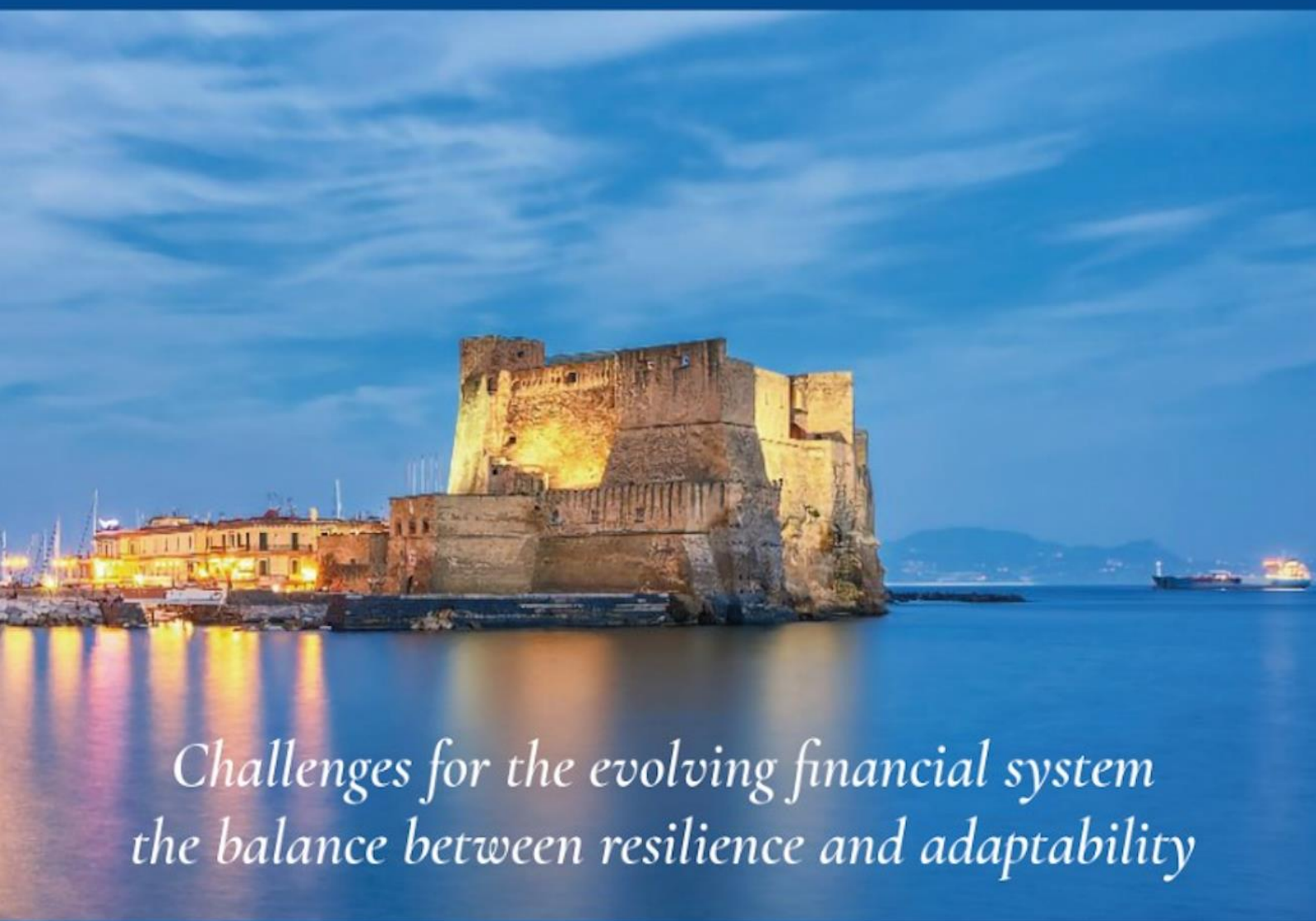




INTERNATIONAL FINANCE
AND BANKING SOCIETY

IFABS 2022 Naples Conference



*Challenges for the evolving financial system
the balance between resilience and adaptability*

University of Naples Federico II, Italy
7 - 9 September, 2022

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Welcoming note from the President of IFABS



On behalf of the International Finance and Banking Society (IFABS) Executive Committee, I wish to warmly welcome you to the IFABS 2022 Naples Conference. Over the past few years, the pandemic has introduced many difficulties in the organisation of scientific events due to social restrictions. This forced us to move last year's IFABS 2021 Oxford Conference to a virtual format. A combination of flexible technology and great organisation from Bank of England, one of two key partners in last year's conference, resulted in the delivery of a top conference. And I wish to thank Eddie Gerba from Bank of England and David Aikman from Kings Business School for that. Yet despite that, our association is excited to be able to offer an in-person conference experience again in 2022.

We are extremely delighted to hold this year's IFABS Conference in the beautiful city, Naples, with the conference theme "Challenges for the evolving financial system – the balance between resilience and adaptability". Thanks to our excellent collaboration with the University of Naples Federico II, University of Leicester, Bank of England and European Central Bank, we produced an amazing programme. During the next few days, over 200 international delegates from 36 countries will engage in a number of reflective discussions on some of the most crucial topics in global banking and finance.

We would also like to take this occasion to express our deepest condolences for the passing of Professor Peter Jackson of the University of Leicester School of Business and Head of IFABS Executive Committee. Peter was much more than a colleague; he was an amazing and beloved friend who supported and mentored many. Peter was a kind and humble man, a true gentleman and a great educator. We are all devastated to lose such an inspiring role model and visionary leader. We treasure our memories of Peter as we mourn his passing. His legacy will live on as he positively impacted the lives of so many.

I would like to take this opportunity to express my immense gratitude to the conference chairs, Rosa Coccozza (University of Naples Federico II), Domenico Curcio (University of Naples Federico II), Eddie Gerba (Bank of England), Manfred Kremer (European Central Bank) and Mohamed Shaban (University of Leicester School of Business). It has been a great pleasure to work very closely with the team in organising this exciting event. Also, we are extremely grateful for the contribution of our distinguished keynote speakers, Iftekhar Hasan (Fordham University) and Alessandra Perrazzelli (Bank of Italy) and our panellists, Francesco Mauro (European Banking Authority), Francesco Masala (Italian Banking Association) and Lea Zicchino (Prometeia). And we would like to thank IFABS 2022 Naples Scientific & Awards Committees for their excellent support and cooperation. Equally, we are deeply thankful for the excellent opportunity provided by the Journal of Climate Finance for its special issue that will publish a set of papers presented at the conference.

Last but not least, I would like to thank all our delegates, presenting authors and session chairs. Thank you all for working with us to produce such a word-class conference programme. I am very much confident that the combined efforts of all the aforementioned individuals will ensure the success of the IFABS 2022 Naples conference. I wish you all an enjoyable, insightful and productive time with us, and hope you will make the most of every opportunity to share your research, connect with fellow delegates and enjoy beautiful Naples.

Professor Meryem Duygun, FAcSS

Aviva Chair in Risk and Insurance & President, IFABS
Co-Director, INFINITY, Inclusive Financial Technology Hub
University of Nottingham
United Kingdom

Conference chairs



Rosa Coccozza
University of Naples Federico II



Domenico Curcio
University of Naples Federico II



Eddie Gerba
Bank of England



Manfred Kremer
European Central Bank



Mohamed Shaban
University of Leicester School of Business

Scientific committee

Last name	First name	Organisation
Acosta-Smith	Jonathan	Bank of England
Adriani	Fabrizio	University of Leicester
Ahnert	Toni	European Central Bank and CEPR
Aikman	David	King's College London
Akyildirim	Erdinc	Bogazici University
Ampudia	Miguel	European Central Bank
Andries	Alin	Alexandru Ioan Cuza University of Iasi
Avino	Davide	University of Liverpool
Barakat	Ahmed	University of Nottingham
Batten	Sandra	Bank of England
Beccalli	Elena	Universita Cattolica del Sacro Cuore
Beirne	John	Asian Development Bank Institute
Berrospide	Jose	Federal Reserve Board
Bertrand	Jean-Louis	ESSCA
Brogi	Marina	Universita degli Studi di Roma La Sapienza
Canon Salazar	Carlos Ivan	Bank of England
Carmassi	Jacopo	European Central Bank - CASMEF LUISS
Cerrone	Rosaria	Universita degli Studi di Salerno
Chabot	Miia	ESSCA
Charles-Cadogan	Godfrey	University of Leicester
CIHAK	Martin	International Monetary Fund
Correa	Ricardo	Federal Reserve Board
Damico	Simona	Universita di Cassino e del Lazio Meridionale
De Polis	Andrea	European Central Bank
Degryse	Hans	KU Leuven
Dell'Atti	Stefano	Universita degli Studi di Foggia
Duygun	Meryem	University of Nottingham
Fatouh	Mahmoud	Bank of England
Fecht	Falko	Frankfurt School of Finance
Ferrando	Annalisa	European Central Bank
Ferrara	Gerardo	Bank of England
Fiaschetti	Maurizio	UCL
Formisano	Vincenzo	Universita di Cassino e del Lazio Meridionale
Fraser	Clive	University of Leicester
Galan	Jorge E	Banco de Espana
Gambetta	Nicolas	Universidad ORT Uruguay
Gianfrancesco	Igor	Universita degli Studi di Bari Aldo Moro
Giansante	Simone	University of Palermo
Guida	Roberto	Universita Campus Bio-Medico
Hall	Stephen	University of Leicester
Hornuf	Lars	University of Bremen

Jiang	Fuwei	Central University of Finance and Economics
Kacperczyk	Marcin	Imperial College
Kapinos	Pavel	Amazon.com
Khrennikova	Polina	University of Leicester
Ladley	Daniel	University of Leicester
Lagasio	Valentina	University of Rome "La Sapienza"
Lambert	Thomas	Erasmus University Rotterdam
Lenza	Michele	European Central Bank
Locatelli	Rossella	Universita degli Studi dell'Insubria
LONDONO	Juan M.	Federal Reserve Board
Lund-Thomsen	Frederik	European Central Bank
Madeira	Carlos	Central Bank of Chile
Mahalingam	Arjun	Bank of England
Majerbi	Basma	University of Victoria
Manea	Cristina	Deutsche Bundesbank
Mascia	Danilo V.	University of Leeds
Mathur	Aakriti	Bank of England
McGowan	Danny	University of Birmingham
Melo	Ligia	Central Bank of Colombia
Misirli	Efdal Ulas	Federal Reserve Bank of Richmond
Modina	Michele	Universita degli Studi del Molise
Mönch	Emanuel	Frankfurt School of Finance and Management
Morgan	Peter John	Asian Development Bank Institute
Nasir	Muhammad Ali	University of Leeds
Neamtu	Ioana	Bank of England
Nguyen	Linh X. D.	University of Leicester
Nocera	Giacomo	Audencia Business School
Ojeda-Joya	Jair	Banco de la Republica
Omar	Ayman	University of Leicester
Onali	Enrico	University of Exeter
Ongena	Steven	University of Zurich
Papoutsi	Melina	European Central Bank
Pawłowska	Malgorzata	SGH Warsaw School of Economics
Petrova	Milena	Syracuse University
Porzio	Claudio	Universita degli Studi di Napoli Parthenope
Prior	Diego	Universitat Autònoma de Barcelona
Quaranta	Anna Grazia	Universita degli Studi di Macerata
Sampagnaro	Gabriele	Universita degli Studi di Napoli Parthenope
Santioni	Raffaele	Bank of Italy
Sapriza	Horacio	Federal Reserve Bank of Richmond
Schepens	Glenn	European Central Bank
Schüler	Yves	Deutsche Bundesbank
Sena	Vania	University of Sheffield
Seth	Rama	Copenhagen Business School

Shaban	Mohamed	University of Leicester
Shapiro	Joel	Saïd Business School, Oxford University
Sigaux	Jean-David	European Central Bank
Starita	Maria Grazia	Università degli Studi di Napoli Parthenope
Sylos Labini	Stefania	Università degli Studi di Foggia
Tamayo	Cesar	Universidad Eafit
Temesvary	Judit	Federal Reserve Board
Traficante	Guido	Università Europea di Roma - CASMEF
Trotta	Annarita	Dipartimento di Giurisprudenza, Economia e Sociologia
Tunaru	Radu	University of Sussex
Valenzuela	Patricio	Universidad de los Andes
Villamizar-Villegas	Mauricio	Central Bank of Colombia
Vioto	Davide	European Banking Authority
Williams	Jon	University of Surrey
Zalewska	Ania	University of Bath
Zhang	Dalu	University of Leicester
Zhou	Yifan	University of Leicester

Keynote speakers

Iftekhar Hasan

E. Gerald Corrigan Chair in Finance, Fordham University



Iftekhar Hasan holds the title of university professor at Fordham University, where he also serves as the E. Gerald Corrigan Chair in Finance, academic director of the PhD program, and co-director of the Center for Research in Contemporary Finance at the Gabelli School of Business. He further serves as a scientific advisor at the Central Bank of Finland, as a fractional faculty member at the University of Sydney, as a research fellow at the Financial Institution Center at the Wharton School as well as at the IWH Institute in Halle, Germany. He is the managing editor of the Journal of Financial Stability and has served as an associate editor with several other reputed academic journals. Professor Hasan's research interests are in the areas of financial institutions, corporate finance, capital markets, and emerging economies focusing on interdisciplinary questions and public policy issues.

Alessandra Perrazzelli

Member of the Governing Board and Deputy Governor of the Bank of Italy



Alessandra Perrazzelli is Member of the Governing Board and Deputy Governor of the Bank of Italy, and a member of the Joint Directorate of the Insurance Supervisory Authority (IVASS). She graduated in law with honours from the University of Genoa and obtained a Master of Laws in Corporation Law from New York University School of Law. She worked in prestigious law firms in Italy and abroad and was a partner in the Brussels law firm O'Connor & Company where she served as the head of the Public Utilities practice. Alessandra Perrazzelli worked for Intesa Sanpaolo SpA in Milan and Brussels offices where she was head of International Regulatory & Antitrust Affairs, being responsible for managing all the Group's large acquisitions. She served as Italy Country Manager for Barclays Bank PLC and in several other boards of directors.

Panellists

Francesco Mauro European Banking Authority



Head of the Supervisory Review, Recovery and Resolution Unit at the European Banking Authority (EBA). He has overseen the development of various regulatory products on governance (e.g., Guidelines on Internal Governance and Fit and Proper), on-going supervision (e.g., Guidelines on SREP for banks and investment firms), recovery (Guidelines on Recovery Indicators), and resolution (Guidelines on Resolvability assessment). His unit is also responsible for monitoring European convergence in supervision (European Supervisory Examination Program) and resolution (European Resolution Examination Program) and market access profiles. Prior to the EBA, he was an executive at the Bank of Italy, serving as Head of the Regulatory Division of the Regulatory and

Supervisory Policy Service of IVASS.

Francesco Masala Italian Banking Association



Chief economist of the Italian Banking Association (ABI), he is also in charge of managing ABI's relationship with international analysts. He has held various positions within the committees and working groups of the European Banking Federation (EBF), where he is currently a member of the "Chief Economist Group" and of the "Risk Assessment working group". Previous positions at the EBF include the participation in the Steering committee of the "Cross-Border M&A working group", and in the "Statistics working group". He is also a member of the "Prudential Supervision Working Group" at the International Banking Federation (IBFed), the representative body for a group of key national banking associations.

Lia Zicchino Prometeia



Senior Partner and Head of the Markets and Financial Intermediaries Analysis Practice. A 1994 graduate in Statistics and Economics from the University of Siena, she holds a Ph.D. in Political Economy from La Sapienza University in Rome and a Ph.D. in Finance and Economics from the Business School of Columbia University in New York. From 2002 to 2008, she was an economist at the Bank of England, first in the area of financial stability and then in the area of monetary policy. At Prometeia since 2008, she has worked on macroeconomics, finance, monetary policy, banking and credit markets. She is a member of the Banking Supervision Market Contact Group of the ECB and teaches risk management to students in the Master's program in Global Risk at SAIS, John

Hopkins University, European Branch.

IFABS best paper award committee

Chair:

Ania Zalewska, University of Bath

Members:

Mohamed Azzim Gulamhussen, ISCTE-Instituto Universitário de Lisboa, Portugal

Mahmoud Fatouh, Bank of England, UK

Matthew Gustafson, Penn State University, USA

Stuart Hyde, University of Manchester, UK

Sofia Johan, Florida Atlantic University, USA

Michele Lenza, European Central Bank, Germany

Steven Ongena, University of Zurich, Switzerland

Xiaoyan Zhang, Tsinghua University, China

Special issue Journal of Climate Finance

The Journal of Climate Finance will publish a special issue with papers presented at the conference. Acceptance to the conference does not guarantee publication in the Journal of Climate Finance and is subject to the regular review and revision process. Papers submitted for this special issue will undergo the normal journal review process and no submission fee will apply.

Additional details for the submission procedure will be provided later.

