47	Financial Intermediaries III	3205
Session 48	Exchange Rates	3304
Session 49	Market Microstructure	3305

Tuesday 3:45 - 5:15 p.m.

Session 50	Portfolio Management III	2112
Session 51	Capital Structure II	2202
Session 52	Family Firms	2302
Session 53	Executive Compensation II	2305
Session 54	Financial Crisis	3205
Session 55	Information Asymmetry	3304
Session 56	Financial Markets	3305

Monday 8:45 - 10:15 a.m.

SESSION 1 **2112**

ASSET PRICING I
Session Chair: Jason Wei - University of Toronto, Canada

"Multiple Criteria Portfolio Choice with Variance Decomposition onto Half Spaces"
Kian Lim - Singapore Management University, Singapore
Hao Cheng - Singapore Management University, Singapore

Discussant: David Feldman - UNSW Sydney, Australia

"Minimal Dynamic Equilibria"
David Feldman - UNSW Sydney, Australia
Dietmar Leisen - University of Mainz, Germany

Discussant: Xiaoquan Jiang - Florida International Univeristy, USA

"Bias in Predictive Regressions"
Xiaoquan Jiang - Florida International Univeristy, USA
Qiang Kang - Florida International University, USA

Discussant: Kian Lim - Singapore Management University, Singapore

SESSION 2 **2202**

BEHAVIORAL I
Session Chair: Radu Lupu - Bucharest University of Economic Studies, Romania

"Aggressive Versus Passive Trading Returns in Australian Company Takeovers; Investigating the Underlying Trading Motive Using Structural Equation Modelling"
Chris McAdam - Nottingham Trent University, UK

Discussant: Liron Reiter Gavish - Haifa University, Israel

"In Search of Peace of Mind: Who Exactly Uses Financial Advice?"
Liron Reiter Gavish - Haifa University, Israel
Mahmoud Qadan - University of Haifa, Israel
Joseph Yagil - University of Haifa, and Western Galilee College, Israel

Discussant: Hai Lin - VIctoria University of Wellington, New Zealand

"Credit Default Swaps and Firm Risk"
Hai Lin - VIctoria University of Wellington, New Zealand
Binh Nguyen - Victoria University of Wellington, New Zealand
Junbo Wang - City University of Hong Kong, Hong Kong
Cheng Zhang - Victoria University of Wellington, New Zealand

Discussant: Chris McAdam - Nottingham Trent University, UK

SESSION 3 **2302**

CORPORATE GOVERNANCE I
Session Chair: Martin Gelter - Fordham University, USA

"Women on Boards and Gender Pay Gaps: The Need of Reaching the Critical Mass"
Valentina Tarkovska - University Witten/Herdecke, Germany
Patricia Gabaldón - IE Business School, Spain

Discussant: Abdullah Iqbal - University of Kent, UK

"Is Say on Pay Working? Evidence from the UK"
Radha Shiwakoti - Brunel University, UK
Abdullah Iqbal - University of Kent, UK
Robin Jarvis - Brunel University, UK

Discussant: Błażej Prusak - Gdansk University of Technology, Poland

"Review of Research into Enterprise Bankruptcy Prediction in Selected Central and Eastern European Countries"
Błażej Prusak - Gdansk University of Technology, Poland
Piotr Kasprzak - Gdansk University of Technology, Poland

Discussant: Valentina Tarkovska - University Witten/Herdecke, Germany

SESSION 4 **2305**

ACCOUNTING ISSUES I
Session Chair: Yangru Wu - Rutgers University, USA

"Un-Faithful Representations of Financial Statements: Issues in Accounting for Financial Instruments"
Rashad Abdel-khalik - University of Illinois, USA

Discussant: Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong

"Short Sale Constraints, Divergence of Opinions, and Optimism in Analyst Forecasts"
Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong
Sumi Jung - Chinese University of Hong Kong, Hong Kong

Discussant: Milena Petrova - Syracuse University, USA

"The Effect of Fair Value Method Adoption: Evidence from Real Estate Firms in the EU"
Chinmoy Ghosh - University of Connecticut, USA
Mingwey Liang - Syracuse University, USA
Milena Petrova - Syracuse University, USA

Discussant: Rashad Abdel-khalik - University of Illinois, USA

SESSION 5 **3205**

FIXED INCOME SECURITIES
Session Chair: Jo-Hui Chen - Chung Yuan Christian University, Taiwan

"The Role of Economist Forecasts in Over-The-Counter Treasury Bond Markets"
Robert James - University of Sydney, Australia
Elvis Jarnecic - University of Sydney, Australia
Henry Leung - University of Sydney, Australia

Discussant: Adam Golinski - University of York, UK

"A New Perspective on Gaussian Shadow Rate Term Structure Models"
Adam Golinski - University of York, UK
Peter Spencer - University of York, UK

Discussant: Gyorgy Varga - FCE Consulting, Brazil

"Liquidity Premium and Buyback Auctions in Domestic Brazilian Government Bonds"
Gyorgy Varga - FCE Consulting, Brazil

Discussant: Elvis Jarnecic - University of Sydney, Australia

SESSION 6 **3304**

FINANCIAL ECONOMETRICS I
Session Chair: Rossen Valkanov - UCSD, USA

"Bootstrap Unit Root Testing for Explosive Behaviour Using Covariates"
Ioannis Korkos - University of Essex, UK
Sam Astill - University of Essex, UK
Neil Kellard - University of Essex, UK
Robert Taylor - University of Essex, UK

Discussant: Pankaj Chandorkar - Northumbria University, UK

"Economic Policy Uncertainty and Bitcoin"
Pankaj Chandorkar - Northumbria University, UK

Discussant: Alejandra Cabello - Universidad Nacional Autónoma De México, Mexico

"International Financial US Linkages: A Network Theory and MS-VAR Approach"
Miriam Sosa Castro - Universidad Nacional Autónoma de México, Mexico
Hector Díaz-Rodríguez - Universidad Nacional Autónoma de México, Mexico
Alejandra Cabello - Universidad Nacional Autónoma De México, Mexico

Discussant: Neil Kellard - University of Essex, UK

Monday 8:45 - 10:15 a.m.

SESSION 7 **3305**

CORPORATE FINANCE I
Session Chair: Balasingham Balachandran - La Trobe University, Australia

"The Impact of Innovation Input and Output on IPO Pricing and Long-term Performance--Evidence from the Bio-Pharmaceutical Industry in China"
Chao Chen - Fudan University, China
Haoping Xu - Fudan University, China

Discussant: Jongmoo Choi - Temple University, USA

"The Impact of the CEO-worker Pay Ratio on Firm Value"
Steven Balsam - Temple University, USA
Jongmoo Choi - Temple University, USA
Kose John - New York University, USA
Ming Ju - Louisiana Tech University, USA

Discussant: Dinis Santos - University of Coimbra, Portugal

"Do Different Firms Achieve Different Results While Trading Own Stock? A Market Timing Approach"
Dinis Santos - University of Coimbra, Portugal
Paulo Gama - University of Coimbra, Portugal

Discussant: Haoping Xu - Fudan University, China

Refreshments 10:15 - 10:30 a.m.

SESSION 8 **2112**

ASSET PRICING II
Session Chair: Richard Taffler - University of Warwick, UK

"Liquidity Risk and Expected Option Returns"
Siu Kai Choy - King's College London, UK
Jason Wei - University of Toronto, Canada

Discussant: Radu Lupu - Bucharest University of Economic Studies, Romania

"Modeling Volatility Surfaces Using a Generalized Option Pricing Model with Skewness and Kurtosis"
Radu Lupu - Bucharest University of Economic Studies, Romania
Anastasios Malliaris - Loyola University Chicago, USA
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

Discussant: Alex Horenstein - University of Miami, USA

"Common Factors in Equity Option Returns"
Alex Horenstein - University of Miami, USA
Aurelio Vasquez - ITAM, Mexico
Xiao Xiao - Erasmus University, Netherlands

Discussant: Jason Wei - University of Toronto, Canada

SESSION 9 **2202**

BEHAVIORAL II
Session Chair: Uwe Walz - Goethe University of Frankfurt, Germany

"Technological Deepening and Financial Inclusion Among SMEs; A Panel Evidence from South-East Asian (SEA) Countries"
Francis Agyekum - University of Waikato, New Zealand
Stuart Locke - University of Waikato, New Zealand
Nirosha Wellalage - University of Waikato, New Zealand

Discussant: Annalisa Ferrando - European Central Bank, Germany

"What Were They Thinking? Firms' Expectations on the Availability of External Finance"
Annalisa Ferrando - European Central Bank, Germany
Ioannis Ganoulis - European Central Bank, Germany
Carsten Preuss - European Central Bank, Germany

Discussant: Qiang Kang - Florida International University, USA

"Event Studies and Outlier Returns: Side Effects and Treatment"
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus
Alexandra Theodossiou - Texas A&M University, USA

Discussant: Francis Agyekum - University of Waikato, New Zealand

Monday 10:30 - 12:00 p.m.

SESSION 10 **2302**

CORPORATE GOVERNANCE II
Session Chair: Linda Thorne - York University, Canada

"Letting Companies Choose Between One-Tier and Two-Tier Board Models: An Empirical Analysis of European Jurisdictions"
Martin Gelter - Fordham University, USA
Mathias Siems - Durham University, UK

Discussant: Samuel Szewczyk - Drexel University, USA

"Director Appointments and The Market for Directors with Acquisition Experience"
Sueng Hee Choi - The College of New Jersey, USA
Tirimba Obonyo - Creighton University, USA
Samuel Szewczyk - Drexel University, USA
George Tsetsekos - Drexel University, USA

Discussant: Anna Triantafyllou - Deree College, Greece

"Corporate Governance in the Shipping Industry"
Anastasia Angelaki - Deree College, Greece
Anna Merika - Deree College, Greece
Anna Triantafyllou - Deree College, Greece

Discussant: Martin Gelter - Fordham University, USA

SESSION 11 **2305**

ACCOUNTING ISSUES II
Session Chair: Robert Mathieu - Wilfrid Laurier University, Canada

"No News is Bad News: The Case of Attention Prior to Earnings Surprises"
Matthias Bank - University of Innsbruck, Austria
Alexander Kupfer - University of Innsbruck, Austria
Alexander Neuschmid - University of Innsbruck, Austria

Discussant: Anestis C. Ladas - University of Macedonia, Greece

"Idiosyncratic Risk and Textual Analysis Attributes of SEC Comment Letters"
Dimitrios V. Kousenidis - Aristotle University of Thessaloniki, Greece
Anestis C. Ladas - University of Macedonia, Greece
Christos Negkakis - University of Macedonia, Greece

Discussant: Alexander Kupfer - University of Innsbruck, Austria

SESSION 12 **3205**

FINANCIAL OPTIONS
Session Chair: In-Mu Haw - Texas Christian University, USA

"Time Variation in Options Expected Returns"
Ryan McKeon - University of San Diego, USA

Discussant: Yangru Wu - Rutgers University, USA

"Heterogeneity of Heterogeneous Belief Across Financial Markets and Stock Price Crash Risk"
Yiming Ma - Central University of Finance and Economics, China
Yangru Wu - Rutgers University, USA
Rui Zhong - University of Western Australia, Australia

Discussant: Wolfgang Schadner - University of Innsbruck, Austria

"Investors Expect More than is Commonly Assumed, and itMatters"
Wolfgang Schadner - University of Innsbruck, Austria

Discussant: Ryan McKeon - University of San Diego, USA

SESSION 13 **3304**

FINANCIAL ECONOMETRICS II
Session Chair: Jin Liang - Tongji University, China

"The Study of Long-term Memory and Forecasting for the Bond ETFs"
Jo-Hui Chen - Chung Yuan Christian University, Taiwan
Yi-Chen Tsai - Chung Yuan Christian University, Taiwan

Discussant: Rossen Valkanov - UCSD, USA

"Direct versus Iterated Multi-Period Volatility Forecasts: Why MIDAS is King"
Eric Ghysels - University of North Carolina, USA
Alberto Plazzi - Universita della Svizzera italiana, Switzerland
Rossen Valkanov - UCSD, USA
Antonio Rubia - University of Alicante, Spain
Asad Dossani - Colorado State University, USA

Discussant: Ray Chou - Academia Sinica, Taiwan

"Forecasting Volatility with Multiple Horizon Extreme Values: The Multiple Horizon Conditional Autoregressive Range (MHCARR) Model"
Ray Chou - Academia Sinica, Taiwan
Chen-Sheng Lin - National Cheng-Chi University, Taiwan
Shou-Yung Yin - National Taipei University, Taiwan

Discussant: Jo-Hui Chen - Chung Yuan Christian University, Taiwan

Monday 10:30 - 12:00 p.m.

SESSION 14 **3305**

CORPORATE FINANCE II
Session Chair: Axel Adam-Müller - Trier University, Germany

"The Effect of Stock Liquidity on the Firm's Investment and Production"
Yakov Amihud - NYU-Stern, USA
Shai Levi - Tel Aviv University, Israel

Discussant: Balasingham Balachandran - La Trobe University, Australia

"Dividend Initiations, Information Content and Free Cash Flow - The Impact of the 2003 Dividend Tax Cut"
Balasingham Balachandran - La Trobe University, Australia
Huu Nhan Duong - Monash University, Australia
Michael Theobald - University of Birmingham, UK
Yun Zhou - La Trobe University, Australia

Discussant: Thanh Truong - RMIT University, Australia

"Largest Shareholder and Agency costs: International Evidence"
Thanh Truong - RMIT University, Australia

Discussant: Yakov Amihud - NYU-Stern, USA

LUNCHEON

12:00 - 1:15 p.m. Maiersdorf Faculty Club - 2 floor

KEYNOTE SPEECH

1:15 - 2:00 p.m. Senat Hall

Professor Roni Michaely
University of Geneva, Switzerland

POLITICAL ACTIVISM AND MARKET POWER

Monday 2:00 - 3:30 p.m.

SESSION 15 **2112**

ASSET PRICING III
Session Chair: Alex Cukierman - Tel-Aviv University and Interdisciplinary Center, Israel

"A Unified Duration-based Explanation of the Value, Profitability, and Investment Anomalies"
Shan Chen - City University of Hong Kong, Hong Kong
Tao Li - City University of Hong Kong, Hong Kong

Discussant: Te-Feng Chen - Hong Kong Polytechnic University, Hong Kong

"Illiquidity Shocks and Asymmetric Stock Market Reactions around the World: Is Underreaction or Illiquidity Spiral the Culprit?"
Te-Feng Chen - Hong Kong Polytechnic University, Hong Kong
K.C. John Wei - Hong Kong Polytechnic University, Hong Kong

Discussant: Richard Taffler - University of Warwick, UK

"Skewness Preference and Market Anomalies"
Alok Kumar - University of Miami, USA
Mehrshad Motahari - University of Warwick, UK
Richard Taffler - University of Warwick, UK

Discussant: Tao Li - City University of Hong Kong, Hong Kong

SESSION 16 **2202**

BEHAVIORAL III
Session Chair: Federica Ielasi - University of Florence, Italy

"How are Investor Trading Activity and Performance Affected by Major Lifecycle Events? The Case of Divorce"
Andrew Grant - University of Sydney, Australia
Petko Kalev - Latrobe University, Australia
Avanidhar Subrahmanyam - UCLA, USA
Joakim Westerholm - University of Sydney, Australia

Discussant: Julia Puaschunder - The New School, USA

"When Investors Care about Causes: Learning from Political Divestiture During Apartheid and the Sudan Crises for the Transition to Renewable Energy via Green Bonds"
Julia Puaschunder - The New School, USA

Discussant: Ernest Biktimirov - Brock University, Canada

"All Roads Lead to Jerusalem: Using Arabic Proverbs for Teaching Finance to Arabic-Speaking Students"
Ernest Biktimirov - Brock University, Canada

Discussant: Andrew Grant - University of Sydney, Australia

SESSION 17 **2302**

CORPORATE GOVERNANCE III
Session Chair: Malick Sy - RMIT University, Australia

"Corporate Social Responsibility Activities and the Labor Market for Corporate Directors"
Tirimba Obonyo - Creighton University, USA
Sijing Wei - Creighton University, USA

Discussant: Uwe Walz - Goethe University of Frankfurt, Germany

"Skin in the Game, Wealth and Risk-taking: Evidence from Private Equity Funds"
Carsten Bienz - Norwegian School of Economics, Norway
Karin S. Thorburn - Norwegian School of Economics, Norway
Uwe Walz - Goethe University of Frankfurt, Germany

Discussant: Linda Thorne - York University, Canada

"CSR Performance: Governance Insights into Dual-Class Firms"
Charles Cullinan - Bryant University, USA
Lois Mahoney - Eastern Michigan University, USA
Linda Thorne - York University, Canada
Walid Ben Amar - University of Ottawa, Canada

Discussant: Tirimba Obonyo - Creighton University, USA

SESSION 18 **2305**

ACCOUNTING ISSUES III
Session Chair: Peter Cincinelli - University of Bergamo, Italy

"Informativeness of Pro Forma Earnings? Evidence from Bank Loans and Credit Ratings"
Ling Chu - Wilfrid Laurier University, Canada
Robert Mathieu - Wilfrid Laurier University, Canada
Chima Mbagwu - Wilfrid Laurier University, Canada
Ping Zhang - University of Toronto, Canada

Discussant: Efrat Shust - The Open University of Israel, Israel

"Cost Stickiness as a Consequence of Capital Market Signaling"
Eti Einhorn - Tel Aviv University, Israel
Efrat Shust - The Open University of Israel, Israel

Discussant: In-Mu Haw - Texas Christian University, USA

"Capturing the Straw in the Wind: Do Short Sellers Trade on Customer Information?"
In-Mu Haw - Texas Christian University, USA
Wenming Wang - Hong Kong Baptist University, Hong Kong
Wenlan Zhang - Zhongnan University of Economics and Law, China
Xu Zhang - University of Macau, Macao

Discussant: Ling Chu - Wilfrid Laurier University, Canada

Monday 2:00 - 3:30 p.m.

SESSION 19 **3205**

RISK MANAGEMENT
Session Chair: Tomasz Wisniewski - University of Szczecin, Poland

"The Valuation of CCIRS with a New Wesign"
Huaying Guo - School of Mathematical Sciences, Tongji University, China
Jin Liang - Tongji University, China

Discussant: Chioma Nwafor - Glasgow Caledonian University, UK

"Use of Deep Neural Network in Credit Risk Evaluation and Analysis. (Does Data Normalization and Dimensionality Reduction Matter for Model Accuracy?)"
Chioma Nwafor - Glasgow Caledonian University, UK

Discussant: Ping Li - Beihang University, China

"Systemic Risk Analysis of Chinese Banking System Based on Dynamic Vine Copula Models"
Jie Li - Beihang University, China
Ping Li - Beihang University, China
Yingwei Han - China University of Geosciences, China

Discussant: Jin Liang - Tongji University, China

SESSION 20 **3304**

HEDGE FUNDS
Session Chair: Rene Coppe Pimentel - University of Sao Paulo, Brazil

"Hedge Fund Strategies: A non-Parametric Analysis"
Alessandra Canepa - University of Turin, Italy
María De La O. González - University of Castilla–La Mancha, Spain
Frank Skinner - Brunel University, UK

Discussant: Jorge Brusa - Texas A&M International University, USA

"Role of Loan only Credit Default Index on Banks' Risk Sharing Behavior"
Zagdbazar Davaadorj - Texas A&M International University, USA
Jorge Brusa - Texas A&M International University, USA

Discussant: Juan Yao - University of Sydney, Australia

"Death and the Life Hereafter - A Study of Re-launched Hedge Funds"
Juan Yao - University of Sydney, Australia
Bochen Wu - University of Melbourne, Australia

Discussant: Frank Skinner - Brunel University, UK

Monday 2:00 - 3:30 p.m.

SESSION 21 **3305**

CORPORATE FINANCE III
Session Chair: Wendy Rotenberg - University of Toronto, Canada

"Causes of Business Failure from Bankruptcy Filings: Empirical Evidence from In-Court Restructuring of Italian SMEs"
Ludovico Maria Cocco - Ca' Foscari University of Venice, Italy
Elisa Cavezzali - Ca' Foscari University of Venice, Italy
Ugo Rigoni - Ca' Foscari University of Venice, Italy
Giorgia Simion - Vienna University of Economics and Business, Austria

Discussant: Godfred Alufar Bokpin - University of Ghana, Ghana

"Understanding the Nature and Drivers of Inequality in Africa"
Godfred Alufar Bokpin - University of Ghana, Ghana

Discussant: Edward R. Lawrence - Florida International University, USA

"Chairman's Independence and Firm's Mergers & Acquisition Performance"
Edward R. Lawrence - Florida International University, USA
Dung Nguyen - Florida International University, USA
Arun Upadhyay - Florida International University, USA

Discussant: Ugo Rigoni - Ca' Foscari University of Venice, Italy

Refreshments 3:30 - 3:45 p.m.

Monday 3:45 - 5:15 p.m.

SESSION 22 **2112**

ASSET PRICING IV
Session Chair: David Feldman - UNSW Sydney, Australia

"The Permanent-Transitory Confusion: Implications for Tests of Market Efficiency and for Expected Inflation During Turbulent and Tranquil Times"
Alex Cukierman - Tel-Aviv University and Interdisciplinary Center, Israel
Thomas Lustenberger - Swiss National Bank, Switzerland
Allan Meltzer - Carnegie-Mellon University, USA

Discussant: Federica Ielasi - University of Florence, Italy

"The Bail-in Effect: Does Bond Yield Follow the Hierarchy of Risk After BRRD?"
Doriana Cucinelli - University of Milan Bicocca, Italy
Lorenzo Gai - University of Florence, Italy
Federica Ielasi - University of Florence, Italy

Discussant: Thierry Post - Nazarbayev University GSB, Kazakhstan

"Risk Arbitrage Opportunities for Stock Index Options"
Thierry Post - Nazarbayev University GSB, Kazakhstan
Inaki Rodríguez Longarela - Stockholm University, Sweden

Discussant: Alex Cukierman - Tel-Aviv University and Interdisciplinary Center, Israel

SESSION 23 **2202**

BEHAVIORAL ISSUES IV
Session Chair: Rashad Abdel-khalik - University of Illinois, USA

"Speculative Bubbles and Investor Emotions: The Chinese Experience"
Richard Taffler - University of Warwick, UK
Xijuan Bellotti - AspiringPi Solutions Ltd, UK
Vineet Agarwal - Cranfield School of Management, UK

Discussant: Stella Spilioti - Athens University of Economics and Business, Greece

"Deep Learning & Neural Network Architectures. Applications in Forecasting Security Prices. Comparative Study and Performance Testing on FX, Derivatives and Cryptocurrencies"
Sam Morris - Nhillite, Australia
Malick Sy - RMIT University, Australia

Discussant: Xijuan Bellotti - AspiringPi Solutions Ltd, UK

Monday 3:45 - 5:15 p.m.

SESSION 24 **2302**

CORPORATE GOVERNANCE IV
Session Chair: Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong

"The Role of Social Networking in Capital Sourcing"
Ameeta Jaiswal-Dale - University of St. Thomas, USA
Fanny Simon- Lee - University of Caen, France
Giovanna Zanotti - University of Bergamo, Italy
Peter Cincinelli - University of Bergamo, Italy

Discussant: Waymond Rodgers - University of Hull, UK

"Executive Compensation, Sustainability, Climate, Environmental Concerns and Company Financial Performance: Evidence from Indonesian Commercial Banks"
Eriana Kartadjumena - Widyatama University, Indonesia
Waymond Rodgers - University of Hull, UK

Discussant: Tomasz Wisniewski - University of Szczecin, Poland

"Should They Stay or Should They Go?CEO Appointments and Performance in a Transitional Economy"
Katarzyna Byrka-Kita - University of Szczecin, Poland
Mateusz Czerwinski - University of Szczecin, Poland
Stephen P. Ferris - University of Colorado, College of Business, USA
Agnieszka Pres-Perepeczo - The University of Szczecin, Poland
Tomasz Wisniewski - University of Szczecin, Poland

Discussant: Peter Cincinelli - University of Bergamo, Italy

SESSION 25 **2305**

ACCOUNTING ISSUES IV
Session Chair: Neil Kellard - University of Essex, UK

"Capital Market Consequences of Integrated Reporting: Evidence from Research Analysts"
Diogenis Baboukardos - University of Essex, UK
Anastasia Kopita - University of Warwick, UK

Discussant: Maria Dimitriou - University of Macedonia, Greece

"A Theoretical Framework and Perspective Regarding the Accounting and the Technology Issues in Greece"
Maria Dimitriou - University of Macedonia, Greece

Discussant: Chima Mbagwu - Wilfrid Laurier University, Canada

"The Impact of Asset Retirement Obligations on Equity and Debt Market Participants"
Ling Chu - Wilfrid Laurier University, Canada
Robert Mathieu - Wilfrid Laurier University, Canada
Chima Mbagwu - Wilfrid Laurier University, Canada
Bruce McConomy - Wilfrid Laurier University, Canada

Discussant: Anastasia Kopita - University of Warwick, UK

SESSION 26 **3205**

REGULATION AND DISCLOSURE
Session Chair: Alejandra Cabello - Universidad Nacional Autónoma De México, Mexico

"Resolving the Funding Gap of State Funded Pension Plans: A Long Run Floor Rate Approach"
Robinson Reyes - Florida International University, USA
Krishnan Dandapani - Florida International University, USA
Edward Lawrence - Florida International University, USA

Discussant: Stelios Markoulis - University of Cyprus, Cyprus

"Global Systemically Important Banks Regulation: "Blessing" or "Curse"?"
Stelios Markoulis - University of Cyprus, Cyprus
Spiros Martzoukos - University of Cyprus, Cyprus
Elena Patsalidou - University of Cyprus, Cyprus

Discussant: Tomoe Moore - Brunel University London, UK

"Do Financial Regulations Enhance or Impede Bank Operational Efficiency Measured by SORM? Evidence Across 102 Countries and 5 Economic Blocs"
Ali Shaddady - King Abdulazia University, Saudi Arabia
Tomoe Moore - Brunel University London, UK

Discussant: Robinson Reyes - Florida International University, USA

SESSION 27 **3304**

CORPORATE RISK MANAGEMENT
Session Chair: Keren Bar-Hava - Hebrew University of Jerusalem, Israel

"Corporate Liquidity Strategies when Financial Assets are Highly Profitable"
Rene Coppe Pimentel - University of Sao Paulo, Brazil

Discussant: Wendy Rotenberg - University of Toronto, Canada

"International Business Activities and Hedging Choices: Evidence from Canada"
Wendy Rotenberg - University of Toronto, Canada
Robert Kieschnick - University of Texas at Dallas, USA

Discussant: Iuliana Ismailescu - Pace University, USA

"Powerful CEOs and Their Legacy: Evidence from Credit Risk Around CEO Turnovers"
Marcus Braga Alves - Pace University, USA
Iuliana Ismailescu - Pace University, USA
Kaustav Sen - Pace University, USA

Discussant: Rene Coppe Pimentel - University of Sao Paulo, Brazil

SESSION 28 **3305**

TUTORIAL: CORPORATE FINANCE ISSUES

"Low Frequency Macro Factors in Corporate Finance"
Laurence Booth - University of Toronto, Canada

SESSION 29 **2112**

SPECIAL TUTORIAL PRESENTATION AND PANEL DISCUSSION

"Stochastic Dominance. An Alternative Paradigm for Pricing Options (Palgrave MacMillan, 2019)"
Stylianos Perrakis - Concordia University, Canada

Discussants:
Thierry Post - Nazarbayev University, Kazakhstan
Alon Raviv - Bar Ilan University, Israel
Amnon Schreiber - Bar Ilan University, Israel

SESSION 30 **2202**

IPOS
Session Chair: Lorne Switzer - Concordia University, Canada

"Investor Protection, IPO Appraisal, and Institutional Investors' Bidding Behavior"
Sagi Akron - University of Haifa, Israel
Taufique Samdani - University of Toledo, USA

Discussant: Nirav Parikh - RMIT University, Australia

"Do Underwriters Misuse Discretionary Powers?"
Nirav Parikh - RMIT University, Australia
Vijaya Marisetty - University of Hyderabad, India
Monica Tan - RMIT University, Australia

Discussant: Andrea Carosi - University of Sassari, Italy

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

Discussant: Sagi Akron - University of Haifa, Israel

SESSION 31 **2302**

CORPORATE GOVERNANCE V
Session Chair: Peter Scholz - Hamburg School of Business Administration, Germany

"Corporate Cash Holdings in Energy Industry: Evidence from European Firms"
Yilmaz Yildiz - Hacettepe University, Turkey
Mehmet Karan - Hacettepe University, Turkey

Discussant: Hui Zhu - University of Ontario Institute of Technology, Canada

"Pension Deficits and Financial Distress in an Innovative Environment"
Hui Zhu - University of Ontario Institute of Technology, Canada

Discussant: Mehmet Karan - Hacettepe University, Turkey

SESSION 32 **2305**

FIRM VALUATION
Session Chair: Erik Devos - University of Texas at El Paso, USA

"Accounting Adjustments For Apraising Smes in Greece Under the New Greek Accounting Standards"
Athanasios Karampouzis - University of Macedonia, Greece
Emmanouil Ginoglou - Private Sector, Greece
Dimitrios Ginoglou - University of Macedonia, Greece

Discussant: Edgardo Cayon - CESA, Colombia

"The Application of Proxy Methods for Computing the Cost of Private Equity: Evidence from Listed Firms"
Juan Sebastian Sandoval - Pontificia Universidad Javeriana, Colombia
Julio Sarmiento-Sabogal - Pontificia Universidad Javeriana, Colombia
Mehdi Sadeghi - Macquarie University, Australia
Edgardo Cayon - CESA, Colombia

Discussant: Benjamin Segal - Hebrew University, Israel

"Geographic Location and the Pricing of Earnings"
Joseph Micale - Fordham, USA
Benjamin Segal - Hebrew University, Israel
Ibrahim Siraj - Long Island University Post, USA
Maya Waisman - Fordham, USA

Discussant: Dimitrios Ginoglou - University of Macedonia, Greece

SESSION 33 **3205**

FINANCIAL INTERMEDIARIES I
Session Chair: Hubert De La Bruslerie - University Paris Dauphine - PSL, France

"The Roles of Alternative Data and Machine Learning in Fintech Lending: Evidence from the LendingClub Consumer Platform"
Julapa Jagtiani - FRB Philadelphia, USA
Catharine Lemieux - FRB Chicago, USA

Discussant: Rasoul Rezvanian - Ithaca College, USA

"The Effect of the 2008 Global Financial Crisis on the Efficiency and Productivity Growth of the U.S. Large Commercial Banks"
Seyed Mehdian - University of Michigan Flint, USA
Rasoul Rezvanian - Ithaca College, USA
Ovidiu Stoica - Alexandru Ioan Cuza University of Iasi, Romania

Discussant: Zhentao Liu - Xiamen University, China

"Unemployment Insurance as an Automatic Economic Stabilizer — Evidence from Bank Lending"
Yuehua Li - Shanghai University of Finance and Economics, China
Zhentao Liu - Xiamen University, China
Sha Pei - National University of Singapore, Singapore

Discussant: Julapa Jagtiani - FRB Philadelphia, USA

Tuesday 8:45 - 10:15 a.m.

