AUCKLAND CENTRE FOR
FINANCIAL RESEARCH
AUT BUSINESS SCHOOL

AUCKLAND FINANCE MEETING
17 - 19 December 2015
Programme

OUR SPONSORS:

KIA ORA AND WELCOME

Welcome to the Auckland University of Technology and the 2015 Auckland Finance Meeting. This is the fifth year that the Auckland Centre for Financial Research organises the Auckland Finance Meeting, and so a milestone for the Auckland Centre for Financial Research. Since its inception in 2011, the meeting has aimed at bringing together leading researchers in the fields of empirical finance and financial econometrics to present and discuss high-quality and leading-edge research. Over the years, the AFM has grown in quality, quantity and hopefully reputation. When we started in 2011, the AFM hosted less than 35 papers, selected from about 90 submissions. This year, the programme hosts 75 papers that were selected from about 200 submissions. The focus of the AFM has always been on quality over quantity and I am pleased to say that all of the accepted papers are of a very high quality.

A special thanks goes to our valued sponsors for their continuing support: New Zealand Superannuation Fund, the Securities Industry Research Centre of Asia (SIRCA), CFA Institute, The Reserve Bank of New Zealand, and the AUT Business School. Many of these sponsors have been supporting the academic efforts of the Auckland Centre for Financial Research since we started, and their financial support and engagement with us is crucial to the success of this event.

Many people are involved in putting together a conference, and I would like to thank all of those involved. A special thanks goes to our keynote speakers, Professor Peter Bossaerts and Professor Robert Webb. Their contributions to this conference are invaluable and I am very grateful for this.

I would also like to thank the members of the program selection committee, whose quality reviews are essential to the development of an outstanding conference programme.

I would like to thank Mrs Tracy Skolmen. She has done a magnificent job in putting many parts of this conference together. Her efforts have made the organisation and running of this event a very smooth process. Thank you so much Tracy!

Finally, I hope you will all have a great conference, and a memorable time in Auckland, the City of Sails.

Bart Frijns
Professor of Finance, Auckland University of Technology
Director of the Auckland Centre for Financial Research

AUCKLAND CENTRE FOR
FINANCIAL RESEARCH
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AFM MEETING PARTICIPANTS

PROGRAMME SELECTION COMMITTEE

Rainer Baule, University of Hagen, Germany
Geoffrey Booth, Michigan State University, United States
Jonathan Brogaard, University of Washington, United States
Jorge Cruz-Lopez, Bank of Canada, Canada
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Robert Durand, Curtin University, Australia
Aaron Gilbert, Auckland University of Technology, New Zealand
Janice How, Queensland University of Technology, Australia
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Peter Swan, University of New South Wales, Australia
Alireza Tourani-Rad, Auckland University of Technology, New Zealand
Yiuman Tse, University of Missouri–St. Louis, United States
Peimig Wang, Auckland University of Technology, New Zealand
Robert Webb, University of Virginia, United States
Joakim Westerholm, University of Sydney, Australia
Christian Wolff, University of Luxembourg, Luxembourg
Jin Zhang, University of Otago, New Zealand
Remco Zwinkels, VU University Amsterdam, the Netherlands

KEYNOTE SPEAKERS

Professor Peter Bossaerts, University of Utah, USA
Professor Robert I. Webb, University of Virginia, Charlottesville, USA

MEETING ORGANIZERS

Professor Bart Frijns, Director of ACFR, Auckland University of Technology, New Zealand
Tracy Skolmen, Dept. Coordinator, Auckland University of Technology, New Zealand

KEYNOTE SPEAKERS

Professor Peter Bossaerts, University of Utah, USA

Peter Bossaerts is Professor of Experimental Finance and Decision Neuroscience at The University of Melbourne and The Florey Institute of Neuroscience and Mental Health.

He received a licentiate and doctorandus degree in applied economics from the University of Antwerp in Belgium, and after coursework in statistics at the Free University Brussels, a PhD in Management (Finance) from the University of California, Los Angeles. His first appointment as assistant professor was at Carnegie Mellon University's Graduate School of Industrial Administration. In 1990, Peter Bossaerts moved to the California Institute of Technology (Caltech), where he promoted to become Professor of Finance, and to the William D. Hacker Professor of Economics and Management. He was Executive Officer for the Social Sciences, Chair (Dean) of the Division of Humanities and Social Sciences, and Director of Caltech's Linde Institute for Economics and Management Sciences. Peter Bossaerts has had appointments at Tilburg University, Yale University, the Ecole Polytechnique Fédérale Lausanne (EPFL), and most recently, he has been David Eccles Professor of Finance at the David Eccles School of Business, and Adjunct Professor of Neurology in the School of Medicine, both at The University of Utah.

Bossaerts' research and publications have focused on financial risk and financial risk taking. The work covers many areas of theoretical, empirical and experimental finance, and extends to fields such as econometrics, game theory, general equilibrium theory, cognitive psychology and, most recently, neurobiology. His work has been published in a wide portfolio of journals, such as the Journal of Finance, Mathematical Finance, Econometrica, Econometric Theory, Science, Proceedings of the National Academy of Sciences, Neuron, the Journal of Neuroscience, and Brain Structure and Function. Peter Bossaerts has taught undergraduate, MBA, PhD and executive classes at various places across the world. He is or has been on the board of many academic journals, such as the Journal of Finance, the Review of Financial Studies, Mathematical Finance, and Frontiers of Decision Neuroscience. Peter Bossaerts has received many awards and honours for his work. Among others, he was elected Fellow of the Econometric Society and of the Society for the Advancement of Economic Theory.

KEYNOTE SPEAKERS

Professor Robert I Webb, University of Virginia, Charlottesville, USA

Bob Webb is the Paul Tudor Jones II Research Professor at the McIntire School of Commerce at the University of Virginia in Charlottesville, USA. Bob also held a joint appointment at the Korea Advanced Institute of Science and Technology business school for three years.

Bob serves as the Editor of the Journal of Futures Markets—a leading finance journal that specializes in academic articles on futures, options, and other derivative securities. His experience includes: trading fixed income securities for the Investment Department of the World Bank (Consultant); trading financial futures and options on the floor of the Chicago Mercantile Exchange (Member); designing new financial futures and option contracts for the Chicago Mercantile Exchange (Senior Financial Economist); analysing the effects of deregulating the financial services industry, among others, at the Executive Office of the President, Office of Management and Budget; (Senior Financial Economist) examining issues related to international futures markets at the U.S. Commodity Futures Trading Commission (Senior Financial Economist). Bob has also consulted on risk management issues for the Asian Development Bank in Manila. He formerly taught at the Graduate School of Business at the University of Southern California.

Bob earned his M.B.A. and Ph.D., degrees in finance from the University of Chicago and his B.B.A., degree from the University of Wisconsin at Eau Claire. Bob has published his research in a number of academic journals including the Journal of Econometrics, the Journal of Business and Economic Statistics, the Journal of Futures Markets, and the Southern Economic Journal among others. He has also published commentary on contemporary issues in the financial press including: The Wall Street Journal; Investor's Business Daily; the Nihon Keizai Shimbun; MK Economic Newspaper; and the Nikkei Weekly. He is the author or co-author of the books, Shock Markets: Trading Lessons for Volatile Times (FT [Financial Times] Press 2013); Trading Catalysts: How Events Move Markets and Create Trading Opportunities (FT Press 2007); and Macroeconomic Information and Financial Trading (Blackwell 1994).

BEST PAPER AWARDS

We would like to thank and acknowledge the sponsors of our Best Paper Awards. These awards will be presented after Keynote Address II.

AFM 2015 Best Paper Award NZD2,000

Sponsored by:

NZSUPERFUND
Te Kaitiaki Tāhua Penihana Kaumatua ō Aotearoa

AFM 2015 Runner Up Award NZD1,000

Sponsored by:

NZSUPERFUND
Te Kaitiaki Tāhua Penihana Kaumatua ō Aotearoa

2015 CFA Institute Asia-Pacific Capital Markets Research Award USD1,000

Sponsored by:

CFA Institute

Doctoral Symposium Best Paper Award NZD750

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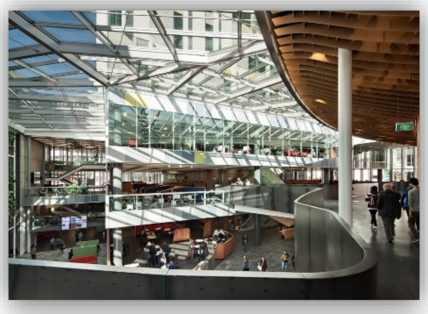
AUCKLAND CENTRE FOR FINANCIAL RESEARCH
AUT BUSINESS SCHOOL

VENUE INFORMATION

2015 AUCKLAND FINANCE MEETING
17 - 19 December 2015
AUT University
Auckland, New Zealand

Powhiri at **Ngā Wai o Horotiu Marae**

A Powhiri recognises the coming together of two groups. Ngā Wai o Horotiu Marae (WP Building) is Located on the corner of Wellesley and St Paul's Street, the marae is also known as the gateway to AUT and the city of Auckland.



The welcome reception and **Registration** will be held in **Sir Paul Reeves Building** (Level 4 of WG Building) located at 1 Governor Fitzroy Plaza, Auckland City

Welcome is sponsored by: CFA Institute

All sessions and streams will be held at AUT University, City Campus in the **Sir Paul Reeves Building** (Level 8 of WG Building) located at 1 Governor Fitzroy Plaza, Auckland City

The Sky Lounge is situated 182 metres above Auckland City in the **Sky Tower**. When you arrive you come down the escalator in Sky City and through the second door on your right which is the reservations desk for Restaurants and they will have our information and provide access to Sky Lounge.

The 2015 AFM concludes with a tour to the beautiful **Waiheke Island**. We will travel by ferry to the island where we will disembark and proceed to a bus for a tour of the Island. This will include a tour of **Rangihoua Olive Estate** and a walk on the **Onetangi Beach**. We will then proceed to **Stonyridge Vineyard** for a winery tour and dinner, returning to Auckland City by Ferry at 21h30, arriving around 10pm.

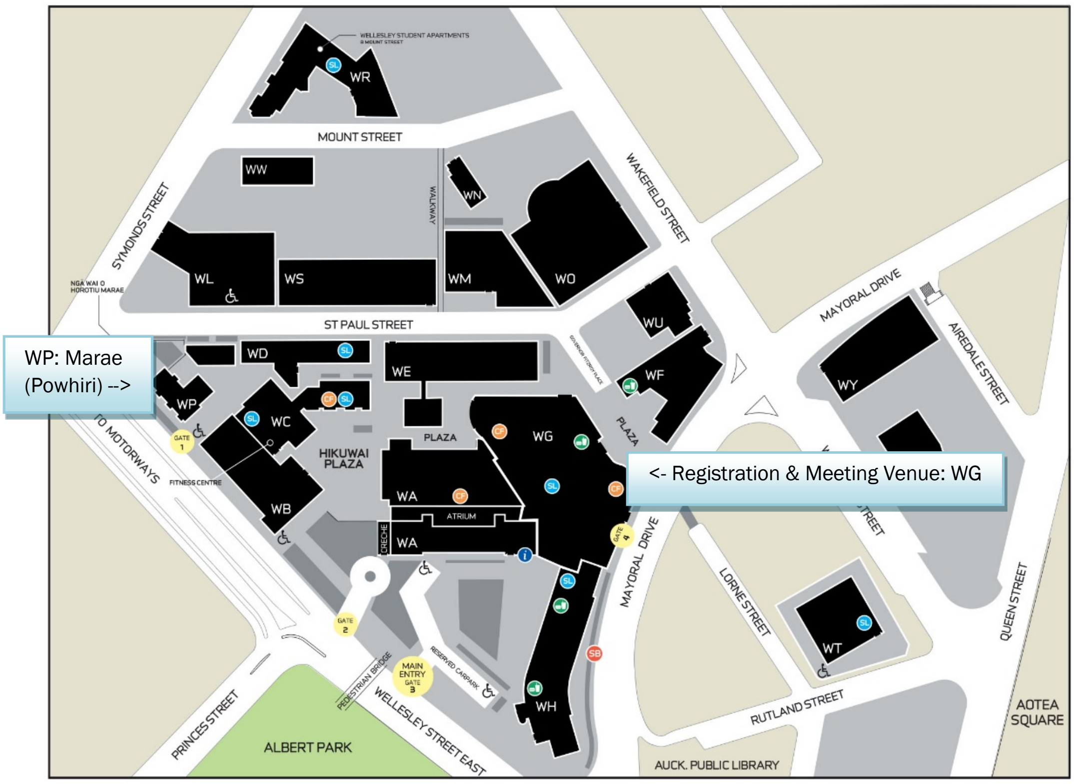
Dinner is sponsored by: sirca

MEETING VENUE MAP

2015 AUCKLAND FINANCE MEETING
17-19 December 2015
AUT University
Auckland, New Zealand

AUT CITY CAMPUS

55 Wellesley Street East, Auckland 1010



SCHOOLS

Applied Sciences – Level 5, WS building
Art & Design – Level 3, WE building
Business – Level 1, WF building
Communication Studies – Level 12, WG building
Computer & Mathematical Sciences – Level 1, WT building
Engineering – Level 3, WS building
Hospitality & Tourism – Level 3, WH building
Language & Culture – Level 8, WT building
Law – Level 6, WY building
Social Sciences – Level 14, WT building
Te Ara Poutama – Level 3, WB building

AUT STUDENT CENTRE

Level 2, WA building
Phone: 0800 AUT UNI (0800 288 864)
Web: www.aut.ac.nz

SERVICES AND FACILITIES

AUT Student Centre – Level 2, WA building
Student Services Reception – Level 1, WB building
Library – Level 4, WA building
Early Childhood Centre – Level 2, WA building via Gate 2
AUT International Centre – Ground Floor, WY building
AuSM – Level 2, WC building
Safety & Security – Corner St Paul & Wakefield St, WO building
Health, Counselling & Wellbeing – WB219, Level 2, WB building
Printsprint customer service branch – Level 3, WA building
University Bookshop – WC122, WC building