Link: <https://www.journals.elsevier.com/journal-of-climate-finance>

Programme at a glance

Date: Wednesday, 07/Sept/2022

Start	End	Title	Place
08:00	08:30	SHUTTLE SERVICE: From the hotels' area to the conference venue (Exact location to be confirmed)	
09:00	10:30	Registration / Welcome Coffee / Networking	Entrance Foyer, Building C
10:30	11:00	WR: Welcoming Remarks	Aula Magna
11:00	13:00	WED1-01: Special Session - Bank of England: Climate impact on economy and financial sector	SG-I-1
11:00	13:00	WED1-02: Special Session - Bank of Italy: Innovation and finance	SG-I-2
11:00	13:00	WED1-03: Lending and firm default	SG-I-3
11:00	13:00	WED1-04: Governance: Firms vs Banks	SG-I-4
11:00	13:00	WED1-05: Portfolio: Risk and return	SG-I-5
11:00	13:00	WED1-06: Debt: Issuers, maturity and sustainability	SG-II-1
11:00	13:00	WED1-07: Markets: Insiders, networks and volatility	SG-II-2
13:00	14:00	Lunch	Garden, Building C
14:00	15:00	KEYNOTE I: Keynote speech by Alessandra Perrazzelli, Bank of Italy	Aula Magna
15:00	15:30	Afternoon Coffee Break / Networking	Garden, Building C
15:30	17:30	WED2-01: Special Session - Federal Reserve Board: Bank lending	SG-I-1
15:30	17:30	WED2-02: Bank Stability: Welfare, diversity and sustainability	SG-I-2
15:30	17:30	WED2-03: Banking: Supervision, opacity and competition	SG-I-3
15:30	17:30	WED2-04: Funds	SG-I-4
15:30	17:30	WED2-05: Banks' ownership and type	SG-I-5
15:30	17:30	WED2-06: Merger and Acquisitions	SG-II-1
15:30	17:30	WED2-07: Interest rate and loan price	SG-II-2
17:30	18:00	SHUTTLE SERVICE: From the conference venue to the hotels' area	
20:30	22:30	IFABS President's Dinner for Scientific Committee (by invitation only)	

Date: Thursday, 08/Sept/2022

08:00	08:30	SHUTTLE SERVICE: From the hotels' area to the conference venue (Exact location to be confirmed)	
09:00	10:00	Morning Coffee / Networking	Garden, Building C
10:00	11:00	KEYNOTE II: Keynote speech on "Climate-related Disclosure Commitment of the Lenders, Credit Rationing, and Borrower Environmental Performance" by Iftekhar Hasan, Fordham University	Aula Magna
11:00	13:00	THU1-01: Special Session - Bank of England: Foreign exchange	SG-I-1
11:00	13:00	THU1-02: Banks: Regulations, reforms and models	SG-I-2
11:00	13:00	THU1-03: Risk: Models and Techniques	SG-I-3
11:00	13:00	THU1-04: Special Session - Banco de la República, Colombia: Monetary Policy	SG-I-4
11:00	13:00	THU1-05: Firm Value: Information, private equity and VC	SG-I-5
11:00	13:00	THU1-06: Environmental sustainability and firms' capital	SG-II-1
11:00	13:00	THU1-07: Markets	SG-II-2

13:00	14:00	Lunch	Garden, Building C
14:00	16:00	THU2-01: Special Session - Asian Development Bank Institute: COVID-19 impact on firms and capital	SG-I-1
14:00	16:00	THU2-02: Fintech	SG-I-2
14:00	16:00	THU2-03: Financial crisis	SG-I-3
14:00	16:00	THU2-04: Governance: Agency conflicts, politics and prestige	SG-I-4
14:00	16:00	THU2-05: Firm Value: Ownership, diversity and local network	SG-I-5
14:00	16:00	THU2-06: Special Session - Bank of Greece: Sovereign and green bonds	SG-II-1
14:00	16:00	THU2-07: Cryptocurrency	SG-II-2
16:00	16:30	Afternoon Coffee Break / Networking	Garden, Building C
16:30	17:00	SHUTTLE SERVICE: From the conference venue to the hotels' area	
20:00	22:30	Gala Dinner & Awards Ceremony (Ticket holders only)	

Date: Friday, 09/Sept/2022

08:00	08:30	SHUTTLE SERVICE: From the hotels' area to the conference venue (Exact location to be confirmed)	
09:00	10:00	Morning Coffee / Networking	Garden, Building C
10:00	11:00	PANEL: Panel on "The new banking paradigms and the key challenges ahead"	Aula Magna
11:00	13:00	FRI1-01: Special Session - European Central Bank: Financial stability and risk	SG-I-1
11:00	13:00	FRI1-02: Corporate Finance: financial structure, R&D, CEO and tax	SG-I-2
11:00	13:00	FRI1-03: Liquidity, swaps, options and settlement	SG-I-3
11:00	13:00	FRI1-04: Pandemic and financial markets	SG-I-4
11:00	13:00	FRI1-05: Financial turmoil and extreme shocks	SG-I-5
11:00	13:00	FRI1-06: Industry risk exposure	SG-II-1
11:00	13:00	FRI1-07: AI & machine learning in finance	SG-II-2
13:00	14:00	Lunch	Garden, Building C
14:00	16:00	FRI2-01: Special Session - Bank of England: Banks' ownership, performance and credit	SG-I-1
14:00	16:00	FRI2-02: Stock returns	SG-I-2
14:00	16:00	FRI2-03: Climate risk and ESG	SG-I-3
16:00	16:30	Afternoon Coffee Break / Networking	Garden, Building C
16:30	18:30	FRI3-01: Special Session - European Central Bank: "Lending" banks vs firms	SG-I-1
16:30	18:30	FRI3-02: Corporate social responsibility	SG-I-2
16:30	18:30	FRI3-03: Applications of AI techniques	SG-I-3
16:30	18:30	FRI3-04: Asset Management	SG-I-4
16:30	18:30	FRI3-05: Corporate Finance: Banks vs Corporate capital	SG-I-5
16:30	18:30	FRI3-06: Banks performance	SG-II-1
16:30	18:30	FRI3-07: Capital regulation	SG-II-2
18:30	19:00	SHUTTLE SERVICE: From the conference venue to the hotels' area	

Detailed programme

Date: Wednesday, 07/Sept/2022

8:00am - 8:30am	SHUTTLE SERVICE: From the hotels' area to the conference venue (Exact location to be confirmed)
9:00am - 10:30am	<p>Registration / Welcome Coffee / Networking Location: Entrance Foyer, Building C</p> <p>CONFERENCE VENUE: Complesso Universitario di San Giovanni a Teduccio University of Naples Federico II</p> <p>ADDRESS: Corso Nicolangelo Protopisani, 70, 80146 Napoli (Italy) BUILDING C</p>
10:30am - 11:00am	<p>WR: Welcoming Remarks Location: Aula Magna</p> <p>Professor Meryem Duygun, University of Nottingham & President, IFABS Professor Matteo Lorito, Rector of the University of Naples "Federio II" Professor Adele Caldarelli, Dean of the Department of Economics, Management, Institutions, University of Naples "Federio II" Professor Rosa Coccozza, University of Naples "Federio II", IFABS 2022 Naples Conference Chair</p>
11:00am - 1:00pm	<p>WED1-01: Special Session - Bank of England: Climate impact on economy and financial sector Location: SG-I-1 Session Chair: Sandra Batten, Bank of England, United Kingdom</p> <p>Climate-Related Disclosures in the UK Financial Sector and its Determinants Jonathan Acosta-Smith¹, Benjamin Guin¹, Mauricio Salgado-Moreno², Quynh-Anh Vo¹ ¹Bank of England, United Kingdom; ²Humboldt University of Berlin, Germany</p> <p>We investigate climate-related financial disclosures of banks and insurers in the UK. We propose a novel method consisting of Natural Language Processing techniques and Machine Learning classifiers which we employ on a unique and hand-collected data set based on published firm reports. First, we document a vast heterogeneity of disclosures across firms where larger firms disclose more information. Second, we document an increasing trend of disclosures with previously non-disclosing firms catching up. This convergence coincides with the timing of climate-related regulation affecting these firms.</p> <p>ESG complementarities in the US economy Meryem Duygun¹, Stephen Hall², Aliya Kenjegalieva³, Amangeldi Kenjegaliev⁴ ¹Nottingham University Business School; ²School of Business, University of Leicester; ³Department of Economics, University of Bath; ⁴Hull University Business School</p> <p>This paper investigates ESG from the perspective of changes in input elasticities of substitution and complementarity. Rather than compute elasticities of substitution and complementarity from a cost function, we compute the elasticities from an input distance function (IDF). We extract data on inputs and outputs from Refinitiv Eikon Datastream ESG database (formerly Asset 4). We focus on the US economy due to her global role in the world economy and hence spillover effects of uncertainties on the rest of the world. The data consists of 5,798 companies comprising 38 US industries (see table 1) that spans for 12 years from 2009 to 2020 and includes: (i) financial data on sales, capital and employees; (ii) two financial ratios - return on assets and return on equity and (iii) three main ESG indicators – environment, social and governance scores. We compute AEC and AES from a translog of an IDF function. We find that standard inputs have positive AEC elasticities; however, ESG cross-elasticities exhibit negative signs, classifying them as q-substitutes. Therefore, an increase in one of the ESG values leads to a decrease in the marginal value of the other while output kept constant. On the hand, AES elasticities have a negative sign only for the Governance-Environment "doublet"; the rest of the pairs are positive implying that they are p-complements.</p> <p>The sustainability and environmental effects of QE via bond issuance Mahmoud Fatouh², Simone Giansante¹, Meryem Duygun³ ¹University of Palermo, Italy; ²Bank of England, and Department of Economics, University of Essex; ³Nottingham University Business School, University of Nottingham</p> <p>We assess the real economy and environmental impacts of the Bank of England's QE operations via the bonds market. Using difference-in-difference exercises on secondary market yields, and cost of borrowing and issuance in the primary market, we document increased issuances of investment-grade bonds with long maturity as a result of the lower cost of borrowing caused by QE. However, companies directed additional funds towards share buybacks and reducing bank borrowing rather than real investment. No evidence of an impact on ESG/green bond issuance, supporting the idea that direct interventions are needed to attain favourable environmental effects. We also isolate the marginal impact of purchases under Corporate Bond</p>

Purchase Scheme, the direct effect, from the total effect of QE on bonds market. We find that yields of eligible bonds fell by 40-60bps relative to ineligible bonds. However, this doesn't reflect on the cost of borrowing and issuance in the primary market.

Climate policy and the climate transition in a DSGE model

Sandra Batten¹, Stephen Millard²

¹Bank of England, United Kingdom; ²National Institute of Economic and Social Research

We build an open economy DSGE model with energy and use it to simulate the impact of the introduction of a carbon tax on macroeconomic variables. The model has three sectors – households, businesses and government. In order to analyse the impact of a carbon tax on the macro-economy we include three types of energy: oil/petrol (used in transport), gas (used in heating fuel and to produce electricity) and electricity, which can be produced using fossil fuels (specifically gas in the model) or renewable sources. We show how the introduction of the carbon tax has the effect of shifting the production of electricity from fossil fuels to renewable sources, with the capital stock used in the production of electricity from fossil fuels depreciating rapidly. The transition implies higher investment and lower consumption than in the initial steady state, with energy consumption decreasing less than aggregate consumption due to a lack of substitutability between energy and non-energy.

11:00am - 1:00pm

WED1-02: Special Session - Bank of Italy: Innovation and finance

Location: [SG-I-2](#)

Session Chair: **Silvia Del Prete**, Banca d'Italia, Italy

Innovative startups: Accelerators and incubators for a better access to financial markets and intermediaries

Lorenzo Gai, [Elisa Bocchialini](#), Nicola Del Sarto, Federica Ielasi

Università di Firenze, Italy

Innovation intermediaries has become a crucial function for business organizations aiming at identifying critical assets to focus on how to achieve competitive advantages. However, despite the rapid proliferation of innovation intermediaries around the world, the academic literature on this topic is surprisingly scarce. Within this vein, a major gap concerns the lack of research on the specific effect of innovation intermediaries on the likelihood of startups to receive funding both from traditional lenders, such as banks, or from sources of alternative finance, like venture capitalists and business angels. For this reason, with our study we aim to verify the role of innovation intermediaries, such as accelerators and incubator in facilitating access to external sources of finance of innovative startups.

Digital disruptors at the gate. Does FinTech lending affect bank market power and stability?

Pedro J. Cuadros-Solas¹, Elena Cubillas², Carlos Salvador³, Nuria Suárez⁴

¹CUNEF University; ²Universidad de Oviedo; ³Universidad de Valencia; ⁴Universidad Autónoma de Madrid

This paper examines the effect of FinTech lending on the market power and stability of incumbent banks. Using an international sample of 6,309 banks during the period 2013-2019, our results show that the volume of credit provided by FinTech lenders negatively affects bank market power and stability. This negative effect is less relevant in countries with greater protection of creditor rights. We also find that the impact of FinTech lending on bank stability is partially channeled by the effect of FinTech credit on the market power of incumbent banks. Our main results – lower bank market power and stability – are also observed at the country level, after addressing potential endogeneity concerns related to FinTech lending and several robustness checks.

Bank financial innovation and SMEs lending: do we experience a transformation in a bank-SME relationship?

Aneta Hryckiewicz¹, [Julia Korosteleva](#)², Lukasz Kozlowski¹, Malwina Rzepka¹, Ruomeng Wang²

¹Kozminski University, Poland; ²University College London

While sparked by financial technology firms, the digitalisation trend has also impacted a banking sector, providing greater incentives for traditional banks to become more financially inclusive. The advancements in financial technology development might create new financing opportunities for Small and Medium-sized enterprises (SMEs), which have typically been underserved by the traditional banks. In our paper we raise a question whether the technological advances have increased the interest of banks toward the SMEs lending. Using a sample of 179,921 SMEs, merged with the data from 54 largest European banks over the period of 2008- 2019 at a firm level, we analyze the impact of bank digitalisation on the SMEs access to credit and its cost. Our results indicate that bank digitalisation has positively affected SMEs' access to bank credit, though the effect is stronger for short-term lending rather than long-term one. However, our evidence also suggests that bank digitalisation increases the cost of credit to SMEs, though the effect is non-linear. Finally, we also show that the impact of financial innovation at banks manifest via different channels, and it is also conditional on credit market characteristics.

The Digital Transformation in the Italian Banking Sector

Silvia Del Prete, Cristina Demma, Paola Rossi

Banca d'Italia, Italy

Using a unique dataset based on the results of a survey of almost 280 Italian banks (Regional Bank Lending Survey), this paper presents early evidence on the digital transformation of the Italian banking sector over the period 2007-2018. By building a composite indicator that measures the digital supply of financial services, we show a growth in digitalization over the entire period, with a clear acceleration since 2013. The adoption of digital technologies is not homogeneous across banks and, to an even greater extent, business areas: digitalization started in payment services at the end of the 1990s and then spread to asset management, whereas the use of digital channels in lending is still less frequent. More recently, banks have also implemented new FinTech projects, mainly for digital payments and asset management activities. We find a positive correlation between the intensity of technological innovation and bank profitability; in spite of increased costs, cost-efficiency appears improved. Furthermore, we find a negative correlation with the number of branches, signalling a potential substitution effect between physical and digital channels.

11:00am - 1:00pm

WED1-03: Lending and firm default

Location: **SG-I-3**

Session Chair: **Martin Tobal**, Banco de México, Mexico

Financial Contagion in Inter-Bank Lending Network With Overlapping Portfolios

Emmanuel Caiazzo, Alberto Zazzaro

Università degli Studi di Napoli Federico II, Italy

This paper considers a banking system where leveraged banks connect through inter-bank lending and common asset holdings.

An unexpected liquidity shock pushes a bank to default. We discuss conditions that allow the banking system to cushion the initial

losses and avoid contagion. The main result identifies a set of inter-bank market architectures in which contagion cannot occur.

The measure of the set depends on market liquidity and the extent to which banks' portfolios overlap. From a macro-prudential

perspective, we suggest that sudden freezes in the inter-bank lending market that accompanies spikes in the portfolios similarity or

drops in the market liquidity are the primary sources of financial fragility.

Lending Technologies and Lending Relationships

Artashes Karapetyan¹, Bogdan Stacescu²

¹Essec, France; ²BI

We show how a bank's capital structure affects its choice between two costly instruments used to identify good loan applicants: direct screening by acquiring borrower-specific information and collateral requirements. We show that adequate bank capitalization reduces the inefficient use of collateral arising from the uncertainty of its ex-post recovery values. In turn, the higher probability of continued bank relationship further improves the efficiency of selection, allowing the bank to better tailor its selected technology in later periods using accumulated information. Moreover, by reducing the incidence of collateral in both initial and later periods, access to credit can be improved for constrained applicants. Our findings support policies requiring adequate bank capitalization, such as the leverage ratio.

Relationship Lending, A Matter of Trust? The Role of General Trust in Banks

Jeremie BERTRAND¹, Aurore Burietz¹, Paul-Olivier Klein²

¹IESEG School of Management, France; ²University of Lyon, Université Jean Moulin Lyon 3, iaelyon School of Management

We introduce the distinction between broad-scope trust and narrow-scope trust in banking. Broad-scope trust corresponds to trust toward a group in general (e.g., banks as a whole); narrow-scope trust toward a specific individual (e.g., bank-firm relationship). Using U.S. syndicated loans transactions data, from 1998 to 2016, we show that banks tend to use more relationship lending in enhanced trust environments. In addition, banks that employ relationship lending take advantage of higher general trust to extract more economic rents from their specific relationships. Hence, we find that high general trust can also lead to a hold-up mechanism

Thermal stress and financial distress: Extreme temperatures and firms' loan defaults in Mexico

David Jaume¹, Sandra Aguilar², David Heres³, Emilio Gutierrez⁴, Martin Tobal⁵

¹Bank of Mexico; ²UC San Diego; ³Bank of Mexico; ⁴ITAM; ⁵Bank of Mexico

	<p>The frequency and intensity of extreme weather events are likely to increase with climate change. Although a growing body of literature shows that extreme weather has a negative impact on economic outcomes, there is lack of evidence about how it affects firm's credit delinquency and credit use. This question is relevant for Low and Middle Income Economies, where institutions are frequently less prepared to deal with informational asymmetries and credit markets are frequently shallow. We fill this gap by exploiting an extraordinarily detailed data set with loan-level information for the universe of loans extended by commercial banks to private firms in Mexico. Exploiting differences across Mexican counties over time, we find that anomalous days of extreme temperature increase the rate of non-performing loans and that this result is mainly driven by extreme heat. The effect is concentrated in the agricultural sector but there is also a non-negligible impact on the non-agriculture industries that are more dependent on local demand. Our results are consistent with general equilibrium effects originated in agriculture that expands to non-agriculture sectors in agricultural regions.</p>
11:00am - 1:00pm	<p><u>WED1-04: Governance: Firms vs Banks</u> Location: SG-I-4 Session Chair: Riccardo Tibaldi, University of Salerno, Italy</p> <p>Assessing the performance of collective and individual pay for performance systems Silvia Leoni, Daniel Ladley, Stephen Wood University of Leicester, United Kingdom</p> <p>This paper aims to assess the performance of collective and individual performance-related pay, and hybrids of them using an agent-based model. The increasing use of variable pay in recent years has highlighted longstanding concerns about their potential downsides, including the possibility that this approach undermines intrinsic motivation.</p> <p>This paper addresses two research questions: 1) which pay system results in better firm performance in terms of productivity and profitability in the short and long run? 2) how do different pay systems affect workforce composition and workers' retention?</p> <p>We use agent-based modelling to answer these questions. The model simulates a closed economy populated by firms and employees. Firms adopt fixed pay in combination with variable pay in the form of either individual, collective or a combination of both. Employees can switch companies based on the expected job satisfaction, intrinsic and extrinsic, associated with an alternative job.</p> <p>Does governance quality matter in financial intermediation? A comparison between bank and insurance companies Sarkar Kabir¹, Md Hamid Uddin², Rashedul Hasan¹, Meryem Duygun³, Yilmaz Guney¹ ¹Coventry University, United Kingdom; ²University of Southampton, Malaysia Campus; ³University of Nottingham, UK</p> <p>The global financial crisis highlights the need for an effective governance mechanism in the financial sector. In contrast to the insurance companies, banks are operating in a highly regulatory environment globally with specified standards appropriate for the nature of the business. This suggests that insurance companies are more susceptible to agency problems in comparison to banks. We therefore investigate if governance quality varies across banking and insurance companies. The study is based on ten years' data for 560 banks and 214 insurance companies from 28 countries. We find that governance quality is lower for insurance companies as compared to banks. The consequences of inferior governance quality for insurance firms include higher agency problem which increases their risk and reduces financial performance. The findings persist across all subsamples and robust measures. Finally, we confirm with country-level analysis that improvement in governance quality for insurance firms leads to better risk management and financial performance. Such findings have further implications for the insurance sector and could allow insurance firms to better control their risk with an effective governance structure.</p> <p>Country-level corporate ethical behavior perceptions and the cost of bank equity: International evidence Fotios Pasiouras¹, Anis Samet² ¹Montpellier Business School, France; ²American University of Sharjah, UAE</p> <p>We use a cross-country sample of banking institutions to investigate the association between country-level perceptions on corporate ethical behavior and the cost of bank equity. We find evidence that banks operate with lower cost of equity in countries with higher corporate ethical behavior ratings. This finding is robust to the inclusion of several bank-level and country-level control variables in the regressions, the use of alternative calculations for the cost of bank equity, endogeneity concerns, and the use of alternative regression techniques. Further analysis reveals that ethical behavior decreases the cost of equity more in countries with weak investor protection. This finding suggests that ethical behavior becomes more important in environments where investors are weakly protected against managerial opportunism through formal institutions.</p>

Coming back to life: how business families revitalize "dead money" through family foundations

Carmen Gallucci¹, Riccardo Tipaldi¹, Rosalia Santulli²

¹University of Salerno, Italy; ²University of Genoa, Italy

This paper examines how business families use family foundations to revitalize "dead money" while increasing the reputation of the business family and its firms through charitable giving. The Wang & He (2018) model is applied from 2001 to 2019 to a sample of 50 US family foundations (one for each federal state) with about USD 1 million in assets. Results indicate that business families revitalize "dead money" through family foundations by investing it across different revenue sources, namely bonds, cash investments, and stocks, generating inflows in terms of dividends, interests, and net gains due to asset sales. However, family foundations hold much of these inflows as disposable net equity. Therefore, their administrative structure remains too basic, preventing operating margins from growing. Nonetheless, family foundations stay highly involved in charitable giving to do well to the reputation of the business family and its firms while doing good to society. Overall, we conclude that business families, through family foundations, partially succeed in revitalizing "dead money".