SESSION 34 **3304**

INFORMED TRADING
Session Chair: Abdus Samad - Utah Valley University, USA

"Are Trades of Networked Insiders More Informative? Evidence from Europe"
Mansoor Afzali - Hanken School of Economics, Finland
Minna Martikainen - Hanken School of Economics, Finland

Discussant: Laurent Germain - Toulouse Business School, France

"High Frequency Trading: Strategic Competition Between Slow and Fast Traders"
Herve Boco - Toulouse Business School, France
Laurent Germain - Toulouse Business School, France
Fabrice Rousseau - Maynooth University, Ireland

Discussant: Ross Hosmann - Macquarie Graduate School of Management, Australia

"Twitter Volume Option Implied Volatility and Continuous Disclosure"
Ross Hosmann - Macquarie Graduate School of Management, Australia
Petko Kalev - La Trobe University, Australia
Ivy Zhou - University of Wollongong, Australia

Discussant: Minna Martikainen - Hanken School of Economics, Finland

SESSION 35 **3305**

VALUE INVESTING
Session Chair: George Athanassakos - Ivey Business School of Business, Western University, Canada

"Value Investing: Who, What and Why"
George Athanassakos - Ivey Business School of Business, Western University, Canada

Discussant: n/a

"Investor Behavior and Stock Returns"
Oriana Rahman - York University, Canada
Andrei Semenov - York University, Canada

Discussant: Ron Bird - Waikato Management School, New Zealand

"Do Emotions Expressed in the Social and News Media Impact on Investor Behaviour?"
Ahmed Khan - Waikato Management School, New Zealand
Ron Bird - Waikato Management School, New Zealand
Peter Huang - Waikato Management School, New Zealand
Danny Yeung - University of Technology Sydney, Australia

Discussant: Andrei Semenov - York University, Canada

Refreshments 10:15 - 10:30 a.m.

SESSION 36 **2112**

PORTFOLIO MANAGEMENT I
Session Chair: Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA

"Diversification Benefits of European Small Cap Stocks After the Global Financial Crisis and Brexit"
Thien D. Nguyen - Concordia University, Canada
Lorne Switzer - Concordia University, Canada

Discussant: Peter Scholz - Hamburg School of Business Administration, Germany

"Cryptocurrencies as an Asset Class?"
Sinan Krückeberg - Hamburg School of Business Administration, Germany
Peter Scholz - Hamburg School of Business Administration, Germany

Discussant: Javier Pantoja - Universidad EAFIT, Colombia

"Quadratic Optimization Based Static Hedging of Weather and Price Risks in the Energy Market"
Javier Pantoja - Universidad EAFIT, Colombia
Juan C. Vera - Tilburg University, Netherlands

Discussant: Lorne Switzer - Concordia University, Canada

SESSION 37 **2202**

MERGERS AND ACQUISITIONS
Session Chair: Varouj Aivazian - University of Toronto, Canada

"Equity-Based Golden Parachutes in Mergers and Acquisitions"
Jing He - Macquarie University, Australia
Joshua Shemesh - Monash Business School, Australia

Discussant: Galla Salganik-Shoshan - Ben-Gurion University, Israel

"Coordinated Monitoring and Mergers and Acquisitions"
Ettore Croci - Università Cattolica del Sacro Cuore, Italy
Mieszko Mazur - IESEG School of Management, France
Galla Salganik-Shoshan - Ben-Gurion University, Israel

Discussant: Erik Devos - University of Texas at El Paso, USA

"The Valuation Effect of Changes to Delaware Corporate Law: The Case of Top-Up Options"
Erik Devos - University of Texas at El Paso, USA
Bill Elliott - John Carroll University, USA
Hilmi Songur - University of Arizona, USA

Discussant: Joshua Shemesh - Monash Business School, Australia

Tuesday 10:30 - 12:00 p.m.

SESSION 38 **2302**

CORPORATE GOVERNANCE VI
Session Chair: Anastasios Malliaris - Loyola University Chicago, USA

"Corporate Governance and Internal Audit Function Quality in Listed Companies at the Athens Stock Exchange"
Christina Vadasi - University of the Aegean, Greece
Michalis Bekiaris - University of the Aegean, Greece
Andreas Andrikopoulos - University of the Aegean, Greece

Discussant: Hubert De La Bruslerie - University Paris Dauphine - PSL, France

"Creditor's Holdup and the Setting of Private Appropriation in a Control Contract Between Shareholders"
Hubert De La Bruslerie - University Paris Dauphine - PSL, France
Simon Gueguen - University of Cergy-Pontoise, France

Discussant: Shai Levi - Tel-Aviv University, Israel

"Does Corporate Outside Counsel Better Serve Shareholders or Managers?"
Eti Einhorn - Tel-Aviv University, Israel
Shai Levi - Tel-Aviv University, Israel
Benjamin Segal - Hebrew University, Israel

Discussant: Andreas Andrikopoulos - University of the Aegean, Greece

SESSION 39 **2305**

TUTORIAL: ACCOUNTING ISSUES

"Tutorial Session"
Rashad Abdel-khalik - University of Illinois, USA

SESSION 40 **3205**

FINANCIAL INTERMEDIARIES II
Session Chair: Bill Francis - Rensselaer Polytechnic Institute, USA

"P2P Lending Revisited: The Default Determinants"
Christophe Croux - EDHEC Business School, France
Tarunsai Korivi - EDHEC Business School, France
Milos Vulanovic - EDHEC Business School, France

Discussant: Abdus Samad - Utah Valley University, USA

"Global Financial Crisis and Efficiencies of Islamic Banks: Are Islamic Bank Loan and Deposit Efficiencies Stable? Evidence from Malaysian Islamic Banks"
Abdus Samad - Utah Valley University, USA
Shahina Rahman - Hayfield Secindary School, USA

Discussant: Lisa Van Den Branden - KULeuven, Belgium

"Does Regulation Influence Insurer Soundness at the Micro-Level?"
Lisa Van Den Branden - KULeuven, Belgium
Frederiek Schoubben - KULeuven, Belgium
Cynthia Van Hulle - KULeuven, Belgium

Discussant: Milos Vulanovic - EDHEC Business School, France

SESSION 41 3304

MONEY AND CAPITAL
Session Chair: Alain Coen - University of Quebec in Montreal, Canada

"The Link Between Federal Funds Rate and Banking System Distress: An Empirical Investigation"
Mustafa Akcay - Temple University, USA
Elyas Elyasiani - Temple University, USA

Discussant: Francis Adzei - University of Ghana, Ghana

"Climate Change and Africa's Inclusive Growth"
Francis Adzei - University of Ghana, Ghana
Godfred Bokpin - University of Ghana, Ghana

Discussant: Shmuel Yahalom - State University of New York Maritime College, USA

"The Return on Investment of Big Containerships: The Impact of Port Time, Vessel Size and Multiple Ports of Call"
Shmuel Yahalom - State University of New York Maritime College, USA
Chang Guan - US Merchant Marine Academy, USA

Discussant: Elyas Elyasiani - Temple University, USA

SESSION 42 3305

VENTURE CAPITAL & REGULATION
Session Chair: Miriam Sosa Castro - Universidad Nacional Autónoma de México, Mexico

"Drivers of Fundraising Success in Equity Crowdfunding"
Sandra Correia - University of Porto, Portugal
Miguel Sousa - School of Economics and Management of the University of Porto, Portugal
Elísio Brandão - School of Economics and Management of the University of Porto, Portugal

Discussant: Mehmet Goktan - California State University, East Bay, USA

"The Effect of Venture Capital Backing on Companies' Subsequent Lobbying Efforts"
Ekin Alakent - California State University, East Bay, USA
Mine Ozer - SUNY Onienta, USA
Mehmet Goktan - California State University, East Bay, USA

Discussant: Maya Haran Rosen - Hebrew University of Jerusalem, Israel

"Does Financial Regulation Unintentionally Ignore Less Privileged Populations? The Investigation of a Regulatory Fintech Advancement, Objective and Subjective Financial Literacy"
Maya Haran Rosen - Hebrew University of Jerusalem, Israel
Orly Sade - Hebrew University of Jerusalem,

Discussant: Sandra Correia - University of Porto, Portugal

LUNCHEON

12:00 - 1:15 p.m.   Lobby of the Senat Hall

KEYNOTE SPEECH

1:15 - 2:00 p.m.   Senat Hall

Professor Eti Einhorn
Tel Aviv University, Israel

STRATEGIC COMMUNICATION BETWEEN FIRMS AND INVESTORS IN CAPITAL MARKETS

Tuesday 2:00 - 3:30 p.m.

SESSION 43 **2112**

PORTFOLIO MANAGEMENT II
Session Chair: Jeffrey Callen - University of Toronto, Canada

"Margin-Restricted Mean-Variance Portfolio Deleveraging Under Market Impact"
Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA
Jaehwan Jeong - Radford University, USA

Discussant: Jang Schiltz - University of Luxembourg, Luxembourg

"A Performance Evaluation of Weight-Constrained Conditioned Portfolio Optimization"
Marc Boissaux - University of Luxembourg, Luxembourg
Jang Schiltz - University of Luxembourg, Luxembourg

Discussant: Eyub Yegen - University of Toronto, Canada

"Common-Ownership and Portfolio Rebalancing"
Eyub Yegen - University of Toronto, Canada

Discussant: Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA

SESSION 44 **2202**

CAPITAL STRUCTURE I
Session Chair: Todd Mitton - Brigham Young University, USA

"Bank Bailouts, Bail-ins, or No Regulatory Intervention? A Dynamic Model and Empirical Tests of Optimal Regulation"
Allen N. Berger - University of South Carolina, USA
Charles P. Himmelberg - Goldman Sachs & Co., USA
Raluca A. Roman - Federal Reserve Bank of Philadelphia, USA
Sergey Tsyplakov - University of South Carolina, USA

Discussant: Varouj Aivazian - University of Toronto, Canada

"The Problem of Debt Overhang: Canadian Evidence"
Varouj Aivazian - University of Toronto, Canada
Yiming Xu - University of Toronto, Canada

Discussant: Ashiq Ali - University of Texas at Dallas, USA

"The Role of Capital Expenditure Forecasts in Debt Contracting"
Ashiq Ali - University of Texas at Dallas, USA
Zhongwen Fan - University of Texas at Dallas, USA
Ningzhong Li - University of Texas at Dallas, USA

Discussant: Sergey Tsyplakov - University of South Carolina, USA

SESSION 45 **2302**

CORPORATE GOVERNANCE VII
Session Chair: Yin-Hua Yeh - National Chiao Tung University, Taiwan

"How Does the Global Microfinance Industry Determine its Targeting Strategy Across Cultures with Differing Gender Values?"
Issy Drori - Vrie Universiteit, Netherlands
Ronny Manos - College of Management, Israel
Estefania Santacreu-Vasut - ESSEC Business School and THEMA, France
Amir Shoham - Temple University, USA

Discussant: Lewis Tam - University of Macau, Macao

"Stock Trading, Ownership Dispersion, and Corporate Governance: Evidence from China's Split-Share-Structure Reform"
Xiaolin Qian - University of Macau, Macao
Lewis Tam - University of Macau, Macao

Discussant: Miriam Schwartz-Ziv - Michigan State University, USA

"Are Mutual Funds Satisfied with Corporate and Mutual Fund Directors who Overlap?"
Rachel Li - Eli Broad College of Business, USA
Miriam Schwartz-Ziv - Michigan State University, USA

Discussant: Amir Shoham - Temple University, USA

SESSION 46 **2305**

EXECUTIVE COMPENSATION I
Session Chair: Jose Guedes - Catholic University of Portugal, Portugal

"Cannot Afford to Let Go: CEO Risk-taking Incentives When their Predecessors are Firm Creditors"
Angelica Gonzalez - University of Edinburgh, UK
Jens Hagendorff - University of Edinburgh, UK
Georgios Voulgaris - University of Warwick, UK

Discussant: Bill Francis - Rensselaer Polytechnic Institute, USA

"The Bright Side of Diversification: Evidence from Economic Policy Uncertainty"
Btrian Clark - Rensselaer Polytechnic Institute, USA
Bill Francis - Rensselaer Polytechnic Institute, USA
Gilna Samuel - California State University San Bernadino, USA

Discussant: Angelica Gonzalez - University of Edinburgh, UK

"FDI, Domestic Investment, and the Credit Channel"
George Georgopoulos - York University, Canada
Walid, Hejazi - Rotman School of Business, University of Toronto, Canada

Discussant: n/a

SESSION 47 **3205**

FINANCIAL INTERMEDIARIES III
Session Chair: Joao Vieito - Polytechnic Institute of Viana do Castelo and Applied Management Research Unit (UNIAG), Portugal

"What do Almost 20 years of Micro Data and two Crises Say About the Relationship Between Central Bank and Interbank Market Liquidity? Evidence from Italy"
Massimiliano Affinito - Bank of Italy, Italy

Discussant: Alain Coen - University of Quebec in Montreal, Canada

"Real Estate as a Common Risk Factor in the Financial Sector: International Evidence"
Benoit Carmichael - Universite Laval, Canada
Alain Coen - University of Quebec in Montreal, Canada

Discussant: Mahmoud Qadan - University of Haifa, Israel

"Financial Attention: An International Examination"
Mahmoud Qadan - University of Haifa, Israel

Discussant: Massimiliano Affinito - Bank of Italy, Italy

SESSION 48 **3304**

EXCHANGE RATES
Session Chair: Lola Gadea Rivas - University of Zaragoza, Spain

"Long Memory in Volatility in African Foreign Exchange Markets"
Saint Kuttu - University of Ghana, Ghana

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

"Extreme Volatility Dependence in Exchange Rate"
Miriam Sosa Castro - Universidad Nacional Autónoma de México, Mexico
Christian Bucio Pacheco - Universidad Autónoma del Estado de México, Mexico
Edgar Ortiz Calisto - Universidad Nacional Autónoma de México, Mexico

Discussant: Iwan Meier - HEC Montreal, Canada

"Currency Hedging of Global Equity Portfolios"
Iwan Meier - HEC Montreal, Canada

Discussant: Saint Kuttu - University of Ghana, Ghana

Tuesday 2:00 - 3:30 p.m.

SESSION 49 **3305**

MARKET MICROSTRUCTURE
Session Chair: Kelly Cai - University of Michigan Dearborn, USA

"Was The Global Price of Oil Impacted by Unconventional U.S. Monetary Policy?"
Anastasios Malliaris - Loyola University Chicago, USA
Mary Malliaris - Loyola University Chicago, USA

Discussant: Jared DeLisle - Utah State University, USA

"Mutual Fund Ownership and Price Clustering"
Ahmed Baig - Texas Tech University, USA
Ben Blau - Utah State University, USA
Jared DeLisle - Utah State University, USA

Discussant: Petko Kalev - LaTrobe University, Australia

"Short Selling, Trading Activity and Volatility in Corporate Bond Market"
Huu Nhan Duong - Monash University, Australia
Petko Kalev - LaTrobe University, Australia
Xiao Tian - LaTrobe University, Australia

Discussant: Anastasios Malliaris - Loyola University Chicago, USA

Refreshments 3:30 - 3:45 p.m.

SESSION 50 **2112**

PORTFOLIO MANAGEMENT III
Session Chair: Mehmet Karan - Hacettepe University, Turkey

"Importance of Transaction Costs for Asset Allocations in FX Markets"
Thomas Maurer - Washington University in St. Louis, USA
Luca Pezzo - University of New Orleans, USA
Mark Taylor - Washington University in St. Louis, USA

Discussant: Wen-Lin Wu - Feng Chia University, Taiwan

"The Impact of Global Interaction on International Portfolio Investment"
Wen-Lin Wu - Feng Chia University, Taiwan

Discussant: Sylvia Gottschalk - Middlesex University, UK

"Brexit and Correlations of Equity Returns in France, Germany, Italy, Spain, and the U.K."
Sylvia Gottschalk - Middlesex University, UK

Discussant: Luca Pezzo - University of New Orleans, USA

SESSION 51 **2202**

CAPITAL STRUCTURE II
Session Chair: Dimitrios Ginoglou - University of Macedonia, Greece

"The Role of the Sovereign Debt Crisis and Financial Development in Trade Credit: Evidence from the Euro Area"
Filipa Da Silva Fernandes - University of Aberdeen, UK
Alessandra Guariglia - University of Birmingham, UK
Alexandros Kontonikas - University of Essex, UK
Serafeim Tsoukas - University of Glasgow, UK

Discussant: Jeffrey Callen - University of Toronto, Canada

"The Agency Costs of Investment Opportunities and Debt Contracting: Evidence from Exogenous Shocks to Government Spending"
Jeffrey Callen - University of Toronto, Canada
Mahfuz Chy - University of Missouri, USA

Discussant: Todd Mitton - Brigham Young University, USA

"Determinants of Capital Structure: An Expanded Assessment"
Toshi Fukui - Brigham Young University, USA
Todd Mitton - Brigham Young University, USA
Robert Schonlau - Miami University, USA

Discussant: Serafeim Tsoukas - University of Glasgow, UK

SESSION 52 **2302**

FAMILY FIRMS
Session Chair: Edgardo Cayon - CESA, Colombia

"Are Family Successors the Best Choice for Firms Operating in High Risk Environments?"
Yin-Hua Yeh - National Chiao Tung University, Taiwan
Chen-Chieh Liao - National Chengchi University, Taiwan

Discussant: Eva Wagner - Johannes Kepler University Linz, Austria

"Family Control and Environmental, Social and Governance (ESG) Engagement – Evidence from Austria, Germany and Switzerland"
Eva Wagner - Johannes Kepler University Linz, Austria
Gabrielle Wanzenried - Lucerne University of Applied Sciences and Arts, Switzerland

Discussant: Tak Yan Leung - Open University of Hong Kong, Hong Kong

"Executive Incentive Pay and Dividend Payouts in Family Firms: An Auditor's Perspective"
Pattarin Adithipyangkul - Curtin University, Australia
H.Y. Hung - Open University of Hong Kong, Hong Kong
Tak Yan Leung - Open University of Hong Kong, Hong Kong

Discussant: Yin-Hua Yeh - National Chiao Tung University, Taiwan

SESSION 53 **2305**

EXECUTIVE COMPENSATION II
Session Chair: Pornchai Chunhachinda - Thammasat University, Thailand

"Trust, Incomplete Contracting, and Corporate Innovation"
Fei Xie - University of Delaware, USA
Bohui Zhang - Chinese University of Hong Kong, Shenzhen, China
Wenrui Zhang - Chinese University of Hong Kong, Hong Kong

Discussant: Steven Xuanrui Zhu - University of Toronto, Canada

"Implications of Inside Debt on Corporate Forward Guidance"
Steven Xuanrui Zhu - University of Toronto, Canada

Discussant: Jose Guedes - Catholic University of Portugal, Portugal

"The Ratchet Effect of Transparency in Executive Compensation"
Jose Guedes - Catholic University of Portugal, Portugal

Discussant: Wenrui Zhang - Chinese University of Hong Kong, Hong Kong

SESSION 54 **3205**

FINANCIAL CRISIS
Session Chair: Minna Martikainen - Hanken School of Economics, Finland

"Deleveraging, Market Liquidity, and Funding Liquidity Crisis: Evidence from a Natural Experiment"
Buhui Qiu - The University Of Sydney, Australia
Gary Tian - Macquarie University, Australia
Haijian Zeng - Guangxi University, China

Discussant: Christian Bucio - Universidad Autónoma del Estado de Mexico, Mexico

"Evidence of Financial Contagion Caused by Subprime and Global Financial Crisis in NAFTA Stock Markets"
Christian Bucio - Universidad Autónoma del Estado de Mexico, Mexico
Raúl De Jesús - Universidad Autónoma del Estado de México, Mexico

Discussant: Panagiotis Tahinakis - University of Macedonia, Greece

"Audit Quality and the Effect of the Banking Sector CEO Skill in Eurozone"
Panagiotis Tahinakis - University of Macedonia, Greece
Michail Samarinas - University of Macedonia, Greece

Discussant: Buhui Qiu - The University Of Sydney, Australia

SESSION 55 **3304**

INFORMATION ASYMMETRY
Session Chair: Laurent Germain - Toulouse Business School, France

"Large and Small Firms: Is the Causal Relationship Asymmetric Nonlinear?"
Geoffrey Ngene - Mercer University, USA

Discussant: Efstathios Avdis - University of Alberta, Canada

"Clear and Liquid: The Interaction of Firm Disclosure and Trader Competition"
Efstathios Avdis - University of Alberta, Canada
Sanjay Banerjee - University of Alberta, Canada

Discussant: Vladimir Ivanov - U.S. Securities and Exchange Commission, USA

"Soft and Hard Information and Signal Extraction in Securities Crowdfunding"
Vladimir Ivanov - U.S. Securities and Exchange Commission, USA
Anzhela Knyazeva - US Securities and Exchange Commission, USA

Discussant: Geoffrey Ngene - Mercer University, USA

SESSION 56 **3305**

FINANCIAL MARKETS
Session Chair: Elyas Elyasiani - Temple University, USA

"Cryptocurrencies: The New Common Good or a 'Pig in Lipstick'?"
John Vaz - Monash University, Australia
Kym Brown - Monash University, Australia

Discussant: Lola Gadea Rivas - University of Zaragoza, Spain

"Private Bank Deposits and Macro/Fiscal Risk in the Euro-Area"
Michael G. Arghyrou - Cardiff University, UK
Lola Gadea Rivas - University of Zaragoza, Spain

Discussant: Kelly Cai - University of Michigan Dearborn, USA

"Comovement and Dynamic Relationships Between Stocks and Bonds"
Kelly Cai - University of Michigan Dearborn, USA
JingZhi Huang - Penn State University, USA
Xiaoquan Jiang - Florida International University, USA

Discussant: John Vaz - Monash University, Australia

KEYNOTE SPEECH

7:30 - 8:15 p.m. Kedma Restaurant (Mamila Avenue)

Professor Dan Galai
Hebrew University of Jerusalem, Israel

WHAT'S WRONG WITH THE WAY WE TEACH
CORPORATE FINANCE AND THE CONTINGENT CLAIMS ANALYSIS

AWARDS CEREMONY

8:15 - 8:30 p.m. Kedma Restaurant (Mamila Avenue)

GALA DINNER

8:30 - 11:00 p.m. Kedma Restaurant (Mamila Avenue)

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SESSION 1 **2112**

ASSET PRICING I
Session Chair: Jason Wei - University of Toronto, Canada

"Multiple Criteria Portfolio Choice with Variance Decomposition onto Half Spaces"
Kian Lim - Singapore Management University, Singapore
Hao Cheng - Singapore Management University, Singapore

Discussant: David Feldman - UNSW Sydney, Australia

In this paper we propose a multiple criteria framework (MCF) for generalizing the traditional two-moment CAPM. It includes the Sharpe-Lintner CAPM as a special case. The model decomposes effective portfolio variance into two parts, an undesirable total variance part and a positive variability part. Minimization is taken with respect not to total variance as in the Sharpe-Lintner CAPM, but to the total variance less the desirable positive variability. Positive covariability reduces risk premium, and has a similar effect compared to positive skewness or upper partial moment. The empirical results in our MCF model indicate good performance in the model.

"Minimal Dynamic Equilibria"
David Feldman - UNSW Sydney, Australia
Dietmar Leisen - University of Mainz, Germany

Discussant: Xiaoquan Jiang - Florida International Univeristy, USA

Asset pricing implementations typically apply static models where dynamic ones fit. Comparing these models, three essential questions (TEQ) arise regarding dependency on moments higher than variance, “complexity” of risk premia, and identification of pricing kernels/SDFs/market portfolios. Current literature characterizes differences between static models and only a subset of dynamic models, those originated by Merton and their derivatives. (We call models static if they are single-period or multiperiod with single-period representation due to, for example, path independence, Martingale representation methods, or myopic preferences.) While “Merton models” differ from static ones in the answers to all TEQ, we aim to explore the overlap/disparity for dynamic models other than Merton ones. We thus identify "Minimal Dynamic Equilibria" (MDE), namely equilibria with the "simplest" structure in terms of number of periods, stochastic structure, information structure, and (plausible) preferences. We show that within MDE, with MV preferences, there is dependence on higher than variance moments; risk premia do not degenerate to those of static ones and depend on higher moments; and market portfolios are generally not mean-variance efficient and, thus, cannot serve as pricing kernels/SDFs.

