NEW ZEALAND FINANCE MEETING 2023

7 & 8 December 2023

HOSTED BY THE AUCKLAND CENTRE FOR FINANCIAL RESEARCH AT AUT CITY CAMPUS, AUCKLAND CENTRAL

FULL ACADEMIC PROGRAMME

AUCKLAND CENTRE FOR FINANCIAL RESEARCH

KIA ORA AND WELCOME

We welcome you to the 2023 New Zealand Finance Meeting, organised by the Auckland Centre for Financial Research at the Auckland University of Technology. Since its inception thirteen years ago, we have aimed to bring leading academics together to engage in a high-level discussion on state-of-the-art academic research, network, and provide an environment that fosters knowledge exchange. We sincerely hope that you will find the academic program valuable in achieving these objectives.

This year, our conference is back on campus, and we welcome you all to our beautiful country, New Zealand.

We would like to thank our valued sponsors for their continuing support: the Accounting and Finance Association of Australia and New Zealand (AFAANZ), the Academic Female Finance Committee (AFFECT), the CFA Institute, the Global Finance Journal, Milford Asset Management, the New Zealand Superannuation Fund, and the Reserve Bank of New Zealand. Many of these sponsors have supported the academic efforts of the Auckland Centre for Financial Research since its inception, and their support and engagement with us are crucial to the success of this event.

We want to thank Professor Ali Fatemi, the editor of Global Finance Journal, for dedicating a special issue of the Journal to our conference. We will contact those participants who have indicated an interest in this special issue after the conference.

Many people have been involved in the preparation for this year's conference, and we would like to thank them. Special thanks to our conference keynote speakers, Randall Morck, University of Alberta, and Renée B Adams, University of Oxford. We are very thankful to the members of the program selection committee, whose quality reviews have been essential to the development of this conference programme. Special thanks also to Tracy Skolmen and the organising committee, who have done an outstanding job putting many parts of this conference together.

Finally, we hope you will all have a great conference and a memorable time in Auckland, Aotearoa, New Zealand.

Adrian Fernandez-Perez
Director of the Auckland Centre for Financial Research at Auckland University of Technology

Organising Committee
Ayesha Scott, Deputy Director of the Auckland Centre for Financial Research, AUT
Ihsan Badshah, Auckland Centre for Financial Research, AUT
Stephen Bahadar, Auckland Centre for Financial Research, AUT

Logistics
Tracy Skolmen, Coordinator of the Auckland Centre for Financial Research, AUT

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Ben Marshall, Massey University
Christina Atanasova, Simon Fraser University
Eva Liljeblom, Hanken School of Economics
Ghon Rhee, University of Hawaii
Ivan Indriawan, Adelaide University
Kathleen Walsh, University of Technology Sydney
Manapol Ekkayokkaya, Chulalongkorn University
Marie Lambert, Liege University
Oliver Entrop, Passau University
Shaojun Zhang, Hong Kong
Stefanie Kleimeier, Maastricht University
Wolfgang Bessler, Hamburg University

KEYNOTE SPEAKER'S

Randall Morck, University of Alberta, Canada
Renée B Adams, University of Oxford, United Kingdom

Randall Morck

Stephen A. Jarislowsky Distinguished Chair in Finance
Distinguished University Professor

University of Alberta

randall.morck@ualberta.ca

Randall Morck holds the Stephen A. Jarislowsky Distinguished Chair in Finance and a Distinguished University Professorship at the University of Alberta, where he won the Mackenzie Teaching Award. From a blue-collar family in Olds, Alberta, he won scholarships to earn an honours B.Sc. summa cum laude in applied mathematics and economics at Yale and a Ph.D. in economics at Harvard. He returns periodically to both almae matres – most recently as William Lyon Mackenzie King Visiting Professor at Harvard in 2005 and as Schoen Visiting Professor of Finance at Yale in 2009. He is a Senior Fellow and Vice President of the Asian Bureau of Financial and Economics Research, Research Associate with the National Bureau of Economic Research, and Inaugural Fellow with the International Corporate Governance Society. He served as Research Fellow at the Bank of Canada from 2012 to 2017, the Monetary Authority of Singapore Visiting Research Professor in 2012, and James Riady Visiting Chair in Finance at the National University of Singapore from 2010 to 2018. In 2018, he was appointed a Yangtze River Scholar, China's highest academic honour. His over 100 research articles appear in leading research journals are referenced over 46,000 times by other researchers and authors. He has advised the IMF, the World Bank, the Canadian government, and various other governments.

Renée B Adams

Professor of Finance
Saïd Business School

University of Oxford

renee.adams@sbs.ox.ac.uk

Renée Adams is a truly global scholar. Her work focuses on information flows on boards, bank governance, group decision-making, the governance of central banks and gender diversity on and off boards. After receiving an MS in Mathematics from Stanford University and a PhD in Economics from the University of Chicago, she held positions at the Federal Reserve Bank of New York, the Stockholm School of Economics, the University of Queensland and the University of New South Wales and visiting positions in Germany, Italy, Japan, Norway, Sweden and the US. She is a Fellow of the European Corporate Governance Institute and a Senior Fellow of the Asian Bureau of Finance and Economic Research. Her global experience is reflected in the interdisciplinary nature of her research, which has been published in top accounting, economics, finance and management journals. In 2019 Renée won the Female Career Award from HEC Lausanne. This award honours twice a year an outstanding female academic career outside HEC and Renée won the 1st edition in 2019. Renée's work on gender diversity in particular, has received global media coverage. Her work has been featured in news outlets such as the Financial Times, the Economist, the Daily Telegraph, Boston Globe, Australian Associated Press, The Australian, Irish Herald, Scotland on Sunday, Board IQ, Press Trust of India, The New Zealand Herald, Berlingske Nyhedsmagasin, NK (Norway), Politiken (Denmark), DN (Norway) among others.

FEATURED EVENT

Join financial experts from New Zealand and around the world for an insightful conversation on confidence, capability, and collaboration for investing.

See details on Day 2 of the programme.

Keynote:

Professor Renée B Adams, University of Oxford, UK

Prof. Renee Adams presents virtually from Germany to share her thoughts on gender diversity in finance, business, and academia. Professor Adams is a world-leading interdisciplinary scholar, with her work published across accounting, finance, economics, and management journals. In 2019, she was awarded the Female Career Award from HEC Lausanne for her outstanding academic career and co-founded AFFECT, the American Finance Association's 'Academic Female Finance Committee,' in 2015. Her work on gender diversity has received global media coverage and has been featured in the Financial Times, the Economist, the Daily Telegraph, The Australian, The New Zealand Herald, and many others.

Panel Members:

Professor Christina Atanasova, Simon Fraser University, Canada

Christina Atanasova is a Professor of Finance, the Philip Hochstein Research Fellow, and the Associate Dean of research and PhD Program at the Beedie School of Business. She holds an MSc in Finance from the University of York and a PhD in Finance from Leeds University Business School. She joined SFU in 2007 from the University of York and held a tenure-track position (2004-2007).

Associate Professor Lina El-Jahel, University of Auckland, New Zealand

Lina is an Associate Professor of finance at the Department of Accounting and Finance. Her research has been funded with the Economic & Social Research Council grants. She is an associate editor for the European Journal of Finance. Lina has also consulted for several investment and Central banks, including Deutsche Bank London.

Associate Professor Angel Zhong, RMIT, Australia

Angel Zhong is an award-winning finance researcher who specialises in empirical asset pricing and investor behaviour in financial markets. Her commitment to translating her research to improve the financial literacy and well-being of the community has seen her recognised as the finalist of Thought Leader of the Year in the Women in Finance Awards 2021 and 2023 in Australia.

Moderator:

Frances Cook, Investment Editor, Business Desk, New Zealand

Frances has a master's degree in media studies from Victoria University of Wellington and a level 5 certificate in financial services specialising in investments. She has worked as a journalist for 12 years, first specialising in crime, before moving into politics, and finally business and finance. She is the author of two books on personal finance and is best known for the personal finance podcast, 'Cooking the books'.

BEST PAPER AWARDS

We thank and acknowledge the sponsors of our Paper Awards.

These awards will be presented during the closing ceremony on 8th December at 16h30 NZDT.

NZFM 2023 Best Paper Award
(NZD2,000) Sponsored by:

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NZFM 2023 Runner-Up Award
(NZD1,000) Sponsored by:

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CFA ARX Asia Pacific Research Exchange Award
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Global Finance Journal Award
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VENUE INFORMATION

Auckland University of Technology, City Campus, Auckland, New Zealand

Registration, catering and all sessions will be held at the Auckland University of Technology, City Campus in the **Sir Paul Reeves Building** (WG Building) located at 1 Governor Fitzroy Plaza, Auckland Central.

Please follow the signage at the building entrances.

Conference Dinner @ Orbit 360

Soaring high above Auckland, you'll discover Orbit, a truly iconic New Zealand brasserie offering diners sensational views - and food to match. Situated at the top of Auckland's Sky Tower, the dining room rotates once every hour, providing a truly unique experience with amazing 360-degree panoramas of the city, the Hauraki Gulf and beyond.

Please wear your lanyard to ensure access.

FULL ACADEMIC PROGRAMME OVERVIEW

DAY ONE		**7TH DECEMBER 2023**
WG306 (FOYER)	**REGISTRATION & WELCOME COFFEE/TEA**	**08H00 TO 08H30**
WG308	**CONFERENCE OPENING ADDRESS**	**08H30 TO 09H00**
	STREAMS A - C	
STREAM A		**09H00 TO 10H30**
SESSION A1	**COMMODITIES**	**09H00 TO 10H30**
CHAIRPERSON	**THORSTEN GLUECK, WIESBADEN BUSINESS SCHOOL**	**WG701**
Paper	**HOW HETEROGENEITY DRIVES THE YIELD, CORRELATION, AND VOLATILITY OF OIL AND STOCK?**	
Authors	Pengda An, Shanghai International Studies University; Tao Li, City University of Hong Kong	
Abstract	We explore the effects of households' heterogeneity on the crude oil, stock, and bond markets in an equilibrium model. The asset prices, volatilities, and correlations admit closed-form solutions. The key parts of all the asset yields can be explained by different weighted averages of the expected growth rates of goods or consumption portions among households, and the time-varying movements of all these volatilities and correlations can be well captured by differences between two certain sorts of weight averages, and all these weights depend on households' heterogeneous beliefs and preferences. The model estimation shows excellent performance in fitting three markets, including term structures of interest rates and crude oil futures, volatilities, and the correlation between crude oil futures and stock. Our model can explain many empirical regularities, including the time-varying correlation-volatility of oil and stock, decreasing and convex volatility term structure of crude oil futures, and the V-shaped relationship between the futures volatility and the slope of the futures curve.	
Presenter:	**Pengda An, Shanghai International Studies University**	
Discussant:	**Christina Atanasova, Simon Fraser University**	
Paper	**THE EFFECTIVENESS OF REGULATIONS IN ELECTRICITY MARKETS: THE FINANCIAL IMPACT OF THE GLOBAL ENERGY CRISIS**	
Authors	Ignacio Segarra Tamarita, Instituto de Investigación Tecnológica; Universidad Pontificia Comillas, Christina Atanasova, Simon Fraser University; Isabel Figuerola Ferretti, Universidad Pontificia Comillas	
Abstract	We analyse the financial impact of electricity market regulations. Following Russia's invasion of Ukraine, the world experienced a global energy crisis that caused natural gas prices to soar. We show that regulatory policies in the EU, designed to establish a well-integrated electricity market, also created a tight connection between gas and electricity prices. The unprecedented volatility spike and the subsequent tightening of collateral requirements created a significant cost for EU power utilities required to hedge their exposure to electricity price risk. We document an almost seven-fold increase in the average collateral value required for one-year EU futures contracts. We provide empirical evidence that following the gas market squeeze, the EU power utilities experienced lower sales and profitability relative to their US power utility counterparts. We show that the risk-adjusted return on a portfolio comprising EU power utilities was significantly lower than that of a counterfactual portfolio.	
Presenter:	**Christina Atanasova, Simon Fraser University**	
Discussant:	**Thorsten Glueck, Wiesbaden Business School**	
Paper	**SYSTEMIC RISK OF COMMODITY TRADERS**	
Authors	Thorsten Glueck, Wiesbaden Business School; Zeno Adams, University of St. Gallen	
Abstract	We examine the disruptions to global commodity flows following the bankruptcy of a commodity trading firm. The physical commodity network is operated by a handful of large traders who are responsible for the timely delivery of raw materials and inputs to industrial production. We propose a model that simulates the resilience and response time of the network following a shock. Our results suggest that a number of commodity traders carry significant systemic risk. The forced removal of a trader from the network has considerable implications for the prices and availability of physical commodities over a period of 6 to 12 months.	
Presenter:	**Thorsten Glueck, Wiesbaden Business School**	
Discussant:	**Pengda An, Shanghai International Studies University**	
SESSION A2	**CORPORATE FINANCE**	**09H00 TO 10H30**
CHAIRPERSON	**EMDAD ISLAM, MONASH UNIVERSITY**	**WG702**
Paper	**EMPLOYEE RIGHTS AND INVESTMENT CASH FLOW SENSITIVITY**	
Authors	Thuy To, University of New South Wales; Eliza Wu, The University of Sydney; Ruoyun Zhao, University of Technology Sydney	
Abstract	We examine the impact of Right-to-Work (RTW) laws on firms' investment cash flow sensitivity. Using a large sample of U.S. public firms from 1950 to 2021, we find that firms located in the RTW states have a higher cash flow sensitivity of investment and lower investment efficiency. These firms, arguably with weaker employee rights, also receive less value from each additional dollar of investment in non-cash assets. The effect is stronger for firms with more financial constraints, higher information asymmetry and weak corporate governance. It is also more pronounced when firms have more intensive labour demands, weak union power and higher risk.	
Presenter:	**Ruoyun (Lucy) Zhao, University of Technology Sydney**	
Discussant:	**Ivan Indriawan, University of Adelaide**	