11:00am - 1:00pm

WED1-05: Portfolio: Risk and return

Location: [SG-I-5](#)

Session Chair: **Athina Petropoulou**, SOAS University London, United Kingdom

Volatility of large portfolios

Tomas Cipra, Radek Hendrych

Charles University in Prague, Czech Republic

A general recursive framework for prediction of high-dimensional conditional covariance matrices is suggested and applied when constructing large portfolios. Since numerically simple prediction methods are usually recommended in the context of multivariate volatility problems of high dimensions, one prefers in this paper the multivariate EWMA (exponentially weighted moving average) and ORE (optimal rolling estimator) processes which are estimated recursively. Moreover, combination of various forecasts may have a positive effect on the quality of volatility projections which are compared by means of various economic criteria. These economic criteria make use of basic concepts of investment and portfolio analysis (investment index, minimum variance portfolio, Sharpe ratio) and take into account transaction costs of dynamic portfolio rebalancing.

Optimal Consumption and Dynamic Portfolio Selection under Market Liquidity

Hamza El Khalloufi, Constantin Mellios

PRISM-Sorbonne, University Paris 1 Panthéon-Sorbonne, France

The main objective of this paper is to investigate, in a continuous-time framework, the impact of market liquidity level and risk on optimal consumption and asset allocation. Contrary to the existing literature dealing with asset-specific liquidity, we explicitly model the market liquidity level as a state variable resulting in an imperfectly liquid asset price. Our empirical evidence shows that market liquidity substantially influences consumption compared to the perfectly liquid Merton case and to a lesser extent optimal weights. For longer maturities, the liquidity risk has a weak effect on both consumption and holdings. Mean-reversion in market liquidity implies that investors' position depends on the market situation, surplus or shortage in liquidity. When comparing investors with respect to their risk preferences, it appears that the more risk-tolerant investor has a greater consumption rate and investment proportion than the more risk-averse agent.

Diversification benefits of commodities in portfolio allocation: A dynamic factor copula approach

Rodrigo Herrera

Universidad de Talca, Chile

This study provides a thorough analysis of the dynamics of volatility and dependence between seven international equity and 20 commodity markets across different sectors, highlighting the hedging role played by the latter. We explain volatility using a specification that distinguishes between the short and long term, while the dynamics of the dependence structure, or copula, are modeled by means of a latent factor structure, which can be split into commodity sectors such that there is homogeneous dependence within each sector. The dynamic of both models is captured through a score-driven specification. Moreover, we solve the risk aversion portfolio optimization problem to determine the existence of diversification benefits when constructing portfolios made up of a mix of commodities and stock markets. The main results of the study show that the dependence between the commodity and equity markets is variable over time and that the diversification potential of commodity markets is limited. Further, the factor copula approach is the best specification in terms of the Sharpe ratio independent of portfolio settings for the different rebalancing periods.

Household portfolio preferences in the era of financial innovation

Victor Murinde, Athina Petropoulou

	<p>SOAS University London, United Kingdom</p> <p>We estimate a flow of funds model for the household sector within the Almost Ideal Demand System (AIDS) framework and examine the impact of financial innovation (FinTech) on the demand for financial assets and the dynamics of substitution between assets. We focus on a sample of OECD countries, which constitute the engine of the global economy and provide the largest contributions to growth in recent years, namely UK, EU, US, Japan, China and Australia. Overall, this research sheds light on the impact of financial innovation on household portfolio behavior in the large economies which shape global economic developments.</p>
11:00am - 1:00pm	<p><u>WED1-06: Debt: Issuers, maturity and sustainability</u> Location: SG-II-1 Session Chair: Paola Di Casola, ECB, Germany</p> <p>The impact of banking competition on corporate debt maturity Viet Dang, Marie Dutordoir, Manar Elgazzar University of Manchester, UK</p> <p>This paper examines the impact of increases in banking competition on firms' debt maturity structure, utilizing the staggered adoption of Riegle-Neal Interstate Banking and Branching Efficiency Act (IBBEA) by U.S. states as an exogenous shock. Using a sample of incremental loan issues, we provide robust evidence that higher banking competition lengthens firms' debt maturity. Specifically, firms located within deregulating states experience an increase of 7.5% in their debt maturity post-IBBEA. Additional analysis suggests that the positive relation between banking competition and debt maturity is more pronounced for firms with an unsatisfied demand for additional long-term debt, including financially constrained firms and firms operating below their optimal debt maturity levels. Our findings are consistent with the notion that banking competition intensifies banks' moral hazard incentives, potentially motivating them to provide more long-term credit. In contrast, our results provide inconsistent evidence for a lending relationship mechanism.</p> <p>Understanding the determinants of bond excess returns using explainable AI Lars Beckmann, Joern Debener, Johannes Kriebel University of Muenster, Germany</p> <p>Recent empirical evidence indicates that bond excess returns can be predicted using machine learning models. While the predictive power of machine learning models is intriguing, they typically lack transparency. We introduce SHapley Additive exPlanations (SHAP), a state-of-the-art explainable artificial technique, to open the black box of these models. Our analysis identifies the key determinants that drive the predictions of bond excess returns in machine learning models and how these determinants are related to bond excess returns. Thereby, our approach facilitates an economic interpretation of the predictions of bond excess returns made by machine learning models. A thorough understanding of the determinants of bond excess returns, in turn, is important for investors' portfolio management and the monetary policy of central banks.</p> <p>Debt sustainability and monetary policy: The case of ECB asset purchases Enriques Alberola², Andrea Consiglio¹, Gong Chen², Stavros Zenios³ ¹University of Palermo, Italy; ²Bank for International Settlement; ³University of Cyprus</p> <p>We incorporate monetary policy into a model of stochastic debt sustainability analysis and evaluate the impact of unconventional policies on sovereign debt dynamics. The model optimizes debt financing to trade off financing cost with refinancing risk. We show that the ECB pandemic emergency-purchase programme (PEPP) substantially improves debt sustainability for euro area sovereigns with a high debt stock. Without PEPP, debt would be on an increasing (unsustainable) trajectory with high probability, while, with asset purchases, it is sustainable and the debt ratio is expected to return to pre-pandemic levels by about 2030. The improvement in debt dynamics extends beyond the PEPP and is larger for more gradual unwinding of the Central Bank balance sheet. Optimal financing under PEPP induces an extension of maturities reducing the risk without increasing costs. The analysis also shows that inflation surprises have relatively little impact on debt dynamics, with the direction and magnitude of the effect depending on the monetary policy response.</p>

Domestic and External Sovereign Debt

Paola Di Casola¹, Spyridon Sichlimiris²

¹ECB, Germany; ²Riksbank, Sweden

We develop a model of domestic and external sovereign debt, where market segmentation, in conjunction with financial repression, makes sovereign default costly. In a small open economy characterized by a scarcity of domestic private saving instruments, the government can financially repress domestic bondholders to issue cheap domestic debt, by imposing capital controls. However, under these market conditions, domestic debt issuance features a decreasing marginal benefit. The government counteracts this costly side of financial repression, by issuing also

external debt in the international financial market, extending further its debt capacity. A default temporarily disrupts the trade in these segmented debt markets. Among other empirical regularities of emerging and developing economies, our model can rationalize the domestic and external sovereign debt levels and the negative real interest rates on sovereign debt.

11:00am - 1:00pm

WED1-07: Markets: Insiders, networks and volatility

Location: [SG-II-2](#)

Session Chair: **Jos van Bommel**, University of Luxembourg, Luxembourg

Conditional Tail-Risk in Social Trading

Gerrit Wittke, Peter Grundke, Kai Rohde

University of Osnabrueck, Germany

We analyze risk commonality effects in social trading. We use tail de-pendency measures to show the difference of risk commonalities between traditional mutual funds and social trading portfolios. We find social trading portfolios to have significantly larger tail risk commonalities compared to mutual funds. These large tail risk commonalities are associated with larger and younger portfolios having lower returns but higher individual risk with a US exposure. In an optimal portfolio, we find mutual funds dominate social trading funds in the low risk area but vice versa in the high return area. Further, we show that adding social trading into a multi-asset portfolio can increase its overall efficiency for all regions indicating that social trading is nonetheless a viable asset.

Pound-Wise and Penny-Fool: Insider Trading and Political Network

Wei Chen¹, Xian Gu², Iftekhar Hasan¹, Yun Zhu³

¹Fordham University; ²Durham University Business School, United Kingdom; ³St. John's University

This paper investigates the insider trading in China. We create comprehensive social networks between politicians and corporate managers and observe that stronger political networks reduce the insider trading activities, opposing that in Western societies, where political networks generally incite insider trading through reduced litigation risk. We explain the opposite effect via the political loyalty channel, whereas political networks are reserved for situations when the political favor is more valuable, instead of managers' personal capital gains. Meanwhile, we find that when politically connected managers trade, they capture higher capital gains.

Economic Value of Modeling the Joint Distribution of Returns and Volatility: Leverage Timing

Cem Cakmakli¹, Verda Ozturk²

¹Koc University, Turkey; ²Duke University

We propose a joint modeling strategy for timing the joint distribution of the returns and their volatility. We do this by incorporating the potentially asymmetric links into the system of 'independent' predictive regressions of returns and volatility, allowing for asymmetric cross-correlations, denoted as instantaneous leverage effects, in addition to cross-autocorrelations between returns and volatility, denoted as intertemporal leverage effects. We show that while the conventional intertemporal leverage effects bear little economic value, our results point to the sizeable value of exploiting the contemporaneous asymmetric link between returns and volatility. Specifically, a mean-variance investor would be willing to pay several hundred basis points to switch from the strategies based on conventional predictive regressions of mean and volatility in isolation of each other to the joint models of returns and its volatility, taking the link between these two moments into account. Moreover, our findings are robust to various effects documented in the literature.

Asymmetric Information and the Distribution of Trading Volume

Matthijs Lof², Jos van Bommel¹

¹University of Luxembourg, Luxembourg; ²Aalto University, Finland

We propose the Volume Coefficient of Variation (VCV), the ratio of the standard deviation to the mean of trading volume, as a new and simple measure of information asymmetry in security markets. We use a microstructure model to demonstrate that VCV is strictly increasing in the proportion of informed trade. Empirically, we obtain VCV from daily observations of trading volume and provide extensive evidence supporting the hypothesis that VCV indicates information asymmetry, by studying return reversals,

	institutional ownership, and extant firm-level measures of asymmetric information in the cross-section of US stocks. Moreover, VCV increases following exogenous reductions in analyst coverage induced by brokerage closures, and steeply decreases around earnings announcements and other information disclosures.
1:00pm - 2:00pm	Lunch Location: Garden, Building C
2:00pm - 3:00pm	KEYNOTE I: Keynote speech on "Financial system and innovation technology: reaching the balance between resilience and adaptability and looking ahead" by Alessandra Perrazzelli, Bank of Italy Location: Aula Magna Session Chair: Rosa Cocozza , Università degli Studi di Napoli Federico II, Italy
3:00pm - 3:30pm	Afternoon Coffee Break / Networking Location: Garden, Building C
3:30pm - 5:30pm	WED2-01: Special Session - Federal Reserve Board: Bank lending Location: SG-I-1 Session Chair: Ricardo Correa , Federal Reserve Board, United States of America
	<p>Owe a Bank Millions, the Bank Has a Problem Sumit Agarwal¹, Ricardo Correa², Bernardo Morais², Jessica Roldan³, Claudia Ruiz Ortega⁴ ¹University of Singapore; ²Federal Reserve Board; ³Finamex; ⁴World Bank, United States of America</p> <p>We study how the exposure of lenders to borrowers in distress impacts their commercial lending and risk taking. Using Mexican credit registry data, we examine the 2014 collapse in energy prices exploiting bank variation in exposure to the energy sector. After the energy-price shock, more exposed banks improve their capital ratios but increase their exposure to energy borrowers—especially those with higher expected losses—by loosening their credit terms. This response is not driven by banks' financial health, informational advantage, internalization of externalities, nor pre-committed credit lines. Despite price controls on energy products, the shock is transmitted to non-energy borrowers via a contraction in bank lending, leading to a decline in real outcomes, especially among more bank-dependent borrowers.</p> <p>Identifying the marginal borrower under adverse selection Anil Kumar Jain Federal Reserve Board, United States of America</p> <p>If the cost of bank lending decreases, which borrowers receive relatively more credit and how does this effect depend on adverse selection? To answer this question, we present a simple model of financial intermediation between a monopolist lender and credit-constrained entrepreneurs with private information. To specifically examine heterogeneity in credit outcomes, we introduce different groups of entrepreneurs that vary in the likelihood of repaying a loan. Our main result is that the lender's marginal revenue curve is more elastic for the entrepreneur groups with higher fractions of less creditworthy borrowers (and no other differences across groups) and consequently, in response to a reduction in the lender's funding cost, these groups receive relatively more lending and larger decreases in their interest rates.</p> <p>Liquidity provision and coinsurance in bank syndicates Kevin Kiernan¹, Vladimir Yankov², Filip Zikes² ¹Fannie Mae; ²Federal Reserve Board, United States of America</p> <p>We study the capacity of the banking system to provide liquidity to the corporate sector in times of stress and how changes in this capacity affect corporate liquidity management. We show that the contractual arrangements among banks in loan syndicates co-insure liquidity risks of credit line drawdowns and generate a network of interbank exposures. We develop a simple model and simulate the liquidity and insurance capacity of the banking network. We find that the liquidity capacity of large banks has significantly increased following the introduction of liquidity regulation, and that the liquidity co-insurance function in loan syndicates is economically important. We also find that borrowers with higher reliance on credit lines in their liquidity management have become more likely to obtain credit lines from syndicates with higher liquidity. The assortative matching on liquidity characteristics has strengthened the role of banks as liquidity providers to the corporate sector.</p> <p>Trade Uncertainty and U.S. Bank Lending Ricardo Correa¹, Julian di Giovanni², Linda Goldberg², Camelia Minoiu¹ ¹Federal Reserve Board, United States of America; ²Federal Reserve Bank of New York</p> <p>An uncertain environment for international trade activity can influence demand for financing by private firms, but also have direct consequences for credit supply. Furthermore, credit supply effects can amplify and propagate the contractionary impulses that come with a deterioration in the trade environment. Exploiting heterogeneity in bank exposure to trade policy uncertainty, combined with loan-level data for U.S. banks, we show that an increase in trade uncertainty is associated with credit contractions that go beyond directly-affected firms and are stronger for banks with international exposures and foreign borrowers, with effects spanning both trade finance and other loans. Consistent with a supply-side interpretation, balance sheet</p>

	constrained banks---those banks that are smaller, with less capital and core deposits---contract credit relatively more. Moreover, banks that are specialized in their lending contract credit to a lesser degree, and concentrate lending contractions in specific classes of borrowers.
3:30pm - 5:30pm	<p>WED2-02: Bank Stability: Welfare, diversity and sustainability Location: SG-I-2 Session Chair: Basma Majerbi, University of Victoria, Canada</p> <p>Precision of Public Information Disclosures, Banks' Stability and Welfare Diego Moreno¹, Tuomas Takalo² ¹University Carlos III of Madrid; ²Bank of Finland, Helsinki GSE</p> <p>We study the optimal precision of public information disclosures about banks' assets quality. In our model the precision of information affects banks' cost of raising funding and asset profile riskiness. In an imperfectly competitive banking sector, banks' stability and social surplus are non-monotonic functions of precision: an intermediate precision (or low-to-intermediate precision if banks contract their repayment promises on public information) maximises stability, and also yields the maximum surplus when the social cost of bank failure c is large. When c is small and the banks' asset risk taking is not too sensitive to changes in the precision, the maximum surplus (and maximum risk) are reached at maximal precision. In a perfectly competitive banking sector in which banks' asset risk taking is not too sensitive to the precision of information, the maximum surplus (and maximum risk) are reached at maximal precision, while maximum stability is reached at minimal precision.</p> <p>Bank stability and Political risk in the Middle East Countries Abul Hassan KFUPM, Saudi Arabia</p> <p>This study examines the correlation between political risk and bank stability in the Middle East Countries. The results find that political risk is adversely related with bank stability, generally supporting the financial fragility hypothesis. The study suggests that political risk differentially influences the level of stability of conventional and Islamic banks. Political risk has a less detrimental effect on the riskiness of Islamic banks compared with conventional banks. The analysis of this study also suggests that Islamic banks in the Gulf Cooperative Council (GCC) Countries are less exposed to political risk compared with those operating in the non-GCC countries (other countries in the Middle Eastern Countries).</p> <p>The impact of sustainable banking practices on bank stability Kinan Salim¹, Mustafa Disli³, Adam Ng², Malik Abdulrahman Nkob⁴, Ginanjar Dewandaru⁵ ¹INCEIF University, Malaysia; ²WWF Malaysia; ³Hamad Bin Khalifa University, Qatar; ⁴Dalberg Global Development Advisors, Tanzania; ⁵KNKS, Indonesia</p> <p>This study seeks to examine whether corporate environmental performance (CEP) and corporate social performance (CSP) affect stability of the banking industry. The topic is of much interest to researchers and policy makers considering the growing demand to integrate environmental and social practices into banking business model. Using a panel dataset of 473 banks in 74 countries from 2007 to 2016, we find that CEP, in general, is negatively related to bank stability which is proxied by non-performing loans (NPL). However, the impact is insignificant for very small and very large banks, banks in countries with poor environmental scores. On the other hand, our results suggest no significant relationship between CSP and bank stability. However, estimation using financial product safety as an aspect of CSP shows a positive link to banks stability. The study contributes to the literature by using material dataset and providing new evidence on the relationship between CEP, CSP and bank stability. Our results are robust to a variety of econometric specifications and have significant policy implications for investors, bankers and regulators.</p> <p>Learning from Biodiversity: Is Diversity in the Financial Ecosystem Important for Economic Growth and Stability? Vihang Errunza¹, Basma Majerbi², Maxwell Tuuli³ ¹McGill University; ²University of Victoria; ³International Monetary Fund</p> <p>Based on a new measure inspired from biodiversity research, we investigate the potential benefits of financial system diversity. For a sample of 61 countries, we find that financial systems differ widely across countries and over time in terms of their "ecosystem" diversity. Our evidence shows that diversity has a significant growth enhancing effect that is robust to model specification and other financial development controls. A higher diversity also mitigates the negative effect of systemic banking crises on growth. Our results suggest that financial sector policies that promote diversity in the financial ecosystem may be another powerful tool to improve resilience and stability in addition to promoting sustainable economic growth.</p>
3:30pm - 5:30pm	<p>WED2-03: Banking: Supervision, opacity and competition Location: SG-I-3 Session Chair: Giacomo Nocera, Audencia Business School, France</p>

Financial system architecture and bank deposits

Nikhil Srivastava¹, David Tripe², Mamiza Haq³, Mui Kuen Yuen²

¹KIIT School of Management, India; ²Massey University; ³Curtin University

This paper examines the effects of financial market development on bank deposits, using the instrumental variable method by employing a panel study of 88 countries and covering the period from 2004 to 2014. Our empirical results provide evidence that investors in developed and developing economies use financial markets differently. Therefore, the effects of the financial markets on the bank deposit also vary in these two types of economies. The high financial integration amongst the banking system, financial markets, and other financial institutions creates a favourable environment for the growth of the financial system by increasing bank deposits. On the contrary, in developing countries, due to fragmentation of the financial system, the financial markets and the banking sector compete with each other for deposits. Our results suggest that interest rate is the key factor in attracting time deposits in developed countries. Thus, the banks from developed countries should use interest rates wisely to increase the volume of time deposits.