"Bias in Predictive Regressions"
Xiaoquan Jiang - Florida International Univeristy, USA
Qiang Kang - Florida International University, USA

Discussant: Kian Lim - Singapore Management University, Singapore

We generalize Stambaugh's(1999) analysis of predictive regression bias in a frequentist framework. When both predictive errors and state innovations exhibit serial correlations, the Stambaugh bias must adjust for the state innovation persistence, and omitting the predictive error persistence in estimations causes another bias. Depending on parameter values, the omitted-variable bias can exacerbate, offset, and even reverse the modified Stambaugh bias. We propose an easy-to-implement approach for a bias-correctedestimator that takes into account the serial correlations and boasts significant efficiency gains. Simulations confirm our analytical derivations and illustrate the decent finite-sample property of this bias-corrected estimator. In application of this approach, we find salient evidence of return predictability.

BEHAVIORAL I

Session Chair: Radu Lupu - Bucharest University of Economic Studies, Romania

"Aggressive Versus Passive Trading Returns in Australian Company Takeovers; Investigating the Underlying Trading Motive Using Structural Equation Modelling"

Chris McAdam - Nottingham Trent University, UK

Discussant: Liron Reiter Gavish - Haifa University, Israel

The assumed motive for passive and aggressive trading returns for investors in literature has come under discussion due to inconsistent findings and extenuating circumstances. To address this issue, I consequently undertake an investigation for takeover targets of the assumed motives, using structural equation modelling. Employing two studies, a marked-to-market return determination and a structural equation model analysis for order sizes which proxy an investor type, my investigation renders finding that are generally in harmony with those anticipated by literature. Not all results are, however consistent. With the benefit of my structural equation modelling analysis, I identify motivations not previously considered by research. The most notable is that for takeover targets, the provision of liquidity by a retail investor appears to result in a premium which will be of interest to market participants. The inclusion of structural equation modelling has thus allowed me to test for assumed motivations, which has been the contribution of this paper.

"In Search of Peace of Mind: Who Exactly Uses Financial Advice?"

Liron Reiter Gavish - Haifa University, Israel
Mahmoud Qadan - University of Haifa, Israel
Joseph Yagil - University of Haifa, and Western Galilee College, Israel

Discussant: Hai Lin - VIctoria University of Wellington, New Zealand

Using data from about 290,000 household investment accounts for 2005-2014, we provide a comprehensive analysis of the role of economic and demographic characteristics in determining the tendency to utilize financial advice. Our findings indicate that age, gender and family status are strongly associated with the tendency to use advice. Women, widowed and married couples are more likely to seek financial advice. In addition, while trading experience and occupational complexity are negatively correlated with the use of financial advice, a home bias is positively associated with doing so, implying that less sophisticated investors are more likely to utilize financial advice. The findings are robust under different distributions of the data. Finally, we also test how macroeconomic uncertainty, reflected by the VIX, affects the tendency to utilize financial advice. Our results demonstrate that higher levels of financial uncertainty are associated with less use of financial advice. This finding supports the avoidance of information theory.

"Credit Default Swaps and Firm Risk"

Hai Lin - VIctoria University of Wellington, New Zealand
Binh Nguyen - Victoria University of Wellington, New Zealand
Junbo Wang - City University of Hong Kong, Hong Kong
Cheng Zhang - Victoria University of Wellington, New Zealand

Discussant: Chris McAdam - Nottingham Trent University, UK

This paper investigates the impact of the inception of the credit default swap (CDS) on firm risk. Using firm value volatility as a measure of firm risk, we document that the volatility of reference firms' value decreases after the inception of CDS trading. The CDS effect on firm value volatility is less pronounced for the firms with more financial constraints or a higher CDS-bond price discrepancy. Our results show a significant impact of financial innovation on firm behaviour, supporting the empty creditor hypothesis developed by Bolton and Oehmke (2011). Our results also show the impact of market frictions on how significant financial innovations affect society.

CORPORATE GOVERNANCE I
Session Chair: Martin Gelter - Fordham University, USA

"Women on Boards and Gender Pay Gaps: The Need of Reaching the Critical Mass"
Valentina Tarkovska - University Witten/Herdecke, Germany
Patricia Gabaldón - IE Business School, Spain

Discussant: Abdullah Iqbal - University of Kent, UK

The recent trend on affirmative actions to promote the presence of women on boards and other leadership positions puts emphasis on the impact of these women on different company outputs. One of these is the effects of the presence of women on boards on gender pay gaps at the board level. In this paper, we analyze the impact of women on boards on the gender pay gaps of non-executive directors. Basing our analysis on social categorization theory, we use a sample of 365 companies listed on the London Stock Exchange during sixteen years to understand the role of women directors and gender diversity on board strategic decisions, such as directors' remuneration. The results indicate that in order for women directors to impact and reduce the gender pay gap and reach relevant positions on boards, they need to reach a critical mass number at the board level. Otherwise, women remain at the base level of boards, holding the basic compensations.

"Is Say on Pay Working? Evidence from the UK"
Radha Shiwakoti - Brunel University, UK
Abdullah Iqbal - University of Kent, UK
Robin Jarvis - Brunel University, UK

Discussant: Błażej Prusak - Gdansk University of Technology, Poland

Directors' remuneration has remained a hotly debated issue and many countries have enacted rules and regulations to address the concerns on directors' remuneration. This paper examines the effectiveness of one of the important regulations, which is the binding "say on pay (SOP)" which became effective in 2013 in the UK. We examined SOP around this binding vote regime from 2009 to 2017 and found that overall shareholders' dissent on directors' remuneration is relatively low in the UK. This study shows that the directors of the firms with high dissent votes responded to the shareholders dissent by changing the remuneration practices in the years following the SOP vote. We also found that pay-performance sensitivity increased since the introduction of binding SOP vote. Overall, the first binding SOP vote has appeared successful in achieving the intended objective of 'linking the pay and performance' for most of the FTSE 350 firms.

"Review of Research into Enterprise Bankruptcy Prediction in Selected Central and Eastern European Countries"
Błażej Prusak - Gdansk University of Technology, Poland
Piotr Kasprzak - Gdansk University of Technology, Poland

Discussant: Valentina Tarkovska - University Witten/Herdecke, Germany

In developed countries, the first studies on forecasting bankruptcy date to the early 20th century. In Central and Eastern Europe, due to, among other factors, the geopolitical situation and the introduced economic system, this issue became the subject of researcher interest only in the 1990s. Therefore, it is worthwhile to analyze whether these countries conduct bankruptcy risk assessments and what their level of advancement is. The main objective of the article is the review and assessment of the level of advancement of bankruptcy prediction research in countries of the former Eastern Bloc, in comparison to the latest global research trends in this area. For this purpose, the method of analyzing scientific literature was applied. The publications chosen as the basis for the research were mainly based on information from the Google Scholar and ResearchGate databases during the period Q4 2016–Q3 2017. According to the author's knowledge, this is the first such large-scale study involving the countries of the former Eastern Bloc—which includes the

following states: Poland, Lithuania, Latvia, Estonia, Ukraine, Hungary, Russia, Slovakia, Czech Republic, Romania, Bulgaria, and Belarus. The results show that the most advanced research in this area is conducted in the Czech Republic, Poland, Slovakia, Estonia, Russia, and Hungary. Belarus Bulgaria and Latvia are on the other end. In the remaining countries, traditional approaches to predicting business insolvency are generally used.

SESSION 4 **2305**

ACCOUNTING ISSUES I
Session Chair: Yangru Wu - Rutgers University, USA

"Un-Faithful Representations of Financial Statements: Issues in Accounting for Financial Instruments"
Rashad Abdel-khalik - University of Illinois, USA

Discussant: Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong

Both the International Financial Reporting Standards (IFRSs) and he codified accounting standards (ASC) for the US GAAP categorize hedging relationships as falling into several buckets. The two buckets of relevance in this paper are (a) hedging the volatility of fair values, and (b) hedging the volatility of future cash flow. In this paper, I argue that at least four accounting treatments of derivatives and hedging lead to serious distortion of actual transactions and violate adherence to the principle of “faithful representation.” The four treatments are (1) creating the fictional Hypothetical Derivatives Method, (2) establishing discretionally valuation adjustments for all of OTC derivative assets (CVA) and liabilities (DVA), (3) requiring subjective metaphysical separation of embedded derivatives, and (4) failing to report hedging as a substitution of risk. To remedy the resulting distortion in financial reporting, significant revisions of accounting for financial instruments and hedging are necessary if the goals of financial reporting were not to be compromised.

"Short Sale Constraints, Divergence of Opinions, and Optimism in Analyst Forecasts"
Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong
Sumi Jung - Chinese University of Hong Kong, Hong Kong

Discussant: Milena Petrova - Syracuse University, USA

We examine whether analysts properly incorporate information in the stock price when it temporarily deviates from fundamental values due to short sale constraints and divergent opinions. According to Miller (1977), stocks will be overvalued when they are difficult to short and investors disagree on valuations. Using relative short interest as a proxy for the short sale constraints and four different proxies for the divergence of opinions measure, we document that analysts’ forecasts are more optimistic in the presence of short sale constraints and divergent opinions. Moreover, using the analysis around earnings announcement, which reduces differences of investors’ opinions, we find evidence that optimism in analyst forecasts is reduced after the earnings announcement and that this decline is stronger for firms with more binding short sale constraints. This paper provides additional evidence for the cognitive bias explanation for the optimistic bias in analyst forecasts.

"The Effect of Fair Value Method Adoption: Evidence from Real Estate Firms in the EU"
Chinmoy Ghosh - University of Connecticut, USA
Mingwey Liang - Syracuse University, USA
Milena Petrova - Syracuse University, USA

Discussant: Rashad Abdel-khalik - University of Illinois, USA

The adoption of the International Accounting Standard 40 (IAS 40) in 2005 by public companies in the European Union required firms to disclose the fair value of their investment properties. We study whether this increase in the transparency in financial reporting reduces information asymmetry and leads to higher pricing efficiency and improved liquidity. We investigate this question in the context of the real estate industry, which due to its unique structure stands to be affected the most by the adoption of the fair value method. We observe that post regulation NAV deviation and the coefficients of variation of trading volume and daily turnover decreased significantly, while turnover ratio increased significantly. These effects are robust by country and firm type. We further note that the price effect is stronger for smaller firms, which is consistent with the notion that smaller, less transparent firms stand to benefit more from an increase in transparency, due to improvement in the quality of financial reporting.

SESSION 5 **3205**

FIXED INCOME SECURITIES
Session Chair: Jo-Hui Chen - Chung Yuan Christian University, Taiwan

"The Role of Economist Forecasts in Over-The-Counter Treasury Bond Markets"
Robert James - University of Sydney, Australia
Elvis Jarnecic - University of Sydney, Australia
Henry Leung - University of Sydney, Australia

Discussant: Adam Golinski - University of York, UK

This study investigates the role of economist forecasts in treasury bond trading. Using participant identified proprietary data we link economist forecasts predicting changes in the overnight interest rate with abnormal changes in trading activity at the economist's employing institution. We find only dealers adjust trading activity consistent with information provided by their firms economist forecasts. The dynamics of this adjustment are described. We argue that our findings reflect the unique informational risks inherent in the market making process. Additionally, forecasts implying treasury bond price increases are preceded by abnormal buying by the affiliated dealers.

"A New Perspective on Gaussian Shadow Rate Term Structure Models"
Adam Golinski - University of York, UK
Peter Spencer - University of York, UK

Discussant: Gyorgy Varga - FCE Consulting, Brazil

We propose a new approach to estimating shadow rate term structure models. This modifies the Joslin, Singleton and Zhu (2011) factor rotation technique to allow for the zero lower bound using the Wu and Xia (2016) discrete-time closed-form approximation of the Black (1995) model. Compared with the standard approach based on the extended Kalman filter, our approach significantly improves convergence and greatly reduces the computation time. It has the added advantage of producing more robust estimates of the lower bound parameter and the path of the shadow rate. We apply the shadow rate model to recent U.S. data and show that expected inflation and unemployment gap are important unspanned macro factors that drive term premiums, as in Joslin, Priebsch and Singleton (2014).

"Liquidity Premium and Buyback Auctions in Domestic Brazilian Government Bonds"
Gyorgy Varga - FCE Consulting, Brazil

Discussant: Elvis Jarnecic - University of Sydney, Australia

This article investigates the return differential between liquid and illiquid Brazilian Government bonds, to find out if there is a liquidity premium among this asset like the evidence for the United States. We also investigate the effect of the Brazilian Treasury buyback auctions on the liquidity premium and the market impact cost by the Treasury. The result does not show positive or negative significant premium even when the bonds object of the buyback where excluded.

FINANCIAL ECONOMETRICS I

Session Chair: Rossen Valkanov - UCSD, USA

"Bootstrap Unit Root Testing for Explosive Behaviour Using Covariates"

Ioannis Korkos - University of Essex, UK
Sam Astill - University of Essex, UK
Neil Kellard - University of Essex, UK
Robert Taylor - University of Essex, UK

Discussant: Pankaj Chandorkar - Northumbria University, UK

This paper proposes a right-tail bootstrap implementation of the covariate Augmented Dickey-Fuller (CADF) unit root test of Hansen (1995), motivated by the work of Chang, Sickles and Song (2017) who apply a left-tail bootstrap covariate Augmented Dickey-Fuller (BCADF) test when testing the null of a unit root against the alternative of stationarity. We apply the right-tail bootstrap BCADF test in a recursive manner as in Phillips, Shi and Yu (2015a) [PSY] to maximise power against an end-of-sample explosive alternative. We focus on testing the null hypothesis of a unit root against the alternative of an end-of-sample explosive episode in an attempt to examine the impact of including relevant covariates on the size and power properties of the tests of PSY. We provide evidence that the inclusion of relevant covariates in the conventional Augmented Dickey Fuller test regression leads to improved size control, while offering significant power gains when an end-of-sample explosive episode is present. An empirical application of the proposed methodology to the S&P 500 is conducted, utilising the Moody's Seasoned Aaa Corporate Bond Yield, the VIX Volatility Index and the CDS bid-ask spread as covariates.

"Economic Policy Uncertainty and Bitcoin"

Pankaj Chandorkar - Northumbria University, UK

Discussant: Alejandra Cabello - Universidad Nacional Autónoma De México, Mexico

We employ augmented multivariate VAR - GARCH model to study the impact of economic policy uncertainty and the spillover of volatility of economic policy uncertainty of the first two moments of Bitcoin controlling for returns on Gold. We find that both the level and volatility of economic policy uncertainty significantly and positively affects both the conditional moments of Bitcoin. Our results suggest that Bitcoin may provide protection to investors in uncertain economic periods.

"International Financial US Linkages: A Network Theory and MS-VAR Approach"

Miriam Sosa Castro - Universidad Nacional Autónoma de México, Mexico
Hector Díaz-Rodríguez - Universidad Nacional Autónoma de México, Mexico
Alejandra Cabello - Universidad Nacional Autónoma De México, Mexico

Discussant: Neil Kellard - University of Essex, UK

The Global Financial Crisis (GFC) generated in the US and its transmission had severe damaging consequences changing the performance and nature of capital flows and the relation between key financial variables. In this sense, this paper is divided in two sections. First, Network Theory is used to analyze the dynamics and changes of foreign portfolio investment flows (FPI) among the main European and American countries (2003, 2008 and 2015). Second, the dynamics between the US stock market returns and European and American stock market returns are analyzed to test whether the US market influenced European and other American stock markets or vice versa. Univariate (MS-AR) and multivariate (MS-VAR) regime-switching models are used. The univariate analysis contributes evidence that European and American countries stock market returns evolve according to two different regimes: a low volatility regime and a high volatility regime. The Markov Switching VAR models indicate that, in most of the cases, the US market had more influence in other country markets, but other markets did not have influence in the US. Correlation coefficients indicates that linkages with stock US market are stronger during high volatility periods.

CORPORATE FINANCE I

Session Chair: Balasingham Balachandran - La Trobe University, Australia

"The Impact of Innovation Input and Output on IPO Pricing and Long-term Performance--Evidence from the Bio-Pharmaceutical Industry in China"

Chao Chen - Fudan University, China
Haoping Xu - Fudan University, China

Discussant: Jongmoo Choi - Temple University, USA

Employing data from bio-pharmaceutical new issuers in China, this paper studies the different impacts of innovation inputs and output on initial public offering (IPO) pricing in an emerging market. Six types of information are employed and two indices are constructed to measure innovation input and output. The results show that these two dimensions play different roles in IPO pricing. Innovation output contributes to both the relative issuing and trading prices as well as the IPO first-day return while innovation input plays a weak (if any) role in IPO pricing. The two dimensions can enhance each other when input and output are both higher. They both contribute to increase five-year post-IPO market performance, giving supports to that both innovation input and output are undervalued at stage of IPOs.

"The Impact of the CEO-worker Pay Ratio on Firm Value"

Steven Balsam - Temple University, USA
Jongmoo Choi - Temple University, USA
Kose John - New York University, USA
Ming Ju - Louisiana Tech University, USA

Discussant: Dinis Santos - University of Coimbra, Portugal

We show that the relationship between firm value and the CEO pay ratio is concave (inverted U shape), which is consistent with elements of both tournament theory, and social comparison and equity theory. The concavity is also consistent with the existence of an optimal pay ratio, or inflection point, above which firm value decreases with the pay ratio. We also show that the relationship between the pay ratio and firm value depends on firm characteristics. For example, in firms with a greater need for collaboration and information sharing the optimal ratio is lower. Finally, we decompose the pay ratio into that within the executive suite, and that between the executive suite and the rank and file. We show that pay disparity within the executive suite has little effect on firm value, so our results are driven by the difference in pay between executives and rank-and-file employees.

"Do Different Firms Achieve Different Results While Trading Own Stock? A Market Timing Approach"

Dinis Santos - University of Coimbra, Portugal
Paulo Gama - University of Coimbra, Portugal

Discussant: Haoping Xu - Fudan University, China

Which firms are more likely to time the market? Using a relative transaction price approach, this paper focus on 37997 own stock transactions from Euronext Lisbon listed firms, ranging from 2005 to 2015, to estimate the relationship between the market timing ability of firms and a set of firm specific characteristics. Results show that smaller, more efficient but less valuable companies are more likely to be successful timing the market.

Refreshments 10:15 - 10:30 a.m.

SESSION 8 **2112**

ASSET PRICING II
Session Chair: Richard Taffler - University of Warwick, UK

"Liquidity Risk and Expected Option Returns"
Siu Kai Choy - King's College London, UK
Jason Wei - University of Toronto, Canada

Discussant: Radu Lupu - Bucharest University of Economic Studies, Romania

We establish the existence of liquidity risk premium in option returns via both sorting analyses and Fama-MacBeth regressions. In leverage-adjusted, hedged returns, the alpha due to liquidity risk ranges from 8.5 to 14.6 basis points per month. In hedged returns unadjusted for leverage, the alpha ranges from 165.9 to 185.1 basis points per month. In contrast to the findings for stocks and bonds, the liquidity risk premium uncovered in option returns is negative. The negative premium is due to the fact that option end-users write options in net and the argument that they care more about liquidity risk than market makers.

"Modeling Volatility Surfaces Using a Generalized Option Pricing Model with Skewness and Kurtosis"
Radu Lupu - Bucharest University of Economic Studies, Romania
Anastasios Malliaris - Loyola University Chicago, USA
Panayiotis Theodossiou - Cyprus University of Technology, Cyprus

Discussant: Alex Horenstein - University of Miami, USA

An important prediction of the Black-Scholes-Merton option pricing model is that the volatility implied by market prices of options is constant across strike prices. This prediction is also equivalent to saying that the risk-neutral stock price distribution of the underlying asset is log-normal. We employ the SGED option pricing model to compute implied volatilities from options on the S&P500 index. The specification of SGED allows for the existence of skewness and kurtosis, which accounts for the convexity of the implied volatility surface.

"Common Factors in Equity Option Returns"
Alex Horenstein - University of Miami, USA
Aurelio Vasquez - ITAM, Mexico
Xiao Xiao - Erasmus University, Netherlands

Discussant: Jason Wei - University of Toronto, Canada

This paper studies the factor structure in the cross-section of delta-hedged equity option returns. Using latent factor techniques, we find strong evidence for the existence of a factor structure in equity options returns. We propose a four-factor model, which captures relevant latent factors and explains the time series and cross-section of equity option returns. The factors are the market volatility risk factor and three characteristic-based factors related to firm size, idiosyncratic volatility, and the difference between implied and historical volatilities. Stock return factors cannot price the cross-section of equity option returns.

BEHAVIORAL II

Session Chair: Uwe Walz - Goethe University of Frankfurt, Germany

"Technological Deepening and Financial Inclusion Among SMEs; A Panel Evidence from South-East Asian (SEA) Countries"

Francis Agyekum - University of Waikato, New Zealand
Stuart Locke - University of Waikato, New Zealand
Nirosha Wellalage - University of Waikato, New Zealand

Discussant: Annalisa Ferrando - European Central Bank, Germany

This paper investigates the impact of information and communication technologies (ICT) services in promoting financial inclusion among small and medium-sized enterprises (SMEs) in South-East Asian (SEA) emerging economies. Emphasis is on ownership and utilisation of internet (websites and e-mail) among the 6805 sampled firms captured in the World Bank Enterprise Survey (WBES) microdata database. The primary mode of estimating the relationships relies on a conditional fixed effect panel logistic regression model. The study finds that usage of ICT-based services dominates as a contributory factor that incentivises SMEs likelihood of success in accessing external credit. Policy priorities for donors and policymakers will focus on technological infrastructure and amenities that help dissipate opacity and information asymmetry in supplying credit to SMEs in emerging markets.

"What Were They Thinking? Firms' Expectations on the Availability of External Finance"

Annalisa Ferrando - European Central Bank, Germany
Ioannis Ganoulis - European Central Bank, Germany
Carsten Preuss - European Central Bank, Germany

Discussant: Qiang Kang - Florida International University, USA

Using a large set of firm-level survey data from the euro area, we analyse how firms use their information to form expectations on the availability of bank finance. Our results suggest that firms update what otherwise look like adaptive expectations on the basis of the latest information in their information set. The hypothesis that expectations fulfil the (orthogonality) conditions of the rational expectations hypothesis is rejected by the data. We find evidence that this is not only due to information imperfections but also to some misspecification of the expectations' model that firms are using. In particular, firms seem to have placed too much weight on the information most accessible to them, namely the development of their own sales and profitability as well as of the general economic environment. In addition, we find some evidence that companies that are less "exposed" to bank financing (e.g. they have not used it recently) tend to do worse at forecasting its availability next period. To test how policy announcements may affect expectations, we concentrate on the case study of the announcement of the European Central Bank's Outright Monetary Transactions Program (OMT). We find some evidence of forward looking expectations. In particular, the forecasts shortly after the OMT announcement of at least the larger firms and firms more exposed to bank financing were more upbeat than it would have been expected given the rather grim reality at the time.

"Event Studies and Outlier Returns: Side Effects and Treatment"

Panayiotis Theodossiou - Cyprus University of Technology, Cyprus
Alexandra Theodossiou - Texas A&M University, USA

Discussant: Francis Agyekum - University of Waikato, New Zealand

Ignoring the impact of outlier returns on the estimated parameters of stock return models is likely to lead to erroneous inferences about the direction, as well as, the impact of an event on stock prices. This paper provides an analytical framework for measuring, testing and understanding the impact outlier returns have on the estimated parameters of stock return models and their resulting CAR statistics employed in event studies. The theoretical results are confirmed using simulations and real data from the pharmaceutical industry.

CORPORATE GOVERNANCE II

Session Chair: Linda Thorne - York University, Canada

"Letting Companies Choose Between One-Tier and Two-Tier Board Models: An Empirical Analysis of European Jurisdictions"

Martin Gelter - Fordham University, USA
Mathias Siems - Durham University, UK

Discussant: Samuel Szewczyk - Drexel University, USA

Design of a suitable board structure is a key aspect of good corporate governance. Today, many European countries not only allow modifications in detail but a choice between a one-tier model (i.e. a single board of directors) and a two-tier board model (i.e. a split between management and supervisory board). Yet, empirical research on the actual choices made by companies is rare. This paper aims to fill this gap. It presents original data about the choice of board models from the 14 EU countries that allow such choice. Amongst others, it finds that there are profound country differences in the prevalence for one of the board models, that the availability of choice mainly leads to a decline of the two-tier model, and that two-tier companies tend to be larger, older, more complex and more diverse (e.g., in terms of female or foreign board membership). The paper also discusses the practical and normative implications from our empirical findings.

"Director Appointments and The Market for Directors with Acquisition Experience"

Sueng Hee Choi - The College of New Jersey, USA
Tirimba Obonyo - Creighton University, USA
Samuel Szewczyk - Drexel University, USA
George Tsetsekos - Drexel University, USA

Discussant: Anna Triantafyllou - Deree College, Greece

We study new director appointments to understand how the director labor market allocates the talents of directors with acquisition experience. The ex-post settling up incentives that exist in the director labor market have been shown to be weak for acquisitions. Our results show that the market for directors with acquisition experience is stratified with directors who have value-destroying acquisition experience finding new directorships in boards of firms with more severe agency problems. This result is largely driven by acquiring firms. Our findings offer an agency explanation to the weak ex-post settling up incentives observed in the case of acquisitions. We also show that these appointments are associated with poorer shareholder wealth effects when the appointing firms make subsequent acquisitions.

"Corporate Governance in the Shipping Industry"

Anastasia Angelaki - Deree College, Greece
Anna Merika - Deree College, Greece
Anna Triantafyllou - Deree College, Greece

Discussant: Martin Gelter - Fordham University, USA

The connection between CEO tenure, CEO duality and CEO independence on the one hand and financial performance on the other is well established in the corporate governance literature. This relationship, however, is less thoroughly researched in the case of international shipping, one of the largest industries globally that caters for 90% of world trade. We fill this gap in the literature on corporate governance in shipping by investigating the impact of core aspects of corporate governance, namely CEO duality, CEO tenure and CEO independence from the Board of Directors, on shipping firms' financial performance. We study 117 shipping firms listed in various stock exchanges around the world, conducting a cross-sectional regression for the year 2017 across diverse shipping segments, such as dry bulk, containerships, tankers, LNG and LPG carriers. Our main findings suggest that CEO duality and long tenure affect shipping firms' financial performance in a negative manner. CEO independence from the Board of Directors is found to enhance corporate financial performance in the shipping industry.

SESSION 11 **2305**

ACCOUNTING ISSUES II
Session Chair: Robert Mathieu - Wilfrid Laurier University, Canada

"No News is Bad News: The Case of Attention Prior to Earnings Surprises"
Matthias Bank - University of Innsbruck, Austria
Alexander Kupfer - University of Innsbruck, Austria
Alexander Neuschmid - University of Innsbruck, Austria

Discussant: Anestis C. Ladas - University of Macedonia, Greece

We study abnormal returns and abnormal investor attention prior to earnings surprises. We find that pre-announcement abnormal returns are related to negative earnings surprises but not to positive ones. When additionally considering institutional investor attention prior to the announcement, the effect on negative earnings surprises is even stronger. Retail investor attention proxied by Google Search Volume or the number of press articles are, on the other hand, unrelated to any kind of earnings surprise. Our results are in line with existing literature arguing that managers have incentives to release good news prior to earnings announcements but to withhold bad news. Findings suggest that institutional investors who anticipate managers' concealment of information correctly interpret this as bad news for the upcoming earnings announcement (i.e., negative earnings surprise).