Paper **BUYING LOCAL FAVOR? ESTABLISHMENT-LEVEL EVIDENCE ON THE INSURANCE EFFECT OF CORPORATE PHILANTHROPY AND POLITICAL CONNECTIONS**

Authors Emdad Islam, Monash University; Lubna Rahman, Monash University; Cara Vansteenkiste, University of New South Wales

Abstract Based on a large establishment-level dataset, we find evidence of strategic complementarities between corporate philanthropy and political connections as insurance mechanisms against regulatory noncompliance costs. Quasi-exogenous adverse shocks to firms' local political connections resulting from closely contested elections trigger reverse changes in local charitable donations targeting stakeholders of establishments facing high regulatory scrutiny. We use staggered large increases in unemployment insurance benefits to show that the use of corporate philanthropy is amplified when regulatory noncompliance costs increase. These effects become stronger for firms facing higher financial constraints and decrease for firms that hedge against political connection losses.

Presenter: **Emdad Islam, Monash University**

Discussant: **Stephen Bahadar, Auckland University of Technology**

Paper **WITHIN-FIRM PAY INEQUALITY AND PAYOUT POLICIES**

Authors Mian Wei, University of Ottawa

Abstract This Paper examines CEO behaviour in response to within-firm pay inequality. Using CEO-median employee pay ratio data mandated by the SEC, the study reveals that following the release of pay ratio disclosures, CEOs with higher pay ratios tend to issue higher dividend payments as a strategy to mitigate adverse reactions from investors and the market than those with lower pay ratios. This positive correlation between CEO pay ratio and dividend payouts is consistently observed on both a yearly and quarterly basis. Additionally, CEOs with higher pay ratios tend to raise their dividend payments in the subsequent year. The positive relationship between CEO pay ratio and dividend payouts remains robust when taking into account various firm characteristics and external shocks such as the COVID-19 pandemic and overall market condition. Furthermore, I employ instrumental variable regression analysis, subsample analysis, alternative measures analysis, and omitted variables analysis to validate the findings. On the other hand, the results indicate that CEO pay ratio does not significantly impact stock repurchases, as this relationship is sensitive to exogenous shocks, and stock repurchases are susceptible to potential shareholder base loss. The comprehensive analysis conducted in this Paper highlights the significance of CEO pay ratio in influencing dividend payout decisions while shedding light on the limited impact of such ratio on stock repurchases. The results contribute to the understanding of CEO behaviour and its implications for corporate financial policies and shareholder responses.

WITHDRAWN

Presenter: **Mian Wei, University of Ottawa**

Discussant: **Emdad Islam, Monash University**

SESSION A3 **DOCTORAL SYMPOSIUM** **09H00 TO 10H30**

CHAIRPERSON **BEN MARSHALL, MASSEY UNIVERSITY** **WG703**

Paper **FOREIGN AID FLOWS AND CORPORATE LEVERAGE IN DEVELOPING ECONOMIES: EVIDENCE FROM AFRICA**

Authors Theogene Habimana, Hanken School of Economics

Abstract We study the effect of foreign aid on corporate leverage in 22 African countries, using data from 1,639 non-financial listed firms. We show a negative relationship between total foreign aid and corporate leverage, which varies depending on the channels of aid and its sources. OECD members of the Development Assistance Committee (DAC) and non-DAC members aid have different negative effects, as do bilateral and multilateral aid. The study also suggests that the effect of foreign aid on corporate leverage is influenced by how it is allocated to the private sector. Aid to financial sector has a significant positive effect only for larger firms. We find that the negative effect of foreign aid on corporate debt weakens during election times, and the effect is influenced by the chief executive's party orientation and government effectiveness. Our results are consistent with an instrumental variable based on the voting similarity index between donors and recipient countries in the United Nations General Assembly.

Presenter: **Theogene Habimana, Hanken School of Economics**

Discussant: **Fanqi Meng, The University of Melbourne**

Paper **FRIENDS VERSUS FUNDING: UNPACKING THE DYNAMICS OF SOCIAL CONNECTIONS AND STAGED FINANCING IN VC INVESTMENT**

Authors Fanqi Meng, The University of Melbourne

Abstract This empirical study investigates the determinants of staged financing in venture capital (VC) investments and assesses its influence on post-investment performance. By employing innovative proxies for monitoring costs and outside opportunities, the study provides compelling empirical evidence supporting the hold-up hypothesis, indicating that VC-staged financing is driven by the severity of external opportunities for entrepreneurs, contributing as the first to establish such empirical support. The findings reveal that higher outside opportunities are linked to increased staging, characterised by smaller investments per round, shorter round durations, more financing rounds, and a higher likelihood of additional rounds in the U.S. venture capital market. However, the monitoring hypothesis does not consistently align with the results. Furthermore, this research reconciles conflicting empirical findings in prior literature by highlighting a positive correlation between the number of financing rounds and entrepreneurial success when entrepreneurs face greater external opportunities. Lastly, this study enriches the venture capital and social finance literature by shedding light on the role of social connections in private market investments.

WITHDRAWN

Presenter: **Fanqi Meng, The University of Melbourne**

Discussant: **Zhangweiyi Ren, University of Adelaide**

Paper	**STRATEGIC ALLIANCES AND EARNINGS MANAGEMENT**	
Authors	Ralf Zurbruegg, University of Adelaide; Zhangweiyi Ren, University of Adelaide; Chee Cheong, University of Adelaide; Ivan Obaydin, University of Adelaide	
Abstract	In this paper, we examine the relationship between strategic alliances and earnings management. Utilising a difference-in-differences analysis based on matched pairs, we find that allied firms experience a significant 9% reduction in earnings management. This reduction is attributed to enhanced governance monitoring and increased reputation capital resulting from strategic alliances. Our additional analyses reveal that the effect is more pronounced when alliances involve partners from different industries, when the partner in the alliance is larger, and when firms build alliance networks with multiple entities. In sum, our findings support the notion that strategic alliances improve corporate governance and mitigate agency problems, thereby contributing to the integrity of financial reporting.	
Presenter:	**Zhangweiyi Ren, University of Adelaide**	
Discussant:	**Theogene Habimana, Hanken School of Economics**	
SESSION A4	**BANKING**	**09H00 TO 10H30**
CHAIRPERSON	**YANHUI (SEAN) WU, QUEENSLAND UNIVERSITY OF TECHNOLOGY**	**WG801**
Paper	**BANKING SYSTEM STABILITY: A GLOBAL ANALYSIS OF CYBERCRIME LAWS**	
Authors	My Nguyen, RMIT	
Abstract	We compile a novel dataset on the enactment of cybercrime legislation in 132 developed and developing countries to analyse the impact of cybercrime legislation on bank stability around the world. The results reveal that cybercrime laws significantly bolster bank stability through the enhancement of bank liquidity and reduction of operating risks. The positive impact is less evident in countries with a high global cybersecurity index and well-capitalized banks, but more pronounced in countries with strong adherence to the rule of law. The study, therefore, underscores the vital role of cybercrime laws in fostering a secure and reliable banking environment and contributes to the understanding of the mechanisms through which these laws affect bank stability on both individual and systemic levels.	
Presenter:	**My Nguyen, RMIT**	
Discussant:	**Yizheng Li, University of Auckland**	
Paper	**BANKING EFFICIENCY, ECONOMIC CRISES, AND FIRM INVESTMENT: INTERNATIONAL EVIDENCE FROM THE COVID-19 PANDEMIC**	
Authors	Yanhui (Sean) Wu, Queensland University of Technology	
Abstract	Using a Bayesian treatment of the principal component analysis, we construct time-varying country-level indexes that capture efficiency in banking institutions. The indexes are used to evaluate the impact of banking efficiency on firm investment during economic crises. During the Covid-19 crisis, domestic banks extended significantly more credit to the private non-financial sector in countries with efficient banks. The sensitivity of investment to an economic crisis is considerably lower for firms in economies with efficient banking institutions. The banking effect is more pronounced for firms that are more dependent on external financing and firms holding assets that can be pledged as collateral.	
Presenter:	**Yanhui (Sean) Wu, Queensland University of Technology**	
Discussant:	**My Nguyen, RMIT**	
Paper	**HOW DO BANKS CATER IN THE AFTERMATH OF THE FINTECH WAVE**	
Authors	Yizheng Li, University of Auckland; Xing Han, University of Auckland; Helen Lu, University of Auckland	
Abstract	Since 2013, Fintech-enabled money market funds (MMFs) in China have increasingly challenged traditional banks in the deposit market. In this paper, we investigate MMFs' clientele effects on banks' financing decisions. We find that banks cater to MMFs by offering Negotiable Certificates of Deposits (NCDs) with attractive yields. Such catering activities are concentrated on Tier 2 banks (AAA and AA+ rated banks excluding 18 nationwide banks directly regulated by CBIRC). However, the 2017 provision implemented by CSRC restricted single-fund families from investing in any single bank's financial products to 10% of the bank's equity. Using this provision as a quasi-experiment, we find a significant reduction in catering activities after the provision. The provision has more pronounced effects among banks with larger reductions in fund families' bargaining power.	
Presenter:	**Yizheng Li, University of Auckland**	
Discussant:	**Yanhui (Sean) Wu, Queensland University of Technology**	
WG306 (FOYER)	**MORNING TEA**	**10H30 TO 11H00**
STREAM B		**11H00 TO 12H30**
SESSION B1	**CORPORATE GOVERNANCE**	**11H00 TO 12H30**
CHAIRPERSON	**WEISHUO XU, UNIVERSITY OF SYDNEY**	**WG701**
Paper	**COMPREHENDING CORPORATE DISCLOSURES: WHAT LIES BENEATH?**	
Authors	Sugato Chakravarty, Purdue University; Prasad Hegde, Auckland University of Technology	
Abstract	This paper explores how the readability of corporate financial disclosures, specifically annual 10-K filings, can impact investor reaction. Prior research has shown that language attributes, such as the use of concrete language, influence message delivery and enhance confidence in the company's communications. In this study, we use a novel proxy for document readability that is free of measurement errors that normally plague other approaches to the quantification of specific language attributes in written corporate communication: the XBRL characters. We then examine how firm-specific factors, such as size, investments, profitability, and institutional holdings, might moderate the relationship between readability and investor reaction. The findings suggest that 10-K readability is positively related to investor	

reaction, and for small firms, firms that invest lower, firms with lower institutional ownership and firms with lower operating profit exhibit a greater positive response. The paper contributes to the literature by highlighting the impact of document readability on market efficiency and informing firms on how to improve their disclosure practices. Also, we use a simple and freely available document readability measure and analyse carefully crafted written statements instead of oral speech, which can introduce inaccuracies and misclassifications. Overall, this study sheds light on the importance of document readability in corporate communication and its implications for researchers, investors, firms, and regulators.