Reverse Revolving Doors in the Supervision of European Banks

Alex Sclip¹, Stefano Colonnello², Michael Koetter^{3,4}, Kostantin Wagner⁴

¹University of Verona, Italy; ²University of Venice; ³Otto-von-Guericke University Magdeburg; ⁴Halle Institute for Economic Research (IWH)

We show that the presence of executive directors with prior experience in the nance industry is pervasive on the boards of European national banking supervisors. Up to one executive out of three has previously held positions in the industry he/she supervises. Appointments of such executives impacts more favorably bank valuations than those of executives without a nance background. The proximity to supervised banks[rather than superior nancial expertise or intrinsic skills]appears to drive the positive differential effect of nance-related executives.

Imperfect Banking Competition and the Propagation of Risk Shocks

Tommaso Gasparini^{1,2}

¹University of Mannheim, Germany; ²MaCCI

I build a real dynamic stochastic general equilibrium model, where entrepreneurs and imperfectly competitive banks engage in a loan contract and entrepreneurs are subject to idiosyncratic default risk. Higher banking competition decreases banks' portfolio risk and the speed of bank equity accumulation but increases bank leverage and banks' pass-through. I show that, despite higher borrower risk, less competitive banking sectors are less fragile because they are characterized by lower leverage. However, because of higher borrower fragility, risk shocks increase firm defaults by more when banking competition is lower. The stronger rise in defaults makes less competitive banking sectors shrink loan supply by more, implying a stronger fall in investment and output. This is consistent with the stylized facts documented in the paper. Finally, because of faster equity accumulation, banks are faster in recovering from risk shocks when competition is lower and the effects of risk shocks are less persistent.

Internal Ratings, Non-Performing Loans, and Bank Opacity: Evidence from Analysts' Forecasts

Brunella Bruno¹, Immacolata Marino², Giacomo Nocera³

¹Bocconi University, Italy; ²University of Naples Federico II, Italy; ³Audencia Business School, France

We use a panel data set of large listed European banks to evaluate the effect of the usage of internal ratings-based (IRB) models on bank opacity. We find that a more intensive usage of these models is associated with lower forecast error and disagreement among analysts about bank earnings per share. Our results seem to be driven by the more detailed disclosure of loan portfolios required of IRB users, and are stronger in banks adopting the advanced version of IRB models. In these banks the negative effect of non-performing loans on bank transparency is mitigated. However, the transparency-enhancing role of IRB models fades in low-capital banks, suggesting that capital constraints could favor an opportunistic usage of internal ratings that counterbalances their beneficial effect on bank transparency.

3:30pm - 5:30pm

WED2-04: Funds

Location: **SG-I-4**

Session Chair: **Valerio Della Corte**, Banca d'Italia, Italy

Herding and Anti-Herding Across ESG Funds

Ambrogio Dalò¹, Rocco Ciciretti², Giovanni Ferri³

¹University of Groningen, Netherlands, The; ²Tor Vergata University of Rome, Italy; ³LUMSA, CERBE and MoFIR, Italy

We investigate to what extent ESG funds present a herding/anti-herding behavior, and the consequences of their investment strategies in terms of both systematic risk exposure and risk-adjusted returns. Our findings document that ESG funds pursue an anti-herding strategy that leads to higher risk-adjusted returns. Specifically, a one standard deviation increase in ESG score at the fund-level is associated with an increase in fund performance of about 3.74 basis points per year. Moreover, we document that such an enhanced performance does not come at the cost of higher systematic risk exposure but instead reduces it. A possible explanation behind our findings is that after the catching-up phase previously documented by the literature, ESG funds are now able to put to good use enhanced stock-picking skills built over the years.

Girls Just Wanna Have Funds? The Effect of Women-Friendly Legislation on Female-Led Firms' Access to Credit

Caroline Perrin¹, Jérémie Bertrand²

¹Université de Strasbourg, France; ²IESEG School of Management

Does a women-friendly legal environment help women to overcome discrimination in credit markets? By examining antidiscrimination laws and their implications for women-led businesses' access to credit in 124 countries, the current study differentiates an effect on discouragement (i.e., not asking for credit when they need it, demand-side) and an effect on the probability that they obtain credit (supply-side). Legal protections are associated with lower women-led firms' discouragement, but they do not attain more credit. We demonstrate that enforcement efforts dramatically amplify the effect of women-friendly laws on self-restrictions in terms of credit and enable female prospects to access more credit. Women are sensitive to the legal environment in which they operate, while banks need strong incentives to change their behaviour. This effect is notable with regard to rational discouragement and prevails among smaller firms and in high income countries. These results are robust to several tests.

To Bao or not to Bao? Payment innovation and money market mutual funds

Ania Zalewska¹, Yue Zhang², Zhe Zong³

¹University of Bath, United Kingdom; ²International School of Business and Finance, Sun Yat-sen University, China; ³PBC School of Finance, Tsinghua University, China

Using a hand-collected data for 703 share classes offered by 354 money market funds (MMFs) from 116 fund families from January 2010 to March 2021, we investigate how the creation of Bao products in China, i.e. Apps available on mobile phones and other portable devices that facilitate instant MMF transactions and access to money for investors has affected the MMF industry. We find that the introduction of the Bao products that also allow for paying everyday bills without the need to use investors' bank accounts resulted in a lowering of the financial sophistication of the aggregate investor base. This result is consistent with the common belief that Fintech innovation can widen financial inclusion but does so at the cost of attracting financially unsavvy investors. However, we also find that the launch of the Bao products did not increase market volatility. This contrasts with the evidence that the creation of internet-based trading led to asset mispricing and price inflation. We argue that the absence of an increase in volatility is the consequence of the Bao-specific, trading restrictions. Our results have strong policy implications. They indicate that potentially unwelcome side-effects of widening financial inclusions are avoidable when the appropriate regulation is in place.

The performance of household-held mutual funds: evidence from the euro area

Valerio Della Corte, Raffaele Santioni

Bank of Italy, Italy

Mutual funds are a key investment vehicle for households, but past research has questioned the ability of less sophisticated retail investors to optimally select mutual funds. We provide further evidence on this topic by looking at a large sample of mutual funds held by euro-area households from 2009 to 2020. We document that they tend to be more expensive and yield lower risk-adjusted returns compared with retail mutual funds that see higher participation by institutional investors, after controlling for many possible predictors of funds' performance. The underperformance is especially pronounced for equity funds and within-fund across time, meaning that households tend to hold funds proportionally more at times when their risk-adjusted performance is inferior. Running flow - performance regressions, we find that household flows chase past returns rather than risk-adjusted returns and exhibit much stronger inertia than institutional investor flows, which may help explain why they earn lower risk-adjusted returns. Overall, our findings are consistent with models in which individual investors face significant search costs in the mutual funds market.

3:30pm - 5:30pm

WED2-05: Banks' ownership and type

Location: [SG-I-5](#)

Session Chair: **Jorge Ponce**, Banco Central del Uruguay, Uruguay

Are Donor Funds Used Effectively? An Examination of Islamic and Conventional Microfinance Institutions

Toka Mohamed, Mohammed Elgammal

Qatar University, Qatar

Purpose

This study compares the nexus between donations to Islamic and conventional microfinance institutions (MFIs) and their credit risk, financial performance, and social outreach.

Design/methodology/approach

This paper utilizes fixed effects and two-step system generalized methods of moments models with internal instrumentation to address endogeneity concerns. The analysis is conducted on an international sample of 1,519 MFIs in 55 countries from 1999 to 2019.

Findings

The results indicate a difference in the impact of donations on Islamic and conventional MFIs. Islamic MFIs that receive greater donations experience an increase in credit risk, while the opposite occurs among their conventional counterparts. Donations also exhibit a positive relation with productivity, efficiency, and sustainability in conventional MFIs. The donations are associated with an improvement in the depth of outreach of Islamic MFIs which allows them to serve a poorer client base, despite a simultaneous decline in the breadth of their outreach. On the other hand, donations improve both the depth and breadth of conventional MFIs outreach.

Originality

This paper addresses a gap in the academic literature on Islamic MFIs and their use of donor funds by examining how donations contribute to the quality of their credit portfolios, their financial performance, and their social outreach.

Practical implications

With donations more abundantly and sustainably available than in their conventional peers who face greater donor scrutiny, Islamic MFI managers appear to prioritize social outreach, with less concern shown for their financial outcomes. Donors can require satisfactory financial outcomes from MFIs coupled with effective monitoring.

Social implications

Donations are found to contribute to positive financial inclusion outcomes for both Islamic and conventional MFIs, a promising implication for society and donors alike.

Loss Aversion and The Risk Premium for Minority Banks Altruistic Portfolios in Underserved Communities

G. Charles-Cadogan

University of Leicester, United Kingdom

Several countries have policies geared towards providing access to credit and other banking services to undeserved ethnic or religious minorities, e.g., India, China, Malaysia, South Africa, United States. In this paper, we characterize the compensating risk premium for minority banks (MBs) that participate in such programs. Our theory apparatus synthesizes KMV Moody loan portfolio model with statistical risk accounting. We find that differences in internal rate of return (IRR) and interest rate elasticity of bond prices, for MBs and peer banks (PBs), induce an anomalous concave risk return pricing structure for MBs. We show how the concave payoff structure is convexified with compensating risk factors. We apply the theory to US MBs seemingly altruistic motives to provide access to credit in underserved communities. Using Federal Reserve Statistical Release on select FFIEC Form 031 ("Call Report") data for a sample of US banks, we fit a risk-return function for MBs and estimate the compensating risk premium for return on assets. We use a novel application of security market line analysis to facilitate robust estimates of loss aversion indexes for the following MBs: Low Income Credit Union (3.56), Native American (3.17), Caucasian-Women (3.05), Black (2.93), Asian (2.78), and Hispanic (2.42). With the exception of Asian-American and Hispanic banks, other MBs are clustered near the minimum return-risk range. Thus, they hold inefficient frontier portfolios. In fact, without brokered deposits only Caucasian Women and Hispanic Banks remain profitable. We estimate the compensating return required to convexify payoffs. We extended the analysis to a pseudo panel of minority banks and estimate a range of relationships including but not limited to: the extent of loan provision constraints for minority banks, heterogeneity in MBs Tier 1 (risk based) capital, loan dependence on brokered deposits, bank profitability, etc.

Political Liquidity Creation: Electoral Cycles and State-Owned Banks

Ozlem Akin, Mehmet Ozsoy

Ozyegin University, Turkey

This paper compares the liquidity creation of state-owned banks in Turkey with that of private banks both in normal times and around election times. Turkey provides an excellent laboratory to explore the role of state ownership in the banking industry as it is a country with a long history of state ownership of banks. Applying Berger and Bouwman (2009) framework to measure liquidity creation and using quarterly detailed regulatory dataset for the period of 2002 – 2017, we find that state-owned banks create more liquidity per unit of assets than their private

counterparts. More importantly, the documented statistically significant difference widens during the election quarters. Our findings suggest a divergence between behaviors of state and private banks because of political elections. We further show that the liquidity creation of state banks around political elections, with respect to that of private banks, seem to not increase bank risk measured by RoaVol and Z-score but dampens state banks' performance measured by Roa. We finally document that the size effect can only explain the unconditional difference but it does not explain the documented difference around election quarters.

Public credit guarantees and/or state-owned banks?

Cecilia Dassatti¹, Rodrigo Lluberas², Jorge Ponce¹, José-Luis Peydró³

¹Banco Central del Uruguay, Uruguay; ²Universidad ORT; ³Imperial College London and Universitat Pompeu Fabra

Public credit guarantee (PCG) schemes attempting to support credit to affected firms were broadly used during the COVID-19 pandemic. We contribute empirical evidence about the importance of complementing this policy tool with lending by state-owned banks. The results show that the PCG ameliorates the potential credit crunch and effectively reached the most affected firms. Lending by a state-owned bank complements credit provision during the pandemic. Credit growth by the state-owned bank is higher than in private-owned ones, even for firms without a PCG and for firms with relatively higher credit risk. While we find no significant differences in terms of targeting firms in affected sectors, the state-owned bank starts more new banking relationships than private-owned banks.

3:30pm - 5:30pm

WED2-06: Merger and Acquisitions

Location: [SG-II-1](#)

Session Chair: **Tereza Tykvova**, Universität St. Gallen (HSG) and Swiss Finance Institute (SFI), Switzerland

Political connections and cross-border M&A by Chinese firms: The mediating effect of CSR

Xian-Min Liu, Yaz Gulnur Muradoglu, Ni Peng

Queen Mary University of London, United Kingdom

China's communist history and special institutional setting constitute an ideal setting to study the relation among political links, corporate social responsibility (CSR), and cross-border mergers and acquisitions (CBMAs). Using a sample of CBMAs attempted by Chinese listed firms between 2011 and 2021, we find that politically connected bidders realize worse announcement stock returns but achieve better CSR performance at the same time. Further analysis indicates about 20% negative effect of political links on CBMA announcement stock returns is mediated by CSR engagements, especially those related to government's priorities, e.g., environmental responsibility, employee and state (large) shareholder protection. Moreover, these results could be driven by incumbent political links (more likely to cater the political agenda instead of all stakeholders' interests) and more pronounced before a depoliticization regulation issued by the Communist Party of China.

Advisor- hedge fund connections and their role in M&A

Michael Bowe, Olga Kolokolova, Lijie Yu

The University of Manchester, United Kingdom

This paper examines the impact of investment banks' connections to hedge funds on the choice of an advisor and the deal outcome in M&As. Acquirers are more likely to choose advisors connected to hedge funds with holdings in the target before the deal announcement. Such connections increase the likelihood of deal completion while reducing the premium paid and the target abnormal return for target firms with a high degree of information asymmetry.

Industry conditions and value creation in M&As

Jana P. Fidrmuc², Tereza Tykvova¹

¹Universität St. Gallen (HSG) and Swiss Finance Institute (SFI), Switzerland; ²University of Warwick, Great Britain

Prior studies relate acquirer value creation in mergers to deal, target, or acquirer characteristics. This paper argues that the situation within the acquirer industry is also an important factor. We introduce a new measure,

	<p>peer negative sentiment, that mirrors the view of corporate insiders within the acquirer industry as expressed in 10-K filings and reflects various root causes of unfavorable industry conditions. We hypothesize that mergers announced during poor conditions are associated with higher value. Our results support this hypothesis and suggest that difficult times dissuade managers from wasting corporate resources through the monitoring and discipline of raising money channels.</p>
3:30pm - 5:30pm	<p>WED2-07: Interest rate and loan price Location: SG-II-2 Session Chair: Jens Henrik Eggert Christensen, Federal Reserve Bank of San Francisco, United States of America</p> <p>Treasury supply shocks and the term structure of interest rates in the UK Andras Lengyel University of Amsterdam, Netherlands, The</p> <p>How does the additional debt issued by the government affect the term structure of interest rates? In this paper we identify Treasury supply shocks using high-frequency data, by exploiting the institutional setup of the UK government bond primary market. We find that supply shocks have positive effects on nominal and real interest rates. Most of the reaction is due to real term and inflation risk premia rather than the expectation component of yields. We argue both theoretically and empirically that supply shocks transmit via the repricing of duration and inflation risks in the economy. We also document that these effects are stronger under adverse economic and financial conditions.</p> <p>Judicial Foreclosures and Recourse Restrictions: Effects of mortgage law on loan price and collateralization Ana Isabel Sá University of Porto, CEF.UP, Portugal</p> <p>Borrower-friendly laws, such as judicial foreclosures and recourse restrictions, impose higher costs and risks to lenders, yet there is little evidence on how lenders transfer them to borrowers at the mortgage origination. By exploiting the mortgage law heterogeneity across U.S. states, I show that mandatory judicial foreclosures lead lenders to charge mortgage interest rates 4 to 5 basis points higher as way to offset the larger recovery costs. As for recourse restrictions, lenders protect themselves by requiring 0.4 to 0.6 percentage points lower loan-to-value ratios to compensate for worse recovery opportunities. Moreover, I show that lenders do not penalize the possibility of strategic defaults when recourse is not allowed.</p> <p>Do Creditor Rights Affect Financial Contracts? Evidence from the Anti-Recharacterization Statute Negar Ghanbari BI Norwegian Business School, Norway</p> <p>This paper examines the effect of creditor rights on bank loan contract design. Focusing on the conflict of interest between creditors, I study how bank lenders respond to a legal change that strengthens the rights of securitization creditors. Improving the power of securitization creditors to seize their collateral in bankruptcy reduces their incentives to maximize recoveries in chapter 11, increasing the risk of other competing creditors, such as banks. I find that loans granted to firms using asset securitization have higher interest rates, higher fees, smaller size, and more covenant restrictions after the law change. These effects are stronger for firms with higher default risk, for which the legal change may have a bigger impact. My findings thus highlight how increasing the power of some corporate creditors affects financial contracts of the firm.</p> <p>Accounting for Low Long-Term Interest Rates: Evidence from Canada Jens Henrik Eggert Christensen¹, Glenn D. Rudebusch², Patrick J. Shultz³ ¹Federal Reserve Bank of San Francisco, United States of America; ²Brookings Institution; ³Wharton School of the University of Pennsylvania</p> <p>In recent decades, long-term interest rates around the world have fallen to historic lows. We examine the source of this decline using a dynamic term structure model of Canadian nominal and real yields with adjustments for term, liquidity, and inflation risk premiums. Canada provides a novel perspective on this issue because of its established indexed debt market, negligible distortions from monetary quantitative easing or the zero lower bound, and absence of sovereign credit risk. We find that since 2000, the steady-state real interest rate has fallen by more than 2 percentage points, long-term inflation expectations have edged down, and real bond and inflation risk premiums have varied over time but shown little longer-run trend. Therefore, the drop in the equilibrium real rate appears largely to account for the lower new normal in interest rates.</p>

5:30pm - 6:00pm	SHUTTLE SERVICE: From the conference venue to the hotels' area
8:30pm - 10:30pm	IFABS President's Dinner for Scientific Committee (by invitation only)