"Idiosyncratic Risk and Textual Analysis Attributes of SEC Comment Letters"
Dimitrios V. Kousenidis - Aristotle University of Thessaloniki, Greece
Anestis C. Ladas - University of Macedonia, Greece
Christos Negkakis - University of Macedonia, Greece

Discussant: Alexander Kupfer - University of Innsbruck, Austria

The recent developments in textual analysis has led to considerable interest in respect to financial reporting. Among the methods that are of particular interest is the sentiment analysis of financial reporting texts that are submitted mandatory by firms. In this study we attempt to examine if information on risk, reflected in comment letters of the U.S. Securities and Exchange Commission (SEC) to the firms, has incremental information content for stock crash risk. Controlling for a number of variables that have been found in previous studies to be determinants of stock crash risk like opacity we find that textual analysis characteristics of these letters have incremental predictive ability for stock crash risk. More importantly, those textual characteristics seem to also affect the relation between opacity and stock crash risk.

SESSION 12 **3205**

FINANCIAL OPTIONS
Session Chair: In-Mu Haw - Texas Christian University, USA

"Time Variation in Options Expected Returns"
Ryan McKeon - University of San Diego, USA

Discussant: Yangru Wu - Rutgers University, USA

The paper studies the theoretical effect of various factors on option expected returns, and also specifically sheds light on one of the more well-documented anomalies in the empirical option returns literature: the very low average returns to out-the-money call options as an asset class. Existing theory regarding the expected returns of call options states that the expected returns should be greater than the expected return of the underlying asset and increasing in the strike price in the cross-section. Empirical analysis of average option returns consistently finds a completely different picture: call option average returns are decreasing in the strike price and out-the-money calls have negative returns on average. Recent research has focused on trying to explain these "anomalous" empirical results. In this paper I revisit the theory of expected returns. I show that a derivation of expected returns which relies solely on no-arbitrage principles and makes no assumptions about investor preferences leads to call expected returns that are increasing over some ranges of strike prices and decreasing over other ranges of strike prices (typically increasing over in-the-money calls, decreasing over out-the-money calls). My derivation includes the prediction that deep out-the-money calls have negative expected returns. Within this framework the existing empirical results appear consistent with traditional asset pricing assumptions.

"Heterogeneity of Heterogeneous Belief Across Financial Markets and Stock Price Crash Risk"
Yiming Ma - Central University of Finance and Economics, China
Yangru Wu - Rutgers University, USA
Rui Zhong - University of Western Australia, Australia

Discussant: Wolfgang Schadner - University of Innsbruck, Austria

We construct a three-period discrete-time model to examine the spillover effect of heterogeneous beliefs among options traders on the likelihood of price crash of the underlying stock in the future. Model calibration shows that heterogeneous beliefs among options traders are positively related to the price crash risk of the referenced equity. Empirically, our regression analysis provides profound evidence that confirms such a relationship. This positive relation is robust after correcting for possible selection bias of options trading and omitted variables. Our findings reveal a new channel through which options trading affects the stability of the underlying equity price.

"Investors Expect More than is Commonly Assumed, and itMatters"
Wolfgang Schadner - University of Innsbruck, Austria

Discussant: Ryan McKeon - University of San Diego, USA

We demonstrate how momentum expectations can be quantified ex-ante by using option's implied volatility surface with allowance for autocorrelation. Then, we empirically investigate how ex-ante momentum and tail risk believes relate to future realized returns. Analyzing the U.S. cross-section and the SP500 Index, ex-ante momentum positively predicts equity performance while ex-ante tail risk causes worse returns, both effects being statistically and economically significant in absolute and risk-adjusted terms. Robustness of the results is confirmed from different test settings and consistency over time.

SESSION 13 — 3304

FINANCIAL ECONOMETRICS II
Session Chair: Jin Liang - Tongji University, China

"The Study of Long-term Memory and Forecasting for the Bond ETFs"
Jo-Hui Chen - Chung Yuan Christian University, Taiwan
Yi-Chen Tsai - Chung Yuan Christian University, Taiwan

Discussant: Rossen Valkanov - UCSD, USA

This study provides evidence of nonlinearities from the long-term memory properties in return and volatility by using the autoregressive fractionally integrated moving average (ARFIMA) and the fractionally integrated generalized autoregressive conditional heteroskedasticity (FIGARCH) models (ARFIMA-FIGARCH). This paper also uses neural networks such as Back Propagation Neural Network (BPN), Recurrent Neural Network (RNN) and Time-delay Recurrent Neural Network (TDRNN) models to predict bond Exchange-traded Funds (ETFs) with the six variables that including stock price, volatility indices (VIX), Put-Call Ratio, exchange rate, London Interbank Offered Rate (LIBOR) and commodity research bureau (CRB) index. The result shows that only iShares J.P. Morgan USD Emerging Markets Bond ETF (EMB) is completed with long-term memory. In the results of the neural network, the best forecasting performance is BPN, while TDRNN is the next.

"Direct versus Iterated Multi-Period Volatility Forecasts: Why MIDAS is King"
Eric Ghysels - University of North Carolina, USA
Alberto Plazzi - Universita della Svizzera italiana, Switzerland
Rossen Valkanov - UCSD, USA
Antonio Rubia - University of Alicante, Spain
Asad Dossani - Colorado State University, USA

Discussant: Ray Chou - Academia Sinica, Taiwan

Multi-period-ahead forecasts of returns' variance are used in most areas of applied finance where long horizon measures of risk are necessary. Yet, the major focus in the variance forecasting literature has been on one-period-ahead forecasts. In this paper, we compare several approaches of producing multi-period-ahead forecasts within the GARCH and RV families – iterated, direct, and scaled short-horizon forecasts. We also consider the newer class of mixed data sampling (MIDAS) methods. We carry the comparison on 30 assets, comprising of equity, Treasury, currency, and commodity indices. While the underlying data is available at high-frequency (5-minutes), we are interested at forecasting variances 5, 10, 22, 44, and 66 days ahead. The empirical analysis, which is carried in-sample and out-of-sample with data from 2005 to 2018, yields the following results. For GARCH, iterated GARCH dominates the direct GARCH approach. In the case of RV, the direct RV is preferred to the iterated RV. This dichotomy of results emphasizes the need for an approach that uses the richness of high-frequency data and, at the same time produces a direct forecast of the variance at the desired horizon, without iterating. The MIDAS is such an approach and, unsurprisingly, it yields the most precise forecasts of the variance, in and out-of-sample. More broadly, our study dispels the notion that volatility is not forecastable at long horizons and offers an approach that delivers accurate predictions.

"Forecasting Volatility with Multiple Horizon Extreme Values: The Multiple Horizon Conditional Autoregressive Range (MHCARR) Model"
Ray Chou - Academia Sinica, Taiwan
Chen-Sheng Lin - National Cheng-Chi University, Taiwan
Shou-Yung Yin - National Taipei University, Taiwan

Discussant: Jo-Hui Chen - Chung Yuan Christian University, Taiwan

This paper exploits extreme asset prices (high/low range) of multiple horizons because the long horizon range helps to preserve the persistence inherent in volatility shocks and then improves forecasting accuracy. We develop a range-based multiple horizon volatility model to characterize the dynamics of asset prices in the first two moments: the Multiple Horizon Conditional Autoregressive Range Model (henceforth MHCARR). The model is used for forecasting in comparison with the standard CARR model. Our empirical analysis shows that the MHCARR model performs significantly better than the standard CARR model both in terms of in-sample fit and out-of-sample forecasts for the S&P 500 index.

SESSION 14 **3305**

CORPORATE FINANCE II
Session Chair: Axel Adam-Müller - Trier University, Germany

"The Effect of Stock Liquidity on the Firm's Investment and Production"
Yakov Amihud - NYU-Stern, USA
Shai Levi - Tel Aviv University, Israel

Discussant: Balasingham Balachandran - La Trobe University, Australia

We propose that corporate investment is a declining function of stock illiquidity, which raises the firm's cost of capital. This relation holds even for firms that are not financially constrained. Consequently, higher illiquidity induces firms to select a production process that is less capital intensive: they have higher output per unit of capital or higher marginal productivity of capital, lower capital/labor ratio, and lower operating leverage that means greater reliance on variable costs. The negative illiquidity-investment relation holds for an exogenous liquidity event – the 2001 decimalization – and remains after accounting for endogeneity by instrumental variable estimation.

"Dividend Initiations, Information Content and Free Cash Flow - The Impact of the 2003 Dividend Tax Cut"

Balasingham Balachandran - La Trobe University, Australia
Huu Nhan Duong - Monash University, Australia
Michael Theobald - University of Birmingham, UK
Yun Zhou - La Trobe University, Australia

Discussant: Thanh Truong - RMIT University, Australia

We find that the life cycle stage (future earnings) influence non-dividend payers to initiate dividends during the pretax (post-tax) cut period. Further, we find support for both the free cash flow and information content hypotheses for explaining dividend initiation decisions, with stronger support for information content (free cash flow) during the post (pre) tax cut period. Changes in free cash flow are negatively related to dividend paids and actual repurchases, while positively related to abnormal operating performance and growth opportunities. Firms with higher abnormal operating performance and lower reductions in free cash flow experience higher post announcement abnormal returns.

"Largest Shareholder and Agency costs: International Evidence"

Thanh Truong - RMIT University, Australia

Discussant: Yakov Amihud - NYU-Stern, USA

The focus of this study is the relation between the largest shareholder and agency costs in a large sample of 9,165 firms from 43 countries around the world. We observe a consistent and statistically significant non-linear relation between the shareholding of the largest shareholder and our agency cost proxies. The type of the largest shareholder, specifically whether the largest shareholder is an insider or a financial institution, is important in this relation. Debt financing, dividend policy and legal origin vary in their impact on our agency cost proxies.

LUNCHEON

12:00 - 1:15 p.m. Maiersdorf Faculty Club - 2 floor

KEYNOTE SPEECH

1:15 - 2:00 p.m. Senat Hall

Professor Roni Michaely
University of Geneva, Switzerland

POLITICAL ACTIVISM AND MARKET POWER

Politically active firms experience gains in market share relative to inactive firms following periods of high policy uncertainty. Gains in market share are also accompanied by relative increases in profitability, margins, and selling prices. Findings indicate that active firms secure their first-mover advantage through strategically timed investments when the level of market-wide policy uncertainty is high. The causal inferences that we draw from our panel data analysis is supported using an instrument based on firms' geographic proximity to Washington D.C. Causal interpretation is further supported using firms' mandatory lobbying disclosures to identify a broad set of legislative developments actively lobbied for by politically active sample firms. Collectively, our results show that politically active firms gain a competitive advantage over inactive industry peers.

SESSION 15 **2112**

ASSET PRICING III
Session Chair: Alex Cukierman - Tel-Aviv University and Interdisciplinary Center, Israel

"A Unified Duration-based Explanation of the Value, Profitability, and Investment Anomalies"
Shan Chen - City University of Hong Kong, Hong Kong
Tao Li - City University of Hong Kong, Hong Kong

Discussant: Te-Feng Chen - Hong Kong Polytechnic University, Hong Kong

We use the cash flow duration to unify the value, profitability and investment premiumsin a risk-based framework: short duration firm associates with the high book-to-market ratio, high profitability, and low investment, hence high return while longduration firm has a low book-to-market ratio, low profitability, and high investment,hence lower return. Duration predicts stock return significantly in the cross-sectionand can subsume the value, profitability, and investment premiums. A duration basedfactor model with factors that capture returns associated with duration andduration transition shows strong ability in explaining the value, profitability, andinvestment-related factors and many other related anomalies.

"Illiquidity Shocks and Asymmetric Stock Market Reactions around the World: Is Underreaction or Illiquidity Spiral the Culprit?"
Te-Feng Chen - Hong Kong Polytechnic University, Hong Kong
K.C. John Wei - Hong Kong Polytechnic University, Hong Kong

Discussant: Richard Taffler - University of Warwick, UK

Illiquidity shocks are negatively associated with future returns. There are two potential explanations: underreaction and illiquidity spiral. We find that negative illiquidity shocks generate upward price continuation, but positive illiquidity shocks lead to initial downward price continuation quickly followed by price reversal. The latter price pattern determines the duration of the total effect of illiquidity shocks. Further analysis shows that the underreaction channel proxied by institutional ownership works well only in stocks with negative illiquidity shocks. In contrast, the illiquidity spiral channel proxied by short-term versus long-term institutional ownerships is strongly supported in stocks with positive illiquidity shocks. Moreover, our results continue to hold even after controlling for the pricing effects of the two components in illiquidity shocks, suggesting the irreplaceable nature of illiquidity shocks by either volatility shocks or volume shocks.

"Skewness Preference and Market Anomalies"
Alok Kumar - University of Miami, USA
Mehrshad Motahari - University of Warwick, UK
Richard Taffler - University of Warwick, UK

Discussant: Tao Li - City University of Hong Kong, Hong Kong

This study shows that investor preference for positively skewed payoffs is a common driver of mispricing across a wide range of market anomalies. Specifically, skewness-loving investors overweight overpriced stocks in their portfolios and in doing so contribute to the anomalies. Using a combined measure of mispricing based on 11 prominent anomaly strategies, we find that stocks with higher skewness are significantly more mispriced than are those with lower skewness. A factor that captures skewness-related mispricing significantly improves the performance of conventional asset pricing models in explaining the abnormal returns of anomaly strategies.

BEHAVIORAL III

Session Chair: Federica Ielasi - University of Florence, Italy

"How are Investor Trading Activity and Performance Affected by Major Lifecycle Events? The Case of Divorce"

Andrew Grant - University of Sydney, Australia
Petko Kalev - Latrobe University, Australia
Avanidhar Subrahmanyam - UCLA, USA
Joakim Westerholm - University of Sydney, Australia

Discussant: Julia Puaschunder - The New School, USA

How are financial market participation and trading impacted by material events during individuals' lifetimes? To analyze the decisions and trading performance of individual investors who experience divorce, we identify transfers of shares initiated by marriage breakdown over a 20-year period. Divorcees' returns are approximately 5.84% p.a. lower than those of a control sample of closely matched peers. The lower returns of divorced individuals are most pronounced among investors holding small portfolios and investors who do not buy actively around the divorce settlement. We argue that effect is a liquidity related phenomenon, as sales and not purchases drive the underperformance.

"When Investors Care about Causes: Learning from Political Divestiture During Apartheid and the Sudan Crises for the Transition to Renewable Energy via Green Bonds"

Julia Puaschunder - The New School, USA

Discussant: Ernest Biktimirov - Brock University, Canada

In the wake of historical and political events, stakeholder pressure can trigger shareholders to divest from politically incorrect markets with the goal of accomplishing socio-political change. As a comparative study, this paper reviews political divestiture to provide a theoretical framework for divestiture in the age of global warming. Six studies of political divestiture from Apartheid South Africa were meta-synthesized to find a pattern of stakeholder pressure, political divestiture and corporate endeavors. Some studies suggest a positive, others a negative impact and even no relation of political divestiture and corporate value was reported. The instringent findings are attributed to methodological difficulties. The findings aid in drawing inferences on the transition into renewable energies and implementation of climate stability bonds.

"All Roads Lead to Jerusalem: Using Arabic Proverbs for Teaching Finance to Arabic-Speaking Students"

Ernest Biktimirov - Brock University, Canada

Discussant: Andrew Grant - University of Sydney, Australia

This paper proposes the use of Arabic proverbs for teaching finance to Arabic-speaking students. Arabic proverbs facilitate teaching by appealing to Arabic students' cultural background, by introducing ideas in a succinct and unique way, and by creating a friendlier classroom atmosphere. Arabic proverbs also help English-speaking instructors overcome language barriers and establish a trusting relationship with students. In addition, Arabic proverbs benefit English-speaking students by promoting cross-cultural literacy and foreign language fluency. The article provides a brief description of each financial concept, a phonetic and literal translation of the Arabic proverb, and an equivalent English proverb. Strategies for the effective use of Arabic proverbs in the classroom are suggested as well.

CORPORATE GOVERNANCE III

Session Chair: Malick Sy - RMIT University, Australia

"Corporate Social Responsibility Activities and the Labor Market for Corporate Directors"

Tirimba Obonyo - Creighton University, USA
Sijing Wei - Creighton University, USA

Discussant: Uwe Walz - Goethe University of Frankfurt, Germany

Corporate Social Responsibility (CSR) has become an increasingly important part of firms' spending in recent years. Research studies on CSR to date have, however, produced mixed findings regarding the impact of such spending on the interests of shareholders of the firms. This study uses the labor market for corporate directors to investigate how shareholders view CSR spending. Firms often nominate individuals serving as Chief Executive Officers (CEOs) at other firms to serve as independent directors on the board. This practice enables shareholders to evaluate the nominee's performance in their CEO roles at other firms when deciding whether to vote for or against the candidate. We find that CEOs of firms with higher CSR ratings are associated with more subsequent opportunities to serve as directors. Moreover, CEOs of firms engaging in CSR activities are more likely to be recruited to serve as directors on boards of more reputable firms. Our results suggest that CSR activities have positive and significant effects on director labor market prospects of firms' CEOs which is consistent with the notion that shareholders at firms recruiting directors view CSR activities positively.

"Skin in the Game, Wealth and Risk-taking: Evidence from Private Equity Funds"

Carsten Bienz - Norwegian School of Economics, Norway
Karin S. Thorburn - Norwegian School of Economics, Norway
Uwe Walz - Goethe University of Frankfurt, Germany

Discussant: Linda Thorne - York University, Canada

We investigate the incentive effects of private equity partners' co-investment in the fund. In a simple model, we show that such "skin-in-the-game" will induce managers to invest in less risky portfolio companies, but with greater use of debt in the deal financing. We test these predictions in a sample of private equity investments in Norway, where information about the fund managers' personal wealth is available. Consistent with the model predictions, portfolio company risk decreases and leverage increases with the size of the co-investment relative to the manager's wealth, but they are independent of the co-investment itself. Our results suggest that wealth is of first order importance when designing incentive contracts.

"CSR Performance: Governance Insights into Dual-Class Firms"

Charles Cullinan - Bryant University, USA
Lois Mahoney - Eastern Michigan University, USA
Linda Thorne - York University, Canada
Walid Ben Amar - University of Ottawa, Canada

Discussant: Tirimba Obonyo - Creighton University, USA

Our examination of CSR scores in dual-class firms provides a window on firms' CSR performance when insulated from external pressure. Dual-class ownership confers greater voting rights on a superior class of shares held by insiders; consequently, managers of dual-class firms are insulated from external pressure from inferior class shareholders and, potentially, from society. We compare CSR scores in dual- and single-class firms, and investigate the association between CSR scores and cash flow rights in dual-class firms. Our analysis reveals that dual-class firms have lower CSR scores than their single-class counterparts and that CSR scores in dual-class firms are positively related to the relative cost of CSR borne by the superior class of shares. Our findings suggest that external accountability encourages CSR performance, and CSR performance is higher when the superior class bears a smaller portion of the cost of CSR activities. It follows that our

analysis suggests the importance of governance structures for encouraging CSR, and the dampening impact of cost to CSR performance.

SESSION 18 **2305**

ACCOUNTING ISSUES III
Session Chair: Peter Cincinelli - University of Bergamo, Italy

"Informativeness of Pro Forma Earnings? Evidence from Bank Loans and Credit Ratings"
Ling Chu - Wilfrid Laurier University, Canada
Robert Mathieu - Wilfrid Laurier University, Canada
Chima Mbagwu - Wilfrid Laurier University, Canada
Ping Zhang - University of Toronto, Canada

Discussant: Efrat Shust - The Open University of Israel, Israel

This paper examines whether managers are truthful when disclosing pro forma earnings. Given that banks and credit rating agencies have access to private information, they would have incorporated this inside information in their assessment of firms' creditworthiness. To the extent that pro forma adjustments are associated with the interest rates or credit ratings, it would reveal that the information is deemed relevant by banks and credit rating agencies. Indeed, we provide evidence of such an association. Further analyses reveal that pro forma earnings are mainly informative when the information asymmetry is high. In addition, given that pro forma earnings are informative when the quality of corporate governance is weaker, it suggests that, in general, managers are honest in their disclosure.

"Cost Stickiness as a Consequence of Capital Market Signaling"
Eti Einhorn - Tel Aviv University, Israel
Efrat Shust - The Open University of Israel, Israel

Discussant: In-Mu Haw - Texas Christian University, USA

Ample empirical evidence documents the tendency of costs to increase more when revenues rise than to decrease when revenues fall by an equivalent amount. The study offers a capital market oriented explanation for this asymmetric cost behavior, which is known in the literature as cost stickiness, by highlighting the informational role of managerial decisions regarding resource adjustment in response to demand shocks. The suggested explanation is established within a theoretical framework that demonstrates how capital market considerations induce managers of publicly traded firms to utilize their observable resource adjustment decisions as a signaling device through which they convey their private information to the capital market investors. Our analysis indicates that this signaling mechanism serves managers to promote the stock price of their firm at the expense of distorting the optimal cost structure of the firm in a way that triggers a cost stickiness pattern.

"Capturing the Straw in the Wind: Do Short Sellers Trade on Customer Information?"
In-Mu Haw - Texas Christian University, USA
Wenming Wang - Hong Kong Baptist University, Hong Kong
Wenlan Zhang - Zhongnan University of Economics and Law, China
Xu Zhang - University of Macau, Macao

Discussant: Ling Chu - Wilfrid Laurier University, Canada

This study examines whether short sellers trade supplier stocks on customer information. Taking advantage of the intraday short-selling data from the TAQ-RegSHO database, we find that the cumulative abnormal short-sale volume of suppliers around their major customer's quarterly earnings announcements (QEAs) is negatively associated with the customer's standardized unexpected earnings (SUE). This result suggests that short sellers exploit the major customer's earnings news to trade supplier stock. Further analyses show that

short sellers' abnormal trading activities are largely driven by their superior ability to collect customers' private information as their short selling activities are concentrated within a short period leading up to customers' QEAs. In addition, we find that the negative association between abnormal short selling activities and customers' SUE is more pronounced for supplier–customer pairs with more opaque information environments or stronger economic links. The abnormal short selling activities in response to customers' negative earnings news facilitate the incorporation of customer information into supplier stock price and mitigate the well-known supplier–customer anomaly. This study sheds new light on the short selling behaviors along the supply chain and the information intermediary role of short sellers in improving price efficiency.

SESSION 19 **3205**

RISK MANAGEMENT
Session Chair: Tomasz Wisniewski - University of Szczecin, Poland

"The Valuation of CCIRS with a New Wesign"
Huaying Guo - School of Mathematical Sciences, Tongji University, China
Jin Liang - Tongji University, China

Discussant: Chioma Nwafor - Glasgow Caledonian University, UK

This paper presents a study of pricing a credit derivatives – credit contingent interest rate swap (CCIRS) with a new design, which allows some premium to be paid later when default event doesn't happen. This item makes the contract more flexible and supplies cash liquidity to the buyer, so that the contract is more attractive. Under the framework of reduced form model, we provide the pricing model with the default intensity relevant to the interest rate, which follows Cox-Ingersoll-Ross (CIR) process. With a semi-closed form solution, numerical results and parameters analysis have been carried on. Especially, it is discussed that a trigger point for the proportion of the later possible payment which causes the zero initial premium.

"Use of Deep Neural Network in Credit Risk Evaluation and Analysis. (Does Data Normalization and Dimensionality Reduction Matter for Model Accuracy?)"
Chioma Nwafor - Glasgow Caledonian University, UK

Discussant: Ping Li - Beihang University, China

This paper uses a deep neural network model to test the classification accuracy of an application scoring model in assessing credit risk. The sensitivity of the type of data normalization method used during the data preparation stage in a data mining exercise to the accuracy of the credit model is an issue that has been largely ignored by researchers. Researchers have devoted more resources to the comparison of the predictive and classification accuracies of different machine learning algorithms. However, without adequate preparation of the input data, the output might be misleading. This paper corrects this imbalance by showing that the type of data preparation used in training the model can affect the classification accuracy and the validity of the output. Credit risk analysts has to be conscious of the type of data normalization that they apply to the training data and its implications to the predictive and classification accuracies of the model. In addition, the paper shows that the error from a single independent test sample (training-validation) as opposed to two independent test sample (training-validation-hold-out) does not provide an honest estimate of the predictive ability of the deep neural network model.

"Systemic Risk Analysis of Chinese Banking System Based on Dynamic Vine Copula Models"
Jie Li - Beihang University, China
Ping Li - Beihang University, China
Yingwei Han - China University of Geosciences, China

Discussant: Jin Liang - Tongji University, China

This paper proposes a new model for dynamic high-dimensional conditional distributions, facilitating the measure of systemic risk. Our proposed models draw on ideas from the literatures on modeling conditional dependence using vine copulas and on the recent work on general dynamic copula models. Employing the rolling window method, we consider three kinds of dynamic vine copulas: time-varying copulas, changing copula types, and the changing vine structures. Using the equity data of 16 Chinese listed banks over the period 2010 to 2018, we estimate the dynamic vine copula model and find this model is robust for different lengths of rolling window. In addition, we apply this dynamic vine copula model to analyze the systemic risk of Chinese banking system. In perspectives of both the banking system and the individual banks, we consider several benchmark systemic risk measures. We also calculate the concordance dependence measure, Kendall's tau, from our dynamic vine copula model. Results show that the systemic risk during the Chinese stock market crash in 2015 is higher than that during other times, and large banks (e.g. global systemically important banks) generally rank higher than others, especially during the market crash, indicating that the bank size is generally positively relative to the systemic importance. Interestingly, we also find that the systemic risk in early 2015 (corresponding to the Chinese stock market boom) is higher than other relatively normal times.

SESSION 20 **3304**

HEDGE FUNDS
Session Chair: Rene Coppe Pimentel - University of Sao Paulo, Brazil

"Hedge Fund Strategies: A non-Parametric Analysis"
Alessandra Canepa - University of Turin, Italy
María De La O. González - University of Castilla–La Mancha, Spain
Frank Skinner - Brunel University, UK

Discussant: Jorge Brusa - Texas A&M International University, USA

We investigate why top performing hedge funds are successful. We find evidence that top performing hedge funds follow a different strategy than mediocre performing hedge funds as they accept risk factors that do and avoid factors than do not anticipate the troubling economic conditions prevailing after 2006. Holding alpha performance constant, top performing funds avoid relying on passive investment in illiquid investments but earn risk premiums by accepting market risk. Additionally, they seem able to exploit fleeting opportunities leading to momentum profits while closing losing strategies thereby avoiding momentum reversal.

"Role of Loan only Credit Default Index on Banks' Risk Sharing Behavior"
Zagdbazar Davaadorj - Texas A&M International University, USA
Jorge Brusa - Texas A&M International University, USA

Discussant: Juan Yao - University of Sydney, Australia

The purpose of this paper is to investigate how Credit default swap market affect banks' risk sharing behavior on syndicated loan share. The loan syndication is one of important tools for banks to share risks with other banks, while a new credit derivative product, Loan only Credit Default Swap, allows banks transfer credit risk of borrowers in an alternative way. Thus, we investigate an important question that loan syndication and Loan only Credit Default Swap Index (LCDX) are complementary or substitute risk sharing tools for lead banks. We document that lead banks retain more shares from syndicated loan once LCDX price increases, implying that lead banks use the loan syndication and credit derivatives for complementary risk sharing tool . The results are robust to IV analysis, propensity score matching, omitted variable bias, different sample specifications, and alternative measures.

"Death and the Life Hereafter - A Study of Re-launched Hedge Funds"
Juan Yao - University of Sydney, Australia
Bochen Wu - University of Melbourne, Australia

Discussant: Frank Skinner - Brunel University, UK

Identifying managers with superior skills is crucial for hedge fund investors as hedge fund investment involves high search cost such as incentive fees and lock-up periods. In this paper, we present a sample of hedge fund managers who re-launched new funds after their previous funds were closed or stopped reporting. We investigate the characteristics and performance of such managers' re-launched funds ('new' funds) in comparison to their prior funds ('old' funds). After controlling for various fund characteristics, we conclude that new funds run by the same manager do not perform better than their prior counterpart. Further, these re-launched funds underperform the fund universe by around 2% per year. We conjecture that the underperformance of re-launched hedge funds is due to lower manager skill.