Presenter:	**Prasad Hegde, Auckland University of Technology**
Discussant:	**Weishuo Xu, University of Sydney**
Paper	**OPENING THE DOOR: HOW CAPITAL CONTROL REFORMS ARE BOOSTING INVESTOR PROTECTION**
Authors	Dequan Jiang, Shanghai University of Finance and Economics; Wencong Li, Shihezi University; Gary Gang Tian, Macquarie University; Xingqiang Yin, Xi'an Jiaotong University
Abstract	Leveraging the phased implementation of China's capital control reforms, where select firms gradually become investable to the international market, our difference-in-differences regression analyses reveal that these pilot firms significantly curtail the extent of related party transactions and augment their corporate market value following liberalisation. We identify several potential mechanisms through which market liberalisation may inhibit expropriation. Notably, pilot firms demonstrate considerable improvement in corporate governance and attract increased engagement from auditors, heightened interest from institutional investors, and expanded analyst coverage. Cross-sectional examinations indicate that the mitigating effect of stock market liberalisation is especially pronounced among firms with severe agency problems and a higher proportion of Hong Kong investors' shareholding. However, expropriation by controlling shareholders reemerges during periods of stock market de-globalization. Collectively, our findings underscore the crucial role of financial globalisation in bolstering investor protection.
Presenter:	**Gary Tian, Macquarie University**
Discussant:	**Prasad Hegde, Auckland University of Technology**
Paper	**THE NEW GOVERNANCE ROLE OF CORPORATE BOARD: SUSTAINABILITY COMMITTEES**
Authors	Jianfeng Shen, University of New South Wales; Weishuo Xu, University of Sydney; Jing Yu, University of Sydney
Abstract	The growing importance of managing stakeholder relations in modern corporations requires a new governance role of corporate boards to integrate environmental and social (ES) issues into corporate decision-making. With the detailed information on board sustainability committee manually collected from firm proxy statements for US S&P1500 companies, this paper performs a systematic analysis on the determinants and consequences of establishing board sustainability committees. Our initial analysis reveals that firms with strong ES reputation and exposed to high ES regulatory risk are more likely to form sustainability committees on boards. Firms also tend to introduce such committees when expanding businesses. Further analysis distinguishes sustainability committees based on its independence from other committees: Tier 1 committee refers to a specialised board committee designated to only ES issues while Tier 2 committee indicates an existing board committee with expanded ES responsibilities. In contrast to the weak outcomes of Tier 2 committees, our results suggest that firms experience increased third-party ES ratings but not reduced ES regulatory risk following the formation of Tier 1 committees, indicating that firms set up such committees to cater for renewed shareholder preference for ES-conscious investments. In keeping with this interpretation, we further document that stocks of firms with Tier 1 committees are associated with lower expected stock returns. This evidence is consistent with the notion that investors are willing to accept a lower rate of return on firms committed to building their ES reputation.
Presenter:	**Weishuo Xu, University of Sydney**
Discussant:	**Gary Tian, Macquarie University**
SESSION B2	**CORPORATE BONDS** — **11H00 TO 12H30**
CHAIRPERSON	**TING ZHANG, UNIVERSITY OF DAYTON** — **WG702**
Paper	**DEBT REFINANCING AND CORPORATE BOND RETURNS**
Authors	Yifei Li, University of Nevada; Anni Wang, University of Nevada; Qun Wu, University of Nevada; Ting Zhang, University of Dayton
Abstract	This paper presents empirical evidence that the maturity structure of financial leverage affects future corporate bond returns, specifically through the rollover risk channel. We demonstrate a robust positive correlation between debt refinancing, as measured by refinancing intensity, and corporate bond returns. An increase of one standard deviation in a firm's short-term leverage is associated with a 32 basis point increase in excess bond returns per annum. Additionally, we demonstrate that the impact of debt refinancing is more significant when a firm is exposed to higher levels of credit risk and liquidity risk. This effect is particularly pronounced during financial crises, periods of elevated interest rates, and tight market conditions. Our research has important implications for corporate finance: firms should take into account the risk of rolling over their short-term debt when determining the maturity structure of their debt.
Presenter:	**Ting Zhang, University of Dayton**
Discussant:	**Peipei Li, Southern University of Science and Technology**

Paper	**INVESTORS' INTEREST RATE RISK EXPOSURE: EVIDENCE FROM CORPORATE BOND MUTUAL FUND FLOWS**	
Authors	Peipei Li, Southern University of Science and Technology; Licheng Zhang, Southern University of Science and Technology	
Abstract	This paper employs data on corporate bond mutual fund flows to study investors' exposure to interest rate risk. We document that following a decrease in the interest rate, investment-grade bond funds receive large inflows, whereas this is not the case for high-yield bond funds. We show that this is because investment-grade bonds have a longer duration than high-yield bonds and are primarily exposed to interest rate risk, while high-yield bonds are mostly exposed to credit risk. Moreover, as lower rates lead to lower yields, investors buy longer-maturity bonds in order to preserve yield targets. In contrast, when the interest rate becomes higher, investors move away from long-term bond funds to short-term bond funds. A higher interest rate implies higher interest rate risk, leading to more capital losses for long-term bonds.	
Presenter:	**Peipei Li, Southern University of Science and Technology**	
Discussant:	**Mengjuan Liu, City University of Hong Kong**	
Paper	**MEDIA AND CORPORATE BOND MARKET MOMENTUM**	
Authors	Mengjuan Liu, City University of Hong Kong; Junbo Wang, City University of Hong Kong; Chunchi Wu, State University of New York	
Abstract	This paper investigates whether media makes corporate bond momentum. Using a comprehensive data set of media coverage from RavenPack News Analytics between 2000 to 2020, we find that bonds with high media coverage exhibit stronger momentum than those with low media coverage. This difference cannot be explained by conventional risk factors. Media tone enhances news coverage effect and informed trading of bonds with high media coverage leads to stronger momentum in the short run. Momentum reverses in the long run, and bonds with higher media coverage have a more pronounced reversal. The evidence is consistent with theory of investor overreaction.	
Presenter:	**Mengjuan Liu, City University of Hong Kong**	
Discussant:	**Ting Zhang, University of Dayton**	
SESSION B3	**FINANCIAL ANALYSTS**	**11H00 TO 12H30**
CHAIRPERSON	**JIAN SONG, CURTIN UNIVERSITY**	**WG703**
Paper	**CROSS-FIRM INFORMATION IN ANALYST REPORTS**	
Authors	**Kotaro Miwa, Kyushu University**	
Abstract	Analysts often mention related (economically linked) stocks whose performance could be influenced by the firm highlighted in their report. In this study, I investigate the informational value of such cross-firm information in analyst reports. Specifically, I analyse whether and how such information is gradually incorporated into their estimates for the related firms and causes return predictability. I find that revisions in the target prices of the highlighted stocks induce subsequent revisions in their target prices for the related stocks. Furthermore, these revisions for the highlighted stock are positively associated with the subsequent stock returns for related firms. Finally, the positive association with stock returns is attributed to the lead-lag relationship in the target prices. These results support the informational value of cross-firm information and the gradual incorporation of the information into analysts' and investors' expectations for the related stocks.	
Presenter:	**Kotaro Miwa, Kyushu University**	
Discussant:	**Wanyi Yang, Auckland University of Technology**	
Paper	**DISPERSION IN ANALYSTS' RECOMMENDATIONS AND INTERNATIONAL STOCK MARKETS**	
Authors	Wanyi Yang, Auckland University of Technology	
Abstract	This paper shows that country-level disagreement measured from single stock recommendation dispersion is negatively related to future realised market returns. A trading strategy based on last month's aggregate analyst dispersion yields an abnormal return of around 0.7 percent per month. This paper also provides evidence that growth stocks show higher level of overpricing compared to value stocks. The aggregate difference of opinion remains significantly negatively related to market returns after allowing time-varying risk exposure. However, countries with more binding short-sale constraints do not show lower expected market returns.	
Presenter:	**Wanyi Yang, Auckland University of Technology**	
Discussant:	**Jian Song, Curtin University**	
Paper	**HOW DOES FOREIGN ECONOMIC POLICY UNCERTAINTY AFFECT DOMESTIC ANALYST EARNINGS FORECASTS?**	
Authors	Jian Song, Curtin University; Xiaozhou Zhou, University of Quebec at Montreal	
Abstract	In this study, we examine the impact of foreign economic policy uncertainty (EPU) on the performance of domestic analyst earnings forecasts. We analyse separately how U.S. EPU influences the accuracy of analyst earnings forecasts in other markets, as well as the reverse relationship. Our results show that the U.S. EPU (global EPU) negatively (positively) affects the accuracy of analyst earnings forecasts in other economies (the U.S.). The primary channel for this negative (positive) impact is the economic dependence of a given economy on the U.S. (capital flow to the U.S.). Our results remain robust even after controlling for a comprehensive set of variables.	
Presenter:	**Jian Song, Curtin University**	
Discussant:	**Kotaro Miwa, Kyushu University**	