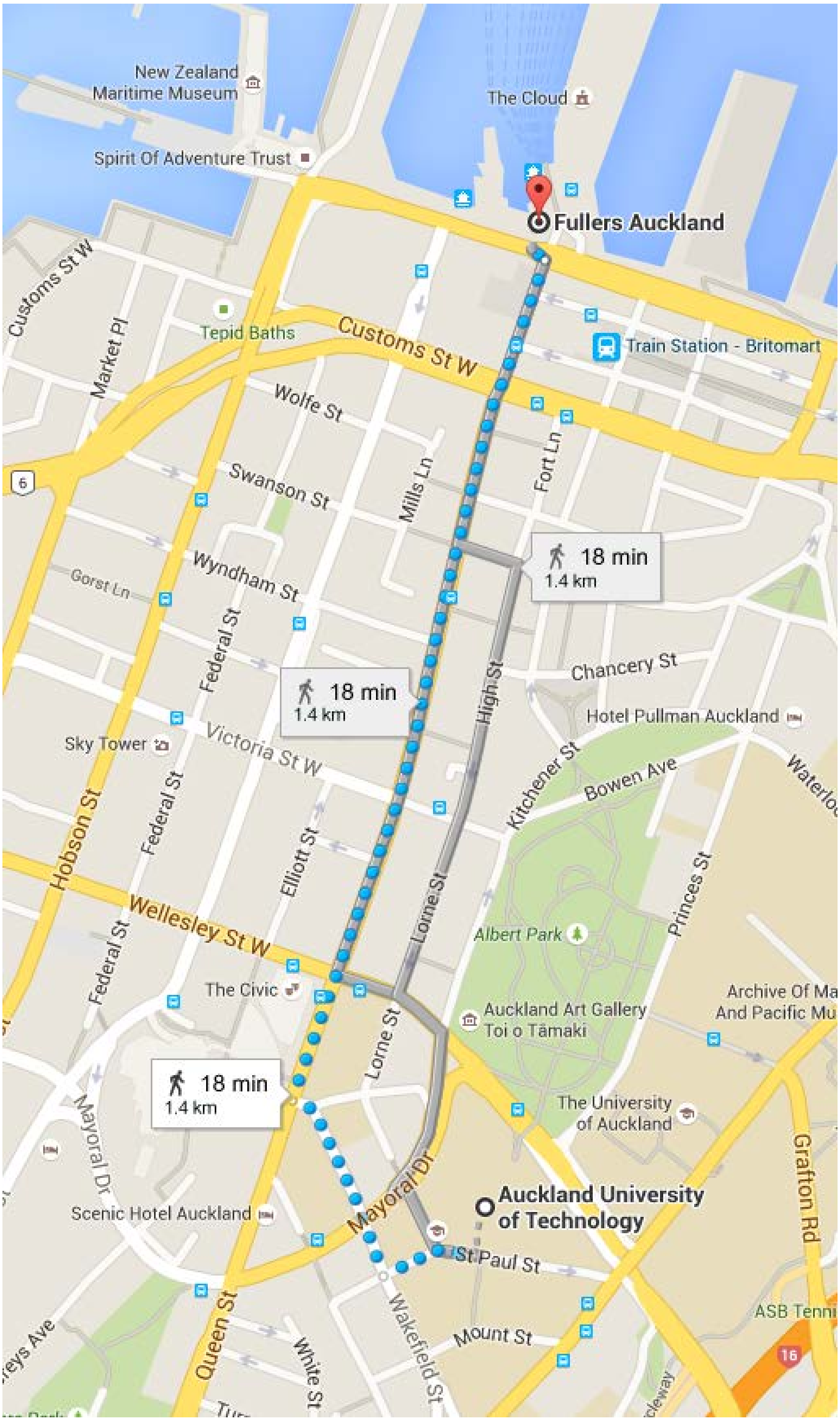
JOIN A CAMPUS TOUR

Fridays at 2pm
AUT Student Centre

- AUT Student Centre
- SL Student lounge
- Cafés
- CF Conference facility
- SB Intercampus shuttle bus stop
- Mobility parks

LOCATION MAP FOR FERRY TO WAIHEKE ISLAND

(You may wish to join the group walking from the Campus to the Ferry, after lunch)



PROGRAMME OVERVIEW – DOCTORAL SYMPOSIUM

2015 DOCTORAL SYMPOSIUM ORGANISERS:

Adrian Fernandez-Perez, Auckland University of Technology
Bart Frijns, Auckland University of Technology

Thursday, 17th December 2015	Doctoral Symposium	
09h00 to 09h30	Registration & Coffee	WG8
09h30 to 12h00	**DOCTORAL SYMPOSIUM**	**WORKSHOPS**

Prof. James Kolari, Texas A&M University, US

Professor Kolari is the Director of the Commercial Banking Program in the Department of Finance at Texas A&M University. He has taught financial institutions and markets classes there since 1980 and been active in international education, consulting, and executive education. Receiving a PhD in Finance from Arizona Station University in 1980, he today holds the JP Morgan Chase Professorship in Finance in the Mays Business School. In 1986 he was a Fulbright Scholar at the University of Helsinki and the Bank of Finland. He has served as a Visiting Scholar at the Federal Reserve Bank of Chicago in 1982-1983, Senior Research Fellow at the Swedish School of Business and Economics (Hanken), Finland, and Faculty Fellow with the Mortgage Bankers Association of America, in addition to being a consultant to the U.S. Small Business Administration, American Bankers Association, Independent Bankers Association of America, and numerous banks and other organizations. He has worked as an advisor on the North American Free Trade Agreement for the State of Texas, consultant for the Mexican government in financing technology, and member of the Academy of Sciences for Higher Education in Russia. Moreover, he is a founding member and equity partner of a private securities firm. With over 90 articles published in refereed journals, numerous other papers and monographs, 15 co-authored books, and over 100 competitive papers presented at academic conferences, he ranks in the top 1-2 percent of finance scholars in the United States, according to recently published guides of research productivity among finance professors. His papers have appeared in such domestic and international journals as the Journal of Finance, Journal of Business, Review of Financial Studies, Review of Economics and Statistics, Journal of Money, Credit and Banking, Journal of Banking and Finance, Journal of Financial Research, Real Estate Economics, Journal of International Money and Finance, and the Scandanavian Journal of Economics. Papers in Russian, Finnish, Dutch, Italian, and Spanish have appeared outside of the United States. He is a co-author of leading college textbooks in introductory business and commercial banking courses.

Prof. Christina Atanasova, Simon Fraser University, Canada

Christina Atanasova is an Associate Professor in Finance at the Beedie School of Business at Simon Fraser University, Canada. She holds a PhD in Finance from the University of Leeds, UK. She has been in the faculty at the University of York, a Visiting Professor at Université Dauphine Paris, and an Erskine fellow at the University of Canterbury. Her research has focused on issues in empirical corporate finance such as corporate governance, capital structure and risk management. She has published in leading academic and practitioner journals. She has been an associate editor for the Bulletin of Economic Research since 2004 and is currently a member of the editorial board of the Financial Analyst Journal.

Prof. Bart Frijns, Auckland University of Technology, New Zealand

Prof. Bart Frijns holds a PhD in Finance from Maastricht University, the Netherlands. The scope of Bart's research is broad with over 40 publications ranging from corporate governance and the impact of regulations on financial markets, to volatility dynamics and price setting behaviour. Bart is on the editorial board of the Journal of Futures Markets – a leading journal that publishes on financial derivatives. Besides his academic publications, Bart has been involved in a research project for the Dutch ministry of Finance, investigating the Financial Literacy of Dutch consumers. He currently sits on the investment committee of a NZ based investment company, and regularly acts as a consultant/public speaker at industry events. He is also the Director of the Auckland Centre for Financial Research.

PROGRAMME OVERVIEW – DOCTORAL SYMPOSIUM

11h30 to 12h30	Lunch Break	WG 4 Atrium
12h30 to 14h10	DOCTORAL SYMPOSIUM	BREAK-OUT SESSIONS

Session – Corporate Finance I – Chair: Prof. Christina Atanasova

Politically Connected Boards, Value or Cost: Evidence from a Natural Experiment in China
Presenter: Jianlei Han (University of Queensland, Australia)
Discussant: Sophie Wang (Massey University, New Zealand)

Firing on all cylinders? An analysis of CEO retention, firm performance and board driven investment
Presenter: Thomas Stannard (Victoria University, New Zealand)
Discussant: Cam Tu Ho (Auckland University of Technology, New Zealand)

Session – Investments I – Chair: Prof. James Kolari

Long-term Performance and Return Reversal Properties of the Idiosyncratic Volatility Puzzle
Presenter: Yichao Zhu (University of Melbourne, Australia)
Discussant: Yiqing Dai (University of Adelaide, Australia)

How Informed Are Hedge Fund Option Strategies?
Presenter: Kenny Siaw (Australian School of Business, Australia)
Discussant: Mui Kuen Yuen (Massey University, New Zealand)

14h10 to 14h30	Coffee Break	WG 8
14h30 to 16h10	DOCTORAL SYMPOSIUM	BREAK-OUT SESSIONS

Session – Corporate Finance II – Chair: Prof. Christina Atanasova

VC political ties and IPO earnings management: Evidence from China
Presenter: Sophie Wang (Massey University, New Zealand)
Discussant: Jianlei Han (University of Queensland, Australia)

Impacts of Debt Sources on Capital Structure Adjustment Speed
Presenter: Cam Tu Ho (Auckland University of Technology, New Zealand)
Discussant: Thomas Stannard (Victoria University, New Zealand)

Session – Investments II – Chair: Prof. James Kolari

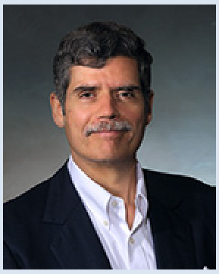
Expected dividend-to-market ratio and the cross-section of expected stock returns
Presenter: Yiqing Dai (University of Adelaide, Australia)
Discussant: Yichao Zhu (University of Melbourne, Australia)

Capacity Constraints, Fund Flows and Hedge Fund Alpha: Emerging Market Evidence
Presenter: Mui Kuen Yuen (Massey University, New Zealand)
Discussant: Kenny Siaw (Australian School of Business, Australia)

PROGRAMME OVERVIEW

Thursday 17th December 2015	**AFM 2015**	
17h00 to 19h30	Powhiri Registration & Welcome Sponsored by CFA Institute	AUT Marae WG 308
Friday 18th December 2015	**Day 1**	
07h30 to 08h00	Registration	WG 306
08h00 to 09h45	**SESSIONS A**	
Stream A.1	Corporate Finance Practices in China	WG 801
Stream A.2	Empirical Asset Pricing	WG 803
Stream A.3	Regulations	WG 806
Stream A.4	Quantitative Finance	WG 808
Stream A.5	Corporate Finance	WG 809
09h45 to 10h15	**Coffee / Tea Break**	WG306
10h15 to 12h00	**SESSIONS B**	
Stream B.1	Corporate Events	WG 801
Stream B.2	Market Microstructure	WG 803
Stream B.3	Options	WG 806
Stream B.4	Mutual Funds	WG 808
Stream B.5	Corporate Ownership	WG 809
12h15 to 13h15 	**Keynote Address I** **Prof. Peter Bossaerts, University of Utah** **Neurobiological Foundations of "Market Psychology"** Psychology has been influencing finance significantly over the past few decades. The focus has been on the "heuristics and biases" program pioneered by Kahneman and Tversky, aptly summarized in "Prospect Theory." To understand market psychology, however, one needs to go beyond that, and understand "Theory of Mind" (the capacity of humans -- and higher primates -- to understand the intentions of others). Based on a number of recent publications in finance and neuroscience, as well as some ongoing research, the speaker will illustrate to what extent Theory of Mind is relevant to understand markets, their participants and their trading skill. The speaker will discuss markets with insiders, bubbles and crashes, and financial contagion.	WG 407

PROGRAMME OVERVIEW

13h15 to 14h00	**Lunch Break**	**WG306**
14h00 to 15h45	**SESSIONS C**	
Stream C.1	Corporate Finance - Incentives	WG 801
Stream C.2	Market Microstructure	WG 803
Stream C.3	Empirical Asset Pricing	WG 806
Stream C.4	Momentum	WG 808
Stream C.5	Cross-Section of Stock Returns	WG 809
16h00 to 17h00 	**Keynote Address II** **Professor Robert I. Webb, University of Virginia** **Asia Pacific Derivative Markets: Recent Advances in the Literature** Although most researchers trace the origin of modern futures markets to the creation of the Chicago Board of Trade in the 1840s, Hamori et al [2001] argue that futures trading originated with the establishment of the Dojima Rice Exchange in Osaka in the early 1700s. Yet, regardless of the origin of modern futures markets, derivative markets based in the Asia Pacific region have only recently become important from a global perspective as measured by relative trading volume. Not surprisingly, the recent sharp growth in trading volume has stimulated much research on derivatives traded on Asia-Pacific markets as well. Researchers have examined differences in market microstructure, regulatory regimes and exploited the often-greater access to individual trader account data to address a number of questions in finance. This talk discusses some of the recent research.	WG 407
17h00 to 17h30	**Presentation of Best Paper Award**	WG 407
18h30 to 20h00	**Drinks & Snacks @ Sky Lounge**	Sky Tower

SKYTOWER
AUCKLAND • NEW ZEALAND

PROGRAMME OVERVIEW

Saturday 19th December 2015	**Day 2**	
09h00 to 10h45	**SESSION ONE**	
Stream D.1	CEOs	Room: WG 801
Stream D.2	Asset Pricing Theory	Room: WG 803
Stream D.3	Behavioral Finance	Room: WG 806
Stream D.4	Market Microstructure	Room: WG 808
Stream D.5	Bond Markets	Room: WG 809
10h45 to 11h15	Coffee/Tea Break	WG306
11h15 to 13h00	**SESSION TWO**	
Stream E.1	Banking	Room: WG 801
Stream E.2	Ownership and Corporate Governance	Room: WG 803
Stream E.3	Market Microstructure	Room: WG 806
Stream E.4	Corporate Tax	Room: WG 808
Stream E.5	Mutual Funds	Room: WG 809
13h00 to 14h00	Lunch Break	WG306


14h30 Arrive at Wharf (see map on page 9)
15h00 Ferry to Waiheke Island
15h45 Arrive at Matiatia Wharf
15h55 Waiheke Island Bus Tour, 1 Photo Stopover
16h20 Rangihoua Estate Tour
17h00 Waiheke Island Bus Tour continues, Stopover at Onetangi
18h00 Beach
21h00 Stonyridge Vineyard Tour and Dinner Sponsored by SIRCA
21h30 Bus back to Matiatia Wharf
22h00 Ferry to Auckland City
ETA back in Downtown Auckland

sirca

DETAILED ACADEMIC PROGRAMME – 18th DECEMBER 2015

Sessions A - 8h00 to 9h45	
Stream A.1 – Corporate Finance Practices in China **Session Chair: Ji (George) Wu, Institute for Financial & Accounting Studies (IFAS), Xiamen University**	
08h00 to 08h35	**Do Share Issue Privatizations Really Improve Firm Performance in China?** Bo Li, School of Business, Shantou University William L. Megginson, University of Oklahoma **Zhe Shen, School of Management, Xiamen University** Qian Sun, Fudan University *Discussant: Yue Liu, University of Edinburgh Business*
08h35 to 09h10	**VC political ties and IPO earnings management: Evidence from China** **Qing (Sophie) Wang**, School of Finance and Economics, Massey University Hamish Anderson, School of Finance and Economics, Massey University Jing Chi, School of Finance and Economics, Massey University *Discussant: Zhe Shen, School of Management, Xiamen University*
09h10 to 09h45	**Being Good by Hiring Directors with Foreign Experiences** Jian Zhang, School of Finance, Southwestern University of Finance and Economics Dongmin Kong, School of Finance, Zhongnan University of Economics and Law **Ji (George) Wu**, Institute for Financial & Accounting Studies (IFAS), Xiamen University *Discussant: Woochan Kim, Korea University Business School*
Stream A.2 – Empirical Asset Pricing **Session Chair: Zsuzsa R. Huszár, NUS Business School, National University of Singapore**	
08h00 to 08h35	**Can Dividend Schedules Predict Abnormal Returns? International Evidence** **Andrew Ainsworth**, University of Sydney *Discussant: Haejung Na, Korea University Business School*
08h35 to 09h10	**Difference of Stock Return Distributions and the Cross-Section of Expected Stock Returns** **Joon Chae**, Seoul National University Wonse Kim, Seoul National University Eun Jung Lee, Hanyang University *Discussant: Adrian Fernandez-Perez, Auckland University of Technology*
09h10 to 09h45	**Do Short Sellers Exploit Industry Information?** **Zsuzsa R. Huszár**, NUS Business School, National University of Singapore Ruth S. K. Tan, NUS Business School, National University of Singapore Weina Zhang, NUS Business School, National University of Singapore *Discussant: Shujing Wang, Hong Kong University of Science and Technology*
Stream A.3 – Regulations **Session Chair: Jeff Ng, Chinese University of Hong Kong**	
08h00 to 08h35	**Financial Crime "Hot Spots" – Empirical Evidence from the Foreign Exchange Market** **Florian El Mouaaouy**, Ludwig-Maximilians-Universität München *Discussant: Chen Zhao, Southwestern University of Finance and Economics*
08h35 to 09h10	**Management Forecast Disaggregation and the Legal Environment: International Evidence** **Jeff Ng**, Chinese University of Hong Kong Albert Tsang, Chinese University of Hong Kong Oktay Urcan, University of Illinois at Urbana-Champaign *Discussant: Florian El Mouaaouy, Ludwig-Maximilians-University Munich*
09h10 to 09h45	**How do Short-Sale Constraints Affect Options Trading? Evidence from Regulation SHO** Yubin Li, Southwestern University of Finance and Economics **Chen Zhao**, Southwestern University of Finance and Economics Zhaodong (Ken) Zhong, Rutgers Business School, Rutgers University *Discussant: Jeff Ng, Chinese University of Hong Kong*