Date: Thursday, 08/Sept/2022

8:00am - 8:30am	SHUTTLE SERVICE: From the hotels' area to the conference venue (Exact location to be confirmed)
9:00am - 10:00am	Morning Coffee / Networking Location: Garden, Building C
10:00am - 11:00am	KEYNOTE II: Keynote speech on "Climate-related Disclosure Commitment of the Lenders, Credit Rationing, and Borrower Environmental Performance" by Iftekhar Hasan, Fordham University Location: Aula Magna Session Chair: Domenico Curcio , University of Naples Federico II, Italy
11:00am - 1:00pm	THU1-01: Special Session - Bank of England: Foreign exchange Location: SG-I-1 Session Chair: Eddie Gerba , Bank of England, United Kingdom
	<p>Foreign Currency as a Barrier to Trade: Evidence from Brazil Todd Messer Federal Reserve Board, United States of America</p> <p>This paper studies how the usage of foreign currency in international payments exerts a significant cost in international trade. I leverage the introduction of a payments system between Argentina and Brazil to show that switching away from the United States Dollar to the Brazilian Real as an invoicing currency increases export flows from Brazil to Argentina. I identify the causal effect of changing the invoice currency by leveraging the location of financial institutions eligible to use the payments system.</p> <p>Municipalities with higher access increased their relative exports to Argentina after the implementation of the policy. In complementary evidence using confidential data, I find similar effects of changing invoice currency and illustrate which firms increased their exports to Argentina. I argue that the cost of foreign currency usage is likely a variable cost.</p> <p>Financial advisory firms, asset reallocation and price pressure in the FOREX market Francisco Pinto, Michael Bowe, Stuart Hyde The University of Manchester, United Kingdom</p> <p>Recommendations of financial advisory firms have become increasingly influential in the allocation of pension fund assets in many countries. Such recommendations often elicit large, coordinated portfolio readjustments and a subsequent reallocation of pension fund holdings across asset classes. Using a proprietary database, we analyse the potential for portfolio asset re-allocations in the Chilean pension fund industry to act as a mechanism for exerting price pressures in the Chilean peso FOREX market. We document significant price pressure and enhanced volatility in the nominal exchange rate surrounding pension fund transactions initiated by financial advisory firm recommendations. We provide evidence that other FOREX market participants seek to exploit the anticipated portfolio adjustments following such recommendations by front-running the pension fund trades. The potential for financial asset market volatility and instability this activity creates has regulatory and policy implications for the countries affected.</p> <p>A Unified Early Warning System for Banking and Currency Crises: Channels of Crisis Interaction as Leading Indicators Filipe Grilo^{1,2}, Manuel Duarte Rocha^{1,2,3}, José Jorge^{1,2} ¹University of Porto, School of Economics and Management; ²CEF.UP; ³NIFIP</p> <p>We examine the role of the channels of interaction that run from banking to currency crises (and vice-versa) in signaling these two types of crises. We propose a unified EWS for banking and currency crises, jointly estimating the likelihood of both types of crises using a system of two equations. For each equation, we add multiplicative terms between the leading indicators and the interaction effects from the other type of crisis to assess empirically the channels of crisis interaction. We find that several channels of crisis interaction between banking and currency crises signal these two types of crises. We also find that including channels of crisis interaction improves substantially the predictability power of the EWS.</p> <p>"How global is unconventional?" An FX risk tail Eddie Gerba^{1,2,3}, Carlos Canon¹, Alberto Pambira¹, Evarist Stoja⁴ ¹Bank of England, United Kingdom; ²London School of Economics, United Kingdom; ³CES Ifo, Germany; ⁴University of Bristol, United Kingdom</p>

	<p>Ever since central banks started to expand their balance sheets, the mass on the left tail of currency returns has varied significantly. Using an original and unique dataset of monetary policy (MP) measures implemented across the globe, we examine their impact on the realized tails of exchange rates over the past 20 years. Using a simple model, we derive theoretical measures of tail risks of exchange rates which we then relate to the various instruments employed by central banks in pursuit of their monetary policy objectives. We find convincing empirical evidence for the existence of a cross-border (unintended) financial stability channel of monetary policy, through the FX market. The tail impact is particularly sizeable for MP instruments such as quantitative easing and swap lines. This cross-border source of systemic risk is equally present for central banks that do not have an explicit exchange rate target, even after controlling for the U.S. dollar dominance and the effects of its own monetary policy stance.</p>
11:00am - 1:00pm	<p>THU1-02: Banks: Regulations, reforms and models Location: SG-I-2 Session Chair: Jacob Seifert, University of Leicester, United Kingdom</p> <p>Network vs Integrated Organizational Structure of Cooperative Banks: Evidence on the Italian Reform Elena Beccalli¹, Ludovico Rossi², Andrea Viola¹ ¹Università Cattolica del Sacro Cuore di Milano, Italy; ²Department of Economics, CUNEF (Colegio Universitario de Estudios Financieros), Madrid, Spain</p> <p>We empirically investigate how the change, imposed by the regulator, from a network organizational structure to an integrated one affects scale economies, scope economies, technical inefficiency, and market power of cooperative banks. We exploit the passage of the reform of Italian cooperative banks in 2016. We use a difference-in-differences identification strategy employing a treated group of 452 cooperative banks and an entropy balanced control group of 223 commercial banks over the period 2006-2019. Our findings show that the change of organizational structure enables cooperative banks to better exploit cost scale economies, while profit scale diseconomies increase. Moreover, we find an increase in profit scope economies for cooperative banks, although smaller than the ones of commercial banks in the same period. Finally, the reform does not appear to have affected banks' efficiency and market power. Overall the reform makes cooperative banks better able to exploit advantages related to a larger size, without reducing the level of competition in the banking industry.</p> <p>Vox Populi, Vox Dei? The Effect of Brexit on European Banks and Real Economy Deyan Radev¹, Martin Waibel² ¹Sofia University, Bulgaria; ²Stockholm School of Economics</p> <p>This paper analyses the impact of Brexit on the European banking system and economy. Using an event-study analysis around the Referendum date, we find that the most affected banks are not only in the UK, but also in Southern Europe. Larger UK banks experience a lower reduction in stock returns right after the Leave vote, indicating the presence of a too-big-to-fail problem in the UK banking sector. We also identify trading activity as a major factor determining the negative effect of Brexit. Regarding the real economy effects, we find that trading banks reduce lending by more, compared to non-trading banks. Our results are robust to different specifications of the control and treatment group and have major implications for policymakers.</p> <p>Banks' Next Top Model Elizaveta Sizova KU Leuven, Belgium</p> <p>I study the design of regulation using banks' internal risk models. Specifically, I explore the optimal combination of capital requirements and penalties to ensure truthful reporting. I first characterize optimal regulatory capital and penalties when banks have private information about their risk. I find that heterogeneous penalties in practice could be rationalized provided sufficient variation in banks' preferences. I then use hand-collected data on risk model revisions to show that actual penalties provide only weak incentives for model improvements and fail to deter misreporting. In addition, my model suggests that recent changes in regulation may further impair truthful disclosure.</p> <p>Regulating Bank Misconduct: The Role of Capital Requirements Jacob Seifert University of Leicester, United Kingdom</p> <p>This paper studies the incentives of large banks to engage in misconduct by abusing their dominant position in the market for loans and by mis-selling an add-on financial product to depositors. We explore the potential side effects of regulations targeting financial stability by relating these misconduct incentives to a binding capital requirement. Higher capital requirements increase the incentives for loan market misconduct whenever the difference between banks' equity funding costs is large enough but necessarily decrease mis-selling incentives. These results also make the transmission channel between capital requirements and financial stability operating through misconduct costs precise for the first time.</p>

11:00am - 1:00pm

THU1-03: Risk: Models and Techniques

Location: **SG-I-3**

Session Chair: **Martin AICHELE**, European Central Bank, Germany

How Robust are Empirical Factor Models to the Choice of Breakpoints?

Fabian Hollstein¹, Marcel Prokopczuk^{2,3}, Victoria Voigts²

¹Saarland University, Germany; ²Leibniz University Hannover, Germany; ³University of Reading, U.K.

We comprehensively investigate the robustness of well-known factor models to altered factor-formation breakpoints. Deviating from the standard 30th and 70th percentile selection, we use an extensive set of anomaly test portfolios to uncover two main findings: First, there is a trade-off between specification versus diversification. More centered breakpoints tend to result in less (idiosyncratic) risk. More extreme sorts create stronger exposures to the underlying anomalies and, thus, higher average returns. Second, the models are robust to different degrees. The Hou, Xue, and Zhang (2015) model is much more sensitive to changes in breakpoints than the Fama-French models.

D-CoES

Aleksy Leeuwenkamp

KU Leuven, Belgium

In this paper the Δ -CoVaR method is extended in both the conditional and unconditional cases to be based on the Expected Shortfall (ES) using quantile regression with a more expansive distress definition. We find the resulting Δ -CoES measure to be complementary to the Δ -CoVaR and to be more effective than the Δ -CoVaR in measuring short-term changes in systemic risk and in identifying heterogeneity in the systemic risk contributions of financial institutions and linkages between institutions due to its lower robustness. For regulators, risk managers and market participants these properties are interesting from an economic standpoint when they require the increased sensitivity and heterogeneity of the Δ -CoES to set short-term capital requirements/risk limits, find problematic financial linkages, problematic financial institutions or have some kind of early warning system for the emergence of systemic risk. Lastly, the Δ -CoES is straightforward to estimate and would fit within recent regulatory frameworks such as the FRTB. To show the statistical advantages and properties empirically, the Δ -CoVaR and Δ -CoES methods are used on a large sample (from 31-12-1970 to 31-12-2020 1564 firms) of daily equity data from US financial institutions both in a system and network fashion. On a sample of 9 US-based GSIBS we also show the properties and the utility of the Δ -CoES when it comes to identifying problematic financial links.

Multi-objective reference point techniques to optimize profitability, growth and risk in the non-life insurance industry. International analysis

ANA ISABEL GONZÁLEZ-FERNÁNDEZ, FRANCISCO RUÍZ, MARÍA RUBIO-MISAS

UNIVERSIDAD DE MÁLAGA, Spain

This paper combines reference point techniques and econometric analyses to provide the profile of non-life insurers that simultaneously optimize the strategic growth, profitability and risk goals. The econometric analyses provide the relevant relations among the variables. Non-life insurers from 33 OECD countries over a six-year period are analyzed. A cluster analysis allows forming groups of countries according to the non-life insurance penetration ratio. Several scenarios, which are characterized by the maturity of the market and the crisis/non-crisis situation, are studied. Results indicate that the highest level of profitability (growth) is linked to scenarios with a medium (low) level of maturity and booming times. They also show that the lowest level of risk that is representative of good performance is associated to scenarios where markets have a high level of maturity and crisis times. We find that a higher recommendable size is associated to more mature markets. Results also indicate that reinsurance utilization is linked to crisis time. We additionally find that the recommendable level of capitalization differs significantly among scenarios.

A universal stress scenario approach for capitalising non-modellable risk factors under the FRTB

Martin AICHELE¹, Marco Giovanni CROTTI², Benedikt REHLE³

¹European Central Bank, Frankfurt am Main, Germany; ²European Banking Authority, Paris, France; ³European Parliament, Brussels, Belgium

EU legislators mandated the European Banking Authority to propose a stress scenario methodology for capitalising non-modellable risk factors (NMRF) as foreseen under the Basel Fundamental Review of the Trading Book (FRTB) rules for market risk. In this paper, we present the foundations of such a methodology. By design, it is universally applicable to all kinds of risk factors to which a bank may be exposed, and it caters for a wide range of data availability by adjusting the stress scenario for the number of returns observed in the calibration period. It captures non-linearities in the portfolio loss profile against changes in the NMRF, while reducing the computational effort and being simple. To motivate the values set for some parameters in the methodology, we use a set of skewed generalised t (SGT) distributions as a generic tool for describing a wide universe of real risk factor returns from all asset classes. Finally, we extend the methodology from single risk factors to segments of curves or surfaces as envisaged in the FRTB.

11:00am - 1:00pm

THU1-04: Special Session - Banco de la República, Colombia: Monetary Policy

Location: **SG-I-4**

Session Chair: **Norberto Rodriguez**, Banco de la República, Colombia

Monetary policy normalization, central bank profits, and seigniorage

Zbigniew Polański^{1,2}, Mikołaj Szadkowski^{1,2}

¹National Bank of Poland, Poland; ²SGH Warsaw School of Economics, Poland

This paper advances a simple framework explaining how monetary policy normalization ("exit policies") may impact central bank profits and seigniorage formation with further implications for central bank transfers to the government. The cases of seven central banks of major and smaller economies serve as an illustration. The notion of the break-even point is applied to study the financial situation of these institutions for the period of 2014-2020. During the normalization process, interest rate increases may adversely affect profit changes, and through transfers may have an impact on the fiscal space available to the governments, creating political economy concerns. Possible remedies are discussed together with accompanying policy dilemmas.

The effects of Monetary Policy on Capital Flows A Meta-Analysis

Mauricio Villamizar-Villegas, Lucia Arango-Lozano, Geraldine Castelblanco, Nicolas Fajardo-Baquero, Maria Alejandra Ruiz-Sanchez

Central Bank of Colombia, Colombia

We investigate whether central banks are able to attract or redirect capital flows, by bringing together the entire empirical literature into the first quantitative meta-analysis on the subject. We dissect policy effects by the types of flows and by the origin of the monetary shock. Further, we assess whether policy effects depend on factors that drive investors to either search for yields or fly to safety. Our findings indicate a mean effect size of inflows in the amount of 0.09% of quarterly GDP in response to either a 100 basis point (bp) increase in the domestic policy rate or a 100bp reduction in the external rate. Studies that control for risk report a higher effect size (0.16%), and also those that base the origination of the shock in the domestic policy rate (0.52%). Factors that significantly attract inflows include foreign exchange reserves and country's income, while factors that repel flows include foreign debt as well as monetary trilemma indicators such as capital restrictions, less flexible exchange rate regimes, and larger departures from UIP. Also, both local and global risks matter. Finally, we shed light on differences across types of flows: banking flows is the most responsive to monetary policy, while FDIs is the least responsive.

Star struck; Monetary Policy and the Neutral Real Rate

Garo Garabedian^{1,2}

¹Central Bank of Ireland, Ireland; ²Ghent University

We show that the neutral real rate is not exogenous to monetary policy as thought in the Neo-Wicksellian paradigm. Beyond the secular drivers, central bank policy has a role in driving down the neutral real rate, particularly when the economy is in a debt trap and edging towards the effective lower bound (ELB). We disentangle macroeconomic surprises using a Bayesian vector autoregression framework, and show that during these periods half of the monetary policy shock passes through into r^* . For our analysis, we extend the commonly used Holston-Labauch-Williams method back to the 1920s, yielding a more cyclical series and less deflated values post Great Financial Crisis (GFC). This long term estimate of r^* exhibits substantial mean-reversion over time.

Our work features in the recent policy debate on the effectiveness of r^* as a policy guide and the consequences of expansionary monetary policy at the ELB. It brings together monetary policy and financial stability concerns by looking at the self-sustaining consequences of low rates, e.g. unresponsiveness of inflation, low productivity growth and capital misallocation. We witnessed an extraordinary amount of monetary policy accommodation over the last decades. However, this aggressive policy strategy might be less effective when the economy is in a debt trap, and could even exacerbate the issues by endogenously pushing down r^* . This understanding is important if we want to regain policy headroom over time.

Monetary Policy and Portfolio Flows in an Emerging Market Economy

Martha Rosalba Lopez, Norberto Rodriguez, Nestor Miguel Sarmiento

Banco de la República, Colombia

Portfolio flows are an important source of funding for both private and public agents in emerging market economies. In this paper, we study the influence of changes in domestic and US monetary policy rates on portfolio inflows in an emerging market economy and discriminate among fixed income instruments

	<p>(government securities and corporate bonds) and variable income instruments (stocks). We employ monthly data on portfolio inflows of non-residents in Colombia during the period 2011-2020 and identify the monetary policy shocks using a SVAR model with long-run restrictions. We find a positive and statistically significant response of portfolio inflows in government securities and corporate bonds to changes in both domestic and US monetary policy rates. Portfolio inflows in the stock market react more to changes in the inflation rate and do not react to changes in monetary policy rates. Our findings are consistent with the predictions of the interest rate channel and remark the predominant role of inflation in driving portfolio inflows. The results suggest that domestic and US monetary policy actions have an important effect on the behavior of portfolio inflows in emerging economies.</p>
11:00am - 1:00pm	<p>THU1-05: Firm Value: Information, private equity and VC Location: SG-I-5 Session Chair: Kevin Amess, University of Nottingham, United Kingdom</p> <p>Institutional Investor Attention, Agency Conflicts, and the Cost of Debt Sadok El Ghouli¹, Omrane Guedhami², Sattar Mansi³, Hyo Jin Yoon⁴ ¹University of Alberta; ²University of South Carolina, United States of America; ³Virginia Tech; ⁴University of Texas at El Paso</p> <p>Using a new measure of shareholder inattention based on exogenous industry shocks to institutional investor portfolios, we find that firms with distracted shareholders are associated with a higher cost of debt. This effect is stronger for firms with more powerful CEOs, higher information asymmetry, and those operating in less competitive product markets. Further testing suggests that the inattention–cost of debt relation is primarily driven by dual holders directly observing shareholder distraction. Our results are robust to controlling for inattention at the retail investor level and to other external monitors, including credit rating agencies, financial analysts, and Big 4 auditors. Overall, our evidence suggests that institutional shareholder inattention has an incrementally negative effect on bond pricing.</p> <p>Do VCs punish portfolio firm directors for underperformance? Kevin Amess, Simona Mateut, Changjian Wu The University of Nottingham, United Kingdom</p> <p>Venture Capital (VC) monitoring is said to improve the corporate governance of portfolio firms. We examine whether this impacts on director accountability by empirically testing whether director turnover is more sensitive to firm performance in firms with VC backing compared to firms without VC backing. Based on a sample of UK companies observed over the 2010-2019 period we find there is higher director turnover in VC portfolio firms with lower performance and growth. The findings are robust to alternative performance measures and estimation methods. The results are consistent with VCs improving director accountability for portfolio firm performance.</p> <p>The information content of tone changes and stock price crash risk: Evidence from earnings conference calls Yizhuo Xu, Junhong Yang, Mustabsar Awais The University of Sheffield, United Kingdom</p> <p>Using a comparatively large sample of earnings conference calls over the period 2010-2019, we investigate the extent to which changes in the tone of earnings conference calls affect stock price crashes. We find that an increase in the negative tone of earnings conference calls is positively associated with stock price crashes. Changes in tone indicate changing managerial opinions about a firm's prospects, and the decline in stock prices that follows an increase in the negative tone suggests the information content effect of earnings conference calls. Further empirical evidence shows that the impact of the tone changes on stock price crashes is more pronounced when the changes are unexpected: such as when the tone changes in earnings conference calls diverge from the industry average and media expectations.</p> <p>The effect of monitoring in Private Equity: the case of cross-country acquisitions Jens Martin¹, Nils Härtel² ¹University of Amsterdam, Netherlands, The; ²BCG</p> <p>This paper examines the effects of an increase in monitoring ability by a Private Equity (PE) firm. In this setting, we investigate the impact of local office location and local knowledge of PE firms on cross-border secondary buyouts (SBOs). We conduct our analyses on a comprehensive sample of 299 secondary buyouts in 18 countries and verified office locations and office opening dates for all involved PE firms. We find that monitoring ability and local knowledge matters: portfolio firms targeted in cross-border SBOs exhibit a lower asset turnover and return on assets in the three years after the buyout than domestic SBOs. We observe a significant reduction of this underperformance if the PE firm increases its monitoring capability by establishing a local office in the portfolio firm's home country. Our analyses further show that a PE sponsor's prior experience in the portfolio firm's home country offsets this negative operating performance effect to some degree. Our results are robust to different tests designed to mitigate selection concerns as well as the impact of the 2008-2009 global financial crisis.</p>