SESSION B4	**DERIVATIVES MARKETS**	**11H00 TO 12H30**
CHAIRPERSON	**STEPHEN BAHADAR, AUCKLAND UNIVERSITY OF TECHNOLOGY**	**WG801**
Paper	**CREDIT SECURITIZATION AS SUSTAINABLE FINANCE CHANNEL? - EVIDENCE FROM SYNTHETIC CAPITAL RELIEF TRADES**	
Authors	Philipp Klein, University of Muenster; Alexander Nitschke, University of Muenster; Andreas Pfingsten, University of Muenster	
Abstract	Securitisation can serve different purposes. We employ a novel data set of synthetic transactions aiming at releasing capital, so-called synthetic capital relief trades (SCRTs). Our study examines bank characteristics driving SCRT issuances as well as the impact of these transactions for banks and the loan supply in the economy. Ex ante, we find higher total capital ratios not to incentivise banks' SCRT issuances, while non-performing loan ratios have a negative effect. Ex-post, we observe that SCRT issuances lead to a significant increase in the supply of syndicated green loans while the overall supply of syndicated loans is not expanded. These green loans are riskier than the existing loan portfolio, finally raising banks' non-performing loans ratios. The total capital ratios are not affected by SCRTs, evidencing that capital arbitrage, as known from before the Global Financial Crisis seems no longer to be possible. Our results have important policy implications. Banks use SCRTs to eventually increase green lending, which can be seen as one potential remedy to overcome the green finance gap, while adverse effects of SCRTs seem to be prevented.	
Presenter:	**Alexander Nitschke, University of Muenster**	
Discussant:	**Terry Zhang, Australian National University**	
Paper	**STOCK OPTIONS PRICING VIA MACHINE LEARNING METHODS COMBINED WITH FIRM CHARACTERISTICS**	
Authors	Chulwoo Han, Sungkyunkwan University	
Abstract	This paper proposes machine learning-based option pricing models that incorporate firm characteristics. We employ two semi-parametric models, one that uses machine learning to predict the implied volatility and the other to correct the pricing error of the Black-Scholes model and use 114 firm characteristics as well as option-related variables as the input features. Tested on the stock options in the US market, we find that both models outperform a parametric model even without firm characteristics, and firm characteristics significantly enhance the performance of these models. Idiosyncratic volatility, share price, market equity, illiquidity, and firm age are found to be the most important features.	
Presenter:	**Chulwoo Han, Sungkyunkwan University**	
Discussant:	**Alexander Nitschke, University of Muenster**	
Paper	**THE GLOBAL IMPLIED VOLATILITY SURFACE, CONVEXITY, AND COMMON PREDICTABILITY OF INTERNATIONAL EQUITY PREMIA**	
Authors	Terry Zhang, Australian National University	
Abstract	We construct a global implied volatility surface by combining information from the index options of twenty countries and regions. The convexity of the global surface positively predicts equity premia around the world, in- and out-of-sample, at horizons from one to twelve months. Semi-annually, R2 are 14.4% for S&P500 and 8.8% for twenty indexes on average, increasing to 20.8% and 11.4% out-of-sample. For U.S. forecasts, global convexity subsumes other option-based predictors, including global level and slope, U.S. convexity, VIX, SVIX, variance risk premium, and left-tail volatility. The predictability of global convexity comes from its left-tail contributions related to crash fears (left-tail volatility), and right-tail contributions related to speculative demand (short-sales and funding conditions). Our findings highlight the importance of global options markets for risk sharing and information aggregation.	
Presenter:	**Terry Zhang, Australian National University**	
Discussant:	**Juebin Zeng, University of Auckland**	
WG306 (FOYER)	**LUNCH**	**12H30 TO 13H15**
WG308	**PROFESSOR RANDALL MORCK, UNIVERSITY OF ALBERTA** **CORPORATE GOVERNANCE FOR THE SOCIAL GOOD**	**13H15 TO 14H30** **WG308 (TE IRINGA)**
KEYNOTE 1	**Abstract** A useful debate is now occurring over whether firms should be run to maximise profits or social welfare. The debate is not new, but has arisen several times in business history, albeit with Left and Right sometimes switching sides. Some of the deepest thinkers of prior generations thought hard about the social purpose of the corporation and came to well-reasoned positions, though not always to agreement. Our current debate can seem innocent of all this and might avoid intellectual detours by building on prior generations' thoughts. In particular, today's advocates of each side might gain perspective by seeing how their viewpoints were once advanced by their ideological opposites.	

WG306 (FOYER)	**AFTERNOON TEA**	14H30 TO 14H45

STREAM C — 14H45 TO 16H45

SESSION C1	**CEOs**	**14H45 TO 16H45**
CHAIRPERSON	**OLGA DODD, AUCKLAND UNIVERSITY OF TECHNOLOGY**	**WG701**

Paper	**HIGHER RISK REQUIRES MORE REWARDS? FIRM-LEVEL CLIMATE RISK AND TOP EXECUTIVES' COMPENSATIONS**
Authors	Nhan Huynh, Macquarie University; Lee Eun Kyung, Chongqing University; Hoa Phan, RMIT University
Abstract	This study examines the impacts of firm-level climate risk on top management's extrinsic incentives. Utilising a large sample of firms across 35 countries from 2001 to 2021, our results support the risk-driven-reward hypothesis that climate risk positively (negatively) influences cash-based (equity-based) compensation. Further, we confirm three channels for impacts of climate risk, including motivations for eco-innovation, managerial bargaining power, and future corporate performance. We find supportive evidence that the primary effects of climate risk are more pronounced for firms with financial constraints, higher international exposure, and more socially responsible. The impacts are also confirmed for firms of more polluting industries and countries with high corruption and ineffective minority shareholder protection. Our results hold after we address the endogeneity problem by using a battery of robustness tests and sensitivity analyses.
Presenter:	**Thi Kieu Hoa Phan, RMIT University**
Discussant:	**Olga Dodd, Auckland University of Technology**
Paper	**PEER INFLUENCE AND CORPORATE RISK-TAKING**
Authors	Elaine Yongshi Jie, City University of Hong Kong; Yue Ma, City University of Hong Kong; Yinggang Zhou, Xiamen University
Abstract	This paper documents that corporate risk-taking is a response to peer influence. Firms take more risks if they encounter greater peer firms' risk-taking. We further identify four plausible channels through which peer influence on corporate risk-taking operates. First, we find that firms with low-talented CEOs or low performance are more eager to learn from their peers' risk-taking decisions for survival purposes. Second, firms under strong corporate governance are more likely to mimic their peers' risk-taking behaviours to minimise the discrepancy of relative performance resulting from increasing job security concerns and reputational pressure. Third, we find that the firms in the competitive industry are more prone to follow their peers to take more risks to ensure that their company would not be left behind. The fourth channel provides evidence on strategic motivation that predatory behaviour drives the financially constrained firms to follow the risk-taking decisions of their peer firms to mitigate the potential loss of market share.
Presenter:	**Yongshi (Elaine) Jie, City University of Hong Kong**
Discussant:	**Shunji Mei, University of Auckland**
Paper	**CEO INITIAL CONTRACT HORIZON AND THE DESIGN OF PRIVATE DEBT CONTRACTS**
Authors	Hasibul Chowdhury, The University of Queensland; Wenbin Hu, The University of Queensland; Shunji Mei, The University of Auckland; Kelvin Jui Keng Tan, The University of Queensland
Abstract	Exploiting hand-collected CEO contract data from SEC filings (1994-2018), we find that newly appointed CEOs with longer initial contract periods are associated with significantly higher bank loan costs. We demonstrate that this positive relationship is causal by utilising a quasi-natural experiment that exogenously reduces CEO contract length. We further uncover that this correlation is more pronounced during economic downturns, within firms with less transparent information environments, or for younger CEOs. Our findings also indicate that CEOs with lengthier contract horizons are met with stricter nonprice loan terms. Additionally, we reveal that when CEOs have lengthier initial contract horizons, fewer lenders are willing to form the lending group in a loan facility, which supports the monitoring incentive for syndication. Finally, our study culminates with the observation that the firm's weakened debt repayment capacity and financial condition are the primary drivers behind the positive relation between a CEO's initial contract horizon and loan contracting. We conclude that bank lenders perceive heightened risks with CEOs serving longer initial contracts, which markedly amplifies a firm's earnings volatility.
Presenter:	**Shunji Mei, University of Auckland**
Discussant:	**Thi Kieu Hoa Phan, RMIT University**
Paper	**CEO CULTURAL MASCULINITY AND EARNINGS MANAGEMENT**
Authors	Olga Dodd, Auckland University of Technology, Auckland; Bart Frijns, Open Universiteit; Shushu Liao, Kuhne Logistics University; Xiu-Ye Zhang, The Australian National University
Abstract	We evaluate how CEOs' cultural masculinity, which is the set of cultural norms and values associated with achievement and material wealth (Hofstede, 1980, 2001), impacts firms' earnings management practices. Arguably, masculine CEOs are more likely to engage in earnings management to meet their financial targets because they place a greater emphasis on short-term financial success and achievement than on ethical or long-term considerations. For a sample of S&P1,500 firms, we document a positive relationship between CEO cultural masculinity and the firm's earnings management. The results of the analysis around CEO changes suggest a causal effect of CEO masculinity on earnings management practices. Masculine CEOs manage earnings more before initiating acquisitions and following a poor stock performance of their firms. Governance and monitoring mechanisms are effective in preventing earnings management by masculine CEOs.
Presenter:	**Olga Dodd, Auckland University of Technology**
Discussant:	**Yongshi (Elaine) Jie, City University of Hong Kong**

SESSION C2	GREEN FINANCE I	14H45 TO 16H45
CHAIRPERSON	ROB BAUER, MAASTRICHT UNIVERSITY	WG702

Paper	**RATINGS AND NEGATIVE ENVIRONMENTAL PERFORMANCE**
Authors	Ben R. Marshall, Massey University; Justin Hung Nguyen, Massey University; Nhut H. Nguyen, Auckland University of Technology; Buhui Qiu, University of Sydney; Nuttawat Visaltanachoti, Massey University
Abstract	We consider the extent to which the environmental (E) ratings of eight different ESG rating companies predict future negative environmental performance. Ratings companies are focused on providing a broad representation of firm environmental performance. They consider a range of dimensions and do not claim to generate a proxy for any environmental outcome. Nonetheless, we suggest that stakeholders would expect firms with strong E ratings to be less likely to be represented in EPA enforcement actions and environmental lawsuits and less likely to engage in toxic chemical releases. Our results indicate that none of the ratings consistently forecast EPA enforcement actions, environmental lawsuits, or toxic releases. However, large negative changes in Rep Risk, KLD, Sustainalytics, and S&P Trucost contain important information on future firm environmental performance. The E ratings of polluting firms are no more informative than the E ratings of non-polluting firms. Moreover, E ratings are no more accurate for firms with better information disclosures. Our results provide a useful addition to the current discussion around ESG measurement. Article 2 of the Paris Agreement has the objective of making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. However, investor surveys find that data quality is the biggest challenge to adopting sustainable investing Our paper should assist investors by providing them with evidence on the effectiveness of various popular environmental rating measures at capturing negative environmental performance.
Presenter:	**Ben Marshall, Massey University**
Discussant:	**Hongyu Shan, China Europe International Business School (CEIBS)**
Paper	**THE EFFECT OF DIVESTMENT FROM ESG EXCHANGE TRADED FUNDS**
Authors	Sebastian A. Gehricke, Climate and Energy Finance Group & University of Otago; Pakorn Aschakulporn, University of Otago; Tahir Suleman, University of Otago; Ben Wilkinson, University of Otago
Abstract	This paper aims to empirically investigate whether divestment by predominantly passive, Environmental, Social and Governance (ESG) Exchange Traded Funds (ETFs) can affect firm-level share prices, cost of capital and subsequent ESG performance, for the period from 2013 to 2022. In total we identified and investigated 45,397 unique divestment events. Employing panel regression models, we show that divestment by these funds has a significant and prolonged negative effect on the returns of individual companies. Coordination in divestment, measured by a higher number of ESG ETFs divesting a firm in the same quarter, results in significant prolonged negative effects to stock returns, increases in the cost of capital. The increases in the cost of capital, seem to take longer to materialize, especially for the cost of debt. These results provide further evidence that divestment, particularly coordinated divestment, is an important tool for the sustainability transition, even though its effects are indirect.
Presenter:	**Sebastian Gehricke, Otago University**
Discussant:	**Jun Myung Song, Singapore Management University**
Paper	**ELICITING BELIEFS ON RESPONSIBLE INVESTING**
Authors	Rob Bauer, Maastricht University
Abstract	Socially Responsible Investment (SRI) has gained increasing attention and attracted trillions of dollars in asset under management in recent years. The mainstream explanation for investor's preference for sustainable assets is social preference, or the pure selfless contribution to the general welfare, and it has been documented that investors are willing to even sacrifice some financial gains to pursue higher sustainability. Although expectations towards risk and return in such investments are crucial, they have not been formally investigated in this literature. To bridge this gap, we created a novel belief elicitation method, which is robust to respondents' differential risk or ambiguity attitudes, as well as to nonlinear probability weighting. And the belief elicitation task is concealed in a series of binary lottery choices. We validated this method with student participants in the lab and conducted a field experiment with clients of the largest index fund in The Netherlands. We compare our novel incentivised belief elicitation method, another incentivised method (choice matching), with the unincentivised Likert scale that is typically used in this literature. We find that the two incentivised methods generate consistent responses that are in opposite direction than the unincentivized elicitation. In particular, we find that participants systematically expect that more sustainable funds will generate higher return with lower risk. Moreover, this belief is also significantly and positively correlated with their investment in a sustainable product relative to a conventional product in an incentivised asset allocation task. These results suggest that investors typically associate better financial performance with more sustainable assets, and we should assess these expectations with caution.
Presenter:	**Rob Bauer, Maastricht University**
Discussant:	**Ayesha Scott, Auckland University of Technology**
Paper	**HOW DOES ESG SHAPE CONSUMPTION?**
Authors	Joel F. Houston, University of Florida; Chen Lin, University of Hong Kong; Hongyu Shan, China Europe International Business School and Fordham University; Mo Shen, Auburn University
Abstract	Exploiting millions of retail purchases by US households, we examine how negative ESG shocks ripple through the product market and shape consumption. We show that the sales of affected products drop by an average of 5 - 10% compared to unaffected products consumed by the same households during the same period. The observed contraction is mainly demand-driven rather than a reflection of the manufacturer's decision to phase out production. This effect is strongest among millennial households, for more severe ESG shocks, and within the consumption of durable products. Furthermore, we find that salience about climate issues heterogeneously affects the household's response. Lastly, we map the shocks to a set of well-defined ESG issues and identify significant heterogeneity among consumers' reactions to these issues. In summary, we present the first comprehensive product-level evidence on the financial materiality of ESG via the household consumption channel.
Presenter:	**Hongyu Shan, China Europe International Business School (CEIBS)**
Discussant:	**Ben Marshall, Massey University**