DETAILED ACADEMIC PROGRAMME – 18th DECEMBER 2015

Stream A.4 – Quantitative Finance Session Chair: José Da Fonseca, Auckland University of Technology	
08h00 to 08h35	**Impact of truncation on model-free implied moment estimator** **Geul Lee**, School of Banking and Finance, University of New South Wales Li Yang, School of Banking and Finance, University of New South Wales *Discussant: José Da Fonseca, Auckland University of Technology*
08h35 to 09h10	**The price of Asymmetric Dependence: Evidence from Australian equities** **Jamie Alcock**, University of Sydney Business School Petra Andrlikova, University of Sydney Business School Anthony Hatherley, University of Sydney Business School *Discussant: Geul Lee, School of Banking and Finance, University of New South Wales*
09h10 to 09h45	**Market Excess Returns, Variance and the Third Cumulant** Eric C. Chang, Faculty of Business and Economics, University of Hong Kong **Jin E. Zhang**, Otago Business School, University of Otago Huimin Zhao, Sun Yat-Sen Business School, Sun Yat-Sen University *Discussant: Jamie Alcock, University of Sydney Business School*
Stream A.5 – Corporate Finance Session Chair: Rui Shen, Nanyang Business School, Nanyang Technological University	
08h00 to 08h35	**The Equity-Financing Channel, the Catering Channel, and Corporate Investment: International Evidence** **Yuanto Kusnadi**, Singapore Management University K.C. John Wei, Hong Kong University of Science and Technology *Discussant: Jian Zhang, Southwestern University of Finance and Economics*
08h35 to 09h10	**The Value of Crowdsourced Earnings Forecasts** Russell Jame, University of Kentucky **Rick Johnston**, University of Alabama at Birmingham Stanimir Markov, Southern Methodist University Michael Wolfe, Virginia Tech *Discussant: James Yae, University of Houston*
09h10 to 09h45	**The Dark Side of News Coverage: Evidence from Corporate Innovation** **Rui Shen**, Nanyang Business School, Nanyang Technological University Lili Dai, ANU College of Business and Economics, Australian National University Bohui Zhang, Australian School of Business, University of New South Wales *Discussant: Yuanto Kusnadi, Singapore Management University*
Sessions B - 10h15 to 12h00	
Stream B.1 – Corporate Events Session Chair: Alireza Tourani-Rad, Auckland University of Technology	
10h15 to 10h50	**Shareholder Wealth Effects of M&A Withdrawals** **Yue Liu**, University of Edinburgh Business *Discussant: Ted Azarmi, Eberhard Karls University Tuebingen*
10h50 to 11h25	**Dividend Changes and Future Profitability: The role of earnings volatility** Yirong Guo, University of Saskatchewan Min Maung, University of Saskatchewan **Craig Wilson**, University of Saskatchewan *Discussant: Rick Johnston, University of Alabama at Birmingham*
11h25 to 12h00	**Employee Relationship and Earnings Management** **Jian Zhang**, Southwestern University of Finance and Economics *Discussant: Craig Wilson, University of Saskatchewan*

DETAILED ACADEMIC PROGRAMME – 18th DECEMBER 2015

Stream B.2 – Market Microstructure **Session Chair: P. Joakim Westerholm, University of Sydney Business School**	
10h15 to 10h50	**High-frequency trading and execution costs** Amy Kwan, University of Sydney **Richard Phillip,** University of Sydney *Discussant: Wai-Man Liu, Australian National University*
10h50 to 11h25	**The Impact of Fragmentation, Exchange Fees and Liquidity Provision on Market Quality** Michael Aitken, Australian School of Business, University of NSW Haoming Chen, Australian School of Business, University of NSW **Sean Foley**, Finance Discipline, Faculty of Business, University of Sydney *Discussant: John J. Merrick, College of William and Mary*
11h25 to 12h00	**Do Exchange-Contracted Market Makers Improve Market Quality for Liquid Stocks?** **Dong Zhang**, Stockholm Business School, Stockholm University *Discussant: P. Joakim Westerholm, University of Sydney Business School*
Stream B.3 – Options **Session Chair: Jin E. Zhang, Otago Business School, University of Otago**	
10h15 to 10h50	**Effectiveness of Linear Extrapolation in Model-Free Implied Moment Estimation** **Geul Lee**, School of Banking and Finance, University of New South Wales *Discussant: Jin E. Zhang, Otago Business School, University of Otago*
10h50 to 11h25	**The Effect of Option Transaction Costs on Informed Trading in the Option Market around Earnings Announcements** Suresh Govindaraj, Rutgers University Yubin Li, Southwestern University of Finance and Economics **Chen Zhao**, Southwestern University of Finance and Economics *Discussant: Zsuzsa R. Huszár, NUS Business School, National University of Singapore*
11h25 to 12h00	**How Informed Are Hedge Fund Option Strategies?** **Kenny Siaw**, Australian School of Business, University of New South Wales *Discussant: Ping-Wen Sun, Jiangxi University of Finance and Economics*
Stream B.4 – Mutual Funds **Session Chair: Buhui Qiu, University of Sydney Business School**	
10h15 to 10h50	**Using Alpha to Generate Alpha** **Peter Bossaerts**, University of Utah Wenhao Yang, University of Utah *Discussant: Mui Kuen Yuen, Massey University*
10h50 to 11h25	**Assessing Hedge Fund Mortality with Characterized Returns and Risks** **Judy Qiu**, Business School, University of Western Australia Leilei Tang, Business School, University of Strathclyde, UK Ingo Walter, Stern School of Business, New York University, US *Discussant: Buhui Qiu, University of Sydney Business School*
11h25 to 12h00	**Better Kept in the Dark? Portfolio Disclosure and Agency Problems in Mutual Funds** Teodor Dyakov, VU University Amsterdam Jarrad Harford, University of Washington **Buhui Qiu**, University of Sydney Business School *Discussant: Bart Frijns, Auckland University of Technology*

Stream B.5 – Corporate Ownership
Session Chair: Christina Atanasova, Beedie School of Business, Simon Fraser University

10h15 to 10h50	**A Rose by Any Other Name? Top Managers' Given-Name Popularity and Firm Growth Preferences** **Tao Chen**, Nanyang Technological University Wei Shi, Rice University *Discussant: Juan Luo, University of Adelaide*
10h50 to 11h25	**When Heirs Become Major Shareholders: Evidence on Tunnelling and Succession through Related-Party Transactions** Sunwoo Hwang, Kenan-Flagler Business School, University of North Carolina **Woochan Kim**, Korea University Business School *Discussant: Christina Atanasova, Beedie School of Business, Simon Fraser University*
11h25 to 12h00	**Spillover Effects of SEO Announcements in Institutional Blockholding Networks** Jun-Koo Kang, Nanyang Technological University **Juan Luo**, University of Adelaide *Discussant: Qing (Sophie) Wang, School of Finance and Economics, Massey University*

K.1 - 2h15 to 13h15

Keynote Address I — **WG 407**

Professor Peter Bossaerts, University of Utah

Neurobiological Foundations of "Market Psychology"

Psychology has been influencing finance significantly over the past few decades. The focus has been on the "heuristics and biases" program pioneered by Kahneman and Tversky, aptly summarized in "Prospect Theory." To understand market psychology, however, one needs to go beyond that, and understand "Theory of Mind" (the capacity of humans -- and higher primates -- to understand the intentions of others). Based on a number of recent publications in finance and neuroscience, as well as some ongoing research, the speaker will illustrate to what extent Theory of Mind is relevant to understand markets, their participants and their trading skill. The speaker will discuss markets with insiders, bubbles and crashes, and financial contagion.

Sessions C - 14h00 to 15h45

Stream C.1 – Corporate Finance – Incentives
Session Chair: James Yae, University of Houston

14h00 to 14h35	**Executive Retention and Accelerated Option Vesting** **Torsten Jochem**, University of Amsterdam Tomislav Ladika, University of Amsterdam Zacharias Sautner, Frankfurt School of Finance & Management *Discussant: Maria Strydom, Monash University*
14h35 to 15h10	**Executive Compensation: When a Firm is a Business Group Member** Hyungseok Kim, Korea Corporate Governance Service. **Woochan Kim**, Korea University Business School *Discussant: Torsten Jochem, University of Amsterdam*
15h10 to 15h45	**Reading the Tea Leaves: Model Uncertainty, Robust Forecasts, and the Autocorrelation of Analysts' Forecast Errors** Juhani Linnainmaa, University of Chicago Booth School of Business and NBER Walter Torous, MIT **James Yae**, University of Houston *Discussant: Woochan Kim, Korea University Business School*

DETAILED ACADEMIC PROGRAMME – 18th DECEMBER 2015

Stream C.2 – Market Microstructure **Session Chair: Robert I. Webb, University of Virginia**	
14h00 to 14h35	**Trading Cost Decomposition during FOMC Announcements** Bart Frijns, Auckland University of Technology **Ivan Indriawan**, Auckland University of Technology Yoichi Otsubo, Manchester Business School Alireza Tourani-Rad, Auckland University of Technology *Discussant: Roberto Pascual, University of the Balearic Islands*
14h35 to 15h10	**Why Do Dealers Buy High and Sell Low? An Analysis of Persistent Crossing in Extremely Segmented Markets** Vladimir Atanasov, College of William and Mary **John J. Merrick**, College of William and Mary Philipp Schuster, Karlsruhe Institute of Technology *Discussant: P. Joakim Westerholm, University of Sydney Business School*
15h10 to 15h45	**Who Moves first? Price Discovery by Institutional and Retail Investors.** **Zheng Wu**, University of Sydney Business School P. Joakim Westerholm, University of Sydney Business School Shumi Akhtar, University of Sydney Business School *Discussant: Michael T. Chng, Xian-Jiaotong Liverpool University, China*
Stream C.3 – Empirical Asset Pricing **Session Chair: Aaron Gilbert, Auckland University of Technology**	
14h00 to 14h35	**Multi-market Trading and Liquidity: Evidence from Cross-listed Companies** **Christina Atanasova**, Beedie School of Business, Simon Fraser University Evan Gatev, Beedie School of Business, Simon Fraser University Mingxin Li, Beedie School of Business, Simon Fraser University *Discussant: Aaron Gilbert, Auckland University of Technology*
14h35 to 15h10	**"Other People's Money": Mum and Dad Investors vs the Professionals** **Wei Lu**, UNSW Business School, University of New South Wales Peter L. Swan, UNSW Business School, University of New South Wales Joakim Westerholm, University of Sydney Business School *Discussant: Joon Chae, Seoul National University*
15h10 to 15h45	**Heterogeneity of Institutional Ownership and Stock Price Delay** Jiun-Lin Chen, University of Adelaide Shih-Cheng Lee, Yuan-Ze University **Ping-Wen Sun**, Jiangxi University of Finance and Economics *Discussant: Christina Atanasova, Beedie School of Business, Simon Fraser University*
Stream C.4 – Momentum **Session Chair: James W. Kolari, Texas A&M University**	
14h00 to 14h35	**Is Momentum in Currency Markets driven by Global Economic Risk?** Klaus Grobys, University of Vaasa **Jari-Pekka Heinonen**, University of Vaasa *Discussant: Byoung-Kyu Min, University of Sydney*
14h35 to 15h10	**Momentum and Market Correlation** Ihsan Badshah, Auckland University of Technology **James W. Kolari**, Texas A&M University Sang-Ook Shin, Texas A&M University *Discussant: Jari-Pekka Heinonen, University of Vaasa*
15h10 to 15h45	**Momentum and Downside Risk** **Byoung-Kyu Min**, University of Sydney *Discussant: Ihsan Badshah, Auckland University of Technology*

Stream C.5 – Cross-Section of Stock Returns **Session Chair: Shujing Wang, Hong Kong University of Science and Technology**	
14h00 to 14h35	**Transitory Price Impact, Resiliency and the Cross-Section of Stock Returns** **Yongsik Kim**, Korea Advanced Institute of Science and Technology Jinyong Kim, Korea Advanced Institute of Science and Technology *Discussant: Andrew Ainsworth, University of Sydney*
14h35 to 15h10	**The Forecast Dispersion Anomaly Revisited: Intertemporal Forecast Dispersion and the Cross-Section of Stock Returns** Dongcheol Kim, Rutgers Business School and Korea University Business School **Haejung Na**, Korea University Business School, Korea University Business School *Discussant: Kenny Siaw, Australian School of Business, University of New South Wales*
15h10 to 15h45	**The Profitability Premium: Macroeconomic Risks or Expectation Errors?** F.Y. Eric C. Lam, Hong Kong Baptist University **Shujing Wang**, Hong Kong University of Science and Technology K.C. John Wei, Hong Kong University of Science and Technology *Discussant: Yongsik Kim, Korea Advanced Institute of Science and Technology*

K.2 - 16h00 to 17h00

Keynote Address II — **WG 407**

Professor Robert I. Webb, University of Virginia
Asia Pacific Derivative Markets: Recent Advances in the Literature

Although most researchers trace the origin of modern futures markets to the creation of the Chicago Board of Trade in the 1840s, Hamori et al [2001] argue that futures trading originated with the establishment of the Dojima Rice Exchange in Osaka in the early 1700s. Yet, regardless of the origin of modern futures markets, derivative markets based in the Asia Pacific region have only recently become important from a global perspective as measured by relative trading volume. Not surprisingly, the recent sharp growth in trading volume has stimulated much research on derivatives traded on Asia-Pacific markets as well. Researchers have examined differences in market microstructure, regulatory regimes and exploited the often-greater access to individual trader account data to address a number of questions in finance. This talk discusses some of the recent research.