	<p>Buying high? Private equity buyout pricing, returns, and portfolio firm performance across UK regions</p> <p>Kevin Amess¹, Paul Lavery², Marina-Eliza Spaliara² ¹University of Nottingham; ²University of Glasgow</p> <p>We document that PE sponsors pay higher valuations for buyout targets located in London and the South-East relative to other UK regions. However, when comparing portfolio companies located in London and the South-East with their peers elsewhere in the UK, the former group does not exhibit greater gains in productivity, profitability, growth, or investment relative to the latter. Our results also suggest that buyout returns do not appear to be superior in London and the South-East. Taking our results at face value, shifting PE investment to targets located outside the capital and the financial centre of the UK could create a more efficient capital allocation, which in turn could benefit local economies by increasing skills, innovation, and productivity. This could contribute to the reduction of regional disparities and inform policy makers who work to address the UK's "productivity puzzle" and the "levelling-up" of regions.</p>
11:00am - 1:00pm	<p>THU1-06: Environmental sustainability and firms' capital Location: SG-II-1 Session Chair: Yener Altunbas, Bangor University Business School, United Kingdom</p> <p>Not by Whom but Where: Analyst Reaction to Firms' ESG Incidents Nataliya Gerasimova, Maximilian Rohrer Norwegian School of Economics, Norway</p> <p>We document that financial analysts exhibit a local-event bias. In particular, we find that analysts located in countries affected by ESG incidents start issuing lower recommendations to firms that committed the incidents compared to analysts from other countries. The effect lasts for more than a year after the event, concentrates in hard-to-value firms, and is also reflected in financial forecasts. We show that this local-event bias is distinct from local-firm bias, the general tendency of issuing optimistic forecasts for local firms – also referred to as home bias. Our evidence is consistent with an underlying preference to rely on personal experience combined with attachment to a given geographic place and is not driven by informational advantage.</p> <p>Keep calm and carry on emitting: Cap-and-trade rules, local emissions and growth Danilo V. Mascia¹, Enrico Onali² ¹University of Leeds, United Kingdom; ²University of Exeter, United Kingdom</p> <p>We estimate the impact of the cap-and-trade program in California on county-level greenhouse gas emissions and economic growth. Matching strategies based on all US counties suggest a negative impact on local economic growth, despite a positive effect on emissions. However, allowing for county contiguity and spatial distance between facilities in the treatment and control groups leads to positive or statistically insignificant results for both variables. Multi-state organizations do not move emissions from facilities in California to facilities in other states. However, parent-level concentration in emissions changes, suggesting rebalancing in facilities' ownership structure, a channel insofar unexplored by the literature.</p> <p>Board members and sustainability: does the risk culture matter? Simona Cosma¹, Lorenzo Nobile², Paola Schwizer³ ¹University of Salento, Italy; ²University of Salento, Italy; ³University of Parma, Italy</p> <p>The paper aims to explore the organizational factors that can facilitate the dissemination of the culture of sustainability. Inspired by the Ajzen model and by using the confirmatory factor analysis and the partial least square (PLS) path modeling technique on a sample of Italian directors, the paper demonstrates that the culture of risk is positively related to the antecedents of the drivers of environmental sustainability culture.</p> <p>Are green syndications really committed to environmental sustainability? Evidence from pricing of large corporate loans Yener Altunbas¹, Alper Kara², Atiqur Khan³, Tianshu Zhao⁴ ¹Bangor Business School, UK; ²University of Huddersfield; ³Bangor Business School, UK; ⁴Birmingham business school, United Kingdom</p> <p>Are the voluntary initiatives adequate to encourage the banks to keep their commitments towards the climate change and greener economy issues? In addressing this major question, we match 56K syndicated loan-</p>

level data to 6K listed firm-level data (2002-2020) covering 82 countries to assess whether green syndications (formed with the lead banks that are signatories of voluntary platforms United Nations Environmental Programme Financial Initiatives (UNEPFI) or Equator Principles (EP). Our results indicate that the UNEPFI-based green syndications charge a significantly higher price for the green firms while setting lower interest rates for the loans extended to brown firms. Such findings confirm that the green syndications might use their voluntary commitments to the environment as a tool of greenwash. Such attitude remains the same irrespective of country-level policy initiatives (e.g., Climate Change Policy Index (CCPI), green tax) as well as political commitments (i.e., ratification of Emissions Trading System (ETS) and Paris Climate Agreement (PCA)). However, there is no evidence for setting differential interest rates for green and brown firms by the EP-based green syndications.

Our findings indicate that mere voluntary initiatives cannot bring any noteworthy uniform impact on setting the carbon premium within the loan pricing mechanism while making lending decisions. Therefore, universal mandatory regulatory measures are needed to introduce so that irrespective of their location as well as the corporate objectives, banks have to comply with unique environmental regulations. The findings offers new insights to the government and financial regulators and policymakers in addressing the environmental and carbon risks associated with lending decisions.

11:00am - 1:00pm

THU1-07: Markets

Location: **SG-II-2**

Session Chair: **Daniele Previtali**, University of Naples Parthenope, Italy

The Effects of Financialization and Electronification on Market Quality

Tobias Lauter^{1,2}, Marcel Prokopczuk^{1,3}, Stefan Trück²

¹Leibniz University Hanover, Germany; ²Macquarie University, Australia; ³University of Reading, United Kingdom

In this paper, we study the quality of commodity futures markets. We investigate the impact of two major changes: (1) The influx of index investors after 2004 (financialization) and (2) the introduction of side-by-side trading of open-outcry and electronic limit order markets around mid-2006 (electronification). Our sample consists of daily measures of liquidity and intraday informational efficiency spanning the years 1996 to 2018. We find that market quality has improved over the sample period, including and especially during the years of financialization and electronification. Using three datasets on aggregate positions, the addition of soybean meal to a major index as an exogenous event, and an analysis of index roll days, we find no harmful effect of index trading.

Brexit and its impact on EU financial markets

Marwan Izzeldin¹, Gulnur Muradoglu², Vasileios Pappas³, Sheeja Sivaprasad⁴

¹Lancaster University; ²Queen Mary University of London; ³University of Kent; ⁴University of Westminster

The paper introduces a Brexit intensity measure that assigns an intensity score reflective of the financial markets' reaction on the events that occurred as Brexit negotiations began to unfold. Subsequently, we investigate the impact of Brexit on volatility spillovers across the EU countries. We find that Brexit related events have contributed towards increased volatility transmission within the EU. Country-wise investigations show that throughout the Brexit timespan, France is the key volatility transmitter within the Union. By contrast, the UK is evidenced as a volatility transmitter during the early stages of Brexit negotiations, under Theresa May as the prime minister. Out of the smallest stock markets of the block, Ireland, Portugal, and Spain have been amongst those particularly affected.

How does takeover competition affect the stock performance of targets and acquirers? Evidence from the European Union

Dominik Maltritz, Tobias Kellner

University of Erfurt, Germany

This study examines the impact of multiple mergers and acquisitions (M&A) announcements on the stock prices of targets and acquirers in the European Union for the period 2002-2021. In particular, we contribute to the literature by considering the effect of multiple bids on one target firm and the relationship between first and later offers. With respect to acquirers, the abnormal average return is negative with low significance for the first offer. For subsequent offers, the acquirer's abnormal returns are positive, but insignificant. In contrast to acquirers, we find a strong positive stock price reaction of the targets for the first and later bids. What is more, we analyze and detect strong relationships between the first and second bids. We show that the returns of target stocks after the first M&A announcement are significantly higher if a second order is made, and a significant relation exists to the premium related to the second offer. Thus, the markets anticipate the second bid and its implications.

COVID-19 in the Wall Street Journal: investors' reaction to stress and overstatement in the news

Daniele Previtali¹, Federico Carlini², Vincenzo Farina³, Ivan Gufler²

¹University of Naples Parthenope, Italy; ²LUISS Guido Carli; ³University of Rome Tor Vergata

	<p>This paper investigates the effect of media-talk on financial markets in response to COVID-19 news published by the Wall Street Journal (WSJ). Collecting data from the United States Centers for Disease Control and Prevention Center (CDC), we investigate the effect of WSJ's coverage and stress tone on stock markets. Also, we attempt to measure a media hype that compares the number of stress words to the number of cases. We document three main findings. First, news coverage raises information in financial markets, increasing returns and reducing risk, but excessive information leads to high uncertainty. Second, increased use of the stress tone leads to negative returns and increased expected risk to investors. Third, the overstatement of the pandemic by WSJ negatively affects financial markets. Overall, we find that investors seem to be more affected by long periods of high-stress sentiment and uncertainty than single-day news.</p>
1:00pm - 2:00pm	<p>Lunch Location: Garden, Building C</p>
2:00pm - 4:00pm	<p>THU2-01: Special Session - Asian Development Bank Institute: COVID-19 impact on firms and capital Location: SG-I-1 Session Chair: Peter John Morgan, Asian Development Bank Institute, Japan</p> <p>Business Groups and Herding Behavior During the COVID-19 Pandemic Christian Espinosa², Carlos Maquieira³, João Paulo Vieito¹ ¹Universidad de Santiago de Chile; ²Pontificia Universidad Católica del Perú; ³Polytechnic Institute of Viana do Castelo, Portugal</p> <p>Financial fragility in open-ended mutual funds: the role of liquidity management tools Peter Dunne¹, Lorenz Emter², Falko Fecht³, Raffaele Giuliana¹, Oana Peia⁴ ¹Central Bank of Ireland, Ireland; ²European Central Bank, Germany; ³Frankfurt School of Finance and Management; ⁴University College Dublin, Ireland</p> <p>Effects of COVID-19 State Aid Programs on Microenterprises in Poland Katarzyna Kinga Kochaniak¹, Paweł Ulman¹, Robert Zajkowski² ¹Cracow University of Economics, Poland; ²Maria Curie-Skłodowska University in Lublin, Poland</p> <p>Impacts of COVID-19 on Households in ASEAN Countries and their Implications for Human Capital Development: Medium run impacts and the role of government support Peter John Morgan, Long Quang Trinh, Kunhyui Kim Asian Development Bank Institute, Japan</p>
2:00pm - 4:00pm	<p>THU2-02: Fintech Location: SG-I-2 Session Chair: Rama Seth, Copenhagen Business School, Denmark</p> <p>Fintech Ecosystem in Emerging Markets: Evidence from India Manmeet Kaur¹, Wasim Ahmad¹, B.V. Phani¹, Ruth Kattumuri² ¹Indian Institute of Technology, Kanpur, India; ²London School of Economics</p> <p>Financial technology (Fintech) is an emerging industry, addressing the growing need for digital financial services augmenting financial inclusion. This study investigates factors affecting total funding received using a novel dataset of 143 Indian Fintech startups. The findings indicate that incubator/accelerator enables the startup's development and influences access to funding. Founder characteristics such as education from premier institutes and industry experience also significantly impact access to funding.</p> <p>Fintech: How Does Governance Improve Performance? Yener Altunbas¹, Vittorio Boscia², Greta Benedetta Ferilli², Marco Savioli^{2,3}, Valeria Stefanelli² ¹Bangor University Business School, Bangor, Wales, United Kingdom; ²Department of Economics, University of Salento, Italy; ³Rimini Centre for Economic Analysis</p> <p>Research Question/Issue: Although Fintech is an important and growing innovation in the financial industry, little is still known about its governance structure. Based on a unique sample of Italian-listed Fintechs for the 2017-2019 period, this study is the first that aims to investigate a relationship between governance characteristics and performance of these newcomers. The novel dataset produced for this research allows to analyse the impact on return and/or risk of both the collegial body (i.e., board of directors) and the individual profile (i.e., Chief Executive Officer-CEO).</p> <p>Research Findings/Insight: Our results highlight larger boards increase return, while younger boards reduce risk. On the individual profile, our findings highlight that while CEO specialization has no significant effect on Fintech performance, directors' specialization has a positive one. Female directors have no significant effect</p>

on performance, whereas female CEO increase both return and risk of Fintechs. Robustness checks reveal similar results.

Theoretical/Academic Implications: Based on a joint consideration of the Resource-Based View and the Upper Echelons Theory, this study provides empirical evidence that specific governance characteristics improve Fintech performance. Given that the governance-performance relationship in the Fintech industry is still neglected, our results can contribute to identifying the optimal profile of Fintechs' governance with the aim of improving efficiency, mitigating risks, and supporting their emerging growth.

Practitioner/Policy Implication: We believe that our findings have practitioner and policy implications, allowing Fintechs to identify organizational profiles that can improve their performance. In addition, our findings offer insights both to regulators and policymakers for the monitoring of Fintech-related risks in the financial system and, lastly, to banks for establishing functional partnerships with efficient and low-risk operators.

Does FinTech affect firms' cost of capital? Evidence from OECD countries

Claudia Girardone¹, Laura Nieri², Stefano Piserà², Rosalia Santulli²

¹University of Essex, UK; ²Università di Genova, Italy

The advent and constant growth of FinTech companies is challenging and reshaping financial markets and is also affecting the access to capital by non-financial firms. However, while the first issue is at the heart of a lively debate, the second one has so far received limited attention by scholars. The present paper aims to fill this gap and investigates the effects of FinTech credit on firms' cost of capital. By running an OLS regression on a sample of 3,491 non-financial firms from 38 OECD countries, we find that the increase of FinTech credit lowers the weighted average cost of capital and the cost of equity, especially for firms with stakeholders' oriented corporate governance practices and operating in highly innovative industries. This relationship holds also in time of crisis, when the cost of capital generally increases due to the greater economic uncertainty and is corroborated by numerous robustness checks.

Innovative Finance Mechanisms for Biodiversity Conservation in Africa: Quantitative synergies with climate change

Rama Seth¹, Pratim Majumdar²

¹Copenhagen Business School, Denmark; ²Indian Institute of Technology, Kharagpur

This chapter focuses on innovative finance mechanisms targeted at conserving biodiversity in Africa and aims to quantify the linkage of innovative finance with climate change. Biodiversity provides the foundation for ecosystem services and is closely linked with human well-being. These connections are being decimated as the human footprint on the planet increases and biodiversity declines, which leads to biodiversity loss and redistribution. Innovative mechanisms are promoted as sustainable development tools and are usually optimal instruments to finance the recurrent costs of protected areas. They are often used to strengthen environmental organizations and promote a participatory approach to environmental management and are also utilized to balance the limited financial absorption of developing countries. We believe we have made here the first attempt to quantitatively analyze these mechanisms. We do so by investigating synergies between climate change, habitat loss, and investments between an innovative mechanism operating in Africa and another in North America. In the chapter, we draw from multiple disciplines to establish synergies between these mechanisms operating in similar environments but different locations.

2:00pm - 4:00pm

THU2-03: Financial crisis

Location: **SG-I-3**

Session Chair: **Rajesh Narayanan**, Louisiana State University, United States of America

BANK ASSETS COMMONALITIES, SYSTEMIC RISK AND CRISIS

John Aibinu¹, Laetitia Lepetit¹, Frank Strobel²

¹Université de Limoges, France; ²University of Birmingham, UK

We examine the impact of assets' commonalities on systemic risk during crisis periods. For this, we use two groups of assets classes: (A) loans and (B) all other assets classes. Our results show that loan asset commonality is positively associated with systemic risk. Similarly, loans commonality also tends to increase banks' idiosyncratic risk all through our analysis. We also find that other assets classes are negatively associated with systemic risk. Considering our full sample, we discover that the rate of banks' susceptibility to systemic risk may well be dependent on the amount of diversification across the various assets classes. It appears that the benefits of diversification in other assets category B may well be able to overtake the risk associated with loans commonality. Lastly, we discover that banks' loans asset commonality and geographical complexity may have heightened the spread of the global financial crisis as it statistically significant and positive with systemic risk. Meanwhile, our other assets' commonality and geographical complexity reduce both systemic thus placing an emphasis on loan asset commonality as a major driver for systemic risk in the US.

The Value of Internal Sources of Funding Liquidity: U.S. Broker-Dealers and the Financial Crisis

Cecilia Caglio¹, Adam Copeland², Antoine Martin²

¹Federal Reserve Board, United States of America; ²Federal Reserve Bank of New York

We use confidential and novel data to measure the benefit to broker-dealers of being affiliated with a bank holding company and the resulting access to internal sources of funding. We accomplish this by comparing the balance sheets of broker-dealers that are associated with bank holding companies to those that are not and we find that the latter dramatically re-structured their balance sheet during the 2007-9 financial crisis, pivoting away from trading illiquid assets towards more liquid government securities. Specifically, we estimate that broker-dealers that are not associated with bank holding companies both increased repo as a share of total assets by 10 percentage points and also increased the share of long inventory devoted to government securities by 15 percentage points, relative to broker-dealers associated with bank holding companies.

Risk factors and asset pricing models over financial and non-financial crises

Nada Mselmi¹, Aya Nasreddine², Mehmet Hakan Satman³

¹Université Paris Saclay, RITM, France; ²Université Paris Nanterre, CEROS, France; ³Istanbul University, Turkey

This study examines the ability of asset pricing models to explain excess stock returns of European portfolios from 1990-2021 period. The performance of these models are tested in subperiods covering financial and debt crises, calm periods as well as Covid19 period. Results show that the value factor becomes negative starting from 2007. The investment factor behaves in a different way during the Covid period compared to the precedent sub-periods. Unprecedentedly, this factor appears strongly negative during the Covid period showing that firms which invest heavily outperform conservative ones. Moreover, the significance of the size factor increases during turmoil periods especially during the Covid period. Furthermore, the profitability factor plays an important role notably during the Covid period. Besides, the five factor model remains the more effective in capturing variations of stock returns for all the sub-periods compared to the other asset pricing models.

When Safe became Risky: The Information Sensitivity of Subprime RMBS during the Financial Crisis of 2007-2009

Rajesh Narayanan¹, Meredith Rhodes²

¹Louisiana State University, United States of America; ²University of North Texas, United States of America

Subprime securitizations were designed to produce safe AAA bonds by insulating them from the risks associated with the underlying mortgages. Yet, these safe bonds became risky during the financial crisis of 2007-2009. We provide evidence that their information sensitivity changed following the decline in the ABX indices. They became sensitive to how exposed they were to mortgage pool losses. Deal opacity amplified their information sensitivity. Prior to the decline, they were informationally insensitive. These findings are consistent with information-based models of financial crises where negative shocks incentivize private information production about collateral values altering the information sensitivity of safe securities.

2:00pm - 4:00pm

THU2-04: Governance: Agency conflicts, politics and prestige

Location: **SG-I-4**

Session Chair: **Sadok El Ghouli**, University of Alberta, Canada

Are prestigious directors mere attractive ornaments on the corporate Christmas tree?

Harsh Khedar, Vineet Agarwal, Sunil Poshakwale

Cranfield School of Management, United Kingdom

Using the UK's unique institutional setting of Queen's honours, we examine the influence of director prestige on both short-term and long-term firm performance. We find that the market reacts positively to appointments of Prestigious Award-Winning Directors (PAWDs). Firms appointing PAWDs also show a significant improvement in long-term performance. We attribute these findings to the monitoring and facilitating preferential access to resources and legitimacy roles of PAWDs. Our evidence is consistent with both the Resource Dependence and the Agency Theory which suggest director prestige not only signals higher human and social capital but also incentivises effective monitoring of managerial decisions.

What happens to listed firms when their managers or board members join politics ?

Krzysztof Jackowicz, Łukasz Kozłowski

Kozminski University, Department of Banking, Insurance, and Risk, Warsaw, Poland

We examine managers' and board members' transfer to politics and the consequences of these transfers for firms. If social ties with ex-employers can withstand the test of time, the new political powers of former managers and board members should benefit the companies they left. If not, those transfers mean a loss of well-connected and valuable employees; thus, harming the concerned companies. Using a new dataset covering listed firms in 11 Central European economies during the 2008–2019 period, we find evidence supporting the latter supposition. Specifically, transfers to politics worsen firm access to financing and slow down investment.