SESSION 21 **3305**

CORPORATE FINANCE III
Session Chair: Wendy Rotenberg - University of Toronto, Canada

"Causes of Business Failure from Bankruptcy Filings: Empirical Evidence from In-Court Restructuring of Italian SMEs"
Ludovico Maria Cocco - Ca' Foscari University of Venice, Italy
Elisa Cavezzali - Ca' Foscari University of Venice, Italy
Ugo Rigoni - Ca' Foscari University of Venice, Italy
Giorgia Simion - Vienna University of Economics and Business, Austria

Discussant: Godfred Alufar Bokpin - University of Ghana, Ghana

Using unique data onto insolvent Italian SMEs over the 2011-2016 period, we investigate how causes of business failure documented in bankruptcy filings complement accounting and industryspecific factors in explaining creditors' vote on the firm's exit path from the in-court proceeding. Bankruptcy literature mostly focuses on the role of financial and accounting factors in guiding the debt renegotiation process. Yet, we argue that creditors also consider the causes of business failure when evaluating firm's chances for turnaround. Drivers of creditors' preferences should indeed be researched both across accounting papers and causes of firm's decline reported in legal files. We look at main acknowledged accounting and industry-specific drivers of the debt renegotiation process, posing a series of hypotheses on the moderating role of documented causes of business failure. Extracting causes of firm's decline from authentic bankruptcy filings, we implement multinomial logistic regression. Results demonstrate how the causes of business failure constitute an important element for explaining creditors' choice on the bankruptcy outcome. Overall, creditors appear able to recognize potentially attractive growth opportunities, sustaining going concern of insolvent businesses with good recovery prospects and liquidating otherwise. We contribute to bankruptcy literature showing to what extent documented causes of business decline relate to acknowledged accounting and industry-specific factors thus determining effective chances for creditors' support to firm's going concern at the end of the in-court procedure.

"Understanding the Nature and Drivers of Inequality in Africa"
Godfred Alufar Bokpin - University of Ghana, Ghana

Discussant: Edward R. Lawrence - Florida International University, USA

Africa has experienced economic growth aided largely by IMF/World Bank led Economic and Structural Reforms in the last couple of Decades. Relative democratic stability, good governance, foreign direct investment, economic and financial sector reforms have been noted as drivers of these wholesale economic growth. But empirical evidence points to uneven distribution of the gains from economic thus raising questions about the implicit believe of trickle-down effect in economics. The continuous widening gap

between the rich and the poor in Africa is a threat to the continent democracy. At the global level, since the turn of the century, the poorest half of the world's population have received just 1% of the total increase in global wealth, while the top 1% have received 50% of the increase (Oxfam, 2016). Nigeria is on record to have overtaken India as the country with the largest number of people living in extreme poverty with Democratic Republic of Congo coming second (Brookings Institute, 2018). The report further asserts that 14 out of 18 countries where poverty is rising are in Africa, adding that if current rates persist, 90% of the world's poorest will be living on the continent by 2030.

"Chairman's Independence and Firm's Mergers & Acquisition Performance"

Edward R. Lawrence - Florida International University, USA
Dung Nguyen - Florida International University, USA
Arun Upadhyay - Florida International University, USA

Discussant: Ugo Rigoni - Ca' Foscari University of Venice, Italy

In this paper, we investigate if the independence of the chairman of company board affects the quality of decision making around firm's mergers and acquisitions. We find that as compared to the affiliate chairman, the acquirers with independent chairman earn significantly higher cumulative abnormal returns (CAR) around the announcement of mergers and acquisitions. We also find a two year BHAR of around 9% for the acquisitions made by firms with an independent chairman. We attribute this positive effect of an independent chairman to the ability to mitigate CEO's overconfidence, and to pick good targets. Our results are robust to reverse causality and other potential endogeneity issues such as omitted variables, selection biases and are independent of the method of payment.

Refreshments 3:30 - 3:45 p.m.

SESSION 22 **2112**

ASSET PRICING IV
Session Chair: David Feldman - UNSW Sydney, Australia

"The Permanent-Transitory Confusion: Implications for Tests of Market Efficiency and for Expected Inflation During Turbulent and Tranquil Times"
Alex Cukierman - Tel-Aviv University and Interdisciplinary Center, Israel
Thomas Lustenberger - Swiss National Bank, Switzerland
Allan Meltzer - Carnegie-Mellon University, USA

Discussant: Federica Ielasi - University of Florence, Italy

Even when all past and present information is known individuals usually remain uncertain about the permanence of observed variables. After reviewing the history and role of adaptive expectations and its statistical foundations in modeling this permanent-transitory confusion the paper investigates the consequences of this confusion for tests of market efficiency in the treasury bill and foreign exchange markets. A central result is that the detection of serial correlation in efficiency tests based on finite samples does not necessarily imply that markets are inefficient. The second part of the paper utilizes data on Israeli inflation expectations from the capital market to estimate the implicit speed of learning about changes in inflation and to examine the performance of adaptive expectations in tracking the evolution of those expectations during the 1985 shock stabilization as well as during the stable inflation targeting period.

"The Bail-in Effect: Does Bond Yield Follow the Hierarchy of Risk After BRRD?"
Doriana Cucinelli - University of Milan Bicocca, Italy
Lorenzo Gai - University of Florence, Italy
Federica Ielasi - University of Florence, Italy

Discussant: Thierry Post - Nazarbayev University GSB, Kazakhstan

On January 1st 2016 the BRRD introduced the Bail-in mechanism which limits government assistance to the Euro-area banks in the case of crisis. Our analysis, based on a sample of 3,886 bonds of 50 banks from 9 Euro-area countries during the period January 31st 2006 to May 31st 2017, investigates the impact of the introduction of Bail-in on bank bonds yields. The research compares three different groups of bonds: i) bailinable and non-bailinable bonds; ii) bailinable senior bonds and bailinable subordinated bonds; iii) bailinable subordinated bonds included in Tier 1, Upper Tier 2 or Lower Tier 2 capital. To do this we use Difference-in-Difference methodology. Our results underline that after the Bail-in introduction: i) in the period before BRRD, current bailinable bonds show a higher yield than non-bailinable bonds, which increases significantly after 1st January 2016; ii) although subordinated bonds display higher yields before 2016 than senior unsecured bonds, after the Bail-in introduction senior unsecured bonds show a higher increase in bond yields, more than that displayed by unsecured subordinated; finally, iii) with regard to the classification between unsecured subordinated bonds, all three classes yield more than the non-bailinable bonds, both before and after the Bail-in introduction. However, bonds with intermediate risks (Upper Tier 2) show a higher increase than bonds with the highest risk (Tier 1) in the period after January 2016.

"Risk Arbitrage Opportunities for Stock Index Options"
Thierry Post - Nazarbayev University GSB, Kazakhstan
Inaki Rodríguez Longarela - Stockholm University, Sweden

Discussant: Alex Cukierman - Tel-Aviv University and Interdisciplinary Center, Israel

To analyze the economic significance of pricing errors of stock index options, a system of linear inequalities is developed which completely characterizes all risk arbitrage opportunities which arise if a well-behaved

pricing kernel does not exist. The Stochastic Arbitrage system can account for market imperfections in the form of transactions costs and general portfolio restrictions. An empirical methodology is proposed based on Empirical Likelihood estimation and Linear Programming. An active trading strategy based on the Stochastic Arbitrage system for front-month S&P500 stock index options yields significant abnormal returns out of sample, for small-scale portfolios. However, outperformance seems elusive if the strategy is scaled up and market depth is taken into account.

SESSION 23 **2202**

BEHAVIORAL ISSUES IV
Session Chair: Rashad Abdel-khalik - University of Illinois, USA

"Speculative Bubbles and Investor Emotions: The Chinese Experience"
Richard Taffler - University of Warwick, UK
Xijuan Bellotti - AspiringPi Solutions Ltd, UK
Vineet Agarwal - Cranfield School of Management, UK

Discussant: Stella Spilioti - Athens University of Economics and Business, Greece

Between June 2005 and October 2007, when it peaked, the Chinese stock market rose five-fold. It then went into free fall losing 70% of its value over the following year, more than China's total GDP. A very similar trajectory was played out between July 2014 and January 2016. This paper explores the powerful emotions unleashed during market crises of this nature. It seeks to provide an original explanation of the Chinese bubble by considering the role investor emotions play in driving market behavior. Specifically, based on a detailed analysis of the bubble itself, we develop a five-stage path-dependent model relevant to other bubbles and financial crises which we then test empirically on our data. Our evidence is consistent with investors experiencing a range of different highly-charged emotions in different phases of the bubble. Inevitably, bubbles have to burst leading to blame, denial, and interestingly, subsequently, amnesia, as well as heavy financial loss. We equally show how failing to learn from experience can have sowed the seeds for the repeat of the bubble of only a few years later.

"Deep Learning & Neural Network Architectures. Applications in Forecasting Security Prices. Comparative Study and Performance Testing on FX, Derivatives and Cryptocurrencies"
Sam Morris - Nhillite, Australia
Malick Sy - RMIT University, Australia

Discussant: Xijuan Bellotti - AspiringPi Solutions Ltd, UK

There is a disparity within the financial sector, marked by a population of financial organization's pushing ahead and taking advantage of growing data centric ideology, new methodologies, and technology centric intelligence such as neural networks, machine learning and artificial intelligence. Deep learning traditionally known as neural networks has been a breakout area for a large number of sectors including that of the financial sector, with the advantages in using more bespoke and data driven approaches to financial modelling. The purpose of this paper is to test performance of selected deep learning and neural network architectures for forecasting the prices and movement of selected assets consisting of foreign exchange, derivatives, and cryptocurrency. The study aims for forecasting prices using different types of neural network architectures given the input of a variety of data sources. The testing results provides a more practical playbook for practitioners within the financial sector and show the importance of the applications of the growing landscape of artificial intelligence, deep machine learning, and FinTech.

CORPORATE GOVERNANCE IV

Session Chair: Zhaoyang Gu - Chinese University of Hong Kong, Hong Kong

"The Role of Social Networking in Capital Sourcing"

Ameeta Jaiswal-Dale - University of St. Thomas, USA
Fanny Simon- Lee - University of Caen, France
Giovanna Zanotti - University of Bergamo, Italy
Peter Cincinelli - University of Bergamo, Italy

Discussant: Waymond Rodgers - University of Hull, UK

The aim of this research is to apply the tool of social network analysis to situations in capital sourcing, including early stage financing. The study is conducted within the social network of Medical Alley Association of Minnesota (MAA). We investigate the correlation between the main centrality measures: closeness, degree and betweenness and the amount of funding received by the 163 MAA members during 2009 - 2012. Companies benefit from their social network to get access to better financing. The empirical results also provide a road map to encourage the sponsored or spontaneous growth of other social networks in related fields. Despite the financial crisis, the empirical results show how competition works when firms have established relations with others. Where an intersection occurs is merely an empirical curiosity and the causation resides in the intersection of relations. The relation that intersect on an organization determines the player’s competitive advantage.

"Executive Compensation, Sustainability, Climate, Environmental Concerns and Company Financial Performance: Evidence from Indonesian Commercial Banks"

Eriana Kartadjumena - Widyatama University, Indonesia
Waymond Rodgers - University of Hull, UK

Discussant: Tomasz Wisniewski - University of Szczecin, Poland

This research investigates whether executive compensation is designed to motivate managers to pursue corporate sustainability (CS) concerns measured by Global Reporting Initiative (GRI) 3.1 disclosure indicators in Indonesian listed commercial banks throughout 2007-2014. In addition, this study examines further impact of executive compensation, climate and environmental concerns on both financial health and market value performance as components of company financial performance (CFP). This study enriches the literature by examining topics in the context of banking entities in a developing country, based on an agency theoretic and stakeholder positions by employing in a Throughput Model that captures different pathways and stages. The results suggest that higher executive compensation in Indonesian banking entities may motivate management to do more for climate and environmental concerns as well as to enhance CFP. Contrary to expectations, climate and environmental concerns have a negative significant impact on both financial health and market value performance. This implies that Indonesian banking companies may tend to conduct corporate responsibility activities only for their own-sake as an altruism motive, which influences the reduction of firms’ financial performance. Finally, CS concern depicts a weakening factor as well as a partial mediator in the relationship between executive compensation and financial health performance.

"Should They Stay or Should They Go?CEO Appointments and Performance in a Transitional Economy"

Katarzyna Byrka-Kita - University of Szczecin, Poland
Mateusz Czerwinski - University of Szczecin, Poland
Stephen P. Ferris - University of Colorado, College of Business, USA
Agnieszka Pres-Perepeczo - The University of Szczecin, Poland
Tomasz Wisniewski - University of Szczecin, Poland

Discussant: Peter Cincinelli - University of Bergamo, Italy

This study examines corporate operating performance surrounding chief executive officer (CEO) appointments for a sample of 1,015 such appointments from January 2001 through December 2013 to firms listed on the Warsaw Stock Exchange. We observe that firms perform significantly better in the case of reappointments compared to CEO replacements. We find that operating performance deteriorates over the three years preceding CEO turnovers as well as re-appointments. Our findings are consistent with weakness in the governance mechanisms for firms in emerging markets.

SESSION 25 **2305**

ACCOUNTING ISSUES IV
Session Chair: Neil Kellard - University of Essex, UK

"Capital Market Consequences of Integrated Reporting: Evidence from Research Analysts"
Diogenis Baboukardos - University of Essex, UK
Anastasia Kopita - University of Warwick, UK

Discussant: Maria Dimitriou - University of Macedonia, Greece

The purpose of this study is to assess the market valuation of sell-side analysts' recommendation revisions under an Integrated Reporting (IR) approach. The advocates of this new corporate reporting approach opine that IR will have favorable consequences in capital markets' information environment and recent studies corroborate this argument by documenting that IR adoption has important market valuation implications. Nevertheless, the consequences of IR cannot be fully understood without examining how market reacts on information provided by important intermediaries such as financial analysts. We focus on the South African capital market as it is the only setting in which firms are mandated to prepare an integrated report annually. Utilizing a sample of 2,636 recommendation revisions, we find strong evidence that analysts' revisions exhibit lower information content during the first three years of IR adoption than they had in the last three years before the adoption. These results hold after controlling for analyst, firm and information environment characteristics and are robust to a number of sensitivity analyses.

"A Theoretical Framework and Perspective Regarding the Accounting and the Technology Issues in Greece"
Maria Dimitriou - University of Macedonia, Greece

Discussant: Chima Mbagwu - Wilfrid Laurier University, Canada

In January 2005, the application of IFRS is mandatory and followed by listed companies in European financial markets included listed companies in Regulated markets in Greece, such as Athens Exchange Securities Market, Athens Exchange Derivatives Market, Electronic Secondary Securities Market. Therefore, the framework of the "accounting treatment" has changed and it is going to change in the future for all kind of companies regardless of their size. The main purpose of this research is to investigate the adoption of the IFRS convergence movement in Greece, aiming at emphasizing their philosophical basis and value via an in-depth narrative methodology approach with questions. This study explains some of the different elements and dimensions of the financial reporting in Greece and the using of the information and communications technology as well as the benefits it can provide as a means of knowledge for students and as an important aid to researchers.

"The Impact of Asset Retirement Obligations on Equity and Debt Market Participants"
Ling Chu - Wilfrid Laurier University, Canada
Robert Mathieu - Wilfrid Laurier University, Canada
Chima Mbagwu - Wilfrid Laurier University, Canada
Bruce McConomy - Wilfrid Laurier University, Canada

Discussant: Anastasia Kopita - University of Warwick, UK

We examine whether Asset Retirement Obligations (AROs) are value relevant to investors and credit market participants. Whereas prior research has examined the value relevance of environmental disclosures, we extend this line of inquiry by examining whether AROs are priced the same as other recognized liabilities that have less managerial discretion in their estimation. Using a sample of 1,076 mining and oil & gas observations for the equity market model, we provide evidence that even though AROs are value relevant, there is no distinction between AROs and other recognized liabilities. For the debt market, we find that the while AROs are priced by banks and affect companies' credit ratings, their impact on interest rates and credit ratings is much less than that of other recognized liabilities.

SESSION 26 **3205**

REGULATION AND DISCLOSURE
Session Chair: Alejandra Cabello - Universidad Nacional Autónoma De México, Mexico

"Resolving the Funding Gap of State Funded Pension Plans: A Long Run Floor Rate Approach"
Robinson Reyes - Florida International University, USA
Krishnan Dandapani - Florida International University, USA
Edward Lawrence - Florida International University, USA

Discussant: Stelios Markoulis - University of Cyprus, Cyprus

We find that the difference between the realized returns and the current discount rates (Δr) effectively predicts the changes in the funding ratio of State Funded Pension plans in US. This differential variable allows us to test the efficacy of potential discount rate alternatives on the basis of attaining a positive Δr, as it implies an expected positive change in funding ratio. We refer to this positive change in funding ratio as success. We propose a long run floor rate, estimated from the global minimum variance portfolio of stocks and bonds in a long term framework, which shows success in 78% of pension plans during the period of 2001 to 2016, contrasting a 10% with the current practices. The required change in retirement contribution from adopting our long run floor rate is about 50% lower than what is required using the 10 Year Treasury rate.

"Global Systemically Important Banks Regulation: "Blessing" or "Curse"?"
Stelios Markoulis - University of Cyprus, Cyprus
Spiros Martzoukos - University of Cyprus, Cyprus
Elena Patsalidou - University of Cyprus, Cyprus

Discussant: Tomoe Moore - Brunel University London, UK

In this paper we examine important recent regulatory changes that focus on G-SIBs, aiming to shed light on whether markets believe that being a G-SIB is good, a "blessing", or bad, "a curse". We analyse three events, one related to the designation of a bank as a G-SIB, and two to the additional capital surcharges and TLAC requirements, applicable to these banks. Interestingly, we find that each event corresponds to a different hypothesis; the first one is aligned with the profit-based hypothesis, the second one with the regulatory burden hypothesis, and the third one with the irrelevance hypothesis. We note an interesting "oxymoron" when looking at the first and second events; G-SIB designation is perceived by the market as good news, but subsequent measures attached to this status are perceived as bad news! We find this "oxymoron" to be mostly driven by Eurozone banks. Cross-sectional analysis reveals that banks with lower capital and liquidity ratios benefited more from the new regulations, but suffered more, as a result of the additional capital surcharges.

"Do Financial Regulations Enhance or Impede Bank Operational Efficiency Measured by SORM? Evidence Across 102 Countries and 5 Economic Blocs"
Ali Shaddady - King Abdulazia University, Saudi Arabia
Tomoe Moore - Brunel University London, UK

Discussant: Robinson Reyes - Florida International University, USA

This article applies the Semi-Oriented Radial Measure (SORM) to the Data Envelopment Analysis (DEA) in order to measure bank operational efficiency based on bank-level data. We then investigate the effects of financial regulations on the SORM operational efficiency in banks across regional economic blocs and income groups by utilising unbalanced panel data of 7,853 banks in 102 countries over the period 2000–2014. In general, developed and fuel exporting countries are found to hold high-efficiency scores. In terms of sensitivity to bank regulations, the capital requirement stringency is found to enhance bank efficiency in developed countries, in particular, in the economic blocs of Asia-Pacific and EU. On the contrary, stringent capital adequacy jeopardises bank efficiency in less developed countries, which seems to reflect the underdeveloped financial market in low-income countries. With respect to supervision, in general, the strengthening of supervisory power and supervisory independence exerts a detrimental effect on bank efficiency, yet, supervisory independence appears to enhance bank efficiency in Latin America and South Asia. The latter indicates that the there is less need of government intervention in supervising banks in these economics blocs. Our results also demonstrate that governance indicators is contributory to bank efficiency across various regions, in particular, governance is one of the main contributing factors in African banks.

SESSION 27 **3304**

CORPORATE RISK MANAGEMENT
Session Chair: Keren Bar-Hava - Hebrew University of Jerusalem, Israel

"Corporate Liquidity Strategies when Financial Assets are Highly Profitable"
Rene Coppe Pimentel - University of Sao Paulo, Brazil

Discussant: Wendy Rotenberg - University of Toronto, Canada

This paper analyzes the effect of high levels of interest rates on corporate cash holdings (which include cash and other interest-bearing assets). Specifically, this paper argues and provide evidence that, contrary to the classical assumptions, the relationship between cash holdings and interest rates are systematically positive. The empirical analysis is conducted in the Brazilian market, which represents a specific context in which managers are able to allocate financial resources in interest-bearing assets that may offer higher profitability than operating activities due to perceived high-risk environment. Using quarterly data from non-financial listed firms, this paper documents a positive and significant association between interest rates and cash holdings and shows that holding liquid assets may be a profitable and outperforming strategy when interest rates are high and real investment is risky. This relationship holds especially true for periods of higher-than-average levels of inflation, larger firms and firms with high future growth expectation.

"International Business Activities and Hedging Choices: Evidence from Canada"
Wendy Rotenberg - University of Toronto, Canada
Robert Kieschnick - University of Texas at Dallas, USA

Discussant: Iuliana Ismailescu - Pace University, USA

This study investigates how the nature of a firm's international business activities and its reporting currency influences its use of foreign currency debt and both short and long sighted FX derivatives. We find that the use of foreign currency debt is a strategic complement to the use of FX derivatives, and that these decisions are driven by different aspects of firm's international business activities. Foreign currency debt is associated more with direct investment in foreign assets while FX derivatives use is associated more with foreign revenues. Further, we find that firms reporting in a foreign currency are more likely to use foreign currency debt and FX swaps. These findings suggest that hedging strategies incorporate reporting as well as transaction and operating exposure concerns.

"Powerful CEOs and Their Legacy: Evidence from Credit Risk Around CEO Turnovers"

Marcus Braga Alves - Pace University, USA
Iuliana Ismailescu - Pace University, USA
Kaustav Sen - Pace University, USA

Discussant: Rene Coppe Pimentel - University of Sao Paulo, Brazil

In this study, we examine how changes in credit risk around CEO turnover announcements are affected by the succession nature (i.e., forced vs. voluntary), CEO's legacy, and concentration of job titles. We find that firms whose incumbent is forced out experience a greater increase in CDS spreads than firms with voluntary departures. We also show that the effect of forced turnovers on credit risk is higher when the influence of the current CEO can linger or the CEO is powerful. Our findings suggest that creditors are concerned about the CEO's legacy and power around forced departures more than about over-investment and performance measures. These results contribute to an existing literature that documents the impact of firm and market characteristics on CDS spreads.

SESSION 28 **3305**

TUTORIAL: CORPORATE FINANCE ISSUES

"Low Frequency Macro Factors in Corporate Finance"

Laurence Booth - University of Toronto, Canada

China's entry into the WTO in 2001 has fundamentally changed the business environment as the US economy has changed from a closed to a more open one. On average, imports have increased from under 10% of final demand to 35%, with many sectors where demand is now 100% met from imports. At the same time the US population has aged with the median age increasing from 28.3 in 1970 to 38 in 2016. Empirical work shows that older people are more conservative and risk averse. Consequently, we would expect with heightened competition and an aging population there will be implications for corporate finance decision making. In this talk Professor Booth will discuss his recent research that has looked at the implications of these low frequency macro factors for dividend policy and corporate cash holdings.

SESSION 29 **2112**

SPECIAL TUTORIAL PRESENTATION AND PANEL DISCUSSION

"Stochastic Dominance. An Alternative Paradigm for Pricing Options (Palgrave MacMillan, 2019)"
Stylianos Perrakis - Concordia University, Canada

Discussants:
Thierry Post - Nazarbayev University, Kazakhstan
Alon Raviv - Bar Ilan University, Israel
Amnon Schreiber - Bar Ilan University, Israel

This presentation summarizes index and equity option pricing under stochastic dominance, which develops trading bounds for options based on the condition that an index overlaid with a zero net cost option portfolio should not second degree dominate the index. This condition produces at the limit the Black-Scholes-Merton option price when markets are complete. It can also be extended to accommodate persistent theoretical and empirical failures of the dominant no arbitrage-simultaneous equilibrium paradigm. These include, among others, the existence of transaction costs, the partial segmentation of the put and call markets, the inconsistencies between the physical and option implied risk neutral distributions under systematic rare event risk, the widening of the proportional bid-ask spreads for out-of-the money options, etc. Suggestions for new research include pricing under all forms of GARCH dynamics, state dependent volatility with rare event risk and the determination of bid-ask spreads in the option market.

SESSION 30 **2202**

IPOS
Session Chair: Lorne Switzer - Concordia University, Canada

"Investor Protection, IPO Appraisal, and Institutional Investors' Bidding Behavior"
Sagi Akron - University of Haifa, Israel
Taufique Samdani - University of Toledo, USA

Discussant: Nirav Parikh - RMIT University, Australia

Utilizing a time window (2004–2007) separating two initial public offering (IPO) policies in India, this paper examines the effect of IPO appraisal's interaction with investors protection policy on institutional investors' bidding behavior—as it relates to IPO underpricing. The findings, which are robust to endogeneity concerns, reveal a paradox. Under the discretionary allocation policy (2004-2005) IPO appraisal reduces IPO underpricing, whereas under the non-discretionary allocation investor protection policy (2005-2007) it increases IPO underpricing. We provide a resolution for this paradox: IPO appraisers' equity stake in the IPO reduces institutional investors' allocation quota, which, under the non-discretionary allocation policy, increases the impact of retail investors' bids on IPO price and diminishes institutional investors' ability to "accurately" shave for the winner's curse.

"Do Underwriters Misuse Discretionary Powers?"
Nirav Parikh - RMIT University, Australia
Vijaya Marisetty - University of Hyderabad, India
Monica Tan - RMIT University, Australia

Discussant: Andrea Carosi - University of Sassari, Italy

Using an exogenous regulatory change in the discretionary allocation powers of the Indian IPO underwriters, we investigate whether discretionary powers add value to investors, by providing higher information production, or destroys value, by inducing retail investors to overpay and increase underwriter incentives through IPO proceedings. We find that, in the discretionary regime, retail investors overpay and get influenced by active and aggressive pre-trade IPO grey market. Regulatory intervention, through restricting discretionary powers, lets retail investors participate less in the grey market due to lower reference prices and lowers underpricing. Our paper supports recent findings of Chang et al. (2017) that, as long as underwriters exercise their discretionary power and work for their private benefits, even in the transparent markets, retail investors overpay and underpricing persists.

"IPO Waves, Local Information, and the Going Public Decision"

Giulia Baschieri - University of Bologna, Italy
Andrea Carosi - University of Sassari, Italy
Stefano Mengoli - University of Bologna, Italy

Discussant: Sagi Akron - University of Haifa, Israel

We argue that IPO waves have a strong geographical pattern. We investigate the relation between the success of the pioneer IPOs in the region and the following IPOs in the same region. We find that successful pioneer IPOs trigger an extraordinary local IPO activity, that is a local IPO wave. Results are robust to various definitions of successful IPOs, which is addressed using several measures such as the local underpricing and the local oversubscription of the new local stocks. The pioneer IPOs in the region reveal to the market new positive information about so far untraced local pricing factors such as the unsatisfied demand for new local stocks by the local investors, thus making the pricing of the following local IPOs less complicated for issuers and underwriters, and highlighting the chance to raise equity capital at more convenient conditions than originally planned; more firms find convenient to go public, and the local wave is triggered.