17h00 to 17h30	**Paper Awards Ceremony**	**WG 407**

DETAILED ACADEMIC PROGRAMME – 19th DECEMBER 2015

Sessions D - 9h00 to 10h45	
Stream D.1 – CEOs **Session Chair: Maria Strydom, Monash University**	
09h00 to 09h35	**Signing Bonus, Managerial Ability, and Corporate Performance** **Rui Zhu**, City University of Hong Kong **Xiaoxiao He**, City University of Hong Kong *Discussant: Tao Chen, Nanyang Technological University*
09h35 to 10h10	**The Curse of Returnee CEOs** Tinghua Duan, University of Edinburgh **Wenxuan Hou**, University of Edinburgh *Discussant: Ji (George) Wu, Institute for Financial & Accounting Studies (IFAS), Xiamen University*
10h10 to 10h45	**Does CEO Optimism affect Pay?** **Maria Strydom**, Monash University *Discussant: Wenxuan Hou, University of Edinburgh*
Stream D.2 – Asset Pricing Theory **Session Chair: Sergey Isaenko, Concordia University**	
09h00 to 09h35	**Slow Capital Movement and Asset Prizing Puzzles** **Sergey Isaenko**, Concordia University *Discussant: Tyler Tszwang Kwong, University of New South Wales*
09h35 to 10h10	**Technical analysis with uncertainty predictive power: The effects on portfolio choice** **Tyler Tszwang Kwong**, University of New South Wales *Discussant: Xinfeng Ruan, University of Otago*
10h10 to 10h45	**Asset Pricing in a Pure Exchange Economy with Heterogeneous Investors** **Xinfeng Ruan**, University of Otago Jin E. Zhang, University of Otago *Discussant: Sergey Isaenko, Concordia University*
Stream D.3 – Behavioral Finance **Session Chair: Torsten Jochem, University of Amsterdam**	
09h00 to 09h35	**Portfolio Selection with Mental Accounts and Estimation Risk** **Gordon J. Alexander**, University of Minnesota Alexandre M. Baptista, The George Washington University Shu Yan, Oklahoma State University *Discussant: Torsten Jochem, University of Amsterdam*
09h35 to 10h10	**Melancholia and Japanese Stock Returns – 2003 to 2012** Joyce Khuu, Curtin University **Robert B. Durand**, Curtin University Lee A. Smales, Curtin University *Discussant: Gordon J. Alexander, University of Minnesota*
10h10 to 10h45	**Sentiment Contagion Across Firms** **Torsten Jochem**, University of Amsterdam Florian S. Peters, University of Amsterdam *Discussant: Robert B. Durand, Curtin University*

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Stream D.4 – Market Microstructure **Session Chair: Andriy Shkilko, Wilfrid Laurier University**	
09h00 to 09h35	**Arbitrage Activity and Price Discovery across Spot, Futures and ETF Markets** Qingfu Liu, School of Economics, Fudan University, China. Zhongyuan Gaoy, Information Management Analytic, HSBC China. **Michael T. Chng**, Xian-Jiaotong Liverpool University, China *Discussant: Andriy Shkilko, Wilfrid Laurier University*
09h35 to 10h10	**Evaluating the VPIN as a Trigger for Single-Stock Circuit Breakers** David Abad, University of Alicante Magdalena Massot, University of the Balearic Islands **Roberto Pascual**, University of the Balearic Islands *Discussant: Ming-Hung Wu, National Sun Yat-sen University, Kaohsiung, Taiwan*
10h10 to 10h45	**Speed of Market Access and Market Quality: Evidence from the SEC Naked Access Ban** Bidisha Chakrabarty, Saint Louis University Pankaj K. Jain, University of Memphis **Andriy Shkilko**, Wilfrid Laurier University Konstantin Sokolov, Wilfrid Laurier University *Discussant: Dong Zhang, Stockholm Business School, Stockholm University*
Stream D.5 – Bond Markets **Session Chair: Timothy J. Riddiough, University of Wisconsin – Madison**	
09h00 to 09h35	**Export Market Risk and the Role of State Credit Guarantees** **Inga Heiland**, Ifo Institute - Leibniz Institute for Economic Research at the University of Munich Erdal Yalcin, CESifo and Ifo Institute - Leibniz Institute for Economic Research at the University of Munich *Discussant: Timothy J. Riddiough, University of Wisconsin – Madison*
09h35 to 10h10	**A Macro-Financial Analysis of the Corporate Bond Market** Hans Dewachter, National Bank of Belgium Leonardo Iania, Louvain School of Management Wolfgang Lemke, European Central Bank **Marco Lyrio**, Insper Institute of Education and Research *Discussant: Limin Xu, University of Adelaide*
10h10 to 10h45	**Liquidity Provision, Credit Risk and the Bond Spread: New Evidence from the Subprime Mortgage Market** Xudong An, Federal Reserve Bank of Philadelphia **Timothy J. Riddiough**, University of Wisconsin – Madison *Discussant: Inga Heiland, Leibniz Institute for Economic Research at the University of Munich*
Sessions E - 11h15 to 13h00	
Stream E.1 – Banking **Session Chair: Christina Bui, UTS Business School, University of Technology Sydney**	
11h15 to 11h50	**Households Rejecting Loan Offers from Banks** **Yiyi Bai**, Tilburg University *Discussant: Barbara L'Huillier, Prince Mohammad Bin Fahd University*
11h50 to 12h25	**The Federal Reserve Liquidity Programs and Bank Performance** **Christina Bui**, UTS Business School, University of Technology Sydney Harald Scheule, UTS Business School, University of Technology Sydney *Discussant: Yiyi Bai, Tilburg University*
12h25 to 13h00	**Does the implementation of a Net Stable Funding Ratio enhance the financial stability of the banking industry? An international study** Dawood Ashraf, Islamic Research & Training Institute **Barbara L'Huillier**, Prince Mohammad Bin Fahd University Muhammad Suhail Rizwan, National University of Sciences and Technology *Discussant: Christina Bui, UTS Business School, University of Technology Sydney*

DETAILED ACADEMIC PROGRAMME – 19th DECEMBER 2015

Stream E.2 – Ownership and Corporate Governance **Session Chair: Limin Xu, University of Adelaide**	
11h15 to 11h50	**Do All Diversified Firms Hold Less Cash? The Role of Corporate Governance and Product Market Competition** **Christina Atanasova**, Beedie School of Business, Simon Fraser University Evan Gatev, Beedie School of Business, Simon Fraser University Mingxin Li, Beedie School of Business, Simon Fraser University *Discussant: Rui Shen, Nanyang Business School, Nanyang Technological University, Singapore*
11h50 to 12h25	**Foreign Investors and the Maturity Structure of Corporate Public Debt** **Takanori Tanaka**, Faculty of Economics, Ritsumeikan University *Discussant: Marco Lyrio, Insper Institute of Education and Research*
12h25 to 13h00	**Executive Stock Ownership Guidelines and the Agency Cost of Debt** Jun-Koo Kang, Nanyang Technological University **Limin Xu**, University of Adelaide *Discussant: Takanori Tanaka, Faculty of Economics, Ritsumeikan University*
Stream E.3 – Market Microstructure **Session Chair: Sean Foley, University of Sydney**	
11h15 to 11h50	**Did the Introduction of ETPs Change the Intraday Price Dynamics of VIX Futures?** **Adrian Fernandez-Perez**, Auckland University of Technology Bart Frijns, Auckland University of Technology Alireza Tourani-Rad, Auckland University of Technology Robert I. Webb, University of Virginia *Discussant: Yubin Li, Southwestern University of Finance and Economics*
11h50 to 12h25	**Public News Arrival and Cross-Asset Correlation Breakdown** Kin-Yip Ho, Australian National University **Wai-Man Liu,** Australian National University Jing Yu, University of Western Australia Business School *Discussant: Ivan Indriawan, Auckland University of Technology*
12h25 to 13h00	**An Empirical Analysis of the Dynamic Probability of Institutional Informed Trading: Evidence from the Taiwan Futures Exchange** Wei-Che Tsai, National Sun Yat-sen University, Kaohsiung, Taiwan Pei-Shih Weng, National Dong Hwa University, Taiwan **Ming-Hung Wu**, National Sun Yat-sen University, Kaohsiung, Taiwan Miao-Ling Chen, National Sun Yat-sen University, Kaohsiung, Taiwan *Discussant: Sean Foley, University of Sydney*
Stream E.4 – Corporate Tax **Session Chair: Xiaoxiao He, City University of Hong Kong**	
11h15 to 11h50	**Determinants of Corporate Investment: Theory and Evidence on the Investment Effect of Corporate Taxes** **Ted Azarmi**, Eberhard Karls University Tuebingen Carolin E. Schmidt, Heilbronn University *Discussant: Tao Chen, Nanyang Technological University*
11h50 to 12h25	**Does Information Asymmetry Affect Corporate Tax Aggressiveness?** **Tao Chen**, Nanyang Technological University Chen Lin, University of Hong Kong *Discussant: Xiaoxiao He, City University of Hong Kong*
12h25 to 13h00	**Corporate Social Responsibility: The Myopic Barometer?** **Christo Ferreira**, Auckland University of Technology David K. Ding, Massey University Udomsak Wongchoti, Massey University *Discussant: TBA*

Stream E.5 – Mutual Funds **Session Chair: Thomas Ruf, University of New South Wales**	
11h15 to 11h50	**Family Descent as a Signal of Managerial Quality: Evidence from Mutual Funds** **Oleg Chuprinin**, University of New South Wales Denis Sosyura, University of Michigan *Discussant: Ehsan Ramezanifar, Maastricht University*
11h50 to 12h25	**Objective Misclassification and Mutual Fund Performance** Dennis Bams, Maastricht University Roger Otten, Maastricht University **Ehsan Ramezanifar**, Maastricht University *Discussant: Oleg Chuprinin, University of New South Wales*
12h25 to 13h00	**When Pessimism Doesn't Pay Off: Determinants and Implications of Stock Recalls in the Short Selling Market** Oleg Chuprinin, University of New South Wales **Thomas Ruf**, University of New South Wales *Discussant: Judy Qiu, Business School, University of Western Australia*

ABSTRACTS: SESSION A.1

Stream A.1 – Paper 1

Do Share Issue Privatizations Really Improve Firm Performance in China?

Bo Li, School of Business, Shantou University
William L. Megginson, Professor and Price Chair in Finance, University of Oklahoma
Zhe Shen, School of Management, Xiamen University
Qian Sun, Department of Finance, School of Management, Fudan University

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This paper argues that the documented post-share issue privatization (SIP) decline in profitability is not evidence per se that China's SIP program is ineffective or unsuccessful. Instead, the positive privatization effect is often outweighed by a negative listing effect. We employ a triple difference approach to separate these two effects, and examine a sample of 248 Chinese SIPs from 1999-2009 matched with otherwise comparable SOEs and privately-owned firms. We document a negative listing effect since ROS of privately-owned firms tends to decline after going public by 2.6% and their EBIT/Sales by 3.8%. After adjusting for this negative listing effect, however, we show that China's SIP program yields significantly improved profitability (ROS and EBIT/Sales), and find this result is robust to alternative specifications. Our study highlights the need to account for the listing effect in analyzing performance improvements following share issue privatizations--which have accounted for the bulk of China's listed companies and market capitalization.

Stream A.1 – Paper 2

VC political ties and IPO earnings management: Evidence from China

Qing (Sophie) Wang, School of Finance and Economics, Massey University
Hamish Anderson, School of Finance and Economics, Massey University
Jing Chi, School of Finance and Economics, Massey University

This paper empirically examines the effects of VC political ties (PTs) on earnings management (EM) of IPOs controlled by private entrepreneurs in China. We document that IPO issuers backed by VCs with ownership-level PTs are more likely to conduct opportunistic IPO-year EM, while those backed by VCs with management-level PTs are associated with lower IPO-year EM. The higher IPO-year EM in IPOs backed by VCs with ownership-level PTs is mainly driven by VC lock-up sale within six months following VC lock-up expiration, while the lower EM in IPOs backed by VCs with management-level PTs is not significantly associated with VC lock-up sale. We further provide evidence that IPOs subject to exits from VCs with ownership-level PTs have poorer post-issue stock performance, while IPOs backed by VCs with management-level PTs have better post-issue stock performance regardless of VC lock-up sale.

Stream A.1 – Paper 3

Being Good by Hiring Directors with Foreign Experiences

Jian Zhang, School of Finance, Southwestern University of Finance and Economics
Dongmin Kong, School of Finance, Zhongnan University of Economics and Law
Ji Wu, Institute for Financial & Accounting Studies (IFAS), Xiamen University

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Using a manually collected dataset on the overseas experiences of directors for Chinese listed firms, we examine effects of returnee directors on firms' corporate social responsibility engagement (CSR). Our results show that returnee directors significantly improve firms' CSR engagements. The significant positive relationship is more pronounced for firms in lower competitive industry, with high leverage ratios, with CEOs politically connected to the government, and with aged CEOs. Furthermore, we find that only returnee directors' long-term foreign experience matters, such as education and working experience, but short-term E.3visiting experience does not contribute to above findings. Finally, our results are robust after controlling for endogeneity. This paper thus offers clear policy implications by suggesting that hiring more returnees as management directors could be one efficient way to enhance firms' CSR quality, which may be of particular interest to regulators in emerging markets.

ABSTRACTS: SESSION A.2

Stream A.2 – Paper 1

Can Dividend Schedules Predict Abnormal Returns? International Evidence
Andrew Ainsworth, University of Sydney

This study presents international evidence on the dividend month premium. In the US, Hartzmark and Solomon (2013) find abnormally high returns during the months when stocks are predicted to pay a dividend. We test for this predicted dividend month premium in eleven developed markets, including the US. We find this anomalous result also exists in France, Germany, and Singapore with mixed results in other countries. Cross-country analysis reveals that tax differences do impact the performance of the anomaly, though the dividend month forecasting rule also plays a role in explaining abnormal returns.

Stream A.2 – Paper 2

Difference of Stock Return Distributions and the Cross-Section of Expected Stock Returns
Joon Chae, Seoul National University
Wonse Kim, Seoul National University
Eun Jung Lee, Hanyang University

We investigate the significance of difference of distributions (DD) over time in the cross-sectional pricing of stocks. Our estimate of DD, based upon the Earth Mover's Distance or the Wasserstein metric, measures the difference of empirical distributions of a firm's present stock return and those of its own past return. We find that stocks with higher DD exhibit higher returns on average, and the difference between returns on the portfolios with the highest and lowest DD is significantly positive. Moreover, the results from firm-level cross-sectional regressions show strong corroborating evidence for an economically and statistically significant positive relation between the DD and the expected stock returns. This positive relation persists after controlling for size, book-to-market, momentum, short-term reversals, liquidity, idiosyncratic volatility, skewness, kurtosis, and maximum return of the firm.

Stream A.2 – Paper 3

Do Short Sellers Exploit Industry Information?
Zsuzsa R. Huszár, NUS Business School, National University of Singapore
Ruth S. K. Tan, NUS Business School, National University of Singapore
Weina Zhang, NUS Business School, National University of Singapore

While besides firm information, macroeconomic and industry information is also relevant to asset prices, there are limited public industry indicators. In this study, we introduce a new industry information proxy based on short sellers' preferences and show that short sellers efficiently exploit firm specific information in conjunction with industry information. In industries with the highest short sales, the most shorted stock portfolios earn abnormal returns of -2.91% over the six-month horizon. However, in industries with low short sales, highly shorted stocks do not earn any negative abnormal returns in the six month horizon. Our results also show that short sellers are primarily positioned in complex and changing industries where their superior information processing skills are more likely to generate higher profits.

ABSTRACTS: SESSION A.3

Stream A.3 – Paper 1

Financial crime "hot spots" – Empirical evidence from the foreign exchange market

Florian El Mouaaouy, Ludwig-Maximilians-Universität München

Using a natural experiment, we investigate the effects of collusive benchmark manipulation on foreign exchange (FX) trading and market behavior. Specifically, traders illegally coordinated trading strategies in order to obtain informational advantage and influence FX fixings around the London close. We construct three manipulation measures which are drawn on an approach to indicating the probability and intensity of potential misconduct. We find anomalies and abnormal rate cluster behavior in prosecuted FX fixings. The findings contribute to the understanding of irregularities in FX data and provide a simple, practical, and useful approach to study other financial benchmarks, markets and time periods from a regulatory perspective.