SESSION C3	HOUSEHOLD FINANCE	14H45 TO 16H45
CHAIRPERSON	JOSHUA THORNTON, BAYLOR UNIVERSITY	WG703

Paper LESS ATTENTION IS BETTER: THE EFFECT OF PORTFOLIO DISCLOSURE ON RETAIL INVESTORS' TRADING

Authors Yiqing Lu, NYU Shanghai; Xin Zhou, NYU Shanghai

Abstract
This paper studies the effect of attention on trading behaviour by utilising the browsing activities of retail investors on a mutual fund trading APP. Exploiting a quasi-experiment of a sudden change in portfolio disclosure frequency for a certain type of mutual funds, we show that after the adoption of the policy, investors browse affected funds (treated) more frequently than unaffected funds (control). The effect holds for both holding and non-holding funds and during both trading and non-trading hours. Investors, nevertheless, shorten their attention span on treated relative to control funds when not holding these assets or when browsing them during non-trading hours. We further show that after the new policy, investors hold less treated funds and are subject to a greater disposition effect. Investors' trading performance on treated funds is worsened compared to control funds following the new policy. The heterogeneity in the effect of the disclosure policy on trading parallels that on attention across investors with varying financial literacy and attention capacity. Finally, an instrumented difference-in-differences estimation supports a causal interpretation of the effect of attention on trading. Overall, our results suggest the role of attention in shaping beliefs and causing myopic loss aversion.

Presenter: **Yiqing Lu, NYU Shanghai**

Discussant: **Aaron Gilbert, Auckland University of Technology**

Paper FRIENDS WITH BENEFITS: SOCIAL CAPITAL AND HOUSEHOLD FINANCIAL BEHAVIOUR

Authors Brad Cannon, Binghamton University; David Hirshleifer, University of Southern California; Joshua Thornton, Baylor University

Abstract
Using friendship data from Facebook, we study the effects of three aspects of social capital on individual investment and saving behaviour. We find that social capital is strongly associated with stock market participation and propensity to save. Furthermore, the most important measure of social capital in explaining these outcomes is Economic Connectedness, measured as the fraction of one's social network with high socioeconomic status. One standard-deviation greater Economic Connectedness is associated with 2.9% greater stock market participation and 5.0% greater propensity to save. Compared to Network Clustering or Volunteering Rate, Economic Connectedness explains more than 6 times the variation in stock market participation and more than 4 times the variation in propensity to save.

Presenter: **Joshua Thornton, Baylor University**

Discussant: **Jordan Neyland, George Mason University**

Paper CAN FINANCIAL EDUCATION IMPROVE DEBT USE FOR YOUNG ADULTS?

Authors Aaron Gilbert, Auckland University of Technology; Kelly Nicholson, Auckland University of Technology; Ayesha Scott, Auckland University of Technology

Abstract
al education to enable financial well-being, we need to observe meaningful (positive) changes in financial behaviour. However, the extant literature suggests financial education is less effective for some groups and for changing some behaviours, like debt handling. Poor debt handling is a significant risk to financial well-being, compromising a person's ability to meet current and future financial obligations. It is therefore crucial to investigate financial education's efficacy for debt use. Using a sample of 705 young adults aged 18-34 years, we investigate the impact of financial education experiences on their buy now pay later (BNPL) use. Our results paint a concerning picture of financial education's efficacy for young adults' debt handling and dealing with new products like BNPL. Given young adults are particularly vulnerable to (literally) paying for poor financial decision-making, finding ways to improve financial education for debt in general, and new products specifically, requires urgent attention.

Presenter: **Aaron Gilbert, Auckland University of Technology**

Discussant: **Yiqing Lu, NYU Shanghai**

Paper DO INVESTORS VALUE PRIVACY? REVEALED PREFERENCES FROM LOTTERY SALES

Authors Jordan B. Neyland, George Mason University

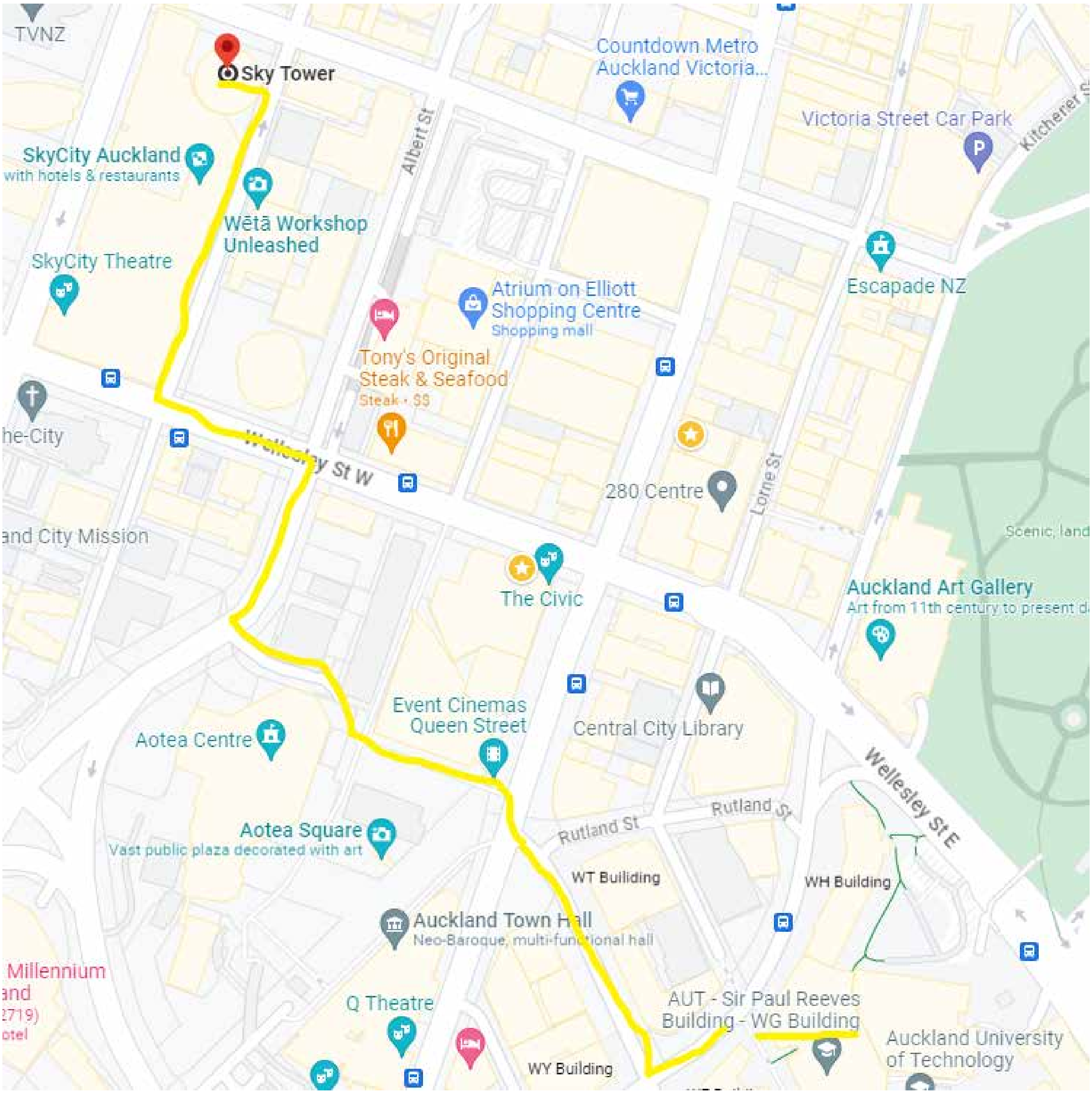
Abstract
Debate surrounds recent statutes and several proposed bills that offer anonymity to lottery winners. Proponents emphasise the thieving, scamming, and violence that plagues jackpot winners, but opponents note that transparency reduces lottery fraud and legitimises the fairness of games. I obtain state lottery sales with FOIA requests and hand-collect information on anonymity statutes through analysis of statutes and case law. The combination of the staggered adoption of anonymity laws and the lottery's randomisation of the state of the world through drawing balls provides causal evidence of the effect of anonymity on sales. Results reveal a significant decline in ticket sales following the passage of anonymity statutes, suggesting that purchasers (at the margin) value transparency and fairness over privacy and security. This result reveals the participants' preference in this market and speaks to larger questions on the disclosure of investor identity.

Presenter: **Jordan Neyland, George Mason University**

Discussant: **Joshua Thornton, Baylor University**

WG308WALK MAP FOR SKY TOWER, ORBIT 360°

(You may wish to join the group walking from the Campus to the venue @ 5pm)



DAY TWO		8TH DECEMBER 2023
WG306 (FOYER)	REGISTRATION & WELCOME COFFEE / TEA	08H30 TO 08H50

WOMEN IN FINANCE

Join financial experts from New Zealand and around the world for an insightful conversation on confidence, capability, and collaboration for investing.

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MILFORD

WG308	WOMEN IN FINANCE: LEADING GLOBAL EXPERTS SHARE THEIR INSIGHTS I	08H50 TO 10:45
KEYNOTE 2	**PROFESSOR RENEE ADAMS, OXFORD UNIVERSITY** Prof. Renee Adams (Oxford University) presents virtually from Germany to share her thoughts on gender diversity in finance, business and academia. Professor Adams is a world-leading interdisciplinary scholar, with her work published across accounting, finance, economics and management journals. In 2019, she was awarded the Female Career Award from HEC Lausanne for her outstanding academic career and co-founded AFFECT, the American Finance Association's 'Academic Female Finance Committee,' in 2015. Her work on gender diversity, in particular, has received global media coverage and has been featured in the Financial Times, the Economist, the Daily Telegraph, The Australian, The New Zealand Herald, and many others.	**08H50 TO 09H45** WG308 (TE IRINGA)
WG306 (FOYER)	SPECIAL MORNING TEA	09H45 TO 10H00
WG308	**WOMEN IN FINANCE: LEADING GLOBAL EXPERTS SHARE THEIR INSIGHTS II**	**10H00 TO 10H45**
MODERATOR:	**Frances Cook, Business Desk**	
PANEL DISCUSSION	A panel discussion with leading finance experts to reflect on Prof. Adams's keynote and how we can narrow the gap for women in finance.	
PANELISTS	**Angel Zhong, RMIT University** **Christina Atanasova, Simon Fraser University** **Lina El Jahel, University of Auckland**	