SESSION 31 **2302**

CORPORATE GOVERNANCE V

Session Chair: Peter Scholz - Hamburg School of Business Administration, Germany

"Corporate Cash Holdings in Energy Industry: Evidence from European Firms"

Yilmaz Yildiz - Hacettepe University, Turkey
Mehmet Karan - Hacettepe University, Turkey

Discussant: Hui Zhu - University of Ontario Institute of Technology, Canada

The aim of this study is to investigate the determinants of corporate cash holdings and adjustments to long-term target for oil and gas firms in Europe from 2000 to 2016. We also incorporate the impact of energy directives into our analysis to observe how firms react to these regulative changes in terms of cash holding decisions. Including 267 firms and 2903 firm-year observations from 25 countries, our results suggest that there are significant differences among countries in terms of cash holdings and adjustment speeds. First, as a result of the increasing uncertainty with the implementation of the 2st and 3nd directives, the firms in oil and gas industry in North and Western Europe started to increase their cash holdings. However, directives do not have any impact on the cash policies of the energy companies in UK, Eastern Europe and Russia. Second, other than energy directives, size, capital expenditures, cash flow and leverage have a negative impact on the cash ratio whereas R&D investments have a positive impact on the cash holdings. Third, our results suggest that firms in Russia and Nordic countries adjust their cash position to reach the target level faster than the firms in other countries. The lowest adjustment speed is observed for the firms in Eastern Europe. The findings of this study shed important lights on the understanding of corporate cash holding policies in energy firms which is often a neglected issue in the energy economics.

"Pension Deficits and Financial Distress in an Innovative Environment"

Hui Zhu - University of Ontario Institute of Technology, Canada

Discussant: Mehmet Karan - Hacettepe University, Turkey

This paper examines how pension deficits affects firm innovation. Exploiting pension deficits in relation to a firm's annually granted patent counts and its subsequent citations, I find that firms with pension deficits are less likely to generate innovative patents. I also find that a negative relationship between pension deficits and firm innovation is more pronounced for financially distressed firms. Additional tests show that the findings are robust for various measures of pension deficits and innovation, subsample analyses, and potential endogeneity concerns. Overall, the findings are consistent with the notion that firms with underfunded pension plans tend to secure their securities and cash by cutting investment in innovation, especially when confronting financial distress, resulting in less innovative activities.

SESSION 32 **2305**

FIRM VALUATION
Session Chair: Erik Devos - University of Texas at El Paso, USA

"Accounting Adjustments For Apraising Smes in Greece Under the New Greek Accounting Standards"

Athanasios Karampouzis - University of Macedonia, Greece
Emmanouil Ginoglou - Private Sector, Greece
Dimitrios Ginoglou - University of Macedonia, Greece

Discussant: Edgardo Cayon - CESA, Colombia

This paper comes as a sequel to our past work on making adjustments for valuation purpose of SMEs in Greece. More specifically, we try to provide an accounting framework for valuation specialists who make use of the Free Cash Flows to the Firm (FCFF) model. We set ground rules for adjusting the several tax and accounting items needed to present a more realistic picture of free cash flows, taking in response that the accounting framework in Greece has radically changed since 2015, shifting from its law basis towards a more standard-like one. Finally, we produce a normative formula, which can be positively used upon this particular valuation model (FCFF) in order to assess the value of a private firm in Greece.

"The Application of Proxy Methods for Computing the Cost of Private Equity: Evidence from Listed Firms"

Juan Sebastian Sandoval - Pontificia Universidad Javeriana, Colombia
Julio Sarmiento-Sabogal - Pontificia Universidad Javeriana, Colombia
Mehdi Sadeghi - Macquarie University, Australia
Edgardo Cayon - CESA, Colombia

Discussant: Benjamin Segal - Hebrew University, Israel

The two–beta model decomposes the systematic risk in the sensitivity of cash flow and discount rate change. We propose a modified version of this model (MTBM) to compute the cost of capital for private equities (PEs). This model includes not only the accounting return reaction to long-term changes in consumption, but also links fundamental reactions to temporal changes in risk aversion. We test this model along with three traditional alternatives that are potentially useful in computing the cost of capital for PEs: accounting betas (BACC), unlevered betas (PLB), and operational betas (BOP). Using a two different tests, we gauge their capacity to explain cross-sectional stock returns and their forecasting abilities. We find that PLB, BACC, and MTBM are able to explain (with some limitations) the cross-sectional variations of stock returns. The forecasting experiment indicates that the MTBM produces the best output.

"Geographic Location and the Pricing of Earnings"

Joseph Micale - Fordham, USA
Benjamin Segal - Hebrew University, Israel
Ibrahim Siraj - Long Island University Post, USA
Maya Waisman - Fordham, USA

Discussant: Dimitrios Ginoglou - University of Macedonia, Greece

We investigate the effect of a firm's geographic location on the market value of its reported earnings and find that rural firms' earnings exhibit a significantly higher market valuation than their counterparts headquartered in centrally based, large cities. Earnings response coefficients demonstrate that companies leaving a large city and relocating into a distant rural area experience a significant increase in their earnings relevance levels. This higher market valuation is likely due to investor's higher reliance on earnings for rural firms versus their reliance on local, private information for urban firms. Our main results are not driven by variations in financial reporting practices as we find no significant geographic difference in earnings quality, audit quality, or disclosure quality. Our results are also robust to managerial ability across firms, different measures of geographic dispersion, alternative value relevance models, and endogeneity. Taken together, the results suggest that, contrary to expectations, investors place more weight on the earnings of rural firms compared to urban companies due to their limited access to private information for these remote firms.

SESSION 33 **3205**

FINANCIAL INTERMEDIARIES I
Session Chair: Hubert De La Bruslerie - University Paris Dauphine - PSL, France

"The Roles of Alternative Data and Machine Learning in Fintech Lending: Evidence from the LendingClub Consumer Platform"
Julapa Jagtiani - FRB Philadelphia, USA
Catharine Lemieux - FRB Chicago, USA

Discussant: Rasoul Rezvanian - Ithaca College, USA

Fintech has been playing an increasing role in shaping financial and banking landscapes. There have been concerns about the use of alternative data sources by fintech lenders and the impact on financial inclusion. We compare loans made by a large fintech lender and similar loans that were originated through traditional banking channels. Specifically, we use account-level data from LendingClub and Y-14M reports by bank holding companies with total assets of $50 billion or more. We find a high correlation with interest rate spreads, LendingClub rating grades, and loan performance. Interestingly, the correlations between the rating grades and FICO scores have declined from about 80 percent (for loans that were originated in 2007) to only about 35 percent for recent vintages (originated in 2014–2015), indicating that nontraditional alternative data have been increasingly used by fintech lenders. Furthermore, we find that the rating grades (assigned based on alternative data) perform well in predicting loan performance during the two years after origination. The use of alternative data has allowed some borrowers who would have been classified as subprime by traditional criteria to be slotted into "better" loan grades, which allowed them to get lower-priced credit. In addition, for the same risk of default, consumers pay smaller spreads on loans from LendingClub than from credit card borrowing.

"The Effect of the 2008 Global Financial Crisis on the Efficiency and Productivity Growth of the U.S. Large Commercial Banks"
Seyed Mehdian - University of Michigan Flint, USA
Rasoul Rezvanian - Ithaca College, USA
Ovidiu Stoica - Alexandru Ioan Cuza University of Iasi, Romania

Discussant: Zhentao Liu - Xiamen University, China

We believe that the 2008 financial crisis originated by securitization of sub-prime mortgage loans had huge impact on the efficiency of large US banks. To shed some light on the response of US large banks to the 2008 financial crisis, we reexamine the efficiency of US large banks. Specifically, the objective of the paper is to measure and compare the efficiency, productivity growth, and technological progress (based on Malmquist indices) of the U.S. large commercial banks during pre and post 2008 financial meltdown. The paper employs a non-parametric approach to compute overall efficiency measure, productivity growth, and technical progress of large US banks pre and post 2008 financial crisis. We then, decompose the overall measure of efficiency into allocative and overall technical efficiency measures to better understand the sources and change of banking inefficiency pre and post 2008 financial crisis. The comparison of efficiency indices pre and post financial meltdown suggests that the efficiency of the commercial banks has increased during the post crisis vs. the pre-crisis. In addition, the study finds that commercial banks' productivity has increased following financial crisis and this upturn in productivity is due to combination of efficiency improvement and technological progress.

"Unemployment Insurance as an Automatic Economic Stabilizer — Evidence from Bank Lending"

Yuehua Li - Shanghai University of Finance and Economics, China
Zhentao Liu - Xiamen University, China
Sha Pei - National University of Singapore, Singapore

Discussant: Julapa Jagtiani - FRB Philadelphia, USA

We find that unemployment insurance (UI) is a double-edged sword from the perspective of bank lending. UI protection reduces income uncertainty and leads to higher demand of bank credit, driven by more consumer loans and industrial and commercial loans demand. However, UI also increases expected unemployment risk, dampening the demand of long-term mortgage loans. Unemployment insurance improves loan quality in normal periods, but the association reverses in bad economic conditions. Mistaking higher UI as positive signal, banks reduce their provisions. These factors combined lead to more severe credit crunch during recession for banks in states with higher UI. While improving bank profits, the increased credit demand can also elevate bank risk as borrowers' creditability deteriorates. Our results suggest that the contribution of UI as an automatic economic stabilizer should be more cautiously evaluated.

SESSION 34 **3304**

INFORMED TRADING

Session Chair: Abdus Samad - Utah Valley University, USA

"Are Trades of Networked Insiders More Informative? Evidence from Europe"

Mansoor Afzali - Hanken School of Economics, Finland
Minna Martikainen - Hanken School of Economics, Finland

Discussant: Laurent Germain - Toulouse Business School, France

We examine the relation between social networks and insider trading in European listed firms. We find that networked insiders trade less and earn lower profits but their trades trigger a higher market reaction, which is in line with the information-content hypothesis. On average, the market reaction is 0.6 percent higher for purchases of networked insiders compared to less-networked insiders. This relation holds regardless of the strength of investor protection in the country or strictness in securities regulation. We build on the heterogeneity of our sample and reveal how country-level regulatory, economic, and cultural factors are associated with the level of market reaction. Overall, our results are consistent with the notion that the trades of networked insiders are more informative.

"High Frequency Trading: Strategic Competition Between Slow and Fast Traders"

Herve Boco - Toulouse Business School, France
Laurent Germain - Toulouse Business School, France
Fabrice Rousseau - Maynooth University, Ireland

Discussant: Ross Hosmann - Macquarie Graduate School of Management, Australia

In the following paper we analyze the strategic competition between fast and slow traders. A High Frequency Trader (HFT) is defined as a trader that has the ability to react to information faster than other informed traders and as a consequence can trade more than other traders. This trader benefits from low latency compared to slower trader. In such a setting, we prove the existence and the unicity of an equilibrium with fast and slow traders. We find that the speed advantage of HFTs has a beneficial effect on market liquidity as well as price efficiency. The positive effect on liquidity is present only if there are 2 or more HFTs.

However, despite those effects slower traders are at a disadvantage as they are not able to trade on their private information as many times as their HFTs counterpart. Once they can most of their private information has been incorporated into prices due to the lower latency of HFTs. This implies that slower traders are worse off when HFTs are present. The speed differential benefits HFTs as they earn higher expected profits than their slower counterparts and also benefits liquidity traders. We find the existence of an optimal level of speed for HFT.

"Twitter Volume Option Implied Volatility and Continuous Disclosure"

Ross Hosmann - Macquarie Graduate School of Management, Australia
Petko Kalev - La Trobe University, Australia
Ivy Zhou - University of Wollongong, Australia

Discussant: Minna Martikainen - Hanken School of Economics, Finland

This study examines effects of social media activities on the option market. More specifically it attempts to determine whether and to what extent is option implied volatility (OIV) affected by the volume of stock related messages posted on Twitter. Unlike extant studies that exclusively use US market data, we conduct research in the Australian market which is, unlike the US market, characterised by a strict continuous disclosure regime thus providing experimental settings with precise control for release of scheduled and unscheduled announcements. In line with past papers, we confirm that the correlations between stock and option implied volatility and volume of tweets are significant and positive. We show that OIV, unlike stock volatility, is correlated with the volume of tweets on days without corporate announcements with OIV of put options showing more significant correlation. We also show that volume of tweets on days preceding scheduled announcements predicts option implied volatility, behaviour not observed in stock volatility.

SESSION 35 **3305**

VALUE INVESTING

Session Chair: George Athanassakos - Ivey Business School of Business, Western University, Canada

"Value Investing: Who, What and Why"

George Athanassakos - Ivey Business School of Business, Western University, Canada

Discussant: n/a

As the Ben Graham Chair in Value Investing my mandate is to spread the word of value investing to academics and the public, as academics do not know much about value investing and the public is somewhat confused about what value investing is all about. In fact, academics have paid little attention to value investing and stock picking over the years. But I am a firm believer in stock picking. I think stock picking with the right process and the right temperament works. And this is want value investing is all about - it is about stock picking, that is how to find and buy stocks that trade significantly below intrinsic value. As a result my talk will deal with the following: Who are the value investors? What do value investors believe in? What process do value investors follow? Does what value investors do work? Why does it work? Why will it continue to work? My talk will end with an advice for successful investing.

"Investor Behavior and Stock Returns"

Oriana Rahman - York University, Canada
Andrei Semenov - York University, Canada

Discussant: Ron Bird - Waikato Management School, New Zealand

It is common in the empirical literature to test the predictability of individual stock returns assuming that investors are all rational thinkers. We provide empirical evidence that the finding that stock returns are predictable to some degree based on past returns alone may be overstated. Correcting the investor's beliefs about future stock returns for overconfidence in that the next day return will be close to a target return, especially when combined with pessimism/optimism, reverses the evidence of the predictability of individual stock returns. This evidence holds for all quantiles of the return distribution and groups of size-sorted stocks.

"Do Emotions Expressed in the Social and News Media Impact on Investor Behaviour?"
Ahmed Khan - Waikato Management School, New Zealand
Ron Bird - Waikato Management School, New Zealand
Peter Huang - Waikato Management School, New Zealand
Danny Yeung - University of Technology Sydney, Australia

Discussant: Andrei Semenov - York University, Canada

The study examines the relationship between emotions generated by the social and news media and the decision-making process of investors. The 11 different emotions that we evaluate are calculated on an on-going basis by applying advanced algorithms which scan the social and news media. We then align these emotions with corporate earnings announcements in order to gauge whether the investor response to the announcements is conditioned by the prevailing state of the emotions at the time of the earnings release. We find substantial evidence to suggest that the 11 different emotion indices have an impact on how investors respond to earnings announcements (of both good and bad news). Further we find it is the emotion emanating from the social media postings that have a larger impact on investor behaviour (and so markets) than those generated by scanning the news media.

Refreshments 10:15 - 10:30 a.m.

SESSION 36 **2112**

PORTFOLIO MANAGEMENT I

Session Chair: Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA

"Diversification Benefits of European Small Cap Stocks After the Global Financial Crisis and Brexit"

Thien D. Nguyen - Concordia University, Canada
Lorne Switzer - Concordia University, Canada

Discussant: Peter Scholz - Hamburg School of Business Administration, Germany

In this paper we investigate the diversification gains obtained from investing in European small-cap stocks, focusing on the periods since the Global Financial Crisis and Brexit. We find mixed evidence to support the assertion that European small-caps provide diversification benefits to a benchmark portfolio of large US stocks. The benefits are further reduced when benchmark assets include both a US large-cap portfolio as well as a portfolio of European large-cap stocks. After Brexit, US investors achieve diversification benefits from investments in European large-cap stocks. However, after Brexit, small-cap stocks from only one country in the EU are shown to provide further diversification gains.

"Cryptocurrencies as an Asset Class?"

Sinan Krückeberg - Hamburg School of Business Administration, Germany
Peter Scholz - Hamburg School of Business Administration, Germany

Discussant: Javier Pantoja - Universidad EAFIT, Colombia

Cryptocurrencies are a new and unclassified emergence at the intersection of technology and finance. It is therefore of particular interest whether cryptocurrencies can form a new asset class for investment purposes. We find that cryptocurrencies show characteristics of a distinct asset class based on strong internal correlation, an absence of correlation with any traditional asset class as well as sufficient market liquidity, while market stability has room for improvement. Adding cryptocurrency to traditional portfolio structures leads to significant and persistent risk-adjusted outperformance. These results support the careful introduction of cryptocurrencies into the asset management mainstream.

"Quadratic Optimization Based Static Hedging of Weather and Price Risks in the Energy Market"

Javier Pantoja - Universidad EAFIT, Colombia
Juan C. Vera - Tilburg University, Netherlands

Discussant: Lorne Switzer - Concordia University, Canada

We propose a Quadratic Optimization based method to find an optimal hedging claim by an economic agent facing both weather and price risks, without making any assumption on the underlying distributions. This paper concentrates in the case of an energy retailer procuring power from the wholesale market at the standing spot price and selling it at a fixed price to consumers exhibiting variable demand. This paper determines the optimal derivative pay-off written on both electricity price and a weather-linked index; aiming to construct a hedging claim to mitigate price and weather related risks. Numerical experiments illustrate the possible gains obtained from the proposed procedures.

MERGERS AND ACQUISITIONS

Session Chair: Varouj Aivazian - University of Toronto, Canada

"Equity-Based Golden Parachutes in Mergers and Acquisitions"

Jing He - Macquarie University, Australia
Joshua Shemesh - Monash Business School, Australia

Discussant: Galla Salganik-Shoshan - Ben-Gurion University, Israel

The existence and magnitude of golden parachutes have been a long-standing controversy amongst researchers and practitioners. We hand-collect data on the composition of golden parachutes to examine whether equity-based golden parachutes are used to protect managers and benefit shareholders. The results show that target CEO equity-based golden parachutes reduce the likelihood of M&A completion, and enhance target shareholder return in completed M&A deals. Overall, this paper sheds new light on equity-based incentives and determinants of M&A patterns.

"Coordinated Monitoring and Mergers and Acquisitions"

Ettore Croci - Università Cattolica del Sacro Cuore, Italy
Mieszko Mazur - IESEG School of Management, France
Galla Salganik-Shoshan - Ben-Gurion University, Israel

Discussant: Erik Devos - University of Texas at El Paso, USA

This paper shows that coordinated monitoring by institutional investors affect how firms behave in the M&A market. We employ the spatial dimension of geographic links between major institutions as a proxy for interaction and information exchange – a process which determines the effectiveness of investor monitoring over firm management. Using US data over 25 years, we show that the returns to acquiring shareholders are significantly higher and M&A activity is significantly more intense, when institutions coordinate better their monitoring efforts. We also find that this effect is particularly prominent for firms with weak shareholder rights and for those whose information environment is more opaque. Our results are robust to an array of controls, various econometric specifications, and alternative measurements of the main variables.

"The Valuation Effect of Changes to Delaware Corporate Law: The Case of Top-Up Options"

Erik Devos - University of Texas at El Paso, USA
Bill Elliott - John Carroll University, USA
Hilmi Songur - University of Arizona, USA

Discussant: Joshua Shemesh - Monash Business School, Australia

We investigate the role of top-up options granted by target managers to bidders in tender offers. A top-up option enables bidders to bypass target shareholder consent and allows for relatively fast execution of the tender offer. Our evidence, from 359 tender offers announced during 2000-2017, suggests that deals with top-up options are detrimental to bidder shareholders, when compared to tender offers without the top-up feature. This finding is mostly driven by tender offers announced in the pre-2010 period, when there was substantial ambiguity about the legality of top-up options used in tender offers. Overall, we conclude that the use of top-up options is most consistent with a litigation risk hypothesis.

CORPORATE GOVERNANCE VI

Session Chair: Anastasios Malliaris - Loyola University Chicago, USA

"Corporate Governance and Internal Audit Function Quality in Listed Companies at the Athens Stock Exchange"

Christina Vadasi - University of the Aegean, Greece
Michalis Bekiaris - University of the Aegean, Greece
Andreas Andrikopoulos - University of the Aegean, Greece

Discussant: Hubert De La Bruslerie - University Paris Dauphine - PSL, France

Internal audit is fundamental in maintaining information transparency in the dissemination of information about a company's financial position and performance. In this respect, the quality of internal audit is essential for effective corporate governance (CG) mechanisms. We construct a composite measure of the quality of the internal audit function (IAF) and explore its association with "good" CG. Employing data from 45 listed companies in the Athens Stock Exchange, we discovered that "good" CG affects IAF quality, since IAF is improved for companies that comply with certain CG guidelines. On the other hand, we found limited evidence on the effect of IAF quality on effective corporate governance. We also discovered that IA's active role in CG is shaped by company-wide (and therefore external to IAF) characteristics such as size, internationalization and CEO duality.

"Creditor's Holdup and the Setting of Private Appropriation in a Control Contract Between Shareholders"

Hubert De La Bruslerie - University Paris Dauphine - PSL, France
Simon Gueguen - University of Cergy-Pontoise, France

Discussant: Shai Levi - Tel-Aviv University, Israel

Debt is analyzed in relation to the conflict between three parties, a controlling shareholder, outside investors and creditors. We follow Jensen and Meckling's (1976) and Myers' (1977) intuitions that a high leverage may result in excess value appropriation by creditors while at the same time acting to discipline private benefits appropriation. A contingent claim valuation model is used to show that debt is also a key governance variable because it can moderate or enhance private benefits and because incentivization triggers a transfer of value to creditors. We show that debt is a complex regulation tool in an agency contract approach, as it is simultaneously an expropriation device and a limitation tool. Debt is a disciplinary tool for shareholders, but to avoid a holdup by creditors, we also need to discipline the disciplinary tool.

"Does Corporate Outside Counsel Better Serve Shareholders or Managers?"

Eti Einhorn - Tel-Aviv University, Israel
Shai Levi - Tel-Aviv University, Israel
Benjamin Segal - Hebrew University, Israel

Discussant: Andreas Andrikopoulos - University of the Aegean, Greece

Although outside legal counsel should owe allegiance to the corporation as a whole, in practice, outside attorneys are claimed to serve managers' rather than shareholders' interests. We find evidence consistent with this claim, and show that companies represented by top law-firms have higher earnings management, higher management compensation, more related-party transactions, and lower Tobin's q. Our results suggest that outside attorneys serve managers, sometimes at the expense of shareholders' interests. Recent regulation that sought mechanisms to ensure attorneys serve shareholders, has met with fierce opposition from law firms, and was eventually watered down. While such regulation may hurt lawyers, we present a model showing that managers can be better off if regulation will force legal counsels to serve shareholders.

SESSION 39 2305

TUTORIAL: ACCOUNTING ISSUES

"Tutorial Session"
Rashad Abdel-khalik - University of Illinois, USA

SESSION 40 3205

FINANCIAL INTERMEDIARIES II
Session Chair: Bill Francis - Rensselaer Polytechnic Institute, USA

"P2P Lending Revisited: The Default Determinants"
Christophe Croux - EDHEC Business School, France
Tarunsai Korivi - EDHEC Business School, France
Milos Vulanovic - EDHEC Business School, France

Discussant: Abdus Samad - Utah Valley University, USA

This study examines the default determinants of loans in peer to peer lending settings utilizing a sample of more than a million of individual approved and issued loans in the period 2007-2018. A set of contractual loan characteristics, borrower characteristics, and macroeconomic variables determine the likelihood of default. Borrowers who choose to take loans with a shorter maturity, have lower assigned credit score, are renters, belong to elementary or machine operators and assemblers, and use loans to finance medical expenses or small business exhibit higher likelihood of default. Borrowers that use loan proceeds to finance the wedding, house improvements, car purchases, and belong to managers or professionals experience lower likelihood of default.

"Global Financial Crisis and Efficiencies of Islamic Banks: Are Islamic Bank Loan and Deposit Efficiencies Stable? Evidence from Malaysian Islamic Banks"
Abdus Samad - Utah Valley University, USA
Shahina Rahman - Hayfield Secindary School, USA

Discussant: Lisa Van Den Branden - KULeuven, Belgium

Applying the Data Envelopment Analysis (DEA), this paper, first, investigated the loan and deposit efficiencies of Malaysian Islamic banks during 2008-2013 and found that the average technical efficiency (TE) of loan financing was 83%, 88%, 87%, 95%, 100%, and 94% and the average technical efficiency for deposit mobilizations was 87%, 94%, 94%, 96%, 92%, and 96%. Only four banks in 2008, two bank in 2009, three banks in 2010, two banks in 2011-2013 are both technical and scale efficient in loan production. On the other hand, only four banks in 2008 and 2009, five banks in 2010 and 2011, three banks in 2012, and five banks in 2013 are both technical and scale efficient in deposit mobilizations. The paper, secondly, compares the efficiencies of Islamic banks between the global financial crisis (GFC) and the post global financial crisis (PGFC) in determining whether the efficiencies of banks between the GFCP and PGFCP are stable. Results of both parametric and non-parametric tests found no difference in the efficiencies of the Islamic banks of Malaysia between the two periods suggesting that the efficiencies of Islamic banks were stable. The Global financial crisis did not have impact on the deposit and loan technical efficiency.

"Does Regulation Influence Insurer Soundness at the Micro-Level?"
Lisa Van Den Branden - KULeuven, Belgium
Frederiek Schoubben - KULeuven, Belgium
Cynthia Van Hulle - KULeuven, Belgium

Discussant: Milos Vulanovic - EDHEC Business School, France

Following the 2008 financial crisis, there is an increasing focus of regulators and researchers on the assessment of financial institutions' stability and soundness. A fast growing strand of literature in banking indeed investigates the impact of regulation and compliance to the Basel Core Principles on bank soundness and reaches an overall consensus that there is little to no robust association between both. However, while insurance regulation has been evolving at a similarly fast pace and insurers' business models and behavior differ greatly from those of banks, research on the regulation-soundness relationship is still very scarce in insurance literature. Using panel data from over 5000 insurers in 31 countries, this paper explores the relationship between regulatory compliance with the Insurance Core Principles and individual insurer soundness. Contrary to the banking results, we do find a significant relationship, which depends both in sign and magnitude on insurer characteristics like business type, organizational form and group structure.

SESSION 41 **3304**

MONEY AND CAPITAL
Session Chair: Alain Coen - University of Quebec in Montreal, Canada

"The Link Between Federal Funds Rate and Banking System Distress: An Empirical Investigation"
Mustafa Akcay - Temple University, USA
Elyas Elyasiani - Temple University, USA

Discussant: Francis Adzei - University of Ghana, Ghana

We use the Taylor rule rate (TRR) as an "implied monetary policy rate" to investigate the impact of monetary policy rate changes on the banking system distress between 2001 and 2013 within an unrestricted vector auto-regression model. Our base model of distress includes a systemic risk indicator (Expected capital shortfall), and three macroeconomic indicators—real GDP growth, inflation, and TRR. We consider two model extensions; (i) we include a measure of bank lending standards to account for the changes in the systemic risk due to credit tightening, (ii) we replace inflation with house price growth rate to check robustness. Three results are drawn. First, the impulse response functions (IRF) show that raising the monetary policy rate contributed to insolvency problems for the US banks, with a one percentage point increase in the rate raising the banking systemic stress by 1.6 and 0.8 percentage points, respectively, in the base and extended models. Second, variance decomposition analysis (VD) shows that up to ten percent of error variation in the systemic risk can be attributed to innovations in the policy rate in the extended model. Third, our results support the view that policy rate hikes led to the housing bubble burst and contributed to the crisis of 2007-2009. This demonstrates that monetary policy making gets more complex during bubbles and it must be conducted with utmost caution.