Stream A.3 – Paper 2

Management Forecast Disaggregation and the Legal Environment: International Evidence

Jeff Ng, Chinese University of Hong Kong
Albert Tsang, Chinese University of Hong Kong
Oktay Urcan, University of Illinois at Urbana-Champaign

This study examines the impact of legal environment on incidence, extent, and informativeness of management forecast disaggregation (i.e., management forecasts containing projections of multiple key accounting performance measures) around the world and provides evidence on how incidence and informativeness of distinct forecasted performance measures vary with the investor protection in a country. Using a comprehensive dataset hand-collected from the original text of management forecasts from 30 countries, we find that managers are less (more) inclined to issue disaggregated forecasts and forecasts containing projections of future sales and performance measures reported on the upper part of the income statement in countries with a stronger (weaker) legal environment, even though such forecasts are (are not) perceived to be more informative by investors in these countries. Overall, our results suggest that while disaggregated forecasts and the choice of forecasted performance measures can significantly enhance the perceived credibility and informativeness of management forecasts, the resulting outcome and the incentives for issuing such forecasts are affected by both the costs and benefits associated with voluntary disclosure in different legal environments.

Stream A.3 – Paper 3

Migrate or Not? The Effects of Regulation SHO on Options Trading Activities

Yubin Li, Southwestern University of Finance and Economics
Chen Zhao, Southwestern University of Finance and Economics
Zhaodong (Ken) Zhong, Rutgers Business School, Rutgers University

In this study, we investigate the effects of stock short-sale constraints on options trading by exploiting two U.S. Securities and Exchange Commission (SEC) rule changes under Regulation SHO: Rule 203 (locate and close-out requirements) and Rule 202T (temporary removal of short-sale price tests). We find that stock short selling activities decrease (increase) significantly after Rule 203 (Rule 202T) implementation, supporting the validity of Rule 203 (Rule 202T) as an exogenous increase (decrease) in short-sale constraints. Options volume increases significantly after Rule 203 went into effect and the result is more pronounced among firms with lower levels of institutional ownership and smaller options bid-ask spreads. Therefore, the evidence from Rule 203 suggests that investors may use options as substitutes for stock short sales when short selling is less feasible or more costly due to the locate and delivery requirements. In contrast, we find no significant change in the options trading volume of pilot stocks during the pilot program of Rule 202T. Overall, our results indicate that the impact of short-sale constraints on options trading varies with the types of constraints affected.

ABSTRACTS: SESSION A.4

Stream A.4 – Paper 1

Impact of truncation on model-free implied moment estimator

Geul Lee, School of Banking and Finance, University of New South Wales
Li Yang, School of Banking and Finance, University of New South Wales

This study examines the impact of truncation, i.e., the unavailability of extremely deep-out-of-the-money option prices, on the model-free implied moment estimators of Bakshi et al. (2003) and suggests how truncation should be controlled for implied higher moment estimation. We show that truncation has a significantly larger impact on the implied skewness and kurtosis estimators than on the implied volatility estimator and that the impact is not completely removed by the linear extrapolation method of Jiang and Tian (2005) or the domain symmetrization method of Dennis and Mayhew (2002). As an alternative method, we suggest domain stabilization, which makes the truncation error less volatile.

Stream A.4 – Paper 2

The price of Asymmetric Dependence: Evidence from Australian equities

Jamie Alcock, University of Sydney Business School
Petra Andrlikova, University of Sydney Business School
Anthony Hatherley, University of Sydney Business School

We find strong evidence of asymmetric dependence within the returns of Australian listed equities. This asymmetric dependence is priced in the cross-section of stock returns independently of linear market risk (β). With state-dependent correlations and state-dependent investor preferences, lower tail dependence attracts a premium with upper tail dependence yielding a discount. In our sample, asymmetric dependence is associated with 3% excess return compared to 4.5% for market β.

Stream A.4 – Paper 3

Market Excess Returns, Variance and the Third Cumulant

Eric C. Chang, Faculty of Business and Economics, University of Hong Kong
Jin E. Zhang, Department of Accountancy and Finance, Otago Business School, University of Otago
Huimin Zhao, Sun Yat-Sen Business School, Sun Yat-Sen University

In this paper, we develop an equilibrium asset pricing model for market excess returns, variance and the third cumulant by using a jump-diffusion process with stochastic variance and jump intensity in Cox, Ingersoll and Ross' (1985) production economy. Empirical evidence with the S&P 500 index and options from January 1996 to December 2005 strongly supports our model prediction that the lower the third cumulant, the higher the market excess returns. Consistent with existing literature, the theoretical mean-variance relation is supported only by regressions on risk-neutral variance. We further demonstrate empirically that the third cumulant explains significantly the variance risk premium.

ABSTRACTS: SESSION A.5

Stream A.5 – Paper 1

The Equity-Financing Channel, the Catering Channel, and Corporate Investment: International Evidence

Yuanto Kusnadi, Singapore Management University
K.C. John Wei, Hong Kong University of Science and Technology

We examine how stock market mispricing affects corporate investment in an international setting. We find that investment is more sensitive to stock prices for equity-dependent firms than for non-equity-dependent firms in our international sample. Investment is also more sensitive to stock prices for firms located in countries with more developed capital markets (i.e., lower costs of raising capital), higher share turnover (i.e., shorter shareholder horizons), and higher R&D intensity (i.e., more opaque assets). More importantly, the positive relation between equity dependence and the sensitivity of investment to stock prices is more pronounced for firms located in these same countries. These findings are consistent with the equity-financing hypothesis and the catering hypothesis on corporate investment proposed by Baker, Stein, and Wurgler (2003) and Polk and Sapienza (2009), respectively.

Stream A.5 – Paper 2

The Value of Crowdsourced Earnings Forecasts

Russell Jame, University of Kentucky
Rick Johnston, University of Alabama at Birmingham
Stanimir Markov, Southern Methodist University
Michael Wolfe, Virginia Tech

Crowdsourcing — when a task normally performed by employees is outsourced to a large network of people via an open call — is making inroads into the investment research industry. We shed light on this new phenomenon by examining the value of crowdsourced earnings forecasts. Our sample includes 51,012 forecasts provided by Estimize, an open platform that solicits and reports forecasts from over 3,000 contributors. We find that Estimize forecasts are incrementally useful in forecasting earnings and measuring the market's expectations of earnings. Our results are stronger when the number of Estimize contributors is larger, consistent with the benefits of crowdsourcing increasing with the size of the crowd. Finally, Estimize consensus revisions generate significant two-day size-adjusted returns. The combined evidence suggests that crowdsourced forecasts are a useful, supplementary source of information in capital markets.

Stream A.5 – Paper 3

The Dark Side of News Coverage: Evidence from Corporate Innovation

Rui Shen, Nanyang Business School, Nanyang Technological University, Singapore
Lili Dai, ANU College of Business and Economics, Australian National University
Bohui Zhang, Australian School of Business, University of New South Wales

We examine the effect of media coverage on firm innovation. Using a comprehensive dataset of corporate news coverage from 2001 to 2012, we show that there is a negative relation between media coverage and firm innovation. Our identification tests suggest that the effect of media coverage on innovation is causal. We further find supports for several economic mechanisms underlying the negative innovation effect of news coverage, with regard to, meeting or beating analyst earnings forecasts, operating efficiency, exposure to high technology, and equity-based compensation. Our findings provide new insights on the real effect of news coverage.

ABSTRACTS: SESSION B.1

Stream B.1 – Paper 1

Shareholder Wealth Effects of M&A Withdrawals
Yue Liu, University of Edinburgh Business

I investigate the wealth effect around the announcements of the withdrawal of a merger or acquisition and the factors that have impact on such wealth effect. I report that, on average, the market reacts positively to the withdrawal of a deal. My results show that the acquiring firm's withdrawal cumulative abnormal return is negatively related to the announcement cumulative abnormal return. I also find that acquiring firm termination fee provisions are positively associated with the acquiring firm's withdrawal cumulative abnormal return, suggesting that such provisions play an important role in protecting acquiring shareholders' interests in the event of a deal withdrawal. My results also show that target firm termination fee provisions are negatively associated with the acquiring firm's withdrawal cumulative abnormal return, which support the efficiency hypothesis and the theory of managerial discretion.

Stream B.1 – Paper 2

Dividend Changes and Future Profitability: The role of earnings volatility
Yirong Guo, University of Saskatchewan
Min Maung, University of Saskatchewan
Craig Wilson, University of Saskatchewan

We investigate whether dividend changes signal changes in a firm's future profitability by also considering the firm's earnings volatility. In general, we find a positive relation between dividend increases and future earnings, so dividend increases tend to signal positive changes in future earnings. However, this positive relation is strongly affected by the firm's earnings volatility, such that higher earnings volatility reduces the positive effect of dividend increases on future earnings. Specifically, for firms with high earnings volatility, dividend increases signal a reduction in future earnings volatility instead of an increase in future earnings. On the other hand, we do not find corresponding results for dividend decreases. Our findings have three main implications: 1) The traditional dividend signalling theory is valid. 2) The effect of signalling depends on a firm's earnings volatility. 3) For high-volatility firms, positive dividend changes signal earnings volatility reductions rather than earnings increases.

Stream B.1 – Paper 3

Employee Relationship and Earnings Management
Jian Zhang, Southwestern University of Finance and Economics

This paper examines the association between a firm's relationship with its employees and the extent of earnings management. We find that firms with friendly employee relationship (as measured by the Employee Relations Index) have more earnings management, particularly in the form of income-decreasing earnings management. Further analysis shows that cash profit sharing is the most important component in the Employee Relations Index in determining our results since managers tend to manipulate earnings downward to reduce cash payouts to employees that may be tied to earnings targets. The positive association is more evident when the firm is R&D intensive, when the firm is high-tech industries, and when the firm is in competitive industries. Our findings are robust to a variety of model specifications and endogeneity problems.

ABSTRACTS: SESSION B.2

Stream B.2 – Paper 1

High-frequency trading and execution costs

Amy Kwan, University of Sydney
Richard Philip, University of Sydney

We examine whether high-frequency traders (HFT) increase the transaction costs of slower institutional and retail traders (non-HFT). Using a differences-in-differences test around the introduction of a new data feed that decreases HFT latencies, we find that non-HFT limit order trading costs increase relative to the costs for HFT. We attribute the increase in non-HFT execution costs to more predatory HFT. After the reduction in trading latencies, we show that HFT are more successful at trading ahead of non-HFT limit orders. The execution probability of non-HFT limit orders falls, thereby increasing the costs of their limit order strategies.

Stream B.2 – Paper 2

The impact of fragmentation, exchange fees and liquidity provision on market quality

Michael Aitken, Australian School of Business, University of NSW
Haoming Chen, Australian School of Business, University of NSW
Sean Foley, Finance Discipline, Faculty of Business, University of Sydney

We analyse the impact of two major financial frictions on market quality in a high-frequency environment: fragmentation and exchange fees. We find that fragmentation significantly improves liquidity, with greater benefits observed with higher entrant market share. The entrant market significantly reduces quoted spreads for stocks that are least constrained by the minimum tick size, whilst constrained stocks experience significant increases in depth. These changes are driven by the entry of fee-sensitive electronic liquidity providers (ELPs). Consistent with theoretical predictions, we find that reductions in exchange trading fees are passed through to the market. However, the main benefit to liquidity is driven by the entry of new ELPs who are able to benefit from cross-venue market making strategies.

Stream B.2 – Paper 3

Do exchange-contracted market makers improve market quality for liquid stocks?

Dong Zhang, Stockholm Business School, Stockholm University

This paper studies the market impacts of contracted liquidity providers by investigating the event in which NASDAQ OMX Stockholm (NOMX) introduced a liquidity provider scheme for OMXS30 constituent stocks, which are the most actively traded stocks on NOMX, in 2012. The liquidity provider scheme reduces transaction fees for registered market members if they fulfil the liquidity supplying requirement specified by the scheme. The results suggest that, on NOMX, OMXS30 stocks became more liquid after the scheme's introduction. The liquidity improvement on NOMX was not accompanied by a lower liquidity level on Chi-X, the major alternative trading venue for OMXS30 stocks. The results do not support the view that liquidity migrated to NOMX from the alternative market after the introduction of the liquidity provider scheme. The order processing cost decreased after the scheme's introduction, implying that qualified market makers have benefited from a cost reduction from the scheme and charge less compensation for supplying liquidity than before. Liquidity consumers' costs have reduced accordingly. This result implies a welfare transfer from the exchange to investors. The adverse selection cost on NOMX also fell after the introduction of the liquidity provider scheme.

ABSTRACTS: SESSION B.3

Stream B.3 – Paper 1

Effectiveness of linear extrapolation in model-free implied moment estimation

Geul Lee, School of Banking and Finance, University of New South Wales

This study shows that the sensitivity of the implied moment estimators of Bakshi et al. (2003) to a marginal change in option price availability can be formulated, regardless of whether the linear extrapolation (LE) method of Jiang and Tian (2005) is applied. Using S&P 500 index options data and sensitivity functions for the cases with and without LE applied, this study then investigates how effectively LE makes the implied moment estimators less sensitive to option price unavailability. The empirical results suggest that LE is effective for all three estimators, although the implied skewness and kurtosis estimators remain sensitive even with LE applied.

Stream B.3 – Paper 2

The Effect of Option Transaction Costs on Informed Trading in the Option Market around Earnings Announcements

Suresh Govindaraj, Rutgers University
Yubin Li, Southwestern University of Finance and Economics
Chen Zhao, Southwestern University of Finance and Economics

We investigate the effect of transaction costs related to trading options on the directional and volatility informed trading in the option market. We find that both forms of informed trading are significantly stronger among firms with lower option bid-ask spread. Importantly, the effect of transaction costs is significant around earnings announcements, but not significant (on average) around randomly chosen dates with no events of consequence. This suggests that transaction costs play a particularly important role during information intensive periods. Trading strategies based on directional informed trading and option transaction costs earn monthly abnormal returns of 1.39% to 1.91%.

Stream B.3 – Paper 3

How Informed Are Hedge Fund Option Strategies?

Kenny Siaw, Australian School of Business, University of New South Wales

We employ a comprehensive disclosure set of hedge fund option strategies and examine their performances. Our study outcome offers no affirmation of hedge fund speculation skills. A liquid quarterly tracking portfolio of options earns significant negative returns ranging between -1:59% and -0:89% per month. These results are robust against assumptions on option's moneyness, time-to-maturity, performance evaluation methodologies, and stock characteristics. We also reveal that there is little performance differential between hedge funds and other institutional investors. Taken together, our results do not support the existing views on hedge funds are skilled in using options to speculate.

ABSTRACTS: SESSION B.4

Stream B.4 – Paper 1

Using Alpha to Generate Alpha

Peter Bossaerts, University of Utah
Wenhoa Yang, University of Utah

We test whether the alpha of an investment relative to one's existing portfolio can be used to improve out-of-sample performance (Sharpe ratio; Four-factor alpha). For the period 2000-2014, we confirm this for the Vanguard S&P 500 Index Fund and the Growth and Small Index Fund, which we extend by adding various Exchange Traded Funds. If one considers that our baseline funds may be proxies of the market portfolio, our results indirectly demonstrate that prices do not adjust (fast enough) to make those proxies mean-variance optimal, and hence, for the Capital Asset Pricing Model (CAPM) to emerge. Our findings also provide a foundation for recent studies that claim to be able to extract, from asset flows, the portfolio that investors use as benchmark.