	<p>Board Ancestral Diversity and Voluntary Greenhouse Gas Emission Disclosure Johannes A. Barg¹, Wolfgang Drobetz¹, Sadok El Ghoul², Omrane Guedhami³, Henning Schröder¹ ¹University of Hamburg, Germany; ²University of Alberta, Canada; ³University of South Carolina, USA</p> <p>Prior research suggests that the disclosure of greenhouse gas (GHG) emissions - a primary cause of climate change - affects firm valuation. In this paper, we provide new insights into the determinants of the voluntary disclosure of GHG emissions. We show that board ancestral diversity has a positive and statistically significant effect on a firm's scope and quality of voluntary GHG emission disclosure. This effect is robust to controlling for several other dimensions of board diversity as well as to addressing endogeneity and sample selection. Additional analysis suggests that board ancestral diversity has a higher impact on GHG emission disclosure in firms with low institutional ownership and high corporate complexity. We interpret these findings as consistent with the view that board diversity enhances monitoring and advising.</p>
2:00pm - 4:00pm	<p>THU2-05: Firm Value: Ownership, diversity and local network Location: SG-I-5 Session Chair: Sarmistha Pal, University of Surrey, United Kingdom</p> <p>Local Peer Influence on Corporate Payout Decisions Joshua Cave, Sandra Lancheros University of Leeds, United Kingdom</p> <p>Using a large sample of US-listed firms, we examine how firms' dividend payout decisions are influenced by the decisions of their local peers. We show that the decision to increase, initiate and decrease dividends are all influenced by the dividend decisions of local peers. We find local peer effects to be more pronounced for firms exposed to greater local retail and local institutional investor demand and in geographies where dividend payouts are highly concentrated between locally competing firms. Overall, our findings suggest that local peer effects arise due to the presence of local dividend demand and supply-side pressures.</p> <p>Gender diversity in bank boardrooms and green lending: Evidence from euro area credit register data Livia Pancotto¹, Leonardo Gambacorta², Alessio Reghezza³, Martina Spaggiari³ ¹University of Strathclyde, United Kingdom; ²Bank for International Settlements; ³European Central Bank</p> <p>Do female directors in banks' boards influence lending decisions towards more/less polluting firms? By using granular credit register data matched with information on 539,928 firm-level greenhouse gas (GHG) emission intensities, we isolate credit supply and find that banks with more gender-diverse boards provide less credit to browner companies. This evidence is robust when we differentiate among different types of GHG emissions and control for endogeneity concerns. In addition, we also show that female director-specific characteristics matter for lending behaviour to more/less polluting firms as better-educated directors grant lower credit volumes to more polluting firms. Finally, we document that the "greening" effect of the female members in banks' boardrooms is stronger in countries with more female climate-oriented politicians.</p> <p>Social cohesion and firms' access to finance in Africa Yabibal Muluaem Walle German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), Germany</p> <p>This paper examines if social cohesion is significantly associated with firms' access to finance in Africa. To this end, we use a recently constructed dataset, which contains indices for the three pillars of social cohesion - trust, inclusive identity and cooperation for the common good. Combining this dataset with that of the World Bank Enterprise Survey, we build a sample which covers more than 12,500 firms and 27 African countries. Our results show that all three components of social cohesion are positively associated with at least one of the three measure of firms' access to external finance that we consider. In particular, trust - but not inclusive identity and cooperation for the common good - is significantly associated with the likelihood that firms have a checking or savings account, or are financially constrained. When we measure access to finance with respect to having a line of credit or a loan from a financial institution, all the three pillars of social cohesion, including inclusive identity and cooperation for the common good, are related to access to finance. The results are robust to addressing endogeneity concerns using a heteroskedasticity-based identification strategy.</p>

	<p>Market Responses to Government Control of Privatised Firms: Quasi-Experimental Evidence from Chinese Listed Firms</p> <p>Christos Mavis, Sarmistha Pal University of Surrey, United Kingdom</p> <p>The paper examines the nature, extent and impact of government control of privatized firms in China and the resultant market responses. As high as 82% of newly privatized Chinese firms remained partially privatized even after a decade of the 2005 Non-Tradeable Shares (NTS) reform. Using this reform as a natural experiment, we randomize the timing of the NTS conversion, which was subject to an administrative lock-up rule, beyond the control of individual firms. Difference-in-difference estimates around the adoption of the 2005 reform show that that Tobin's Q was significantly lower among partially privatized (PP) firms that continue to hold some NTS even after 2005. Fully privatized (FP) firms that converted all NTS into tradeable shares were, however, successful in increasing Tobin's Q and operating revenue. Unlike PP firms, FP firms effectively downsized employment, converted all non-tradeable shares, getting rid of all legal persons shares, thus strengthening their corporate governance mechanism and winning the confidence of the market. Stronger links with the governments at local levels have been an important driver of full (as opposed to partial) privatization. As such, the distinction between state-owned and privatised firms are blurred and the tension between the state and the market is evident even after several rounds of privatization in China, yielding important lessons not only in China, but also beyond its border.</p>
2:00pm - 4:00pm	<p>THU2-06: Special Session - Bank of Greece: Sovereign and green bonds</p> <p>Location: SG-II-1 Session Chair: Petros Migiakis, Bank of Greece, Greece</p>
	<p>SOCIAL BONDS AND THE "SOCIAL PREMIUM"</p> <p>Costanza Torricelli, Eleonora Pellati University of Modena and Reggio Emilia, Italy</p> <p>Although Social bonds (SB) have witnessed an unprecedented increase especially since the outburst of the Covid-19 pandemics, their performance vs. conventional bonds (CB) has not attracted much attention. The aim of this paper is to test the existence, the sign and the determinants of a "social premium", defined as the yield differential between a SB and an otherwise identical CB. To this end we set up a sample of 64 SB aligned with the International Capital Market Association principles and 64 matched CB, from October 2020 to October 2021 so as to focus on the peak of SB issuances. Regressions are based on the idea that daily yield differentials between SB and CB may be determined by differences in un-matched characteristics. Based on the FE specification, which turns out to be preferred vs. OLS and RE, two main results emerge. First, the social premium is significantly explained by differences in liquidity and in volatility, which are, respectively, negatively and positively correlated with the yield differential. Second, on the whole sample, the analysis of the fixed effects proves the existence of a significant and positive social premium that amounts to 1.242 bps. This result is robust to outliers, but differences emerge on subsamples especially in relation to issuers sector, thus pointing to the relevance of the use of proceeds, an issue that deserves further investigation as the SB market becomes more mature.</p> <p>Can Green Bonds be a Safe Haven for Equity Investors?</p> <p>Lisa Sheenan¹, Thomas Flavin² ¹Queens University Belfast; ²Maynooth University</p> <p>We investigate if green bonds can act as a safe-haven asset for equity investors by analysing their relationship with stocks and other alternative safe havens, namely sovereign bonds and gold. Safe havens are defined as assets that exhibit zero or negative comovement with equity during a stock market downturn. We analyse the interrelationships between the asset classes using the Marginal Expected Shortfall of Acharya et al. (2017) and by comparing the regime-dependent GIRFs from a Markov-switching VAR model. Our results suggest that green bonds are not safe haven assets for equity investors but rather show positive comovement during periods of market stress. Both sovereign bonds and gold, however, exhibit the characteristics required of a safe-haven asset.</p> <p>The yields of green bank bonds. Are banks perceived as trustworthy in the green financial markets?</p> <p>Giusy Chesini University of Verona, Italy</p> <p>The green bank bond issues have increased recently. This study attempts to identify the determinants of their yields. It finds evidence that the issued amount, bond rating, subscription of the UN principles, Euribor, V2X, and GDP exert a negative and statistically significant impact on green bond yields. In contrast, the time to maturity, coupon rate, currency, green bond indicator, debt-to-GDP ratio and CPI post a positive and statistically significant effect on green bond yields. The outbreak of the pandemic led to the diminution of the intensity of the drivers, whereas the start of the vaccination period resulted in their rebound.</p> <p>Sovereign bonds' risk-based heterogeneity</p>

Dimitris Georgoutsos², Petros Migiakis¹

¹Bank of Greece, Greece; ²Athens University of Economics and Business

Are sovereign risk premia subject to homogeneous effects from their drivers or, instead, are these effects specific to the risk class each sovereign bond belongs to? In the paper at hand, effects on sovereign bond risk premia stemming from macroeconomic, fiscal and volatility factors, are examined by considering the classification of sovereign riskiness. Panel data estimation techniques are used, for 30 countries, with data in quarterly frequency for the period 2001Q1 to 2019Q4. Sovereign spreads are found to be subject to heterogeneous effects associated with their credit ratings; spreads on sovereign bonds considered low-risk increase with higher growth rates and inflation, while high-risk spreads are more sensitive to idiosyncratic and global volatility. Primary fiscal surpluses indeed lower spreads, but cannot counterbalance the effects of volatility episodes. Our main findings are robust to various alternative setups, samples and control variables such as central banks' asset purchases.

2:00pm - 4:00pm

THU2-07: Cryptocurrency

Location: [SG-II-2](#)

Session Chair: **Tamas Vadasz**, KU Leuven, Belgium

Attack on TITAN-IRON: New investors, Social Media and Bubbles

Zining Wang

King's College London

It is known that price volatility is high in crypto markets. However, on 16th June 2021, we saw the price of TITAN token created by Iron Finance, one-month-old decentralized finance (DeFi) protocol, dropped from \$64.19 to nearly zero in one day. Despite that, its stablecoin brother IRON stablecoin also fail to maintain its 1:1 peg to the US dollar heavily. Thousands of investors suffered significant losses, and the protocol was forced to shut down after this crash. It was what the team labeled the world's first large-scale crypto bank run. We would like to study the role of new investors play in this DeFi bubble and market collapse.

Utilizing transfer history, I retrieved all account historical balance information and find that new investors are likely to enter the market on Fridays. Utilizing the differences between new investors' total investment, average investment, and mean logarithm investment, I use binary change point detection algorithm to divide the protocol into five stages: the primer, the growth, the rise, the high tide, and the serenity. Results show that new investors are more likely to enter the market, however, spend less (both in total and on average) during TITAN price decline. I also found there is a statistically significant relationship between original TITAN-related twitter posting count (used as a proxy for measure of TITAN social media exposure to new investors) and the number of daily TITAN new investors. Last but not least, my results show that new investors initiated and were the key driving force to sustain the TITAN bubble. However, they are not responsible for the bubble burst.

This paper used blockchain data to fully unveil the role and characteristics of new DeFi investors during the rise and fall of TITAN-IRON algorithmic stablecoins protocol, which contributes to investigating market dynamics in DeFi and adds evidence concerning the role of new entrants in market bubbles. As the first comprehensive study of the new investors in a DeFi context, our paper not only helps to further enhance our understanding of the characteristics of DeFi investors but also reminds designers of DeFi protocols of the behavioral aspects of investor decision-making. As DeFi is growing fast but still poorly understood, researchers and policymakers should also continue to analyse the behaviour of this market segment.

The Value of Bitcoin in question: Is it truly Valueless?

Nathalie Janson

NEOMA Business School, France

The question of the value of bitcoin is growing as its market price has surged in 2021. The demand for forecasting is strong. It is usually assumed in the literature that the BTC has no intrinsic value since BTC is not backed by any asset. Recently, Christine Lagarde, the head of European Central Bank, warned that cryptocurrencies are valueless. This approach to value bitcoin or any other cryptocurrency is wrong since it borrows from our monetary system. But cryptocurrencies don't belong to our system. Indeed money was a commodity and its value reflected its two main uses: its use as a mean of payment and its use in the industry. Therefore, commodity money seems to have an intrinsic value since gold had an alternative use. Banknotes developed as a substitute for gold because it was easier to carry and make transactions. Banknotes were redeemable in gold and so were "backed" by gold. Their value derived from their ability to be redeemed in gold. Since 1971, money is no longer "backed" by gold. "Fiat" money issued by central banks is "backed" by assets they hold – mainly government securities. In other words, "fiat" money is built on debt and the promise governments honor their debt. The approach to the value of money has been greatly influenced by history. In reality even in the case of gold, its value as money does not come from the fact that it has an alternative use but as the services it provides as a mean of payment which increases with the number of users accepting it: this is the network effect. The value of the network explains the value of money as a mean of payment and add to the value of gold in the industry. In the case of the bitcoin, the value derives essentially for the services provided, mainly performing highly secured P2P transactions. The purpose of the paper is to review the literature on the value of the Bitcoin in a first section. In a second section, it offers an alternative view rooted in the Austrian tradition and questions the relevancy of the concept of intrinsic value. In a third section, the objective is to estimate the demand of Bitcoin based on Ciaian and co (2016) built on Barro (1979) for gold standard integrating new factors like political risk and inflation to explain the precautionary demand, the increase of e-commerce, the size of the network for the demand for transactions, monetary policy and targeted interest rate for the speculative demand.

	<p>Banking and Credit Market Competition with AI and Cryptocurrencies John Thanassoulis¹, Tamas Vadasz² ¹Warwick Business School, University of Warwick; CEPR; UK Competition and Markets Authority.; ²KU Leuven.</p> <p>We study the impact of AI and cryptocurrencies on consumer surplus in banking, on the price of credit, and on the price of checking accounts. We solve a competition model of banking and credit which includes client naivety, heterogeneous client risk, and imperfect risk screening. These features, together, can explain the international pattern of banking costs. In countries where free accounts are prevalent (eg US/UK) both better AI and more crypto use lower consumer surplus, while reducing the amount of naivety improves consumer surplus. Where free-banking is not prevalent (e.g. France/Germany), only one of these three results holds.</p>
4:00pm - 4:30pm	<p>Afternoon Coffee Break / Networking Location: Garden, Building C</p>
4:30pm - 5:00pm	<p>SHUTTLE SERVICE: From the conference venue to the hotels' area</p>
8:00pm - 10:30pm	<p>Gala Dinner & Awards Ceremony (Ticket holders only)</p>

Date: Friday, 09/Sept/2022

8:00am - 8:30am	<p>SHUTTLE SERVICE: From the hotels' area to the conference venue (Exact location to be confirmed)</p>
9:00am - 10:00am	<p>Morning Coffee / Networking Location: Garden, Building C</p>
10:00am - 11:00am	<p><u>PANEL: Panel on "The new banking paradigms and the key challenges ahead"</u> Location: Aula Magna Session Chair: Rosa Coccozza, Università degli Studi di Napoli Federico II, Italy Panellists: Francesco Mauro, European Banking Authority Francesco Masala, Italian Banking Association Lea Zicchino, Prometeia</p>
11:00am - 1:00pm	<p><u>FR11-01: Special Session - European Central Bank: Financial stability and risk</u> Location: SG-I-1 Session Chair: Giuseppe Cappelletti, ECB, Germany</p>
	<p>How capital inflows translate into new bank lending: tracing the mechanism Miguel Sarmiento^{1,2}, Carlos Cantu³, Cathérine Casanova⁴ ¹Central Bank of Colombia, Colombia; ²European Banking Center; ³Bank for International Settlements; ⁴Swiss National Bank</p> <p>Capital inflows can lower the funding constraints of domestic banks in EMEs, translating into higher domestic credit growth. Furthermore, if credit to risky borrowers had been mispriced, capital inflows might lead to a more efficient allocation of financial resources. We explore the transmission mechanism that links foreign capital inflows and domestic bank credit based on evidence from five Latin American credit registries. Our results point to an easing of financing conditions for lower credit quality borrowers when capital flows into the country, in particular through cross-border interbank flows. Although the results are more nuanced at the country level, it seems that banks which rely the most on volatile funding sources and have the weakest loan portfolios contribute to this easing of financing conditions. In this particular context, one concern could be that capital inflows increase risk taking from these banks as they increase their loan supply to firms with low credit scores. Whether or not system-wide, risks could build up depends on two factors. First, on the share of this most risky segment in the domestic market, and, second, on whether these banks make sufficient provisions to protect against potential defaults. In fact, there is also some evidence that these banks charge higher risk premiums to raise their cushions, which points to an overall benefit from capital inflows for the domestic economy in EMEs</p> <p>Measuring Capital at Risk in the UK Banking Sector Giovanni Covi, James Brookes, Charumathi Raja Bank of England, United Kingdom</p> <p>In this paper we construct and analyse the UK banking system's Global Network of granular exposures which captures roughly 90% of the UK banking system's total assets for the period Q1-2018 to Q4-2021. We thus study the microstructure of UK banking system focusing on the role played by concentration risk and interconnectedness across sectors. We then estimate the quarterly evolution of expected losses (Capital at Risk) for the UK banking sector, and via Monte Carlo simulations the stochastic distribution of UK banks' losses to study the severity and likelihood of tail-events (Conditional Capital at Risk). In the end, we provide</p>

insights on the impact of the Covid-19 pandemic on UK banking system's loss distribution by decomposing the sources of average and tail risks.

Quantifying Systemic Risk in the Presence of Unlisted Banks: Application to the Dutch Financial Sector

Daniel Dimitrov^{1,2}, Sweder van Wijnbergen^{1,2,3}

¹University of Amsterdam; ²Tinbergen Institute; ³CEPR

We propose a credit portfolio approach for evaluating systemic risk and attributing it across institutions. We construct a model that can be estimated from high-frequency CDS data. This captures risks from privately held institutions and cooperative banks, extending approaches that rely on information from the public equity market. We account for correlated losses between the institutions, overcoming a modeling weakness in earlier studies. A latent risk factor with heterogeneous exposures fitted on the implied default probabilities quantifies the potential for joint distress and losses. We apply the model to a universe of Dutch banks and insurers.

The role of credit lines and multiple lending in financial contagion and systemic events

Paolo Emilio Mistrulli¹, Giuseppe Cappelletti²

¹Banca d'Italia, Italy; ²European Central Bank, Germany

Banks play a crucial role in providing liquidity to borrowers especially in crisis time (Kashyap, Rajan and Stein, 2002). The existence of multiple lending relations between banks and borrowers has been seen as further element reducing the risk of liquidity shortage for the debtors (Detragiache, Garella and Guiso, 2000). In this paper, we aim to show how the interaction of these two aspects with solvency and liquidity requirements might have implication for the stability of the banking system that might need still to be fully analyzed. In particular, by lending to a common set of borrowers banks are interconnected and contagion may occur if a bank hit by a liquidity shock calls back some loans and borrowers then pay them back by withdrawing liquidity from other banks leading to spreading of the initial liquidity shock. Therefore, the existence of credit lines callable by banks and lending margins - that borrowers can draw - foster this type of contagion. On the one hand, banks are allowed to call back them both unilaterally and at a short notice. On the other, borrowers are allowed to draw down liquidity from credit lines whenever they need, up to a predefined limit. We show that, under certain circumstances that make other sources of liquidity unavailable or too costly for banks, multiple lending might be a key element for a systemic liquidity shortage and a large drop in lending to the economy. These results are particularly relevant for understanding how macroeconomic shocks, such as the recent outbreak of COVID-19, could impact the real economy, and also for assessing the implications of alternative banking resolution mechanisms.

11:00am - 1:00pm

FR11-02: Corporate Finance: financial structure, R&D, CEO and tax

Location: **SG-I-2**

Session Chair: **Saqib Aziz**, Rennes School of Business, France

CEO Tax Burden and Stock Price Crash Risk

Georgios Loukopoulos, Helge Hass Lars, Panagiotis Loukopoulos

University of Strathclyde, United Kingdom

We examine the impact of CEOs' unrealized capital gains tax liabilities (tax burden) on stock price crash risk. Prior studies document that high tax burden discourages executives from selling stock, overexposing them to firm-specific risk. We hypothesize that executives, who are locked-in to their stock position for tax reasons, will defer the realization of gains by increasing their expected holding period and lengthening their decision horizon. Importantly, they will also make less risky corporate decisions in order to limit their personal risk. Therefore, locked-in CEOs have weaker incentives to behave opportunistically. Consistent with this interpretation, we show that stock price crash risk decreases with higher CEO tax burdens. To sharpen identification, we exploit the Taxpayer Reform Act (TRA) of 1997 and the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) of 2003. Overall, the empirical patterns that we document indicate that although tax frictions distort corporate decisions, they curb bad news formation and hoarding which are the main source of stock price crash risk.

Firm Financial Structure in a Regulated Market: The case of Spanish Defence Industry

Francisco José Callado Muñoz¹, Natalia Utrero González²

¹Universidad de Murcia, Spain; ²Unviuersidad Politécnica de Valencia

This paper deals with capital structure of defence companies and their main determinants. The period of analysis is 1995-2018, defence companies are obtained from the publication "Spanish Defence Industry Catalogue 2017-18". Results indicate a relevance of the level of indebtedness of the previous period, the generation of own funds, reputation and size. On the contrary, liquidity, growth, insolvency risk and tax distortions and taxes are not significant when explaining the leverage of companies in the defence sector. When distinguishing between different degree of importance with respect to government purchases, results are similar and differences among main contractors and the rest of defence firms are not very relevant.