STREAMS D - F

STREAM D		11H00 TO 12H30
SESSION D1	VOLATILITY	11H00 TO 12H30
CHAIRPERSON	GUANGLIAN HU, UNIVERSITY OF SYDNEY	WG701
Paper	**CO-MOVEMENT RISK PREMIUMS AND RETURN PREDICTABILITY**	
Authors	Haim Kedar-Levy, Ben Gurion University; Jongmoo Jay Choi, Temple University; Orit Milo, Ben Gurion University; Ilanit Avioz, Ben Gurion University	
Abstract	Existing explanations for home bias depend on market imperfections such as government restrictions, information asymmetry, or behavioural reasons. We show that home bias can exist in perfect markets with information symmetry and with rational firms and investors. We develop a parsimonious asset pricing model where firms operate domestically and globally. Home advantage emerges if firms' operations can be diversified more efficiently with domestic rather than global risks. This is possible when domestic diversification across industries yields greater gains than international diversification across countries. We, therefore, obtain a rationale for "home advantage" rather than home bias and discuss empirical implications.	
Presenter:	**Hamish Malloch, The University of Sydney**	
Discussant:	**Ha Truong, RMIT University**	

Paper	**DO DIFFERENT MEASURES OF STOCK MARKET VOLATILITY RISKS HAVE THE SAME PRICE?**
Authors	Guanglian Hu, University of Sydney
Abstract	Common measures of aggregate stock market volatility are priced differently in the cross-section of stock returns. Stocks with high sensitivities to changes in realised and expected volatilities have significantly low average returns, while option-implied volatility is not priced. The differential pricing of market volatility risks is hard to reconcile with existing theories but potentially consistent with partial segmentation between index options and equity markets. I argue the comovement between option implied and actual stock volatilities contain valuable information about time-varying segmentation between equity and options markets. The two markets appear to have become more integrated in recent years.
Presenter:	**Guanglian Hu, University of Sydney**
Discussant:	**Jose Da Fonseca, Auckland University of Technology**
Paper	**COMMON OWNERSHIP AND STOCK RETURN COMOVEMENT**
Authors	Ha Truong, RMIT University
Abstract	Comovement in stock returns is an important determinant of market risk and stability. This study shows that increased common ownership between same-industry firms leads to greater comovement in their stock returns. The results are robust after controlling for time trends and various empirical specifications. The effect of common ownership on pairwise comovement is more pronounced between firms with less similarity in their products. These findings are consistent with previous studies, which suggest that comovement at the market level is due to blurred firm boundaries. Common ownership serves as a mechanism for joint control across firms, allowing coordination in firm activities, efficient resource allocation, and cross-monitoring. Thus, the market considers firms with common ownership relevant and correlated in fundamentals.
Presenter:	**Ha Truong, RMIT University**
Discussant:	**Hamish Malloch, The University of Sydney**
SESSION D2	**GREEN FINANCE II: REGULATION** **11H00 TO 12H30**
CHAIRPERSON	**JUN MYUNG SONG, SINGAPORE MANAGEMENT UNIVERSITY** **WG702**
Paper	**OPPORTUNISTIC NPE LITIGATION AND GREEN CORPORATE INNOVATION**
Authors	Piers Herring, The University of Queensland; Wenquan Li, The University of Queensland; Suman Neupane-Joshi, The University of Queensland
Abstract	This study analyses the effects of opportunistic non-practising entity (NPE) litigation activity on green corporate innovation (GCI) strategies. Our findings highlight the detrimental effects of opportunistic litigation behaviour on a firms' innovation-related decision-making. We find that immediately after being involved in a litigation event, targeted firms prioritise the reduction of GCIs, specifically, climate change mitigating (CCM) technologies. This suggests that firms sacrifice their commitments to long-term sustainability efforts to produce low-risk, less innovative technologies. Additionally, we demonstrate that firms produce green technologies that are of a lower quality and value after being targeted by an opportunistic NPE. Cross-sectionally, we find that low-asset re-deployable firms substantially reduce all innovation following litigation. We identify causality through the America Invents Act (AIA), which leads to an exogenous increase in opportunistic litigation exposure in the state of Texas. Consistent with our baseline results, we find firms headquartered in Texas to escalate their reduction in green and non-green innovation following the introduction of the Act. Finally, we demonstrate that the introduction of various state-level anti-troll laws has had an insignificant effect on reducing opportunistic NPE litigation risk. We show that firms facing NPE litigations reduce their future innovation despite the introduction of these laws.
Presenter:	**Piers Herring, The University of Queensland**
Discussant:	**Jiri Svec, The University of Sydney**
Paper	**THE CAUSES AND CONSEQUENCES OF SPLIT CREDIT RATINGS: EVIDENCE FROM THE DODD-FRANK ACT**
Authors	Andrew Ainsworth, University of Wollongong; He Huang, The University of Sydney; Jiri Svec, The University of Sydney
Abstract	Split credit ratings increase the cost of capital for bond issuers. The introduction of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010 reduced the importance of credit ratings and increased the penalties on credit rating agencies for inaccurate ratings. We show that Dodd-Frank increased the proportion of split-rated bonds. Investment grade and boundary bonds not preceded by earnings announcements and bonds of firms with less liquid equities experience the largest increase of 15 to 20 percentage points. These results are consistent with credit rating agencies engaging in idiosyncratic information discovery and relying on public information to produce defendable quantitative information in the threat of litigation. The split rating yield premium reduces after Dodd-Frank from 23 basis points to 12 basis points, with pricing no longer based on the pessimistic credit rating.
Presenter:	**Jiri Svec, The University of Sydney**
Discussant:	**Piers Herring, The University of Queensland**
Paper	**AIR POLLUTION, REGULATIONS ON EMISSION AND FIRMS' SOCIAL RESPONSIBILITY**
Authors	Jun Myung Song, Singapore Management University
Abstract	This paper examines whether firms update their strategy in emissions when air pollution is severe. Considering high PM 2.5 as severe air pollution across 65 countries, I show that firms from countries with severe air pollution have low emission scores, suggesting that they put less effort into reducing emissions. This is because if they improve the emission strategy, firm performance deteriorates. However, such a relationship disappears when the government's environmental stringency is strong. This paper concludes with an analysis of the factors which can mediate the negative impact of air pollution on firms' emission strategies.
Presenter:	**Jun Myung Song, Singapore Management University**
Discussant:	**Sebastian Gehricke, Otago University**

SESSION D3	**FINTECH**	**11H00 TO 12H30**
CHAIRPERSON	**XING HAN, UNIVERSITY OF AUCKLAND**	**WG703**

WITHDRAWN

Paper: **THE ROLE OF SOFT INFORMATION IN CROWDFUNDING: EVIDENCE FROM CROWDSOURCED DATA**

Authors: Yoram Bachrach, Google DeepMind; Omer Lev, Ben-Gurion University of the Negev; Joshua Shemesh, Monash University

Abstract: We propose a new way to capture the role of soft information in crowdfunding markets. We define soft information as not codeable, i.e., cannot be easily web-scraped by robots. Using a large crowdsourced survey that asks participants to rate live Kickstarter campaigns, we show that human raters outperform machine-only prediction for funding success. Our results suggest that human evaluations can detect soft information and thus still have value in a world that has moved toward big data. Our survey design also sheds new light on how investors evaluate information with respect to multiple qualitative factors in forming the funding decision.

Presenter: **Joshua Shemesh, Monash University**

Discussant: **Minh Nguyen, RMIT University Vietnam**

Paper: **THE HIDDEN IMPACT OF PRIVATE MONEY CREATION ON STOCK RETURNS: EVIDENCE FROM THE FINTECH REVOLUTION OF CASH INVESTING**

Authors: Xing Han, University of Auckland; Wenqiong Liu, Ghent University; Yuliang Wu, University of Bradford

Abstract: Private money creation in the form of money market funds exerts its hidden impact on stock returns via the "dual-market clientele", a subset of investors who systematically exploit the distinctive features of cash investing (as opposed to stock investing). This clientele-based channel has the power to explain the stylised seasonality: Long-short anomaly strategies that buy non-speculative stocks and sell speculative stocks experience low Monday-through-Wednesday returns and high Thursday-through-Friday returns. Using the FinTech revolution of cash investing as an exogenous shock to dual-market clientele's market participation, we provide difference-in-differences evidence that the cross-sectional seasonality is amplified by more than 100 percent following the shock. The enlarged seasonality comes from the short-leg speculative stocks and is stronger in high volatility and uncertainty periods.

Presenter: **Xing Han, University of Auckland**

Discussant: **Joshua Shemesh, Monash University**

Paper: **THE DETERMINANTS OF LIQUIDITY IN DECENTRALIZED LENDING**

Authors: Minh Nguyen, RMIT University Vietnam; Binh Nguyen, RMIT University Vietnam; Tra Pham, RMIT University Vietnam; Huy Pham, RMIT University Vietnam

Abstract: Decentralised Lending is a new concept in finance. Based on blockchain and smart contracts, the innovative design of DeFi lending allows pseudonymous participants to lend and borrow money on a large scale without the need for financial intermediaries. Although in the theory of financial intermediation, DeFi Lending is claimed to have certain advantages, it has multiple hurdles to overcome. In contrast to traditional banks, where governments can bail out or deposit insurance can work, DeFi, as an unregulated market, must deal with illiquidity problems. Moreover, it is considered a main source of financial instability because of the increasing connection between cryptocurrency and traditional financial products. Given that the main reason for these lending platforms' instability is the liquidity shortage, this study investigates the interconnectedness of liquidity between DeFi Lending platforms and the determinants affecting liquidity in DeFi Lending. While many studies have approached this issue at a conceptual level or using aggregate data, this study aims to explore DeFi lending using transaction-level blockchain data. This study applies the time-varying parameter vector autoregression (TVP-VAR) to measure the liquidity connectedness between DeFi Lending platforms, and then the ARDL model and a novel dynamic ARDL simulation are employed to find the factors that affect liquidity in the DeFi Lending platform. The results indicate that even DeFi Lending platforms are highly competitive to each other, it has an extreme liquidity connectedness, and Aave is founded to be the net transmitter of liquidity spillovers to other DeFi platforms. The finding also shows that the market power of users and interest rate are two main entrain points that should be looked at in the design of DeFi lending to manage the liquidity in these platforms.

Presenter: **Minh Nguyen, RMIT University Vietnam**

Discussant: **Xing Han, University of Auckland**

WG306 (FOYER)	**LUNCH**	**12H30 TO 13H15**

STREAM E

13H15 TO 14H45

SESSION E1	**CRYPTOCURRENCIES**	**13H15 TO 14H45**
CHAIRPERSON	**LES OXLEY, UNIVERSITY OF WAIKATO**	**WG701**

Paper: **FINANCIAL AND INFORMATIONAL INTEGRATION THROUGH ORACLE NETWORKS**

Authors: Lin William Cong, Cornell University; Eswar Prasad, Cornell University; Daniel Rabetti, National University of Singapore