Stream B.4 – Paper 2

Assessing Hedge Fund Mortality with Characterized Returns and Risks

Judy Qiu, Business School, University of Western Australia
Leilei Tang, Business School, University of Strathclyde, UK
Ingo Walter, Stern School of Business, New York University, US

The empirical characteristics and practical problems of hedge fund returns, such as nonnomality, serial correlation, misreporting and return smoothing practice, render financial models based on traditional mean-variance framework empirically weaker. In this paper, we apply orthogonal polynomial approximation (OPA) approach to identify risk-return measures which are used as explanatory variables to investigate their impacts on the mortality risk of hedge funds. We compare our approach with approaches based on higher return moments and expected shortfall in terms of predictive power for the probability of hedge fund mortality. Our results demonstrate that OPA approach has a greater predictive power than approaches used in previous research.

Stream B.4 – Paper 3

Better Kept in the Dark? Portfolio Disclosure and Agency Problems in Mutual Funds

Teodor Dyakov, VU University Amsterdam
Jarrad Harford, University of Washington
Buhui Qiu, University of Sydney Business School

We study the effects of a mandated increase in disclosure in a setting where managerial responses are particularly observable: mutual funds. We conjecture that mandating portfolio disclosure can harm some mutual fund investors. Portfolio disclosure imposes skill re-assessment risks on fund managers which in turn translate into agency costs to investors, especially for funds characterized with high levels of ex-ante managerial skill uncertainty. Using a regulatory change that mandated more frequent portfolio disclosure as a natural experiment, we show that funds with high levels of ex-ante managerial skill uncertainty responded to the regulatory change with an increase in management fees and a decrease in risk taking behaviour, relative to funds with low levels of ex-ante managerial skill uncertainty. These actions ultimately get transmitted to fund investors in the form of inferior net performance. Our findings shed new light on the costs of disclosure, as well as providing evidence on disclosure, agency, and governance issues of the investment management industry.

ABSTRACTS: SESSION B.5

Stream B.5 – Paper 1

A Rose by Any Other Name? Top Managers' Given-Name Popularity and Firm Growth Preferences

Tao Chen, Nanyang Technological University
Wei Shi, Rice University

This paper examines the relationship between top managers' given-name popularity and firm growth preferences. External growth through acquisitions and internal growth through research and development (R&D) investments offer two channels for firms to achieve growth goals. Because others may have perceived and treated top managers with popular given names favourably in their early lives, they may have developed a strong sense of control and positive beliefs in their own abilities. As top managers with strong senses of control and positive self-beliefs are more prone to engage in quantum, large-stake investments (i.e., acquisitions) and less prone to allocate their attention and firm resources to incremental investments (i.e., R&D investments and new product introductions), firms with a high percentage of top managers with popular given names will exhibit a stronger preference for acquisitions over R&D investments in pursuing firm growth. Using a sample of S&P 1500 firms, we find supporting evidence that firms with a large percentage of top managers with popular given names are positively associated with the number of acquisitions and the transaction value of acquisitions, but are negatively associated with R&D investments and the number of new product announcements. Our findings are robust to various robustness checks and endogeneity concerns.

Stream B.5 – Paper 2

When Heirs Become Major Shareholders: Evidence on Tunnelling and Succession through Related-Party Transactions

Sunwoo Hwang, Kenan-Flagler Business School, University of North Carolina
Woochan Kim, Korea University Business School

In family firms, the succession of controlling equity stake to next generation is an issue of paramount importance. This, however, can be a major challenge in the presence of heavy inheritance or gift tax burden (high tax rate and absence of tax-saving vehicles, such as trusts or foundations) and in the absence of dual-class equity. Such regulatory environment may lead families to seek alternative ways of succession. As for families controlling business groups, one way of doing so is making use of related-party transactions among member firms. By favouring firms where the heir holds significant equity stake, the family can tunnel corporate resources to the heir. Eventually, the firm can grow large enough to acquire controlling equity stakes in other firms within the group. In this paper, we investigate this possibility using Korean chaebol firms during a sample period of 2000-2009. We identify firms where heirs become a major shareholder (treatment group) and compare them against their year-industry-size-matched firms (control group) before and after the ownership change. Difference-in-differences test with firm fixed effects reveal that treatment group firms experience greater related-party transactions, benefit from them in terms of earnings, pay out more dividends, and become more important in controlling other firms in the group.

Stream B.5 – Paper 3

Spillover Effects of SEO Announcements in Institutional Blockholding Networks

Jun-Koo Kang, Nanyang Technological University
Juan Luo, University of Adelaide

We examine whether a firm's equity financing decision (SEO) affects the value of non-SEO firms that share its largest institutional blockholder. We find that non-SEO firms experience negative returns around other portfolio firms' SEO announcements. This spillover effect is more pronounced when issuers and non-issuers have high information asymmetry, are overvalued prior to SEOs, or share similar firm characteristics. The effect is also more evident when non-issuers plan to issue equity or when issuers engage in market timing. These results suggest that institutional blockholding network increases investors' adverse selection concerns for issuers as well as non-issuers in the same portfolio.

ABSTRACTS: SESSION C.1

Stream C.1 – Paper 1

Executive Retention and Accelerated Option Vesting

Torsten Jochem, University of Amsterdam
Tomislav Ladika, University of Amsterdam
Zacharias Sautner, Frankfurt School of Finance & Management

We document that firms can effectively retain executives by granting deferred equity pay. We show this by analyzing a unique regulatory change (FAS 123-R) that prompted 767 firms to suddenly eliminate stock option vesting periods. This allowed CEOs to keep an additional $1.5 million in equity when departing the firm, and we find that voluntary CEO departure rates subsequently rose from 6% to 19%. Our identification strategy exploits FAS 123-R's almost-random timing, which was staggered by firms' fiscal year ends. Firms that experienced departures suffered negative stock price reactions, and responded by increasing compensation for remaining and newly hired executives.

Stream C.1 – Paper 2

Executive Compensation: When a Firm is a Business Group Member

Hyungseok Kim, Korea Corporate Governance Service.
Woochan Kim, Korea University Business School

This paper examines how executive pay is set when a firm is a business group member. Using Korea as a laboratory setting, we find that member firm’s cash compensation for its executives is positively linked to the stock performance of other member firms as well as its own. Further analyses reveal that this positive link to other members’ stock performance is consistent with the hypothesis of corporate resources being tunnelled from one member to another for the benefit of the controlling family. We find that this link is stronger to the stock performance of others that are more likely to benefit from tunnelling (firms in which the controlling family has cash flow rights greater than those of the subject firm) and stronger in firms that are more likely to suffer from tunnelling (firms in which the controlling family has control-ownership disparity above the sample median).

Stream C.1 – Paper 3

Reading the tea leaves: Model uncertainty, robust forecasts, and the autocorrelation of analysts' forecast errors

Juhani Linnainmaa, University of Chicago Booth School of Business and NBER
Walter Torous, MIT
James Yae, University of Houston

We put forward a model in which analysts are uncertain about a firm's earnings process. Faced with the possibility of using a misspecified model, analysts issue forecasts that are robust to model misspecification. We estimate that this mechanism explains approximately 60% of the autocorrelation in analysts' forecast errors. The remainder stems from the cross-sectional variation in mean forecast errors and in analysts' estimation errors of the persistence of earnings growth shocks. Consistent with our model, we find that analysts learn about some features of the earnings process but not others, and this learning reduces, but does not eliminate, the auto-correlation of forecast errors as firms age. Other potential explanations for the autocorrelation of analyst's forecast errors are rejected. Our model of robust forecasting applies not only to analysts' forecasts but to all model-based forecasts.

ABSTRACTS: SESSION C.2

Stream C.2 – Paper 1

Trading Cost Decomposition during FOMC Announcements

Bart Frijns, Auckland University of Technology
Ivan Indriawan, Auckland University of Technology
Yoichi Otsubo, Manchester Business School
Alireza Tourani-Rad, Auckland University of Technology

This study investigates the behavior of bid-ask spread components around the Federal Open Market Committee (FOMC) meetings for Canadian stocks traded in Canada and in the U.S. We find that for the Canadian market, information asymmetry component increases significantly during Fed Funds Rate announcements, indicating an increase in differential interpretations as to how the news would affect firms' performance. The order persistence components, on the other hand, increases significantly in the U.S., indicating a faster consensus among U.S. market participants with regard to the interpretation of news, and trades occurring in the same direction. Overall, our results suggest that the U.S. market has better information processing capacity than its Canadian counterpart, and are consistent with the literature on the informational bene.t of stock cross-listing.

Stream C.2 – Paper 2

Why Do Dealers Buy High and Sell Low? An Analysis of Persistent Crossing in Extremely Segmented Markets

Vladimir Atanasov, College of William and Mary
John J. Merrick, Jr., College of William and Mary
Philipp Schuster, Karlsruhe Institute of Technology

Impediments to aggregating small positions in combination with investor suitability rules disproportionately affect retail-sized trading and cause persistent "crossing" of the agency MBS market. Retail buyers obtain 3%-8% lower prices than institutional sellers. 83% of small buy trades in the MBS market are crossed versus less than 1.5% of small buy trades in the corporate bond and agency debenture markets. We validate these unique MBS findings through out-of-sample real money purchases at an average discount of 8% relative to institutional sell prices. We develop a model showing that classic bond market frictions cannot produce such pricing patterns.

Stream C.2 – Paper 3

Who Moves first? Price Discovery by Institutional and Retail Investors.

Zheng Wu, University of Sydney Business School
P. Joakim Westerholm, University of Sydney Business School
Shumi Akhtar, University of Sydney Business School

This paper uses a data set of 77 million trades from Finland during the period 2003 to 2009 to provide new market wide evidence on which investor category of foreign institutional or domestic retail investors contributes most to price discovery. We find the price discovery process is dominated by foreign institutional investors in our data set. Regression models are estimated to provide additional evidence as to which key determinants (including trading volume, effective spread, cross listing, capital expenditure and leverage) explain the informational contribution of foreign institutions to price discovery. Results from both buys and sells confirm that trading volume is the key factor that explains the information contribution of foreign institutions to price discovery. There is an inverse relation between trading volume and the information contribution to price discovery for buys, while volume is positively related to price discovery in sells. The outcomes of this paper contributes to our understanding of the systematic trading patterns and preferences of foreign institutional traders, and the role they play as counterparties to domestic retail traders during price discovery process in the intra-day space.

ABSTRACTS: SESSION C.3

Stream C.3 – Paper 1

Multi-market Trading and Liquidity: Evidence from Cross-listed Companies

Christina Atanasova, Beedie School of Business, Simon Fraser University
Evan Gatev, Beedie School of Business, Simon Fraser University
Mingxin Li, Beedie School of Business, Simon Fraser University

We examine the relationship between cross-listed stock-pair price differentials and their liquidity for a large sample of international firms whose shares are traded both in their home market and on a U.S. stock exchange through either an American Depository Receipt (ADR) or ordinary shares programs. Using a sample of 650 firms from 18 countries for the period 2 January 1997 to 29 December 2012, we exploit the decimalization (the change in the minimum tick size) as a quasi-natural experiment and find that higher liquidity is associated with lower ADR (ordinaries) premium. Also we document a positive relationship between liquidity and price discovery as well as a liquidity effect on the price convergence between the ADR and the underlying stock. We identify two possible mechanisms through which liquidity affects price convergence: institutional trading and stock's holding costs. The results are consistent with the notion that institutional trading lessens deviations from parity whereas holding costs impede arbitrage.

Stream C.3 – Paper 2

"Other People's Money": Mum and Dad Investors vs the Professionals

Wei Lu, UNSW Business School, University of New South Wales
Peter L. Swan, UNSW Business School, University of New South Wales
Joakim Westerholm, University of Sydney Business School

We utilize seventeen years of comprehensive daily portfolio and trading data identified at the level of every Mum and Dad investor to analyze the relative trading performance of the population of Finnish households making their own decisions, all domestic financial institutions, and the global population of foreign delegated institutions investing other people's money. We utilize a new methodology we dub the "holding-period-invariant" (HPI) portfolio approach. The conventional calendar-time portfolio approach imposes a heroic assumption that all investors mechanically realize (i.e., trade) their portfolio at specified intervals corresponding to an assumed horizon. By contrast, our methodology is free of such bias and allows for the endogenous nature of investment timing decisions made by numerous informed households. Adopting a random informationless trading benchmark, we find that the households who choose to trade for themselves are economically and statistically superior traders, achieving an impressive internal rate of return of 42.84% p.a., or 0.0288% of traded value, with foreign institutions, is consistent with the predictions of Hayek (1945). Our finding is contrary to some of the existing empirical literature on Mum and Dad investors derived from calendar-time portfolios. We also show that utility maximizing household and domestic institutional trading can be explained by their receipt of a daily private signal of fundamental value derived from the entire past history of informed trades and prices, statistically rejecting the nested noisy partially revealing rational expectations equilibrium hypothesis.

Heterogeneity of institutional ownership and stock price delay

Jiun-Lin Chen, University of Adelaide
Shih-Cheng Lee, Yuan-Ze University
Ping-Wen Sun, Jiangxi University of Finance and Economics

While the competition among institutional investors helps share price efficiently reflect information, information asymmetry and adverse selection resulting from their information advantage also hinder the information dissemination to share price. This study examines how heterogeneous institutional ownership affects stock price delay. Our first result shows higher total institutional ownership and number of institutions reduce price delay. We further classify institution types from stock's perspective (top 5 and year-long) and institution's perspective (low churn rate, high churn rate, concentrated, skilled, and independent). After controlling the total institutional ownership, investor attention, and firm characteristic variables, we find ownership from top 5 and low churn rate institutions helps lower price delay while high churn rate, concentrated, and skilled institutional ownership increases the delay. Moreover, the price delay components related to concentrated and skilled institutions are positively associated with expected stock returns. Our results suggest top 5 and low churn rate institutions actively monitor firms and reduce price delay, while other types of institutions utilize their information advantage, potentially hindering uninformed investors' trading and resulting in delayed price adjustment to information.

ABSTRACTS: SESSION C.4

Stream C.4 – Paper 1

Is momentum in currency markets driven by global economic risk?

Klaus Grobys, University of Vaasa
Jari-Pekka Heinonen, University of Vaasa

This article documents a robust link between the returns of the momentum anomaly implemented in currency markets and global economic risk, measured by the currency return dispersion (RD). We find the spread of the zero-cost momentum strategy to be significantly larger in high RD states compared to low RD states. The relation between momentum payoffs and global economic risk appears to increase linearly in risk. Notably, the results provide strong evidence that the same global economic risk component is present in equity markets.

Stream C.4 – Paper 2

Momentum and Market Correlation

Ihsan Badshah, Department of Finance, Business School, Auckland University of Technology
James W. Kolari, Department of Finance, Texas A&M University
Sang-Ook Shin, Department of Finance, Texas A&M University

This paper proposes that an important source of momentum profits is market risk associated with correlation to general market movements. Empirical tests for U.S. stocks in the sample period 1965 to 2013 indicate that most momentum profits can be attributed to the correlation of big- and medium-capitalization stocks with the CRSP market index. Further results show that small loser stocks have low correlation to the market and post-formation return reversal, small losers can be added to long winner portfolios to enhance profits, and momentum crashes can be reduced by suspending portfolio formation in bear markets. We conclude that momentum profits are related to market correlation and therefore not entirely anomalous as commonly believed.