"Climate Change and Africa's Inclusive Growth"
Francis Adzei - University of Ghana, Ghana
Godfred Bokpin - University of Ghana, Ghana

Discussant: Shmuel Yahalom - State University of New York Maritime College, USA

Climate Change threatens to erode the gains made under the Millennium Development Goals (MDGs). For a phenomenon that Africa contributes very little to, the continent bears the brunt of the effect of climate change. Whilst acknowledging the empirical literature largely reflecting traditional economic growth process (wholesale economic activity), gaps exist in literature with respect to the effect of climate change on pro-poor growth (inclusive growth). Building on the African Strategy on Climate Change (2014), the paper provides empirical evidence to aid the implementation of the strategy in a broad-based approach. Climate change is proxy by emissions, temperature variations and precipitation whilst unlike existing literature proxy by economic growth and its derivations, five dimensions of inclusive growth is used. The study employs data from 1990 to 2014 under the Maximum Likelihood) Pooled Mean Group (PMG) estimator for dynamic heterogeneous panels that allows us to decipher the short run and the long run effects of climate change on inclusive growth outcome variables

"The Return on Investment of Big Containerships: The Impact of Port Time, Vessel Size and Multiple Ports of Call"

Shmuel Yahalom - State University of New York Maritime College, USA
Chang Guan - US Merchant Marine Academy, USA

Discussant: Elyas Elyasiani - Temple University, USA

Containerships are getting bigger (wider, longer and taller). Realizing the benefits of increasing containership size requires full capacity utilization to justify the high capital investment. Major container ports have not been able to increase the necessary productivities corresponding to the increase in ship size. Keeping up with the new vessel size discharge (import) and load (export) (D&L) technology requirements to service the large containerships have led the liner industry to form alliances that maximize carrying capacity and to call multiple ports per voyage to maintain schedule integrity. Evidence indicates that large containerships' round-trip voyage times have increased substantially. The authors find that large containerships exhibit more time at the pier for D&L operations due to their large dimensions, notably the beam size. Each increase in beam size increased port time by 4.5 hours, and the increase in the number of ports of call by one percent increased port time by three percent. All of this negatively affects the return on investment on containerships. The paper focuses on the port and sea time operations consequential to the increase in a vessel's size and its impact on asset utilization and thus the return on investment with respect to time. Specifically, the focus is on the dominating port time increase due to the increase in beam size which spills over to the number of ports of call impacting the return on investment.

SESSION 42 — 3305

VENTURE CAPITAL & REGULATION

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

"Drivers of Fundraising Success in Equity Crowdfunding"

Sandra Correia - University of Porto, Portugal
Miguel Sousa - School of Economics and Management of the University of Porto, Portugal
Elísio Brandão - School of Economics and Management of the University of Porto, Portugal

Discussant: Mehmet Goktan - California State University, East Bay, USA

Literature about equity crowdfunding is still scarce and the empirical analysis has some limitations related to difficulties in accessing data. So, we use an unique hand-collected database of 1,256 campaigns from the two major platforms of equity crowdfunding in the United Kingdom (Seedrs and Crowdcube) for the period between 2015 and 2018, in order to study the determinants of success in equity crowdfunding campaigns and to evaluate the potential herding behavior of investors on such success. According to our empirical evidence the factors that most influence the campaign success are (i) the quality of the project, signalized by equity retention and the presence of a large investor; (ii) the information disclosure (interactions between entrepreneurs and investors during the campaign) and (iii) the early investments. There is no evidence that firm age and economic potential of firm are relevant for investor decisions. Investors probably use other signals (than growth and profitability perspectives of firms) to evaluate the economic potential of firms and project quality.

"The Effect of Venture Capital Backing on Companies' Subsequent Lobbying Efforts"

Ekin Alakent - California State University, East Bay, USA
Mine Ozer - SUNY Onienta, USA
Mehmet Goktan - California State University, East Bay, USA

Discussant: Maya Haran Rosen - Hebrew University of Jerusalem, Israel

We explore non-market strategies of venture capital backed companies. Based on the resource dependence perspective, we examine how venture capital backing influences companies' lobbying investments. We find that on average, venture capital backing negatively affects companies' lobbying investments. However, we

also find that R&D investments moderates this relationship and companies increase their lobbying investments as they invest more on R&D. Our results provide insights for the research on venture capital backing and non-market strategies.

"Does Financial Regulation Unintentionally Ignore Less Privileged Populations? The Investigation of a Regulatory Fintech Advancement, Objective and Subjective Financial Literacy"

Maya Haran Rosen - Hebrew University of Jerusalem, Israel
Orly Sade - Hebrew University of Jerusalem,

Discussant: Sandra Correia - University of Porto, Portugal

Define contribution mechanism combined with a dynamic job market can affect the sum of retirement savings and the choices of plans and products. Hence, it is important for regulators to engage savers to manage the accounts they accumulate over the years. In 2013-2014 the Israeli regulator reached out to the population, recommending the use of a website to help individuals find inactive retirement savings accounts and close them (withdraw the savings or transfer them to active accounts). The government's efforts did not result in the closure of most of the inactive accounts. Proprietary data indicate that those who closed the inactive accounts live in central locations with a higher socioeconomic index. Survey data indicate that those who lacked financial literacy and confidence in their financial knowledge were less likely to take financial actions. Using a controlled field experiment, we also provide evidence that an intervention with a human touch can promote greater involvement.

LUNCHEON

12:00 - 1:15 p.m.   Lobby of the Senat Hall

KEYNOTE SPEECH

1:15 - 2:00 p.m.   Senat Hall

Professor Eti Einhorn
Tel Aviv University, Israel

STRATEGIC COMMUNICATION BETWEEN FIRMS AND INVESTORS IN CAPITAL MARKETS

The strategic communication between firms and investors in capital markets through corporate voluntary disclosures has long been an important research interest in accounting, finance and economics. The conceptual foundation underlying the literature on corporate voluntary disclosures is the seminal unraveling idea, which suggests that publicly traded firms are induced by the marketplace to fully disclose their private verifiable information. The rationale behind the unraveling theory is that silence on the part of firms is informative to the capital market investors. Any piece of private information that firms can credibly disclose, but nevertheless choose to withhold, is rationally interpreted by investors as conveying bad news. Recognizing this, firms are urged to fully disclose their private verifiable information, however unflattering its content may be, in order to distinguish themselves from firms possessing even worse information. The unraveling argument is compelling, but it is also puzzling, because it does not reconcile with the commonly observed propensity of firms to disclose only part of their private information to investors, and it is inconsistent with the apparent need for financial reporting regulations in capital markets. Challenged by this enigma, the theory on corporate voluntary disclosures has primarily focused on exploring the triggers that lead firms to suppress some their private verifiable information from the capital market. In my talk, I will review the evolution of this line of literature, placing my own research work in this evolutional context.

SESSION 43 **2112**

PORTFOLIO MANAGEMENT II
Session Chair: Jeffrey Callen - University of Toronto, Canada

"Margin-Restricted Mean-Variance Portfolio Deleveraging Under Market Impact"
Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA
Jaehwan Jeong - Radford University, USA

Discussant: Jang Schiltz - University of Luxembourg, Luxembourg

We consider the problem of deleveraging a large long-short portfolio of risky assets in a relatively short trading period under liquidity impact on prices. Given an adverse outlook on uncertainty in the one-period investment horizon, an optimally-deleveraged portfolio must be determined according to specified risk aversion and satisfying stricter leverage and margin policy constraints. Liquidity costs are considered due to both volume and trading-intensity, leading to temporary and permanent impact on asset prices. The resulting portfolio model generalizes the usual mean-variance model; however, it has no closed-form solution nor is it possible to solve numerically with standard methods. One main contribution of the paper is to show how an efficient solution methodology is developed to obtain an optimally-deleveraged portfolio. The second main contribution is to employ the methodology to perform an empirical evaluation of the deleveraging model to develop managerial insights on setting leverage and margin policy in deteriorating markets in which large and leveraged portfolios become highly-vulnerable, such as those witnessed during recent financial crises. We demonstrate our approach using a portfolio of ETF assets, and analyze the sensitivity of the optimal deleveraging strategy to leverage and margin limits under scenarios of market illiquidity, and the effect on efficient frontiers when paramaters vary.

"A Performance Evaluation of Weight-Constrained Conditioned Portfolio Optimization"
Marc Boissaux - University of Luxembourg, Luxembourg
Jang Schiltz - University of Luxembourg, Luxembourg

Discussant: Eyub Yegen - University of Toronto, Canada

The present paper applies an optimal control formulation previously proposed in Boissaux & Schiltz (2010) to solve weight-constrained versions of the conditioned portfolio optimisation problem as originally studied in Ferson & Siegel (2001). We compare classical optimisation performance to that of strategies resulting from conditioned optimisation and using several possible indicators for signalling purposes. In particular, we report on both ex ante improvements to the accessible efficient frontier as measured through the typical associated metrics such as the Sharpe ratio, and ex post results affected, most notably, by specification errors regarding the relationship between signal and returns. We also discuss the impact of different problem parameters on overall strategy performance.

"Common-Ownership and Portfolio Rebalancing"
Eyub Yegen - University of Toronto, Canada

Discussant: Chanaka Edirisinghe - Rensselaer Polytechnic Institute, USA

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.

SESSION 44 **2202**

CAPITAL STRUCTURE I
Session Chair: Todd Mitton - Brigham Young University, USA

"Bank Bailouts, Bail-ins, or No Regulatory Intervention? A Dynamic Model and Empirical Tests of Optimal Regulation"
Allen N. Berger - University of South Carolina, USA
Charles P. Himmelberg - Goldman Sachs & Co., USA
Raluca A. Roman - Federal Reserve Bank of Philadelphia, USA
Sergey Tsyplakov - University of South Carolina, USA

Discussant: Varouj Aivazian - University of Toronto, Canada

We develop and test a dynamic model of optimal regulatory design of three regimes to deal with distress of large banking organizations. These are 1) bailout, as under TARP; 2) bail-in, as under Orderly Liquidation Authority; and 3) no regulatory intervention, as under Financial CHOICE Act. We find that no regulatory intervention is suboptimal relative to the other two regimes and that only bail-in provides incentives for banks to rebuild capital preemptively during distress. Empirical tests of changes in capital ratios and speeds of adjustment when shifting from the pre-crisis bailout regime to the post-crisis bail-in regime corroborate model predictions.

"The Problem of Debt Overhang: Canadian Evidence"
Varouj Aivazian - University of Toronto, Canada
Yiming Xu - University of Toronto, Canada

Discussant: Ashiq Ali - University of Texas at Dallas, USA

This study empirically examines the anticipation of growth opportunities as an unexplored channel by which financial leverage impacts investment. We show that the negative impact of leverage on investment is exacerbated when growth opportunities are unanticipated. The results are robust to alternative empirical models and for different measures of financial leverage. The instrumental variable analyses show that the debt overhang problem is overstated absent controls for reverse causality. This study provides further empirical evidence supporting the debt overhang theory and highlights the importance of anticipation of growth opportunities on the extent of the debt overhang problem.

"The Role of Capital Expenditure Forecasts in Debt Contracting"
Ashiq Ali - University of Texas at Dallas, USA
Zhongwen Fan - University of Texas at Dallas, USA
Ningzhong Li - University of Texas at Dallas, USA

Discussant: Sergey Tsyplakov - University of South Carolina, USA

This study examines whether firms issue capital expenditure forecasts as a commitment to not engage in expropriation of lenders through opportunistic investment activities. We find that firms with higher leverage and lower credit quality are more likely to issue capital expenditure forecasts and deviate less from the forecasts. Furthermore, for firms that issue capital expenditure forecasts, loan spreads are lower and investment efficiency is greater. We do not find similar results for earnings forecasts. These results suggest

that firms use capital expenditure forecasts as a commitment mechanism to reduce contracting costs with creditors.

SESSION 45 — 2302

CORPORATE GOVERNANCE VII

Session Chair: Yin-Hua Yeh - National Chiao Tung University, Taiwan

"How Does the Global Microfinance Industry Determine its Targeting Strategy Across Cultures with Differing Gender Values?"

Issy Drori - Vrie Universiteit, Netherlands
Ronny Manos - College of Management, Israel
Estefania Santacreu-Vasut - ESSEC Business School and THEMA, France
Amir Shoham - Temple University, USA

Discussant: Lewis Tam - University of Macau, Macao

In this paper we empirically investigate the role of culture in determining the gender-targeting strategy of microfinance institutions (MFIs). We use female/male grammatical distinctions in language as the manifestation of culturally-inherited gender values. Our findings indicate that grammatical gender distinctions have a significant effect on the targeting strategy of MFIs. Specifically, MFIs target women in cultures where they are most likely to experience financial discrimination. This suggests that MFIs adapt to disparate discriminatory cultures in a way that serves their core mission of outreaching financially-excluded women, particularly where such strategy is most needed.

"Stock Trading, Ownership Dispersion, and Corporate Governance: Evidence from China's Split-Share-Structure Reform"

Xiaolin Qian - University of Macau, Macao
Lewis Tam - University of Macau, Macao

Discussant: Miriam Schwartz-Ziv - Michigan State University, USA

An array of theoretical studies shows that incentive pay and the threat of dismissal are connected in corporate governance. Yet, empirical evidence for their relation is scant, especially for emerging markets. A unique and market-wide reform in China, the Split-Share-Structure (SSS) Reform, reduced the trading cost of large block shares of stock exogenously by making them tradable on a secondary market. We hypothesize that the SSS Reform has led large shareholders in China to rely more on pay-based mechanisms to motivate managers. Consistent with our expectation, we find that CEO turnover becomes less probable and also less sensitive to firm performance and that CEO compensation changes become more convexly related to firm performance. This finding is significant only for firms with dispersed pre-reform ownership. Our finding suggests that incentive pay and the threat of dismissal should be examined in an aggregate framework, as exogenous shocks can shift the enforcement of corporate governance from one form to another.

"Are Mutual Funds Satisfied with Corporate and Mutual Fund Directors who Overlap?"

Rachel Li - Eli Broad College of Business, USA
Miriam Schwartz-Ziv - Michigan State University, USA

Discussant: Amir Shoham - Temple University, USA

Prior studies have shown that mutual funds benefit from personal connections to companies. Consequently, non-connected funds may be at a disadvantage. We document that both connected funds, which share an overlapping director with the company, and non-connected funds, which do not, are particularly satisfied with "overlapping directors" serving simultaneously as directors of at least one corporate and one mutual fund board. The benefits offered by overlapping directors to all fund-shareholders exceed the costs.

EXECUTIVE COMPENSATION I

Session Chair: Jose Guedes - Catholic University of Portugal, Portugal

"Cannot Afford to Let Go: CEO Risk-taking Incentives When their Predecessors are Firm Creditors"

Angelica Gonzalez - University of Edinburgh, UK
Jens Hagendorff - University of Edinburgh, UK
Georgios Voulgaris - University of Warwick, UK

Discussant: Bill Francis - Rensselaer Polytechnic Institute, USA

We show evidence of a legacy effect on executive pay when previous CEOs act as unsecured creditors to firms after they retire. We find a negative association between the pension claims of retiring CEOs and the risk-taking incentives imbedded in the pay of their successors. Further, CEOs with higher pension claims are more likely to remain on the board post-retirement. Since these effects are driven by the unfunded and unsecured components of CEO pensions, we argue that retired CEOs with high inside debt act to manage their credit risk exposures. An instrumental variable analysis supports a causal interpretation of our results. Our findings suggest that horizon problems between outgoing and incoming managers may be more enduring than previously thought.

"The Bright Side of Diversification: Evidence from Economic Policy Uncertainty"

Btrian Clark - Rensselaer Polytechnic Institute, USA
Bill Francis - Rensselaer Polytechnic Institute, USA
Gilna Samuel - California State University San Bernadino, USA

Discussant: Angelica Gonzalez - University of Edinburgh, UK

This paper investigates the relative impact of economic policy uncertainty on real and financing decisions for single-segment and diversified firms. We show that policy uncertainty decreases the diversification discount and improves the efficiency of internal capital markets. Using segment-level data, we find that that policy uncertainty is more likely to reduce capital expenditures of single-segment firms relative to diversified firms. In particular, the impact of policy uncertainty is reduced by unrelated diversification, and more pronounced during periods of higher uncertainty and for firm financially constrained firms. Also, core segments and segments in politically sensitive industries are more affected by policy uncertainty. Using quarterly data, we find that diversified firms are more likely to increase intangible capital and cash holdings and reduce payouts and debt issues. Overall, this study shows that corporate diversification significantly influences the impact of economic policy uncertainty on corporate decisions. Importantly, accounting for diversification is necessary to get a more complete understanding of the impact of economic policy uncertainty at both the firm and aggregate levels.

"FDI, Domestic Investment, and the Credit Channel"

George Georgopoulos - York University, Canada
Walid, Hejazi - Rotman School of Business, University of Toronto, Canada

Discussant: n/a

The principal tool used by central banks to influence the economy is interest rates. The two broad channels by which these policy changes move through the economy are the interest rate channel and the credit channel. While much work has been done to link monetary policy to GDP and other macroeconomic variables, there is little work which considers its impact on FDI. The current paper uses data for Canada to demonstrate that the impact of monetary policy on a firm’s balance sheet and income statement have a significant influence on its ability to undertake outward FDI. Furthermore, worsening financial and economic conditions within an economy also impact the ability of foreign MNEs to undertake FDI in any particular host market.

FINANCIAL INTERMEDIARIES III
Session Chair: Joao Vieito - Polytechnic Institute of Viana do Castelo and Applied Management Research Unit (UNIAG), Portugal

"What do Almost 20 years of Micro Data and two Crises Say About the Relationship Between Central Bank and Interbank Market Liquidity? Evidence from Italy"
Massimiliano Affinito - Bank of Italy, Italy

Discussant: Alain Coen - University of Quebec in Montreal, Canada

In both global financial and sovereign debt crises, liquidity and liquidity markets have played a central role. In several systems around the world interbank markets (IMs) faced considerable impairments and many central banks (CBs) introduced a wide range of measures to improve liquidity amount and flow. Although IMs and CB liquidity provision to banks are closely interrelated, their empirical joint analysis is scarce, in particular with micro data. This paper fills this gap with the advantage of using a unique micro dataset containing seventeen years of monthly bank-by-bank and counterparty-counterparty data from 1998 to 2015 on all relationships of each bank in Italy with the CB and each IM counterparty. The analysis investigates both the possible causal directions of the mutual relationship between CB and IM liquidity while controlling constantly for their mutual endogeneity and exploits counterparty-by-counterparty data to run a within counterparty estimation to disentangle the effects of interbank lending supply and demand. Results show that in Italy CB's liquidity circulates among banks and influences IM redistribution. Banks obtaining CB liquidity do not use it only for their needs but redistribute it to other banks. Results of different IM segments (domestic versus foreign, secured versus unsecured, overnight versus longer-term) help explain the underlying reasons of the circulation.

"Real Estate as a Common Risk Factor in the Financial Sector: International Evidence"
Benoit Carmichael - Universite Laval, Canada
Alain Coen - University of Quebec in Montreal, Canada

Discussant: Mahmoud Qadan - University of Haifa, Israel

This article analyzes the role of real estate risks in the pricing of financial sector stocks for a sample of 14 countries. Real estate risk measures are drawn from the FTSE/EPRA NAREIT indexes. We also develop a specific US real estate risk premium. The covered period runs from February 1990 to December 2015. GMM estimates of parsimonious multifactor models reveal statistically significant domestic and US real estate risks in the financial sector.

"Financial Attention: An International Examination"
Mahmoud Qadan - University of Haifa, Israel

Discussant: Massimiliano Affinito - Bank of Italy, Italy

Retail (uninformed) investors use to seek financial information on financial websites. This study tracks the daily traffic on the leading financial websites in the G-7 countries, and uses the attention paid to these websites as a proxy for their aggregate demand for information. We determine that attention to financial websites is positively correlated with uncertainty and negatively associated with investor sentiment. Furthermore, market shocks drive attention to financial websites, and a heightened attention predicts an increase in the following trading day's volatility. In accordance with the leverage effect, the attention that individual investors pay to financial websites varies depending on the direction of the change in market returns. In addition, the day of the week affects the search for information, which is higher on Mondays and Tuesdays and lower on weekends. Consistent with the view that some retail investors are noise traders, we document that attention to financial websites has a positive effect on volatility and increases trading volume. Our findings support the theoretical contention that risk-averse agents gather information as a hedge against uncertainty, but do not support the avoidance of information theories.

EXCHANGE RATES
Session Chair: Lola Gadea Rivas - University of Zaragoza, Spain

"Long Memory in Volatility in African Foreign Exchange Markets"
Saint Kuttu - University of Ghana, Ghana

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

This study examines the long memory properties in the second moments of the return series in the foreign exchange markets of Egypt, Ghana, Kenya, Nigeria and South Africa. Using daily data from 2, 1997, to December 31, 2018, we find significant the first order positive autocorrelation in the returns and the presence of long memory in the second moment of the return innovations in all the five countries' foreign exchange markets. To isolate spurious long memory, we perform structural break analysis, and we find that long memory identified in the foreign exchange markets is not influenced by the structural breaks. However, we find that long memory coefficient for South Africa is economically insignificant. The findings may have implications for risk management.

"Extreme Volatility Dependence in Exchange Rate"
Miriam Sosa Castro - Universidad Nacional Autónoma de México, Mexico
Christian Bucio Pacheco - Universidad Autónoma del Estado de México, Mexico
Edgar Ortiz Calisto - Universidad Nacional Autónoma de México, Mexico

Discussant: Iwan Meier - HEC Montreal, Canada

This paper aims to analyze asymmetric volatility dependence between British Pound, Japanese Yen, Euro and Mexican Peso versus US dollar, during different turmoil and calm sub-periods from (1994-2018). Bivariate dependence is different between these currencies during high volatility periods and low ones. In this sense, GARCH and TARCH models are employed to model conditional variance. Once volatility is estimated, Copula approach provides upper and lower tail dependence measure, for each subperiod: 1994-1999,2000-2007, 2007-2012, 2013-2018. The empirical joint distribution of exchange rate volatility pairs displays high tail dependence in the lower tail and low tail dependence in the upper tail. Results have important implications in term of risk management and investment strategies.

"Currency Hedging of Global Equity Portfolios"
Iwan Meier - HEC Montreal, Canada

Discussant: Saint Kuttu - University of Ghana, Ghana

We analyze empirically the risk reduction performance of eight currency hedgingstrategies using a mean-variance framework without currency speculation. We findevidence that currency hedging succeeds in reducing the risk of global equity portfolios. The strategy that jointly hedges the exposures to equity markets and currencies performs best, and this result holds in-sample as well as out-of-sample. To minimize risk in a static setting, a positive exposure to the Japanese yen and the Swiss franc, while fully hedging all other currencies, is optimal. In a dynamic setting, we find that individual currency exposure is time-varying. Prior to the financial crisis, a positive exposure to the British pound, Japanese yen, Swiss franc, and U.S. dollar improves the performance. During the global financial crisis and the European sovereign debt crisis, a positive exposure to the Swiss franc, Japanese yen and the U.S. dollar generates the highest hedging benefits. Thereafter, only under-hedging of the Japanese yen enhances the performance.

MARKET MICROSTRUCTURE

Session Chair: Kelly Cai - University of Michigan Dearborn, USA

"Was The Global Price of Oil Impacted by Unconventional U.S. Monetary Policy?"

Anastasios Malliaris - Loyola University Chicago, USA
Mary Malliaris - Loyola University Chicago, USA

Discussant: Jared DeLisle - Utah State University, USA

In this paper we propose a financial model that describes the price of oil depending on six inputs: Fed Assets accumulated during the period of Quantitative Easing (QE) by the Fed, the 10 Year Treasury Note, the price of copper, the Trade Weighted dollar, the S&P 500 Index and a risk measure as the difference between the CCC Bond rate and the 10-Year Treasury Note. We hypothesize that Quantitative Easing reduced longer-term interest rates that in turn decreased junk bond rates that financed the fracking technology that increased the supply of oil and reduced its price. The model is supported by economic narratives and tested by using weekly data from 2003 to December 2018. The methodology followed generates 757 overlapping 52-week regressions and it demonstrates fluctuations in the significance of the six inputs across these regressions. The financial model for the price of oil demonstrates that QE was statistically significant during its first round and the risk measure of junk bonds played a significant role also during the 2014-2017 period.

"Mutual Fund Ownership and Price Clustering"

Ahmed Baig - Texas Tech University, USA
Ben Blau - Utah State University, USA
Jared DeLisle - Utah State University, USA

Discussant: Petko Kalev - LaTrobe University, Australia

The literature is rich with examples of price clustering in financial markets. This study focuses on the relation between mutual fund ownership (both active and passive) and stock price clustering. To the extent that mutual funds are sophisticated investors, we posit that their trades are associated with lower levels of price clustering. We find support for this hypothesis as total, active, and passive mutual fund ownership are negatively related to the degree of price clustering. Surprisingly, price clustering’s relation to passive (e.g. index) mutual fund ownership is an order of magnitude greater than to active ownership.

"Short Selling, Trading Activity and Volatility in Corporate Bond Market"

Huu Nhan Duong - Monash University, Australia
Petko Kalev - LaTrobe University, Australia
Xiao Tian - LaTrobe University, Australia

Discussant: Anastasios Malliaris - Loyola University Chicago, USA

We investigate the impact of short selling activity on trading activity and price volatility in the U.S corporate bond market. Consistent with prior literature, we find that investors use short selling as a platform to express their difference of opinions. In addition, we find that the positive relation between short selling activity and price volatility becomes weaker during period when investors’ expectations tend to be more homogenous such as the Global Financial Crisis (GFC). More importantly, we show that short selling in the corporate bond market is not simply a substitute to equity short selling and option trading for investors to trade negative news and information against the underlying company. On the contrary, it is an independent conduit for investors to express difference of opinions specific to bond.

Refreshments 3:30 - 3:45 p.m.

SESSION 50 **2112**

PORTFOLIO MANAGEMENT III
Session Chair: Mehmet Karan - Hacettepe University, Turkey

"Importance of Transaction Costs for Asset Allocations in FX Markets"
Thomas Maurer - Washington University in St. Louis, USA
Luca Pezzo - University of New Orleans, USA
Mark Taylor - Washington University in St. Louis, USA

Discussant: Wen-Lin Wu - Feng Chia University, Taiwan

Taking transaction costs into account in a mean-variance portfolio optimization in FX markets significantly improves the out-of-sample Sharpe ratio (after costs) from 0.75 to 0.96. The optimization reduces trading costs while the performance before costs is unaffected. The price impact due to large buy and sell orders or market illiquidity can turn popular currency trading strategies unprofitable, while our optimized portfolio remains profitable. Rules-of-thumb to tackle transaction costs - such as (i) construct equally weighted strategies instead of optimized portfolios, (ii) trade at a low frequency, or (iii) restrict trading to low cost assets - are not efficient because there are adverse effects on the performance which dominate the savings in transaction costs.

"The Impact of Global Interaction on International Portfolio Investment"
Wen-Lin Wu - Feng Chia University, Taiwan

Discussant: Sylvia Gottschalk - Middlesex University, UK

This paper aims to examine the relationship between tourism flows across countries and equity home bias by using an extended gravity model. While international tourism is the flow of human from one country to another, such a flow is also proxied for face-to-face personal contact across country or global interaction. This may help investors reduce information asymmetries regarding foreign assets and build social networks with local people. Based on bilateral portfolio investment from IMF CPIS and bilateral tourism flows from UNWTO over the period from 2001 to 2014, our empirical result reveal that foreign portfolio investment in destination country is positively related to both directions of tourism flows, i.e., outward tourism from originating country to destination country and inward tourism from destination country to originating country. Meanwhile, decisions in foreign equity holding are remarkably influenced by different channel of tourism flows depending on whether financial markets, either originating or destination, are emerging market.

"Brexit and Correlations of Equity Returns in France, Germany, Italy, Spain, and the U.K."
Sylvia Gottschalk - Middlesex University, UK

Discussant: Luca Pezzo - University of New Orleans, USA

This paper investigates whether the UK's referendum decision to leave the European Union ("Brexit") had a positive impact on portfolio risk diversification. We estimate weekly dynamic conditional correlations between 1973 and 2018, and then optimal sectoral portfolio allocations over the same period. Our results show that correlations of equity returns increased as a consequence of economic integration among European countries from the mid-1980s until the 1990s, and decreased in the UK after Black Wednesday and the Brexit referendum. Optimal portfolio weights of British companies have risen since 2016 in most sectors, particularly in consumer goods, and in some industrial sectors. We tested the existence of a correlation change-point on 27 June 2016 by applying Wied, Kraemer and Dehling (2012)'s test of change in correlation, which we modified to account for dynamic conditional correlations. Application of this test confirms that the referendum date was a correlation break-point in a third of UK manufacturing industries.