Abstract: Oracles are software components that enable data exchange between siloed blockchains and external environments, enhancing smart contract capabilities and platform interoperability. Integration through oracle networks for blockchain and DeFi platforms allows them to be informationally and financially connected to other blockchain ecosystems and off-chain environments. Using hand-collected data on hundreds of DeFi protocols and data from the market for decentralised oracle networks (DONs), we document that oracle integration has positive financial and economic ramifications. Additionally, our initial evidence suggests that symbiotic gains from enhanced interoperability between protocols on a given chain and, depending on the mass of integrated protocols, among integrated chains, translate to positive network effects. Moreover, oracle integration appears to improve risk-sharing without significant contagions; integrated protocols appear more resilient than non-integrated protocols during times of crisis. We draw parallels

	between oracle integration and international economic and financial integration, offering insights for regulators, entrepreneurs, and practitioners in the emerging space blockchains, DeFi, and Web3 ecosystems.
Presenter:	**Daniel Rabetti, National University of Singapore**
Discussant:	**Les Oxley, University of Waikato**
Paper	**THE INFLUENCE OF EUROPEAN MICA REGULATION ON CRYPTOCURRENCIES**
Authors	Thomas Conlon, University College Dublin; Shaen Corbet, Dublin City University & University of Waikato; Les Oxley, University of Waikato
Abstract	This research investigates the intricate relationship between impending regulatory measures, specifically the European MiCa regulations, and their influence on cryptocurrency markets. Drawing upon a rigorous analysis of market responses, we highlight significant shifts in liquidity, variance, and return dynamics post-MiCa-related announcements. Specifically, MiCa announcements are significantly associated with negative cryptocurrency returns and elevated liquidity. The findings reveal defined heterogeneity across different cryptocurrency sub-classes, each uniquely affected by its inherent attributes and susceptibility to regulatory changes. Such work offers a comprehensive insight into the multifaceted nature of market responses to regulatory cues, providing an invaluable perspective on the delicate equilibrium between cryptocurrency market behaviour and the evolving European regulatory landscape.
Presenter:	**Les Oxley, University of Waikato**
Discussant:	**Daniel Rabetti, National University of Singapore**
SESSION E2	**MACROECONOMY & FINANCE** **13H15 TO 14H45**
CHAIRPERSON	**IVAN INDRIAWAN, UNIVERSITY OF ADELAIDE** **WG702**
Paper	**WARTIME FINANCING AND CORPORATE LEVERAGE**
Authors	Gonul Colak, Hanken School of Economics; Theogene Habimana; Hanken School of Economics; Timo Korkeamaki, Aalto University
Abstract	The impact of wartime finance on the leverage of corporations is analysed in 101 different nations. Depending on the nature of the conflict, we discover that corporate leverage is affected. This research also shows that a company's ability to use debt markets in its own country is largely dependent on the level of government support it receives during times of conflict. The results also show that sovereign debt restructuring and crisis, both of which have a negative influence on the cost of debt, are the primary conduits through which war funding manifests its effects. In the end, we find that the armed conflict increases the cost of debt only for small firms. The conflicts in neighbouring nations are also a topic of study because of the potential for spillover consequences.
Presenter:	**Theogene Habimana, Hanken School of Economics**
Discussant:	**Thanh Nguyen, James Cook University Singapore**
Paper	**ARE THE SYNERGY OF STABLE ENERGY SUPPLY, ROBUST FINANCIAL SERVICE AND STRONG ECONOMIC GROWTH ACHIEVABLE? EVIDENCE FROM 134 COUNTRIES**
Authors	Thanh Pham Thien Nguyen, James Cook University; Son Nghiem, The Australian National University; Abhishek Singh Bhati, James Cook University
Abstract	Stable energy supply and financial services drive economic growth, but they have also been linked to past crises. Technological progress helps prevent future energy and financial crises, potentially leading to a steady-state equilibrium in energy diversification, per-capita income, and financial development across countries. This study analyses 134 countries from 1995 to 2019, testing convergence in these factors and exploring their interdependent relationships for the first time. While overall convergence was not found using the club convergence test, countries did converge within specific groups. Regression analysis revealed positive two-way relationships between energy diversification and per-capita income, as well as between financial development and per-capita income, with an increasing trend observed in these factors. The findings emphasise the importance of investing in human capital and technology for sustainable economic and financial development. Additionally, this study confirms the U-shape relationship between oil price and energy diversification for the first time.
Presenter:	**Thanh Nguyen, James Cook University Singapore**
Discussant:	**Theogene Habimana, Hanken School of Economics**
Paper	**LABOR PAINS: THE IMPACT OF LABOR MARKET COMPETITION ON STOCK RETURNS**
Authors	Ivan Indriawan, University of Adelaide; Shihe Li, University of Adelaide; Ralf Zurbruegg, University of Adelaide
Abstract	We introduce a novel approach to quantifying labour market competitiveness, focusing on the heightened competition arising from the increased demand for identical occupations. Using this metric, we find that an increase in labour market competitiveness leads to a decrease in aggregate market excess returns in the subsequent three to twelve months. This supports the concept of a "war for talent", with heightened labour market competitiveness leading to negative cash flow shocks, manifested through increased personnel-related expenditures and reduced cash holdings. We further find that firms that are more sensitive to labour market competition face higher risks and thus command a risk premium. Specifically, a portfolio that invests in stocks with a high sensitivity to labour market competition, or high 'competition betas,' yields higher returns than those with lower competition betas. These findings suggest that investors view a highly competitive labour market as a risk factor and demand higher returns for stocks with greater exposure to this risk.
Presenter:	**Ivan Indriawan, University of Adelaide**
Discussant:	**Ruoyun (Lucy) Zhao, University of Technology Sydney**

SESSION E3	MANAGED FUNDS & ETFS	13H15 TO 14H45
CHAIRPERSON	HELEN LU, UNIVERSITY OF AUCKLAND	WG703
Paper	**ARE INVESTORS BETTER OFF DOING NOTHING DURING EXCHANGE-TRADED FUND CLOSURES?**	
Authors	Ekkehart Boehmer, Singapore Management University; Marinela Adriana Finta, Singapore Management University	
Abstract	We investigate a sample of several Exchange-Traded Funds (ETFs) that closed between 2012 and 2019. Our findings show that ETFs close after positive returns and flows. Moreover, both returns and flows are good predictors of the ETFs' decision to close. In general, we also find that small ETFs earn greater daily returns on average than larger ETFs with the same investment objective. We finally highlight that after the closure announcement, investors are better off keeping calm and doing nothing while waiting to receive shares' cash at the NAV from the ETF issuer.	
Presenter:	**Marinela Finta, Singapore Management University**	
Discussant:	**Ihsan Badshah, Auckland University of Technology**	
Paper	**CLIMATE UNCERTAINTY AND INVESTOR LEARNING IN SUSTAINABLE FUNDS**	
Authors	Sara Ali, Auckland University of Technology; Ihsan Badshah, Auckland University of Technology; Riza Demirer, Southern Illinois University Edwardsville Prasad Hegde, Auckland University of Technology and Lavinia Rognone, University of Manchester	
Abstract	This paper presents a novel take on the effect of uncertainty on investors learning about managerial skills by examining the fund flow-performance relationship in ESG-rated funds in the context of climate uncertainty. Utilising a large sample of mutual funds domiciled in Australia and New Zealand and recently developed transition and physical climate risk indexes for the Australia-Oceania region, we show that investor learning regarding manager skills is affected by not only the nature of climate uncertainty faced by decision-makers but also the sustainability ratings of the funds under consideration. While the response of fund flows to past performance is found to be stronger for funds with higher sustainability scores, we show that high climate risk dampens investors' ability to process information when it comes to funds with lower sustainability scores, thus hindering their ability to differentiate fund manager skill from luck. Our findings suggest that investor learning could be enhanced by the ESG performance of funds even under high uncertainty. We underscore the informational value captured by ESG ratings from a novel angle, particularly during periods of higher climate uncertainty. Our findings have implications for the managed fund industry and the information asymmetries that may arise between fund managers and investors.	
Presenter:	**Ihsan Badshah, Auckland University of Technology**	
Discussant:	**Helen Lu, The University of Auckland**	
Paper	**ESG DISCLOSURE AND INVESTORS' ATTENTION: EVIDENCE FROM MUTUAL FUND PROSPECTUSES**	
Authors	Huayu (Sarah) Shi, The University of Auckland; Helen Lu, The University of Auckland; John B. Lee, The University of Auckland	
Abstract	Fund inflows into Environmental, Social, and Governance (ESG) funds have grown at a compound annual rate of 12.9% between 2018 and 2022. Despite this growth, the influence of ESG disclosures on fund flows remains underexplored. In this study, we conduct a comprehensive analysis of ESG disclosures made by mutual funds in the United States. We extract both specific and generic ESG disclosures from the Principal Investment Strategy (PIS) section of fund prospectuses. Our findings show that both types of ESG disclosures attract more fund inflows, but their effects on the flow-performance relationship differ. Specific ESG disclosures decrease the sensitivity of fund flows to fund performance, whereas generic ESG disclosures increase it. Simultaneously, during periods of heightened climate concern, specific environmental disclosures attract more fund inflows. Moreover, we reveal a negative relationship between mutual funds' ESG disclosures and the value weighted ESG scores of their holdings. Interestingly, when a fund's ESG disclosures do not align with its holdings' ESG scores, investors do not appear to withdraw their funds. These findings prompt further investigation into investor behaviours regarding ESG disclosures and their relationship with actual ESG performance.	
Presenter:	**Helen Lu, The University of Auckland**	
Discussant:	**Marinela Finta, Singapore Management University**	
SESSION E4	M&A AND DISCLOSURES	13H15 TO 14H45
CHAIRPERSON	FRANK ZHAO, UNIVERSITY OF AUCKLAND	WG801
Paper	**VOLATILITY INFORMATION TRANSFER ALONG THE SUPPLY CHAIN: EVIDENCE FROM CORPORATE DISCLOSURES**	
Authors	Wenli Huang, The Hong Kong Polytechnic University; Gang Li, The Hong Kong Polytechnic University; Shaojun Zhang, The Hong Kong Polytechnic University	
Abstract	We investigate how new information about one stock's future volatility is transferred to other related stocks along the supply chain. We show analytically that the change of option-implied forward volatility around a corporate disclosure event is an unbiased measure of new volatility information. Using large samples of mandatory and voluntary disclosures, we document empirical evidence that the change of forward volatility after both types of disclosures centres at zero. Consistent with the network theory of volatility comovement, we find a strong effect of volatility information transfer from customers to their suppliers, and the effect is stronger if customers are larger in firm size, have a greater number of suppliers, and have stronger economic links with suppliers. This study contributes to the literature on how firm-specific volatility information spreads across firms.	
Presenter:	**Shaojun Zhang, Hong Kong Polytechnic University**	
Discussant:	**Yaru Ren, WeBank Institute of Financial Technology Shenzhen University**	

Paper	**HOW DO ACQUIRERS BID? A TEST OF ANCHORING EFFECT IN SERIAL TAKEOVERS**
Authors	Yaru Ren, WeBank Institute of Financial Technology Shenzhen University; Ping Hu, WeBank Institute of Financial Technology Shenzhen University; Lin Li, Audencia Business School Nantes
Abstract	Studies on takeover are plenty; however, few have examined how acquirers bid in serial takeovers. We show that there is a strong relationship between two consecutive takeover bids by the same acquirer, with a higher bid premium for the former and a higher bid premium for the latter, and vice versa. The strength of the link between successive takeover bids varies by deal characteristics and economic environment. Our evidence suggests an anchoring effect in serial takeover bids, where each bid is not a single event unrelated to the other bids across multiple takeovers, as has often been assumed in previous studies on takeovers.
Presenter:	**Yaru Ren, WeBank Institute of Financial Technology Shenzhen University**
Discussant:	**Frank Zhao, University of Auckland**
Paper	**THE IMPACT OF RELATED PARTY TRANSACTIONS ON M&A PERFORMANCE: MEDIATING EFFECT OF PRIVATE TARGETS DISCOUNTS**
Authors	Frank Zhao, University of Auckland; Lina El-Jahel, University of Auckland; Michelle Li, University of Auckland
Abstract	The evaluation of privately held companies has received significant attention in mergers and acquisitions research. While there is a common belief among academics, practitioners, courts, and regulators that private targets are sold at discounts, the empirical evidence is mixed. This study examines target evaluation reports from China and finds that unlisted targets are indeed sold at a discount. The discount can primarily be attributed to the relationship between the acquirer and the target company. Furthermore, when acquirers take over unlisted targets, the market reacts positively, as indicated by the acquirers' cumulative abnormal returns (CARs). This positive reaction can be explained by the relationship between the acquirers and the targets, with the discount acting as a mediating factor. Additionally, the mediating effect of the discount is more prominent for acquiring firms that are non-state-owned enterprises. The mediating effect of the discount is not driven by the acquiring firm's power. While the liquidity needs of parent companies do impact the discount, they do not diminish the influence of the relationship between acquirers and targets. These findings are robust under various tests.
Presenter:	**Frank Zhao, University of Auckland**
Discussant:	**Shaojun Zhang, Hong Kong Polytechnic University**