Stream C.4 – Paper 3

Momentum and Downside Risk

Byoung-Kyu Min, University of Sydney

We examine whether time-variation in the profitability of momentum strategies is related to variation in macroeconomic conditions. We find reliable evidence that the momentum strategy exposes investors to greater downside risk. Momentum strategies deliver economically large and statistically reliable negative profits in bad economic states when the expected market risk premium is high, whereas positive profits in good economic states when the expected market risk premium is low. Our results are robust to alternative constructions of momentum portfolios, out-of-sample estimation of the expected market risk premium, and after controlling for the January effect, lagged market return, and investor sentiment.

ABSTRACTS: SESSION C.5

Stream C.5 – Paper 1

Transitory Price Impact, Resiliency and the cross-section of Stock Returns

Yongsik Kim, Korea Advanced Institute of Science and Technology
Jinyong Kim, Korea Advanced Institute of Science and Technology

This paper investigates whether resiliency plays an important role for the determinants of the cross-sectional stock returns. We define resiliency as the speed of price recovery from prior transitory price impacts. By using Beveridge-Nelson decomposition and the spectral function analysis in frequency domain, we figure out the level of resiliency for individual stock. Our main finding is that a zero-investment portfolio that long in low resiliency stock and short in high resiliency stocks earns a statistically and economically significant abnormal return. Furthermore, we find that the effect of our resiliency measure on the expected stock returns is complementary to those of existing illiquidity measure suggested in Roll (1984) and Amihud (2002).

Stream C.5 – Paper 2

The Forecast Dispersion Anomaly Revisited: Intertemporal Forecast Dispersion and the Cross-Section of Stock Returns

Dongcheol Kim, Rutgers Business School and Korea University Business School
Haejung Na, Korea University Business School

Previous studies use cross-sectional forecast dispersion in examining the relation between forecast dispersion and future stock returns and report an anomalous negative dispersion-return relation. This paper examines how intertemporal (or time-series mean) forecast dispersion is distinct in the relation to stock returns from the negative dispersion-return relation. We find that contrary to the standard analyst dispersion effect, there is a strong positive relation between intertemporal forecast dispersion and stock returns. We also find that intertemporal forecast dispersion apparently contains systematic risk components and that such risk is priced in stock returns.

Stream C.5 – Paper 3

The Profitability Premium: Macroeconomic Risks or Expectation Errors?

F.Y. Eric C. Lam, Hong Kong Baptist University
Shujing Wang, Hong Kong University of Science and Technology
K.C. John Wei, Hong Kong University of Science and Technology

Macroeconomic risks only partially capture the profitability premium, while adding a misvaluation factor based on investor sentiment helps explain a substantial amount of it. The profitability premium mainly exists in firms whose market valuations are inconsistent with their profitability and therefore subject to ex-ante expectation errors during high sentiment periods. Direct evidence shows that firms with high profitability but low market valuation have significantly higher abnormal earnings announcement returns, analyst earnings forecast errors and forecast revisions than firms with low profitability but high market valuation. Return decomposition further confirms that the profitability premium is driven by the unexpected cash-flow component.

ABSTRACTS: SESSION D.1

Stream D.1 – Paper 1

Signing Bonus, Managerial Ability, and Corporate Performance

Rui Zhu, City University of Hong Kong
Xiaoxiao He, City University of Hong Kong

This paper uses hand-collected data to study CEO's cash signing bonus among listed U.S. firms. Empirical findings suggest that issuing cash signing bonus is not driven by free cash ow problem or by firm's idiosyncratic risk. Instead, CEOs who receive cash signing bonus are less likely to be over-compensated, supporting the Ex Post Settlement mechanism. Moreover, our results suggests that company uses cash signing bonus to attract talent CEO who enhances subsequent corporate performance.

Stream D.1 – Paper 2

The Curse of Returnee CEOs

Tinghua Duan, University of Edinburgh
Wenxuan Hou, University of Edinburgh

This paper studies the impact of appointing returnees as CEOs on the performance of Chinese listed firms. Although there is a consensus on the benefits of international experience in the literature, we show that the appointment of returnee CEOs is associated with inferior performance, less positive market reactions and a higher incidence of regulatory enforcement actions, after controlling for selection bias. We argue that CEOs' international expertise is acquired at the opportunity cost of local social resources such as political connections and network ties, which are critical in transition economies with weak legal institutions. As we predict, the negative effect of returnee CEOs on performance is driven by these who stayed abroad longer and the effect disappears when social resources are in place or their international expertise is in demand.

Stream D.1 – Paper 3

Does CEO Optimism affect Pay?

Maria Strydom, Monash University

This study investigates the association between CEO optimism and both the level and structure of CEO pay. The study is motivated by the limited literature in the area of optimism as a behavioural trait of CEOs, and provides the first evidence on the effect of CEO share ownership on the relationship between optimism and pay. Using a sample of US firms from 1992 to 2012 that have not changed their CEO, optimism is found to be negatively associated with cash bonus and positively associated with the proportion of incentives in compensation contracts. Changes in optimism are negatively associated with changes in compensation, and positively associated with changes in the proportion of incentive-based pay. Share ownership positively affects the association between optimism and the proportion of bonus received by CEOs. These findings have important implications for shareholders and regulators, assisting in analysing the appropriateness of CEOs compensation contracts and regulatory developments.

ABSTRACTS: SESSION D.2

Stream D.2 – Paper 1

Slow Capital Movement and Asset Prizing Puzzles
Sergey Isaenko, Concordia University

We consider an economy where investors trade the stock market to which they can allocate only with delays. We find a linear equilibrium in this economy and calibrate the slow capital movement by using a typical portfolio turnover observed empirically. Then we show that the risk premium and volatility of the stock market returns are many times bigger than in an economy with no delays in capital allocations. It follows that the presence of delays in capital allocation can help to solve the risk premium puzzle and the excess volatility puzzle. Furthermore, our model predicts the stock price overreaction at short horizons.

Stream D.2 – Paper 2

Technical analysis with uncertainty predictive power: The effects on portfolio choice
Tyler Tszwang Kwong, University of New South Wales

Deviating from a conventional statistical testing approach, we analyze the economic relevance of technical analysis. Specifically, we assess how uncertainty in predictive power of technical analysis affects investors' portfolio choice. Calibrating our model with CRSP stock index data, we find that, accounting for such uncertainty, investors allocate substantially less to stocks and time the market less aggressively. These effects are stronger under longer investment horizons. Furthermore, the utility loss of ignoring this uncertainty is sizable and increases with horizon at an increasing rate.

Stream D.2 – Paper 3

Asset Pricing in a Pure Exchange Economy with Heterogeneous Investors
Xinfeng Ruan, University of Otago
Jin E. Zhang, University of Otago

In this paper, we provide the first complete solution to the problem of asset pricing in a pure exchange economy with two types of heterogeneous investors: an institutional/retail one with lower/higher risk-aversion. Using a perturbation method with heterogeneity as a small parameter, we solve the equilibrium and obtain analytical approximate formulas for the optimal consumption-sharing rule, pricing function, Sharpe ratio, risk-free rate, stock price and optimal trading strategies. We then analyse the properties of the equilibrium and derive some testable hypotheses, which enhance our understanding on the economics of financial market.

ABSTRACTS: SESSION D.3

Stream D.3 – Paper 1

Portfolio Selection with Mental Accounts and Estimation Risk

Gordon J. Alexander, University of Minnesota
Alexandre M. Baptista, The George Washington University
Shu Yan, Oklahoma State University

In Das, Markowitz, Scheid, and Statman (2010), an investor divides his or her wealth among mental accounts with short selling being allowed. For each account, there is a unique goal and optimal portfolio. Our paper complements theirs by considering estimation risk. We theoretically characterize the existence and composition of optimal portfolios within accounts. Based on simulated and empirical data, there is a wide range of account goals for which such portfolios notably outperform those selected with the mean-variance model for plausible risk aversion coefficients. When short selling is disallowed, the outperformance still typically holds but to a considerably lesser extent.

Stream D.3 – Paper 2

Melancholia and Japanese Stock Returns – 2003 to 2012

Joyce Khuu, Curtin University
Robert B. Durand, Curtin University
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Japan's "lost decades" challenge Finance's central tenet of a positive relationship of return and risk. We present evidence that Japan's dismal returns are a function of sentiment both at the aggregate market and individual firm level. Sentiment is predominately negative during our sample period (2003 to 2012). The effect of news sentiment is greatest for smaller firms. We utilize a text-based measure of news sentiment (Thomson Reuters News Analytics) to proxy for investor sentiment.

Stream D.3 – Paper 3

Sentiment Contagion Across Firms

Torsten Jochem, University of Amsterdam
Florian S. Peters, University of Amsterdam

We provide evidence that management sentiment spreads across firms via customer-supplier networks. We use managements' earnings forecast errors as a measure of optimism and document a robust and economically large correlation between customer and supplier optimism. These results are not driven by real shock propagation, i.e. the effect of customer earnings shocks on supplier forecast errors. We provide several tests addressing causality concerns. First, we find that optimism spillover only occurs for customer forecasts that are issued before supplier forecasts, not after, and that the effect is stronger for more recent customer forecasts. Second, we run placebo tests using same-industry pseudo-customers which confirm our results. Finally, we find some evidence for real effects: leverage, inventories and investment increase, while cash holdings decrease with propagated optimism.

ABSTRACTS: SESSION D.4

Stream D.4 – Paper 1

Arbitrage activity and price discovery across spot, futures and ETF markets

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We examine how the introduction of exchange-traded fund (ETF) affects the arbitrage and price discovery mechanism between the China Securities Index (CSI) 300 spot and futures markets. Utilizing a bivariate Smooth-Transition VECM (ST-VECM), we accommodate a two-speed error-correction mechanism to differentiate price discovery between no-arbitrage versus arbitrage states. Our analysis yields three main findings: i) Post-ETF trading, we see a substantial reduction in observed pricing errors. This is expected given a narrower no-arbitrage band due to lower transaction cost from trading ETF; ii) The futures market still contributes more price discovery than its spot index and ETF counterparts; iii) Arbitragers migrated from the CSI300 spot predominately to the ETF traded in Shanghai, seemingly ignoring the ETF traded in Shenzhen. When arbitragers are present, the Gonzalo and Granger (GG 1995) price discovery measure is noisy since the VECM averages the error-correction mechanism between no-arbitrage and arbitrage states. A modified GG measure from the ST-VECM addresses this issue. We explain why the price discovery bound that corresponds to the no-arbitrage state, provides a clearer indication of cross-market price discovery contribution.

Stream D.4 – Paper 2

Evaluating the VPIN as a trigger for single-stock circuit breakers

David Abad, University of Alicante
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We evaluate the order flow toxicity metric called VPIN (Easley, López de Prado, and O'Hara, 2012, Review of Financial Studies 25, 1457-1493) as a potential trigger for single-stock circuit breakers. When signalling toxicity, we show that the VPIN is not robust to changes in the key parameters of the metric. VPIN-limit hits are preceded by abrupt rises in trading volume that often anticipate peaks in short-term volatility. However, post-event illiquidity is rarely out of the ordinary. Using actual single-stock trading halts, we find that price-limit hits seldom fall within toxic periods according to the VPIN. Therefore, VPIN limits cannot replace price limits. For some VPIN versions, bid-ask spreads and volatility are higher around toxic halts that around non-toxic halts, suggesting that a properly-calibrated VPIN might occasionally succeed in predicting true toxic events.

Stream D.4 – Paper 3

Speed of market access and market quality: Evidence from the SEC naked access ban

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Pankaj K. Jain, University of Memphis
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We examine the notion that in modern securities markets, fast traders with small speed advantages adversely select liquidity providers, thereby leading to higher trading costs for all market participants. Using the SEC's naked access ban, we show that when regulation slows down some fast traders, trading costs decline across the board driven by reduced adverse selection. The benefit of lower trading costs accrues entirely to the liquidity demanders, consistent with a competitive market for liquidity provision. Although price efficiency declines, the decline is small compared to the reduction in trading costs, corroborating the view that the cost of modern price efficiency may outweigh its benefit.

ABSTRACTS: SESSION D.5

Stream D.5 – Paper 1

Export Market Risk and the Role of State Credit Guarantees

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Erdal Yalcin, CESifo and Ifo Institute - Leibniz Institute for Economic Research at the University of Munich

Many countries offer state credit guarantees to support credit-constrained exporters. In the case of Germany, accumulated returns to the scheme deriving from risk-compensating premia have outweighed accumulated losses over the past 60 years. Why do private financial agents not step in? We build a simple model with heterogeneous firms that rationalizes demand for state guarantees with financial frictions. We test the model's predictions with detailed firm-level data and find supportive evidence: State credit guarantees in Germany increase firms' exports. This effect is stronger for firms that are dependent on external finance, if the value at risk is large, and at times when refinancing conditions are tight.

Stream D.5 – Paper 2

A Macro-Financial Analysis of the Corporate Bond Market

Hans Dewachter, National Bank of Belgium;
Leonardo Iania, Louvain School of Management
Wolfgang Lemke, European Central Bank.
Marco Lyrio, Insper Institute of Education and Research

We assess the contribution of economic and risk-related factors in the determination of euro area corporate bond spreads over the period 2005-2015. We combine the methods proposed by Joslin, Singleton, and Zhu (2011) and Joslin, Priebsch, and Singleton (2014). The proposed multi-market, no-arbitrage a¢ ne term structure model is based on the methodology proposed by Dewachter, Iania, Lyrio, and Perea (2015). Our model uses the OIS rate as the benchmark risk-free rate and the corporate yield curves for two rating classes. The model includes four spanned and six unspanned factors. The latter include economic and risk-related factors. Overall, both economic and risk-related factors play a significant role in the determination of the OIS rate and corporate bond spreads. This becomes clear in the historical decomposition of such rates throughout the global financial crisis. Our results emphasize the importance of including both macroeconomic and risk-related factors in the analysis of corporate bond yields.

Stream D.5 – Paper 3

Liquidity Provision, Credit Risk and the Bond Spread:
New Evidence from the Subprime Mortgage Market

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Timothy J. Riddiough, University of Wisconsin – Madison

We study the determinants of the subprime mortgage loan spread, with a particular focus on funding liquidity and default-liquidity interaction effects. We find that sector-level as well as macro funding liquidity provision affected subprime loan rates, explaining a significant portion of the variation in spreads. Liquidity conditions just prior to loan default mattered, indicating destabilizing liquidity-driven default effects. A reduction in macro funding liquidity provision at the time of loan origination predicts worsening credit performance, implying a stabilizing default-driven liquidity component in the loan spread. Positive default-liquidity feedback (spiraling) effects are also documented.

ABSTRACTS: SESSION E.1

Stream E.1 – Paper 1

Households Rejecting Loan Offers from Banks

Yiyi Bai, Tilburg University

This paper studies a type of mortgage applications in which household applicants reject offers from lenders. We find that less risky applicants with lower loan size to income ratios are more likely to reject loan offers from lenders. Local lenders that operate in a market where they extend the majority of their loans are less likely to be rejected by applicants overall, but are more likely to be rejected by risky applicants specifically. We also find that lenders that are less likely to be rejected by applicants tend to have higher loan acceptance rates and be more active in the jumbo mortgages segment, indicating an information advantage of those banks over the others. The paper adds to the literature by showing that the information advantage of geographically concentrated lenders enables them to have lower probabilities of being denied by applicants, and it also provides a new perspective to look at the relationship between loan borrowers and lenders.