CAPITAL STRUCTURE II

Session Chair: Dimitrios Ginoglou - University of Macedonia, Greece

"The Role of the Sovereign Debt Crisis and Financial Development in Trade Credit: Evidence from the Euro Area"

Filipa Da Silva Fernandes - University of Aberdeen, UK
Alessandra Guariglia - University of Birmingham, UK
Alexandros Kontonikas - University of Essex, UK
Serafeim Tsoukas - University of Glasgow, UK

Discussant: Jeffrey Callen - University of Toronto, Canada

We investigate the relation between stock of inventories and trade credit extended, while controlling for the recent sovereign debt crisis and the development of the banking system. Using a large panel of manufacturing firms from 12 euro area countries over the period 2006-15, we find a trade-off between stock of inventories and trade credit extended, which is consistent with the inventory management motive. This effect is found to be stronger during the most recent sovereign debt crisis. Our results also provide evidence that higher levels of financial intermediation mitigate the inventory management motive, especially during the crisis period.

"The Agency Costs of Investment Opportunities and Debt Contracting: Evidence from Exogenous Shocks to Government Spending"

Jeffrey Callen - University of Toronto, Canada
Mahfuz Chy - University of Missouri, USA

Discussant: Todd Mitton - Brigham Young University, USA

This study exploits shocks to firm investment opportunities caused by staggered exogenous changes in government spending to examine the impact of investment opportunities on firm debt contracting policy. We find that adverse shocks to investment opportunities lead to a significant reduction in the use of debt covenants in syndicated bank loans. Consistent with incomplete contract theory, we show that firms mitigate debt-equity conflicts arising out of investment opportunities by employing accounting-based financial covenants rather than non-accounting-based prepayment covenants. Adverse shocks to investment opportunities also lead to a concomitant decrease in the cost of borrowing. We find consistent evidence for corporate bond covenants and bond market borrowing costs as well. Overall, this study resolves prior mixed evidence concerning the impact of investment opportunities on debt contracting and connects macroeconomic theory with the accounting literature on debt contracting.

"Determinants of Capital Structure: An Expanded Assessment"

Toshi Fukui - Brigham Young University, USA
Todd Mitton - Brigham Young University, USA
Robert Schonlau - Miami University, USA

Discussant: Serafeim Tsoukas - University of Glasgow, UK

We empirically evaluate 56 proposed determinants of capital structure in terms of statistical significance, economic significance, identification, and intertemporal stability. We present a unified capital structure framework in which each proposed determinant represents a constraint on shareholder value maximization in interactions with related parties. We find that truly robust and economically important determinants of debt ratios are few and far between. However, the evidence as a whole shows that the strongest determinants of capital structure are those related to shareholder interactions with prospective equityholders and debtholders. Proposed determinants related to shareholder interactions with other parties—such as managers, suppliers, customers, and government—tend to be less relevant for the capital structure decision.

FAMILY FIRMS

Session Chair: Edgardo Cayon - CESA, Colombia

"Are Family Successors the Best Choice for Firms Operating in High Risk Environments?"

Yin-Hua Yeh - National Chiao Tung University, Taiwan
Chen-Chieh Liao - National Chengchi University, Taiwan

Discussant: Eva Wagner - Johannes Kepler University Linz, Austria

In this paper, we focus on the different ways market and industry risk can favor the selection of either a family member or a non-family professional as the successor, and how this decision impacts post-succession firm performance. It could reasonably be expected that in succession cases where family firms operate in a high-risk environment with undiversified pressure that a highly qualified successor would be preferred. In this situation, the controlling family may then be more likely to choose a suitable highly skilled non-family member as the successor. However, in a high risk environment family knowledge transmission between family members may be a strength for family successors in comparison to outside candidates who may not be able to take advantage of this. This sets the scene for some interesting research questions, some of which we explore here. Our sample is comprised of 383 succession events in Taiwanese listed companies over a twenty-year period (1997-2016). We find that firms operating in a high-risk environment tend to employ a non-family member as the successor which on average leads to superior post-succession performance compared to firms that choose a family member as the successor. This result particularly holds when the non-family successor is able to successfully reduce firm-level risk. Overall, our results demonstrate that the risk condition of a firm is an important determinant of the succession decision of family firms, and that a non-family successor is more competent in managing a high-risk operating environment.

"Family Control and Environmental, Social and Governance (ESG) Engagement – Evidence from Austria, Germany and Switzerland"

Eva Wagner - Johannes Kepler University Linz, Austria
Gabrielle Wanzenried - Lucerne University of Applied Sciences and Arts, Switzerland

Discussant: Tak Yan Leung - Open University of Hong Kong, Hong Kong

Drawing on panel data from listed firms in Austria, Germany and Switzerland over the period from 2002 to 2016, this study explores the effects of family influence on the environmental, social and governance (ESG) or CSR engagement of firms. In addition, we investigate the impacts of family firm ownership on workforce-related CSR measures such as diversity, employment quality, health and safety as well as training and development. The preliminary findings reveal that family firms show a significant lower governance performance and CSR engagement. The results are robust to alternative measures of family control, different dimensions of CSR, and alternative estimation methods. The results suggest that family firms limit their ESG activities as CSR engagements could endanger the family control over the business. We argue that in countries with weak investor protection family firms are more likely to expropriate non-family stakeholders. Larger and older firms seem to invest more in CSR, and there also exist significant differences with respect to the CSR activities between the firms in Austria, Germany and Switzerland as well as over the years considered.

"Executive Incentive Pay and Dividend Payouts in Family Firms: An Auditor's Perspective"

Pattarin Adithipyangkul - Curtin University, Australia
H.Y. Hung - Open University of Hong Kong, Hong Kong
Tak Yan Leung - Open University of Hong Kong, Hong Kong

Discussant: Yin-Hua Yeh - National Chiao Tung University, Taiwan

Agency theorists recommend the uses of executive incentive pay and dividend payouts to alleviate principal-agent agency problems. In the settings with both principal-agent and principal-principal agency

problems, such as in family firms, the controlling shareholders can instead use executive incentive pay and dividend payouts as a tool for expropriation. This research investigates the merits of executive incentives and dividend payouts in family firms from an auditor's perspective, as reflected through audit pricing. Previous studies find that audit fees tend to be higher in firms with more severe agency problems. If governance tools are properly implemented to suit firm characteristics and reduce agency costs, audit fees are expected to be lower. Using data from the largest 150 listed Hong Kong firms from 2011-2013, this paper shows that the relationship between audit fees and CEO incentive pay is negatively moderated by family ownership, but is positively moderated by family participation in management (family-member CEOs). Conversely, the relationship between audit fees and dividend payouts is positively moderated by family ownership but is negatively moderated by family participation in management and board governance (family-member CEOs and directors). Overall, auditors appear to consider family firm heterogeneity in evaluating the merits of a certain governance tool.

SESSION 53 **2305**

EXECUTIVE COMPENSATION II
Session Chair: Pornchai Chunhachinda - Thammasat University, Thailand

"Trust, Incomplete Contracting, and Corporate Innovation"
Fei Xie - University of Delaware, USA
Bohui Zhang - Chinese University of Hong Kong, Shenzhen, China
Wenrui Zhang - Chinese University of Hong Kong, Hong Kong

Discussant: Steven Xuanrui Zhu - University of Toronto, Canada

Innovation is a contract intensive economic activity in a world of incomplete contracts. We show that trust mitigates incomplete contracting and enhances innovation by acting as an informal contracting mechanism, particularly in industries with high innovation potentials. Trust plays an especially important role in promoting innovation when formal laws and regulations are lacking. We find that trust facilitates innovation by encouraging collaboration, fostering tolerance for failure, and easing firms' access to capital. Our evidence highlights innovation as a key conduit through which trust affects economic growth.

"Implications of Inside Debt on Corporate Forward Guidance"
Steven Xuanrui Zhu - University of Toronto, Canada

Discussant: Jose Guedes - Catholic University of Portugal, Portugal

This study investigates whether management compensation through the degree of inside debt can affect managers' decision to release corporate forward guidance. I conjecture that top managers with more inside debt are more likely to align with firms' long-term growth, which results in an increased possibility of releasing corporate forward guidance. The preliminary results show a positive association between inside debt and corporate forward guidance. To alleviate issues CEOs may face with regards to investor myopia or investor short termism, corporate forward guidance provides a pathway for CEOs to signal the long-term projects, that may appear immediately profitable or result in short term losses, to investors. Overall, the findings suggest that inside debt aligns CEOs with firms' long-term goals and managers with higher inside debt tend to provide more information guidance.

"The Ratchet Effect of Transparency in Executive Compensation"
Jose Guedes - Catholic University of Portugal, Portugal

Discussant: Wenrui Zhang - Chinese University of Hong Kong, Hong Kong

How does the mandated disclosure of executive compensation affect the dynamics of compensation within a peer group of firms? We argue in this paper that, under plausible conditions, it will trigger a ratchet effect in the mean level of executive pay within the peer group accompanied, hand in hand, by a sustained shrinkage in the variance of executive pay. The mean and the variance of executive compensation change periodically until they reach their new steady state values under the regime of full disclosure, a higher one in the case of the mean and a lower one in the case of the variance; they change quickly immediately following the kick off of the full disclosure regime but their increments taper off gradually as they approach their new steady values. The duration of convergence process of the mean pay depends critically on how firms and shareholders develop forecasts of the future wages paid to executives within the peer group. When participants are rational and fully understand the equilibrium implications of the wage setting process at individual firms on the distribution of aggregate wages within the peer group, the convergence occurs quickly. However, if participants are less than fully rational or less than perfectly well-informed, and form their forecasts based on simple updating rules applied to disclosed compensation data, the ratchet effect in the mean wage can last for a long time.

SESSION 54 **3205**

FINANCIAL CRISIS
Session Chair: Minna Martikainen - Hanken School of Economics, Finland

"Deleveraging, Market Liquidity, and Funding Liquidity Crisis: Evidence from a Natural Experiment"
Buhui Qiu - The University Of Sydney, Australia
Gary Tian - Macquarie University, Australia
Haijian Zeng - Guangxi University, China

Discussant: Christian Bucio - Universidad Autónoma del Estado de Mexico, Mexico

How does deleveraging affect financial institutions’ funding market liquidity and funding constraints? We use the forced deleveraging of structured mutual funds during the 2015 Chinese stock market crash as a natural experiment to study the causal impact of deleveraging on market liquidity, funding constraints and performance. Our regression-discontinuity-design analysis cleanly rules out the influence of confounding factors (e.g., the market crash) and shows that deleveraging has a large and negative impact on fund equity unit market liquidity. Similarly, our difference-in-differences analysis shows that deleveraging results in large decreases in fund flows, stock and cash holdings, and fund performance in subsequent quarters, with the impact being channelled through the deterioration of fund equity market liquidity.

"Evidence of Financial Contagion Caused by Subprime and Global Financial Crisis in NAFTA Stock Markets"
Christian Bucio - Universidad Autónoma del Estado de Mexico, Mexico
Raúl De Jesús - Universidad Autónoma del Estado de México, Mexico

Discussant: Panagiotis Tahinakis - University of Macedonia, Greece

This work applies Archimedean family copulas for modeling dynamic dependence out of sample among the stock markets from the North American Free Trade Agreement. To test the existence of contagion among these markets the time series covers the period from January 2nd, 2002 to December 31st, 2016, this period is segmented in three periods of time: before, during and after the subprime and global finance crisis. An econometric analysis that includes a t-statistics test based on a bootstrap analysis has been done in order to complement the estimation of the dynamic dependence, and to complement it a structural change analysis has been done subsequently. Results from the earlier and post subprime and global financial crisis periods are different and statistically significant from those obtained for the USA subprime crisis and the subsequent global financial crisis. Another finding shows that the contagion shock of subprime and global financial crisis is stronger during the earlier crisis period than in the post crisis period, considering the bootstrap p-value and the structural change analysis, under Clayton, Frank and Gumbel copula approaches. Findings provide useful information for investment allocation and international diversification strategies, as well as for risk management practice and derivative pricing.

"Audit Quality and the Effect of the Banking Sector CEO Skill in Eurozone"
Panagiotis Tahinakis - University of Macedonia, Greece
Michail Samarinas - University of Macedonia, Greece

Discussant: Buhui Qiu - The University Of Sydney, Australia

This study attempts to examine whether the Eurozone banks alter their behavior, by accompanying a change to a better skilled CEO with a move to industry expert auditors, therefore increasing the level of quality for the auditing services received. For the analysis performed we use a sample comprised of Eurozone banks for a period of eight years (2009 - 2016). For our estimation we incorporate auditor expertise, as an audit quality determinant, audit opinion, director's skill and a series of proxies to control for the effect on auditor's expression. The findings suggest that banks alter their behavior regarding auditor choice after a bank's CEO is being replaced with one presenting a higher level of director skill. More specifically, in these cases eurozone banks, shift towards auditors specialised in the banking industry, increasing the quality of auditing services received, but only if they operate in a country facing fiscal sustainability issues. This study attempts to provide useful insights to the auditing profession, regulators and standard setters, with respect to audit quality differentiation in a sector that constitutes a crucial component of the modern economic structure.

SESSION 55 **3304**

INFORMATION ASYMMETRY
Session Chair: Laurent Germain - Toulouse Business School, France

"Large and Small Firms: Is the Causal Relationship Asymmetric Nonlinear?"
Geoffrey Ngene - Mercer University, USA

Discussant: Efstathios Avdis - University of Alberta, Canada

This study investigates symmetric and asymmetric nonlinear return spillover effects as well as shock and volatility transmissions between small- and large capitalized firms in the U.S. While the linear models largely show periodic unidirectional causal effects either from large to small firms or vice versa, the symmetric nonlinear causal test reveal period-specific bidirectional and unidirectional causalities. The magnitude of the nonlinear causality test statistic implies that small firms have an economically stronger symmetrical nonlinear causal effect on large firms than large firms have on small firms. The asymmetric nonlinear tests reveal time-varying and bidirectional causal links but in contrast to symmetric nonlinear causality results, large firms have an economically stronger asymmetric nonlinear causal effect on small firms than small firms have on large firms. The study employs a unified VAR-GJR-DCC-GARCH model to investigate shock and volatility spillovers as well as dynamic conditional correlation. The study documents period-specific bidirectional shock and volatility transmissions and slowly decaying dynamic correlation between the two size-based portfolios, suggesting varying market integration and portfolio diversification benefits.

"Clear and Liquid: The Interaction of Firm Disclosure and Trader Competition"
Efstathios Avdis - University of Alberta, Canada
Sanjay Banerjee - University of Alberta, Canada

Discussant: Vladimir Ivanov - U.S. Securities and Exchange Commission, USA

In an economy where traders absorb information partially, we study the effect of disclosure accuracy and disclosure clarity on financial markets. Accuracy measures how precisely a disclosure identifies the firm's fundamentals, whereas clarity measures how well traders understand the disclosure. Trading volume increases monotonically in clarity, while liquidity has a U-shaped relationship with clarity if competition among traders is intense. Volume and liquidity both decrease in accuracy due to adverse selection among different market participants. Moreover, traders' attention to disclosure is hump-shaped in clarity, but increasing in accuracy. Trading profits mimic the patterns of attention, but only under intense competition. Overall, our results suggest that the current trend of increasing complexity in firm disclosures is detrimental to liquidity and volume.

"Soft and Hard Information and Signal Extraction in Securities Crowdfunding"
Vladimir Ivanov - U.S. Securities and Exchange Commission, USA
Anzhela Knyazeva - US Securities and Exchange Commission, USA

Discussant: Geoffrey Ngene - Mercer University, USA

We examine the impact of information flows on financing and the relative roles of hard information, soft information, and certification of issuer quality by third parties, using novel evidence from the US securities-based crowdfunding market. While hard information about the issuer's financial condition and experience has only marginal relevance for offering outcomes, third-party certification of issuer quality as well as soft information about the issuer proxied by social media following plays a significant role in crowdfunding offerings. The relative roles of hard information and certification are greatest in offerings of more information-sensitive securities and when investors are less likely to derive nonpecuniary returns from participating in an offering. Further, there is evidence of partial substitution between different signals of issuer quality. Both third-party certification and issuer social media following are positively related to the valuation obtained by the issuer. Issuers tailor deal features, specifically, the choice of funding target flexibility and offering duration, to the level of information asymmetry about issuer quality. Finally, there is some evidence of geographic matching, with issuer characteristics and local availability of platforms affecting distance between issuers and platforms.

SESSION 56 **3305**

FINANCIAL MARKETS
Session Chair: Elyas Elyasiani - Temple University, USA

"Cryptocurrencies: The New Common Good or a 'Pig in Lipstick'?"
John Vaz - Monash University, Australia
Kym Brown - Monash University, Australia

Discussant: Lola Gadea Rivas - University of Zaragoza, Spain

The governance of the fiat money system via democratically elected government and financial institutions aims to ensure that all can transact fairly and safely with confidence in the stability and viability of that system for the common benefit of all. But the global crisis of 2008 brought into question the fairness of capitalism utilising fiat money. Cryptocurrencies have been proposed by some as an alternative form of money justified on the basis of giving users more sovereignty and greater fairness and justice implying a greater common good than existing fiat money. This paper considers these claims with an analysis that demonstrates that in practice cryptocurrencies are more susceptible to the 'tragedy of the commons' due to governance problems and contradictions of claimed benefits. We use some examples such as the allocation of resources and incidence of 'forking' as a result of failures in governance structures as parties vie for a greater share of the 'lake' at the expense of the commons. We apply the theoretic framework of Elinor Ostrom (2005) and suggest ways to improve governance to ensure that common good objectives including ethics and sustainability are achieved.

"Private Bank Deposits and Macro/Fiscal Risk in the Euro-Area"
Michael G. Arghyrou - Cardiff University, UK
Lola Gadea Rivas - University of Zaragoza, Spain

Discussant: Kelly Cai - University of Michigan Dearborn, USA

We examine the link between private bank deposits and macro/fiscal risk in the euro area. We test three distinct hypotheses: First, private bank deposits relative to Germany are determined by macro/fiscal risk factors. Second, the relationship between relative deposits and macro/fiscal risk is time varying. Third, time variation is driven by the level of macro/fiscal risk. We use a panel of ten eurozone countries and monthly data covering the period January 1999 to June 2017. We provide empirical evidence validating all three tested hypotheses. Our findings document persistent banking fragmentation between EMU core and periphery countries. This is caused by a persistent problem of trust in periphery banking systems which has not been mitigated by the introduction of the OMT programme and the European Banking Union in its current incomplete form. Our findings provide tentative support for the introduction of the European Deposits Insurance Scheme (EDIS) as a means of reducing fragmentation among EMU national banking systems.

"Comovement and Dynamic Relationships Between Stocks and Bonds"
Kelly Cai - University of Michigan Dearborn, USA
JingZhi Huang - Penn State University, USA
Xiaoquan Jiang - Florida International University, USA

Discussant: John Vaz - Monash University, Australia

We examine dynamic relations among stocks, government bonds and corporate bonds at the aggregate level for the period of 1983:8 to 2010:12. We find that the comovement between stock returns and corporate bond returns is significantly positive both conditionally and unconditionally and that stock-like bonds comove more strongly with stocks. By applying a Self-Exciting Threshold Auto Regressive Model, we provide evidence that the correlation between stock returns and bond returns is conditional on cash flow, market volatility, and investor sentiments. Lastly, we find that while stocks lead government bonds unconditionally and conditionally, high yield bonds can forecast future stock returns conditionally, which partially reconcile the existing mixed evidence on stock-bond lead-lag relations.

KEYNOTE SPEECH

7:30 - 8:15 p.m. Kedma Restaurant (Mamila Avenue)

Professor Dan Galai
Hebrew University of Jerusalem, Israel

WHAT'S WRONG WITH THE WAY WE TEACH CORPORATE FINANCE AND THE CONTINGENT CLAIMS ANALYSIS

Corporate Finance is about investment decisions as well as about capital structure, or, how to finance the firm. Additional topics are the dividend policy, effect of corporate taxations, Mergers and Aquistions and more. The ruling model is the CAPM with extentions to APT and more. A lot of emphasis is put on the Weighted Average Cost of capital (WACC), derived from the claim holders specific cost of capital and then applying it on investment selection. The Contingent Claims Analysis (CCA) is a general approach to analyze the stakeholders of a corporation who have contingent claims on the corporate future, uncertain cash-flows generated by the operations of the firms. The CCA allows valuing each stakeholder's claim and also to assess the risk incurred by the stakeholders. The CCA highlights the potential conflicts of interest among the various claimholders. In this talk I review applications of CCA including valuation of various forms of debt, rating, credit spread, probability of default and corporate events like dividends, employee stock options and M&A. The CCA framework is shown to be useful in all these financial questions. We assume that the value of the firm assets is given. The future distribution of the assets' rates of return is also known and given. The focus is on the liability side of the balance sheet, i.e., the funding sources of the activity of the firm, and more generally on the financial claims of the various claimholders of the firm.

AWARDS CEREMONY

8:15 - 8:30 p.m. Kedma Restaurant (Mamila Avenue)

GALA DINNER

8:30 - 11:00 p.m. Kedma Restaurant (Mamila Avenue)

MULTINATIONAL FINANCE JOURNAL

Quarterly Publication of the *Multinational Finance Society*, a nonprofit corporation.
http://mfsociety.org e-mail <mfj@mfsociety.org>

Aim and Scope

The Multinational Finance Journal (MFJ) publishes high-quality refereed articles on capital markets, financial institutions, management of investments, and corporate finance, dealing with issues that are relevant to the study and practice of finance in a global context. The MFJ makes a specific contribution by publishing research investigating phenomena related to the integration and interaction of national financial systems at the micro- and macro-finance levels and by disseminating research originating from countries with financial markets in different stages of development and diverse institutional arrangements.

Shipping Finance

In 2013, the MFJ editorial board has decided to widen the journal's scope by focusing in particular on finance aspects relevant to ocean shipping and transportation related areas. For this reason the Journal has appointed a new Editor, Dr. Photis M. Panayides to provide leadership to this new venture for the Journal. Articles of the special section on 'Shipping Finance' will be published regularly with each publication volume of the Journal. The Special section will host papers in the following topics for the shipping, logistics and transportation sectors:

- Maritime and transport infrastructure investment and financing
- Capital structure of shipping and transport companies
- Managing firm value in maritime transport
- Corporate governance and ownership structure in shipping and transport
- Maritime and transport mergers and acquisitions
- Financing, investment and privatization of transport related infrastructure
- Behavioral finance in relation to ship financing and management
- Financial performance and efficiency in maritime and transport sectors
- Risk-return characteristics of shipping investments
- Forecasting, volatility and shipping markets
- Risk management in shipping and transportation
- Accounting and maritime financial management

Editorial Policy

The editorial policy is to accept for publication original research articles that conform to the generally accepted standards of scientific inquiry and provide pragmatic interpretations of findings. Recognizing the multinational origins of the submitted articles, the MFJ is open to research that reflects diversity in its methodological and theoretical underpinnings.

Submissions

To submit your manuscript you have to login to your account (if you do not have an account, please create one), choose Multinational Finance Journal and then click on the 'Submit a new Manuscript' link. During this online submission process, detailed guidelines will appear on your screen providing information on how to proceed in each consecutive step of the submission. Moreover, all contacts between editor and corresponding author (including editor's decision notification) are to take place via e-mails. The submission/re-submission fee for MFS members is €80 and for non-members is €150.

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MULTINATIONAL FINANCE JOURNAL

FORTHCOMING ARTICLES

Wealth Effects of Bond Rating Announcements
Yuriy Zabolotnyuk - *Carleton University, Canada*

The Risk-Asymmetry Index as a New Measure of Risk
Elyas Elyasiani - *Temple University, USA*
Luca Gambarelli - *University of Modena and Reggio Emilia, Italy*
Silvia Muzzioli - *University of Modena and Reggio Emilia, Italy*

Greek Sovereign Debt: Addressing Economic Distress and Growth in the Euro Area
Panayiotis Alexakis - *National and Kapodistrian University of Athens, Greece*
Gikas Hardouvelis - *University of Piraeus, Greece*
Dean Paxson - *University of Manchester, United Kingdom*
Gordon Sick - *University of Calgary, Canada*
Lenos Trigeorgis - *University of Cyprus, Cyprus*

A Comparative GARCH Analysis of Macroeconomic Variables and Returns on modelling the kurtosis of FTSE 100 Implied Volatility Index
Abdulilah Ibrahim Alsheikhmubarak - *Royal Holloway, University of London, UK*
Evangelos Giouvris - *Royal Holloway, University of London, UK*

The Evolving Nature of Asset Price Bubbles, Financial Instability and Monetary Policy
Anastasios Malliaris - *Loyola University Chicago, USA*

Corporate Governance, Cash Flows, and Bank Performance: Developed and Developing Countries
Fatima Faruqi - *Air University, Pakistan*
Tanveer Ahsan - *Rennes School of Business, France*
Sultan Sikandar Mirza - *Zhejiang Gongshang University, China*
Zia-ur-Rehman Rao - *Forman Christian College, Pakistan*

Are Funds of Hedge Funds Efficient? An Empirical Analysis for North American, Asia Pacific, and European Long/Short Funds of Hedge Funds
Lan Nguyen - *Multimedia University, Malaysia*
Cheng Yu - *Universiti Tunku Abdul Rahman, Malaysia*
Malick Sy - *Royal Melbourne Institute of Technology, Australia*
Sayed Hossain - *Cedar Valley College, USA*
Chen Tan - *Multimedia University, Malaysia*

Banking Crisis in Cyprus: Causes, Consequences and Recent Developments
Scott Brown - *University of Puerto Rico, USA*
Demetra Demetriou - *Cyprus University of Technology, Cyprus*
Panayiotis Theodossiou - *Cyprus University of Technology, Cyprus*

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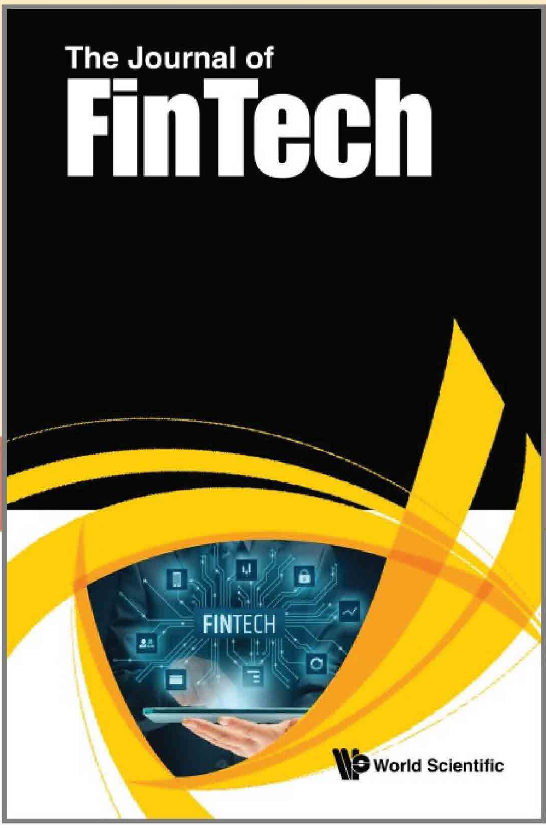

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The Journal of FinTech

First Issue in 2019

Aims and Scope

The world of finance is changing dramatically as technology introduces and enables new paradigms. Banking, insurance, investments and credit analysis are all undergoing transformational changes and even the basic concept of money is no longer the same.

The main emphasis of *The Journal of FinTech* is to provide a broad platform for research and discussion of issues related to this new era. The three basic components of FinTech are Financial Systems, Technologies and Applications. We will provide a platform for new ideas and developments in which technology based on computers and communication channels is changing the traditional approach, including

- regulation
- AI in finance
- blockchain and distributed ledgers
- innovation in currencies
- text mining
- roboadvisory
- P2P and crowdfunding
- supply chain
- personal finance
- reporting
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