WG306 (FOYER)	**AFTERNOON TEA**	**14H45 TO 15H00**

STREAM F

15H00 TO 16H30

SESSION F1	**MACHINE LEARNING**	**15H00 TO 16H30**
CHAIRPERSON	**KAREL HRAZDIL, SIMON FRASER UNIVERSITY**	**WG701**

Paper	**PREDICTING FORCED CEO TURNOVER USING MACHINE LEARNING**
Authors	Juebin Zeng, University of Auckland
Abstract	This study predicts forced CEO turnover with machine learning. In out-of-sample tests, our machine learning model substantially outperforms traditional models across different performance metrics. Machine learning's predictions show evidence to support the strong-form RPE and reject the weak-form RPE in the CEO dismissal process. Globally, performance-related, incentive-related, and risk-taking-related features contribute the most to predicting forced CEO turnover. Locally, machine learning can deal with sophisticated interactions and nonlinearity among the features, especially detecting the skill-matching between CEOs and firms. Finally, this study reveals that CEO entrenchment leads to undervaluation of CEOs' poor performance, explaining why some CEOs are rarely fired. In addition, this study suggests that directors may misattribute financial distress to CEOs who should not be fired to preserve their reputations and positions.
Presenter:	**Juebin Zeng, University of Auckland**
Discussant:	**Chulwoo Han, Sungkyunkwan University**
Paper	**PORTFOLIO CONSTRUCTION WITH NEWS SENTIMENT USING LARGE LANGUAGE MODEL**
Authors	Qi Zhang, University of Technology Sydney
Abstract	Most existing text-based sentiment measures in finance are lexicon-based, which are effectively based on word counts of positive and negative sentiment dictionaries and naturally lose most information. We measure news sentiment using BERT, a state-of-the-art large language model, which reads and comprehends the whole text and explores return predictability based on Refinitiv Machine Readable News. The resulting portfolio achieves annualised Sharpe ratios of 2.79, 3.09, and 3.87 when considering news alerts, news alerts and articles' headlines, and article body contents, respectively, significantly higher than passive investment as proxied by S&P 500 index's Sharpe ratio of 0.32 and dictionary method of 1.59, 2.94, and 0.04, suggesting that large language models are much better at capturing sentiment, and dictionary methods struggle to extract information from complicated texts. Our results also imply that reacting too fast on incomplete textual news information may yield suboptimal performance. An interesting finding is that news of positive sentiment is tailored to fewer audiences, contains fewer topics, and is generally shorter.
Presenter:	**Qi Zhang, University of Technology Sydney**
Discussant:	**Karel Hrazdil, Simon Fraser University**

Paper	**CFO FACIAL BEAUTY AND BANK LOAN CONTRACTING**	
Authors	Karel Hrazdil, Simon Fraser University; Jiyuan Li, Chongqing University of Technology; Gerald Lobo, University of Houston; Ray Zhang, Simon Fraser University	
Abstract	We examine whether the facial attractiveness of borrower firms' chief financial officers (CFOs) influences bank loan contracting terms. Using a machine learning-based face beauty evaluation algorithm to measure facial attractiveness, we document that firms led by CFOs with greater facial beauty receive more favourable loan contracts from their banks, as evidenced by lower loan spreads, longer maturities, fewer covenants, and lower likelihood of collateral requirements. We further show that the relation between CFO facial beauty and bank loan contracting terms is significantly influenced by the characteristics of both the borrower and the lender. Collectively, our results suggest that loan contracting is not an entirely rational process, as the beauty premium is at least partly driven by taste-based discrimination.	
Presenter:	**Karel Hrazdil, Simon Fraser University**	
Discussant:	**Qi Zhang, University of Technology Sydney**	
SESSION F2	**ESG**	**15H00 TO 16H30**
CHAIRPERSON	**AYESHA SCOTT, AUCKLAND UNIVERSITY OF TECHNOLOGY**	**WG703**
Paper	**EMPLOYEE HEALTH AND FIRM PERFORMANCE**	
Authors	Alexander Schandlbauer, University of Southern Denmark	
Abstract	Using administrative data on the universe of private firms in Denmark, we find that even temporary and small health shocks to employee health, like seasonal influenza, can significantly reduce firm profitability. The effects are driven by labour-intensive firms and a decrease in firm size and financial flexibility, suggesting that firms that are better able to shift resources can insulate themselves better. Our results indicate that employees are shielded from these negative effects, while owners (especially of small firms) see reduced dividends. Back-of-the-envelope calculations propose that all but the largest firms may benefit from subsidising vaccination programs for their employees.	
Presenter:	**Alexander Schandlbauer, University of Southern Denmark**	
Discussant:	**Fei Su, Nanjing University of Aeronautics and Astronautics**	
Paper	**Do responsible investment fund (RIF) managers' career paths impact their fund's ESG performance?**	
Authors	Huiqiong Tang, Auckland University of Technology; Bart Frijns, Open Universiteit; Aaron Gilbert, Auckland University of Technology; Ayesha Scott, Auckland University of Technology	
Abstract	This paper focuses on how the responsible investment fund manager's past career path impacts their funds' ESG performance. Using a dataset of 47 US domestic equity funds from 2005 to 2020, we contribute to the growing mutual fund literature on managerial characteristics. We find insignificant differences between funds with purely RIF managers and those where all the managers have conventional experience. Of note, those funds with a mix of career paths report a slightly better performance when solely considering financial return. Our results suggest that for the majority of our ESG measurements, RIFs with a wholly conventional experience management team exhibit the best ESG performance, suggesting these funds are more likely to invest in companies with higher ESG scores. When considering joint ESG and financial performance, the proportion of managers with exclusive RIF working experience positively impacts the joint performance of the fund.	
Presenter:	**Ayesha Scott, Auckland University of Technology**	
Discussant:	**Rob Bauer, Maastricht University**	
Paper	**ESG PERFORMANCE AND CORPORATE FRAUDULENCE: EVIDENCE FROM CHINA**	
Authors	Fei Su, Nanjing University of Aeronautics and Astronautics; Mengyao Guan, Nanjing University of Aeronautics and Astronautics; Yujie Liu, Nanjing University of Aeronautics and Astronautics; Jia Liu, University of Portsmouth	
Abstract	Using a large sample of Chinese publicly listed firms from 2014 to 2021, we examine whether firms' ESG performance inhibits corporate fraud. We find that high ESG performance mitigates corporate fraudulence. After conducting a series of robustness tests, the results remain unchanged. This negative relationship is more pronounced in non-SOE (non-state-owned enterprise) firms and firms that voluntarily disclose ESG information. The mechanism analysis suggests that high-quality ESG engagement improves firms' corporate governance performance and inhibits managerial myopia, which fosters good business ethics and mitigates corporate fraud. Overall, our findings provide additional evidence supporting the role of ESG in filling institutional voids in emerging economies. Our findings also provide significant policy implications for regulators and policymakers who seek to promote corporate information disclosure and mitigate corporate fraud risk.	
Presenter:	**Fei Su, Nanjing University of Aeronautics and Astronautics**	
Discussant:	**Alexander Schandlbauer, University of Southern Denmark**	
WG308	**CONFERENCE CLOSE AND PAPER AWARDS CEREMONY**	**16H30 TO 17H00**

Thank you for joining us
Haere rā

The New Zealand Tui is considered one of the greatest singers of the forest.

Artwork with permission by [Micca G Fine Arts]

PARTICIPANTS, NZFM 2023

Name and Affiliation	Stream(s)
Aaron Gilbert, Auckland University of Technology	C3
Adrian Fernandez-Perez, Auckland University of Technology	O
Alexander Nitschke, University of Muenster	B4
Alexander Schandlbauer, University of Southern Denmark	F2
Alireza Tourani-Rad, Auckland University of Technology	
Angel Zhong, RMIT University	WIF
Ayesha Scott, Auckland University of Technology	C2 & F2
Ben Marshall, Massey University	A3 & C2
Christina Atanasova, Simon Fraser University	A1 & WIF
Chulwoo Han, Sungkyunkwan University	B4 & F1
Daniel Rabetti, National University of Singapore	E1
Emdad Islam, Monash University	A2
Fanqi Meng, The University of Melbourne	A3
Farzaneh Ghandehari, The University of Auckland	
Fei Su, Nanjing University of Aeronautics and Astronautics	F2
Frank Zhao, University of Auckland	E4
Gary Tian, Macquarie University	B1
Guanglian Hu, University of Sydney	D1
Ha Truong, RMIT University	D1
Hamish Malloch, The University of Sydney	D1
Helen Lu, The University of Auckland	E3
Hongyu Shan, China Europe International Business School (CEIBS)	C2
Ihsan Badshah, Auckland University of Technology	E3
Ivan Indriawan, University of Adelaide	A2 & E2
Jian Song, Curtin University	B3
Jiri Svec, The University of Sydney	D2
Jordan Neyland, George Mason University	C3
Jose Da Fonseca, Auckland University of Technology	D1
Joshua Shemesh, Monash University	D3
Joshua Thornton, Baylor University	C3
Juebin Zeng, University of Auckland	B4 & F1
Jun Myung Song, Singapore Management University	D2 & C2
Karel Hrazdil, Simon Fraser University	F1
Kotaro Miwa, Kyushu University	B3
Les Oxley, University of Waikato	E1
Lina El Jahel, Auckland University	WIF
Marinela Finta, Singapore Management University (SKBI)	E3
Mengjuan Liu, City University of Hong Kong	B2
Minh Nguyen, RMIT University Vietnam	D3
My Nguyen, RMIT University	A4
Olga Dodd, Auckland University of Technology	C1
Oliver Randall, University of Melbourne	
Peipei Li, Southern University of Science and Technology	B2
Pengda An, Shanghai International Studies University	A1

Name and Affiliation	Stream(s)
Piers Herring, The University of Queensland	D2
Prasad Hegde, Auckland University of Technology	B1
Qi Zhang, University of Technology Sydney	F1
Randall Mork, University of Alberta	KN1
Renee Adams, University of Oxford	KN2
Rob Bauer, Maastricht University	C3 & F2
Ruoyun (Lucy) Zhao, University of Technology Sydney	A2 & E2
Sara Ali, Auckland University of Technology	
Sebastian Gehricke, Otago University	C2 & D2
Shaojun Zhang, Hong Kong Polytechnic University	E4
Shunji Mei, University of Auckland	C1
Stephen Bahadar, Auckland University of Technology	A2
Suman Neupane, The University of Queensland	
Terry Zhang, Australian National University	B4
Thanh Nguyen, James Cook University Singapore	E2
Theogene Habimana, Hanken School of Economics	A3 & E2
Thi Kieu Hoa Phan, RMIT University	C1
Thorsten Glueck, Wiesbaden Business School	A1
Ting Zhang, University of Dayton	B2
Wanyi Yang, Auckland University of Technology	B3
Weishuo Xu, University of Sydney	B1
Xing Han, University of Auckland	D3
Yanhui (Sean) Wu, Queensland University of Technology	A4
Yaru Ren, WeBank Institute of Financial Technology Shenzhen University	E4
Yiqing Lu, NYU Shanghai	C3
Yizheng (Patrick) Li, University of Auckland	A4
Yongshi (Elaine) Jie, City University of Hong Kong	C1
Zhangweiyi Ren, Adelaide Business School, University of Adelaide	A3

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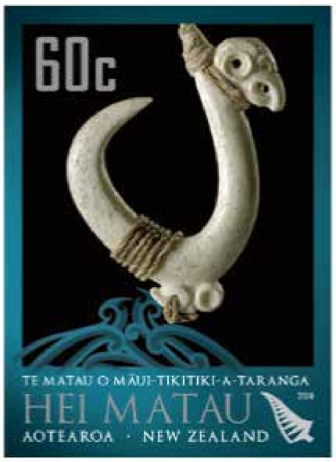
A hei matau is a bone or greenstone carving in the shape
of a fishhook typical of the Māori people of New Zealand.
Māori legend is embodied in this design, with the belief that
New Zealand was once a large fish pulled from the ocean floor
by Maui with a fishhook made from his grandmother's jawbone.



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granting strength, good luck, and safe travels over water.

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