Stream E.1 – Paper 2

The Federal Reserve Liquidity Programs and Bank Performance

Christina Bui, UTS Business School, University of Technology Sydney
Harald Scheule, UTS Business School, University of Technology Sydney

Using financial statements of U.S. bank holding data, we study the relation between bank performance and participation in the Federal Reserve liquidity programs during 2007Q1-2012Q3. First, we find that the probability of banks' participation was positively associated with size, commercial lending, wholesale funding and unused loan commitments, and negatively associated with liquidity. Large banks that had lower share of liquid assets and deposits were more likely to access crisis funding. These banks also supplied more business loans relative to non-participating banks, suggesting that banks participated in the liquidity programs to continue lending. Second, we find that participating banks would borrow more from the programs as they relied more on wholesale funding. Such findings are consistent with the objective of these liquidity programs, which is to assist banks that are viable in the future but face temporary illiquidity. Lastly, using difference-in-difference estimation we find no robust evidence that liquidity programs affected business loans after controlling for different control variables, dummy definitions and model specifications.

Stream E.1 – Paper 3

Does the implementation of a Net Stable Funding Ratio enhance the financial stability of the banking industry? An international study

Dawood Ashraf, Islamic Research & Training Institute
Barbara L'Huillier, Prince Mohammad Bin Fahd University
Muhammad Suhail Rizwan, National University of Sciences and Technology

During the recent financial crisis (2007-2009) banks suffered huge financial and reputational consequences as a result of excessive risk taking, complicated securitization and an asset-liability mismatch. To address this situation the BASEL Committee on Banking Supervision (BCBS) introduced an updated regulatory framework called BASEL III which included the requirement for banks to maintain a Net Stable Funding Ratio (NSFR). This paper investigates the effectiveness of BASEL III by linking the NSFR with overall financial stability. After analyzing annual financial data from 948 banks from 85 countries we found convincing evidence to suggest that NSFR does increase the financial stability of banks.

ABSTRACTS: SESSION E.2

Stream E.2 – Paper 1

Do All Diversified Firms Hold Less Cash? The Role of Corporate Governance and Product Market Competition

Christina Atanasova, Beedie School of Business, Simon Fraser University
Evan Gatev, Beedie School of Business, Simon Fraser University
Mingxin Li, Beedie School of Business, Simon Fraser University

In this paper, we examine the relationship between corporate diversification and cash holdings for a large sample of more than 21,000 international firms from 17 countries for the period from 1998 to 2013. Previous studies have shown that diversified US firms hold less cash than standalone firms. Using Duchin's (2010) measure of diversification that takes into account the cross-divisional correlations in investment opportunities as well as the correlations between investment opportunities and cash flows, we show that this finding is robust for firms in countries with well-developed capital markets and strong corporate governance. In contrast, diversified firms in countries with low level of governance provisions and less developed capital markets hold more cash than standalone firms. We also document a strong county and firmlevel effect of product market competition on the relationship between corporate diversification and cash holdings. Diversified firms in countries with high import penetration as well as firms with business segments operating in highly competitive industries hold significantly larger cash balances than standalone firms. Taken together, these results suggest that corporate governance and product market competition can weaken or even reverse the effect documented by previous studies where diversification reduces firm's need to hold large cash balances.

Stream E.2 – Paper 2

Foreign Investors and the Maturity Structure of Corporate Public Debt

Takanori Tanaka, Faculty of Economics, Ritsumeikan University

This study explores the relation between foreign investors and the maturity structure of corporate public debt. Using a sample of corporate bonds newly issued in Japan over the 2005-2009, my results reveal that firms with higher foreign institutional ownership enjoy longer maturity of public debt. Firms with higher foreign institutional ownership also exhibit higher firm performance. These results indicate that bondholders benefits from managerial discipline by foreign investors, thereby allowing for issuing debt with longer maturity. In addition, firms with higher foreign institutional ownership experience lower cost of public debt financing. Overall, my empirical evidence indicates the importance of monitoring activities by large shareholders in corporate bond markets.

Stream E.2 – Paper 3

Executive Stock Ownership Guidelines and the Agency Cost of Debt

Jun-Koo Kang, Nanyang Technological University
Limin Xu, University of Adelaide

We examine how the adoption of executive stock ownership guidelinesaffects the agency cost of debt. We find that guideline adoption is associated with lower loan spreads, fewer collateral requirements, and fewer other restrictive covenants. The results are robust to using firm fixed effects, instrumental variables, and difference-in-differences estimation approaches. We also find that guideline adoption has a negative effect on bond yield spreads and that after the adoption, firms' risk-taking incentives are lower and the quality of their financial reporting is higher. Thus, guideline adoption has a real impact on managerial incentives to reduce the agency cost of debt.

ABSTRACTS: SESSION E.3

Stream E.3 – Paper 1

Did the Introduction of ETPs Change the Intraday Price Dynamics of VIX Futures?

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Bart Frijns, Auckland University of Technology
Alireza Tourani-Rad, Auckland University of Technology
Robert I. Webb, University of Virginia

In this paper, we examine the impact of the introduction of the VIX ETPs on market microstructure properties of VIX futures. We document that trades have become less informative and the pricing errors have shown more persistent after the introduction of the VIX ETPs. In addition, we observe that the price process of the VIX futures has become noisier over time. These findings suggest that the introduction of the VIX ETPs had a prominent effect on the intraday properties and dynamics of the VIX futures, and shed light on the efficiency of the VIX futures.

Stream E.3 – Paper 2

Public News Arrival and Cross-Asset Correlation Breakdown

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Wai-Man Liu, Australian National University
Jing Yu, University of Western Australia Business School

This study models and tests empirically the role of public news arrivals in the quote matching across single stock futures and underlying stock markets - a trading strategy often adopted by algorithmic traders. Our model suggests that quote return correlation across these two markets breaks down when the news uncertainty is sufficiently large and futures market makers switch from automating the quote matching process to manually analyze, monitor and update quotes. We show empirically that the breakdown is more prominent for large stocks, and this effect of firm size falls during periods of high market volatility.

Stream E.3 – Paper 3

An Empirical Analysis of the Dynamic Probability of Institutional Informed Trading: Evidence from the Taiwan Futures Exchange

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This paper analyzes the informational role of institutional investors' trading using the dynamic intraday measure of the probability of informed trading (hereafter DPIN). Using a unique account-level dataset of institutional investors from the Taiwan index futures market, we show that the DPINs of foreign institutional buy trades are significantly positively related to future market returns. Moreover, compared to using trading imbalance as the informed trading measure, we find that the DPIN provides consistent predictive power for the market volatility, particularly during intense trading periods. Overall, our results also provide support for the notion that foreign institutional traders are better informed than domestic institutional traders in the emerging markets.

ABSTRACTS: SESSION E.4

Stream E.4 – Paper 1

Determinants of Corporate Investment: Theory and Evidence on the Investment Effect of Corporate Taxes

Ted Azarmi, Eberhard Karls University Tuebingen
Carolin E. Schmidt, Heilbronn University

Using an Arrow-Debreu framework, we derive optimal investment for a firm that takes on Net Present Value (NPV) positive projects. We compare corporate investment level in an example economy without taxation to an economy that taxes corporate income and individual returns from corporate securities. In addition to mathematically optimizing and graphically depicting a model economy, we solve the model for parameter values close to those of the US economy. We show that taxing corporations and individual income from corporate securities has a significant adverse effect on investment; that is, investment decisions considering after-tax future cash flows turn some NPV positive projects unprofitable, causing an underinvestment problem. We test our theory, accounting for changes in available tax-loopholes and deductions and tax uncertainty by using actual corporate tax bills and using net operating working capital (NOWC) as a proxy for investment to better measure current investment payouts. Our panel regression uses the effective tax rate and various proxies for investment for a sample of S&P 500 firms over a 10-year period. In particular, we show that in our sample a 1 percentage point increase in the effective tax rate approximately decreases operating capital by $271 million, accounting investment outflows by $165 million and NOWC by $157 million. When an additional percentage point in taxes is paid, then total assets are reduced by $310 million, which leads to an underinvestment tax distortion. We also show that corporate investment is inversely correlated with sales due to turnaround corporate strategies.

Stream E.4 – Paper 2

Does Information Asymmetry Affect Corporate Tax Aggressiveness?

Tao Chen, Nanyang Technological University
Chen Lin, University of Hong Kong

The paper investigates the effect of information asymmetry on corporate tax avoidance. Our baseline results indicate that analyst coverage reduces tax avoidance. Using a Difference-in-Differences approach based on two sources of exogenous changes in information asymmetry caused by broker closures and mergers, we find that firms engage in more tax avoidance activities after an exogenous drop in the number of analysts following the firm, compared to similar firms that do not experience such an exogenous drop in analyst coverage. The evidence therefore suggests a strong negative causal effect of analyst coverage on tax avoidance. We further find that the effect is mainly driven by the firms with smaller initial analyst coverage and more financial constraints. Moreover, the effect is more pronounced in the subset of firms with more information asymmetry and poorer corporate governance. We further discuss potential channels through which analysts affect tax avoidance: with less competition due to exogenous broker exits, the remaining analysts are producing less informative reports and issuing more biased forecasts. Overall, our paper offers novel evidence that information asymmetry plays an important role in corporate tax avoidance decisions, and with increased information asymmetry induced by exogenous drops in analyst coverage, firms are likely to avoid taxes more aggressively.

Corporate Social Responsibility: The Myopic Barometer?

Christo Ferreira, Auckland University of Technology
David K. Ding, Massey University
Udomsak Wongchoti, Massey University

This paper investigates whether active CSR culture serves as a proxy for non-myopic management. First, we show that significant amount of US firms choose to not improve their CSR activities even when the companies become more profitable. Second, these CSR-related myopic firms are indeed more likely to engage in other types of myopic behaviors (e.g. under investments in marketing, R&D, and capital expenditures). Importantly, the stock market is relatively more efficient in responding to this CSR-related myopia, especially when socially destructive behaviors are not corrected (e.g when it becomes more affordable to firms). However, consistent with existing literature, investors do not tend to penalize failure to notch up 'angelic' CSR activity, even when it could represent myopic actions by firms.

ABSTRACTS: SESSION E.5

Stream E.5 – Paper 1

Family Descent as a Signal of Managerial Quality: Evidence from Mutual Funds

Oleg Chuprinin, University of New South Wales
Denis Sosyura, University of Michigan

We study the relation between fund managers' family backgrounds and their professional performance. Using hand-collected data from individual Census records on the wealth and income of managers' parents, we find that managers from poor families deliver higher alphas than managers from rich families. We argue that managers born poor face higher entry barriers into asset management, and only the most skilled succeed. Consistent with this view, managers born rich are more likely to be promoted, while those born poor are promoted only if they outperform. In the analysis of managerial activity, we find that managers from poor backgrounds do not have higher turnover or active share, yet their activity is more performance-enhancing. Overall, we establish the first link between family descent of investment professionals and their ability to create value.

Stream E.5 – Paper 2

Objective Misclassification and Mutual Fund Performance

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The actual investment objectives of mutual funds may be different from the stated objectives which are written in their prospectus. In this paper, we examine what percentage of U.S. mutual funds deviate from their stated investment objectives over time, highlight the driving forces of its behaviour and investigate its impact on the relative fund performance. Using a Return-Based Style Analysis (RBSA), we find that 25 percent of the U.S. mutual funds differ from their stated investment objective and over 18 percent of the funds are severely misclassified. We report that on average misclassified funds are typically belong to high trading cost funds, high-expense funds, week prior performance and small-sized funds. We also find that funds that increase objective misclassification, perform worse than funds that adhere to their benchmark. The added value of the present study lies in gaining insight into the misclassified funds characteristics and the incentive of their behaviour plus statistical tests for the RBSA by using a rich U.S. mutual funds database that was recently released by CRSP.

Stream E.5 – Paper 3

When pessimism doesn't pay off: Determinants and implications of stock recalls in the short selling market

Oleg Chuprinin, University of New South Wales
Thomas Ruf, University of New South Wales

Using a comprehensive dataset on securities lending, we investigate the timing of stock recalls and their implications for short selling strategies. We document that institutional lenders are more likely to recall (and then sell) shares right before the stock price declines. Mutual funds that rely on private information and those with better historical performance time recalls more accurately. The timing of recalls imposes direct costs on short sellers, who are unable to maintain their full positions until optimal maturity. We estimate that during an information event, such as an earnings announcement, a perfectly informed short seller loses on average about 20% of his first-best profits to recalls. Overall, our results highlight an important limitation to trading on pessimistic information: an investor with an early reliable signal is unable to realize the full benefits of his information advantage.

MEETING PARTICIPANTS

Particpant	Affliliation	Streams
Andrew Ainsworth	University of Sydney	A.2 and C.5
Jamie Alcock	The University of Sydney Business School	A.4
Gordon Alexander	University of Minnesota	D.3
Christina Atanasova	Simon Fraser University	C.3 and E.2
Ted Azarmi	University of Tuebingen and Heilbronn University	B.1 and E.4
Ihsan Badshah	Auckland University of Technology	C.4
Yiyi Bai	Tilburg University	E.1
Peter Bossaerts	University of Utah	B.4 and K.1
Christina Bui	UTS Business School	E.1
Enzo Cassino	Reserve Bank of New Zealand	
Joon Chae	Seoul National University	A.2 ans C.3
Tao Chen	Nanyang Technological University	B.5 and E.4
Michael T. Chng	Xian-Jiaotong Liverpool University, China	C.2 and D.4
Oleg Chuprinin	University of New South Wales	E.5
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Aaron Gilbert	Auckland University of Technology	C.3
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Ivan Indriawan	Auckland University of Technology	C.2 and E.3
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Yue Liu	University of Edinburgh	A.1 and B.1
Wei Lu	University of New South Wales	C.3
Juan Luo	The University of Adelaide	B.5

Particpant	Afflliation	Streams
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Thomas Ruf	University of New South Wales	B.4 and E.5
Rui Shen	Nanyang Technological University	A.5 and E.2
Zhe Shen	Xiamen University	A.1
Andriy Shkilko	Wilfrid Laurier University	D.4 and E.3
Kenny Siaw	Australian School of Business	B.3, C.5 & Doc. Sym.
Tom Stannard	Victoria University	Doctoral Symposium
Maria Strydom	Monash University	C.1 and D.1
Ping-Wen Sun	Jiangxi University of Finance and Economics	B.3 and C.3
Takanori Tanaka	Ritsumeikan University	E.2
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Alireza Tourani-Rad	Auckland University of Technology	B.1 and E.3
Wei-Che Tsai	National Sun Yat-sen University	
Shujing Wang	Hong Kong University of Science and Technology	A.2 and C.5
Sophie Wang	Massey University	A.1, B.5 & Doc. Sym.
Robert Webb	University of Virginia	C.2, E.3 and K.2
P. Joakim Westerholm	University of Sydney Business School	B.2 and C.2
Craig Wilson	University of Saskatchewan	B.1 and E.4
Ji (George) Wu	Xiamen University	A.1 and D.1
Ming-Hung Wu	National Sun Yat-sen University	D.4 and E.3
Vycke (Zheng) Wu	University of Sydney Business School	C.1
Limin Xu	University of Adelaide	D.5 and E.2
James Yae	University of Houson	A.5 and C1
Mui Kuen Yuen	Massey University	B.4 & Doc. Sym.
Dong Zhang	Stockholm Business School, Stockholm University	B.2 and D.4
Jian Zhang	Southwestern University of Finance & Economics	A.5 and B.1
Jin Zhang	University of Otago	A.4, B.3 and D.2
Zhong Zhang	City University of Hong Kong	
Chen Zhao	Southwestern University of Finance & Economics	A.3 and B.3
Margaret (Rui) Zhu	City University of Hong Kong	D.1
Yichao Zhu	University of Melbourne	Doctoral Symposium

Travel safely

Season's Greetings