Narrative R&D disclosure and investment efficiency

Xin Deng¹, Simona Mateut², Cher Li²

¹University of Manchester, United Kingdom; ²University of Nottingham, United Kingdom

This paper examines the effects of textual R&D disclosure on investment efficiency. Our results suggest that R&D disclosure improves investment efficiency. We use the US patent law reform (the Leahy-Smith America Invents Act - AIA) to establish causality. Innovation-intensive firms have lower incentives to disclose R&D information post-AIA; this heightens information asymmetry and tightens firms' financial constraints, resulting in underinvestment. Additionally, the new first-to-file system brings about a race-to-file, i.e. firms file a larger number of patent applications but of lower quality, which lowers investment efficiency. Firms with higher R&D intensity and greater information asymmetry are affected most.

Firm-Level Political Risk and Dividend Payout

Muhammad Farooq Ahmad¹, Saqib Aziz², Rwan El Khatib³, Oskar Kowalewski⁴

¹Skema Business School, France; ²Rennes School of Business, France; ³College of Business, Zayed University, United Arab Emirates; ⁴IESEG School of Management, Univ. Lille, CNRS, UMR 9221 - LEM - Lille Économie Management

We use a novel measure of firm-level political risk based on a textual search technique on firms' quarterly earnings conference transcripts to explain dividend payouts in publicly listed U.S. firms. We find a positive and significant effect of firm-level political risk on dividend payouts, particularly in uncertainties related to economics, institutions, technology, trade, and security. The effect is more pronounced in firms with better corporate governance, less analyst follow-up, and higher growth opportunities. These results support the signalling role of dividends rather than the role of agency theory in explaining dividend payouts when firms are associated with higher levels of political risk. We also find the effect to be prominent after controlling for an aggregate measure of economic policy uncertainty and in poor and recessionary economic conditions. We address endogeneity concerns and selection bias using two-stage least squares instrumental variable analysis, placebo tests, and the propensity score matching approach.

11:00am - 1:00pm

FR11-03: Liquidity, swaps, options and settlement

Location: **SG-I-3**

Session Chair: **Artur Kotlicki**, Bank of England, United Kingdom

Option Liquidity and Gamma Imbalances

Leander Gayda, Thomas Gruenthaler, Jan Harren

University of Muenster, Germany

We study the relationship between inventory balances and liquidity for S&P 500 options. Option markets are more illiquid when market makers' aggregate gamma inventory is negative, as indicated by higher realized and quoted spreads. Aggregate gamma inventory can explain up to 1/3 of the daily variation in spreads. Additionally, we show that market makers have balanced gamma inventory whenever markets are illiquid, volatile, and financial intermediaries are constraint. Our results indicate that market makers actively adjust option expensiveness to balance their inventory in the desired direction or to receive a higher compensation for providing liquidity. Our findings contradict standard option valuation models and market-microstructure theories.

Time to Settlement, Settlement Fees and Liquidity Externality

Ivan Markovic¹, Gunther Wuyts¹, Marius Zoican²

¹KU Leuven, Belgium; ²University of Toronto, Canada

We build a model of fragmented markets where traders have heterogeneous preferences over settlement speed. Exchanges can only differentiate in their settlement cycle if they are vertically integrated with clearing and settlement agencies (CSDs). A single CSD serving both exchanges sets a clearing fee that is independent on the settlement cycle. Consequently, trading concentrates on the fast-settlement exchange, preventing differentiation. In contrast, exchange-affiliated CSD set different clearing fees, with fast settlement commanding a premium. However, both duopoly clearing fees are lower than in the monopoly case. Therefore, vertical integration of exchanges and CSDs leads to higher volume and trading gains.

Central bank swap lines: micro-level evidence

Gerardo Ferrara¹, Philippe Mueller², Ganesh Viswanath-Natraj², Junxuan Wang²

¹Bank of England, United Kingdom; ²Warwick Business School

In this paper we investigate the price, volatility and micro-level effects of central bank swap lines during the 2020 pandemic. These policies lowered the ceiling on covered interest rate parity violations and reduced volatility following settlement of swap line auctions. We then combine dealer-level dollar repo auctions by the Bank of England with a trade repository that includes the universe of FX forward and swap contracts traded in the UK. We find evidence of a substitution channel: dealers that draw on swap lines reduce their demand for dollars at the forward leg in the FX market. We also find evidence that dealers that draw on swap lines increased their net supply of dollars to non-financial institutions, supporting the rationale for swap lines in providing cross-border liquidity to the real economy.

Liquidity at risk: Joint stress testing of solvency and liquidity

Rama Cont¹, Artur Kotlicki², Laura Valderrama³

¹University of Oxford; ²Bank of England; ³International Monetary Fund

The traditional approach to the stress testing of financial institutions focuses on capital adequacy and solvency. Liquidity stress tests have been applied in parallel to and independently from solvency stress tests, based on scenarios which may not be consistent with those used in solvency stress tests. We propose a structural framework for the joint stress testing of solvency and liquidity: our approach exploits the mechanisms underlying the solvency-liquidity nexus to derive relations between solvency shocks and liquidity shocks. These relations are then used to model liquidity and solvency risk in a coherent framework, involving external shocks to solvency and endogenous liquidity shocks arising from these solvency shocks. We define the concept of "Liquidity at Risk", which quantifies the liquidity resources required for a financial institution facing a stress scenario. Finally, we show that the interaction of liquidity and solvency may lead to the amplification of equity losses due to funding costs which arise from liquidity needs.

11:00am - 1:00pm

FRI1-04: Pandemic and financial markets

Location: SG-I-4

Session Chair: **Shin-ichi Fukuda**, The University of Tokyo, Japan

How to release capital requirements during a pandemic? Evidence from euro area banks

Cyril Couaillier¹, Alessio Reghezza^{2,3}, Costanza Rodriguez d'Acari¹, Alessandro Diego Scopelliti^{4,1,5}

¹European Central Bank; ²University of Genoa; ³Bangor University; ⁴KU Leuven; ⁵University of Zurich

This paper investigates the impact of the capital relief package adopted to support euro area banks at the outbreak of the COVID-19 pandemic. By leveraging confidential supervisory and credit register data, we uncover two main findings. First, capital relief measures support banks' capacity to supply credit to firms. Second, not all measures are equally successful. Banks adjust their credit supply only if the capital relief is permanent or implemented through established processes. By contrast, discretionary relief measures are met with limited success, possibly owing to the uncertainty surrounding their capital replenishment path. Moreover, requirement releases are more effective for banks with a low capital headroom over requirements and do not trigger additional risk-taking. These findings provide key insights on how to design effective bank capital requirement releases in crisis time.

Inside the black box: official credit guarantee schemes and how to fight the next pandemic

Jose Jorge^{1,2,3}, Filipe Grilo^{1,2}

¹Universidade Porto, Portugal; ²FEP; ³CEF.UP

We show that official credit guarantees provide cheap ex ante liquidity for new projects, but provide overly expensive ex post liquidity to finance ongoing projects. The optimal liquidity policy to fight pandemics combines official credit guarantees—as a form of ex post liquidity—with cheap debt renegotiation. Yet, the design of the COVID-19 guarantees did not preserve incentives for debt renegotiation. We propose two efficient solutions to address future liquidity shortages.

Diversification and hedging strategies of green bonds in financial asset portfolios during the COVID-19 pandemic

Bana Musa Abuzayed, Nedal Ahmed Al-Fayoumi

Qatar University, Qatar

In this paper, we investigate whether investors can reap potential diversification or hedging benefits from holding green bonds in a portfolio containing a conventional financial asset during the COVID-19 pandemic. Using data from November 6, 2014 to November 5, 2020, we employ Aielli's (2013) cDCC-GARCH model to estimate dynamic conditional correlations between green bonds and four major asset classes: stocks, corporate bonds, commodities, and clean energy. We extend our analysis by using these correlations to examine hedging, optimal portfolio weights, and naïve strategies and evaluate their implications for investors by calculating hedging effectiveness and utility gain improvement. Results reveal that across the full sample, pre-COVID-19, and during-COVID-19 periods, optimal portfolio weights represent an ideal strategy to realize the greatest risk reduction and risk-adjusted return. Further, green bonds could add substantial diversification benefits for investors holding assets in clean energy, global stocks, and commodities.

The Effects of Large-scale Equity Purchases during the Coronavirus Pandemic

Shin-ichi Fukuda¹, Mariko Tanaka²

¹The University of Tokyo, Japan; ²Musashino University

This study examines the effects of the Bank of Japan's (BOJ) large-scale equity purchases on the Nikkei 225 during the coronavirus (COVID-19) pandemic in 2020. Although the BOJ started equity purchases in 2010, the purchased amount reached unprecedented levels when the COVID-19 pandemic broke out. These large-scale purchases provide a natural experiment to examine how effective the central bank's equity purchases were in the crisis. Unlike previous studies, we investigate the equity purchase effects allowing for endogeneity. We first derive the BOJ's intra-day reaction function by estimating probit models. From this reaction function, we then calculate the BOJ's unexpected and expected equity purchases and examine their effects on the Nikkei 225 returns in the Tokyo Stock Exchange's afternoon session. We find that the BOJ's unexpected large-scale purchases had large positive instantaneous impacts on intra-day returns during the pandemic. However, the large positive impacts arose because most of the purchases came as big surprises to the markets. We argue that the policy would be effective only if the BOJ continues to surprise the market.

11:00am - 1:00pm

FR11-05: Financial turmoil and extreme shocks

Location: [SG-I-5](#)

Session Chair: **Alessandra Centinaio**, LIUC - Università Carlo Cattaneo, Italy

COAALA: A novel approach to understanding extreme stock-bond comovement

Anne-Florence Allard¹, Hamza Hanbali², Kristien Smedts³

¹University of Bristol, United Kingdom; ²Monash University, Australia; ³KU Leuven, Belgium

This paper proposes a novel copula model designed to unravel the dependence between extreme variations in stocks and government bonds. This model is used to test whether government bonds can dampen extreme stock market turbulence, in which case the government bond market is referred to in this paper as tail risk dampener. Our findings reveal significant cross-country differences in stock-bond extreme tail dependence, indicating that not all government bonds act as tail risk dampeners. This is in contrast with similar global dependence dynamics across countries and highlights the necessity to consider both the global dependence and the tail dependence when analyzing the comovement between assets.

Modelling CDS Volatility at Different Tenures: An Application for Latin-American Countries

Fredy Gamboa Estrada, Jose Vicente Romero

Banco de la República de Colombia, Colombia

Assessing the dynamics of risk premium measures and its relationship with macroeconomic fundamentals is important for both macroeconomic policymakers and market practitioners. This paper analyzes the main determinants of CDS in Latin-America at different tenures, focusing on their volatility. Using a component GARCH model, we decompose volatility between permanent and transitory components. We find that the permanent component of CDS volatility in all tenors was higher and more persistent in the global financial crisis than during the recent COVID-19 shock.

Perceived benefits and adoption barriers for Bitcoin following 12 years of research: The unintended consequences of the missing Human Factor

Luke Kowalski¹, William Green², Simon Lilley³

¹University of Leicester, United States of America; ²University of Leicester; ³Lincoln University

The promise of an alternative financial future was proposed by Satoshi Nakamoto, the mysterious creator of Bitcoin. Trust normally reserved for governments and financial institutions was supposed to be replaced by a self governing ecosystem of peer-to-peer transactions secured by cryptography. But after a dozen years, this article asks why is Bitcoin not used by the mainstream consumer? We highlight gaps in research and propose a human-centric approach to better understand Bitcoin perceptions and adoption barriers.

This research reviews the literature focused on cryptocurrency, adoption barriers and the nature of money. Adopting a scoping review methodology, articles were located through keyword searches of scholarly databases and by cross referring those articles with open web searches and social media sources. Our synthesis of the extant literature published on cryptocurrency adoption suggests that there are two main currents of work. First, the majority of studies analyze cryptocurrency by examining its technical, local, financial, or infrastructure aspects, ignoring the Human Factor, thereby not explaining the general consumer indifference and the unintended consequence of Bitcoin being used as a speculative commodity. Second most of the empirical research surveys early adopters, arguably already convinced by the promise of an alternative financial future.

Governments' decisions and macroeconomic stability: fiscal policies and financial markets' fluctuations

Alessandra Centinaio, Fausto Pacicco, Massimiliano Serati, Andrea Venegoni

	<p>Università LIUC - Carlo Cattaneo, Italy</p> <p>Since the 2008 financial crisis, the nearly exclusive focus of macroeconomic stabilization policies has been on monetary actions. Still, since then, the policy rates set by central banks had steadily decreased, reducing their margin of manoeuvre. This calls for a regime change, in which fiscal authorities must play a major role in performing stabilization policies. Consequently, a comprehensive assessment on the ability of fiscal policy to steer financial markets' swings is necessary to provide basic guidelines for economic policymaking. By employing a composite empirical framework, we investigate the ability of government's decisions to affect stock markets' fluctuations both (i) in the very short run, throughout an event-study approach (ii) and in the short/medium run (until 16 quarters after the announcement), by relying on a Bayesian TVP-FAVAR, for the 11 main Euro Area economies in terms of GDP, covering the period from 1995 to 2021. Valuable insights for policymaking activity emerge. In the very short run, a positive reaction to fiscal expansion announcements and a negative one in case of fiscal consolidation are reported. Considering the medium-term effects, relevant cross-country heterogeneities are traceable, as countries with stronger (weaker) public finance positions show a direct (indirect) relation between fiscal policies and stock prices and an indirect (direct) one between the former and the 10-year bonds yield.</p>
11:00am - 1:00pm	<p>FR11-06: Industry risk exposure</p> <p>Location: SG-II-1</p> <p>Session Chair: Roberto Panzica, European Commission, JRC, Italy</p> <p>"Fly down": The impact of new accounting standards on the airline industry risk assessment</p> <p>Niccolò Comerio, Fausto Pacicco, Massimiliano Serati</p> <p>LIUC - Università Cattaneo, Italy</p> <p>Lease accounting has often been criticized for being too reliant on bright lines and subjective judgements, as lessees were not required to disclose assets and liabilities arising from operating leases directly on the balance sheet, thus improving the appearance of the financial condition to investors. To remedy this problem, in January and February 2016 the IASB and the FASB issued, respectively, the new accounting standard IFRS 16 and ASC 842, thereby starting a new era of lease accounting and ending the guesswork required when calculating companies' lease obligations.</p> <p>The aim of this paper is to investigate the impact on investors' risk perception level of EU and US airline companies, following the enactment of such new accounting standards. The main results confirm the importance of disclosing all the relevant information about leases (but not limited to) directly within the financial statements instead of within the footnotes, as this allows to increase transparency and comparability between financial statements, thus protecting all the categories of investors, ranging from the skeptical and rational ones to the more credulous.</p> <p>Gold for global airline stock indices during COVID-19: Hedger or safe-haven asset?</p> <p>Nedal Al-Fayoumi¹, Bana Abuzayed¹, Elie Bouri²</p> <p>¹Qatar University, Collage of Business and Economics, Department of Finance and Economics, Qatar; ²Adnan Kassar School of Business, Lebanese American University, Lebanon</p> <p>We examine whether airline industry investors can gain potential hedging and/or safe-haven benefits from holding gold in a portfolio containing global and regional airline stocks during the COVID-19 pandemic. Using daily data from June 8, 2016 until June 8, 2021, the results from multivariate GARCH models show partial co-volatility spillovers of negative signs. We also find evidence of weak but unstable time-varying correlations between gold and each of the four global/regional airline indices. We further calculate hedge ratios, optimal weights, and hedging effectiveness; findings reveal that during the pandemic, global airline investors expanded their investment in gold as a "flight-to-safety asset," leading to substantial hedging effectiveness. Finally, we investigate whether gold serves as a safe-haven asset for global airline stock indices. Regression analysis indicates that gold is not a strong safe haven against the downside risk of airline stock indices but acts as a strong hedge in many cases. Our findings are robust to the choice of the multivariate GARCH model.</p> <p>Mandatory CSR Spending Rule and Stock Price Crash Risk</p> <p>Shiwani Varal, Simona Mateut, Thanaset Chevapatrakul</p> <p>Nottingham University Business School, United Kingdom</p> <p>In this paper, we examine the relationship between corporate social responsibility (CSR) and stock price crash risk. Extant CSR works document a mitigating effect on stock price crash risk by improving information disclosure and making managers more aware and inclined to adopt transparent and ethical reporting practices. Importantly, these studies investigate the effect of a firm's voluntary engagement in CSR on crash risk. In contrast, we focus on mandatory CSR engagement as stated by India's Section 135 CSR spending rule. In such a context where a company spends on CSR to comply with regulations, can we expect that the purported relationship suggested by earlier studies still holds? Rather, such a CSR mandate can have unintended consequences on firm outcomes. Any unintended consequence relating to stock price crash risk bears significant implications in portfolio theory, asset pricing research, and risk-management applications. We predict and document that the mitigating effect of CSR on future crash risk may not necessarily hold in the case of a CSR mandate. Theoretically, we use agency theory (different owners have different preferences) and stakeholder theory (different stakeholders may have different preferences about CSR) to</p>

understand the mechanism through which mandatory CSR may affect stock price crash risk. Our empirical analysis is based on a sample of 3361 non-financial Indian firms with 17,534 firm-year observations over the period 2012 to 2017. The regulatory change during our sample period provides us with an exogenous shock which we use in a quasi-natural experiment to document an increase in the crash risk in the post-mandate period.

The systemic risk of the US Oil and Natural Gas companies

Massimiliano Caporin¹, Fulvio Fontini¹, Roberto Panzica²

¹Università di Padova; ²European Commission, JRC, Italy

We analyze the evolution of the systemic risk impact of Oil and Natural Gas companies since 2000. This period is characterized by several events that affected the energy sources markets: the real effect of the global financial crisis, the explosion of shale production, the diffusion of the Covid-19 pandemic. The price of oil and natural gas showed extreme swings impacting on companies' financial situation, which, accompanied by the technological developments for shale production, had an impact on the debt issuance and on the overall risk level of the Oil and Natural Gas sector. By studying the systemic impact of Oil and Natural Gas companies on the financial market risk, measured by the ΔCoVaR , we do observe that in the most recent decade their role is sensibly increasing compared to 2000-2010, even accounting for the possible effect associated with the increase in companies' size. In addition, our results show evidence of a decreasing relevance of traditional drivers of systemic risk, suggesting that additional factors might be present. Finally, when focusing on the Covid-19 impact, we document its relevant role in fueling the increase of the Oil and Natural Gas companies systemic impact

11:00am - 1:00pm

FR1-07: AI & machine learning in finance

Location: [SG-II-2](#)

Session Chair: **Andres Alonso**, Banco de España, Spain

Estimating Security Betas via Machine Learning

Wolfgang Drobetz¹, Fabian Hollstein², Tizian Otto¹, Marcel Prokopczuk³

¹University of Hamburg, Germany; ²Saarland University, Germany; ³Leibniz University Hannover, Germany

This paper evaluates the predictive performance of machine learning techniques in estimating time-varying betas of U.S. stocks. Compared to established estimators, machine learning-based approaches outperform from both a statistical and an economic perspective. They provide the lowest forecast errors and lead to truly ex-post market-neutral portfolios. Among the different techniques, random forests perform the best overall. Moreover, the inherent model complexity is strongly time-varying. Historical betas as well as fundamental turnover and size signals are the most important predictors. Compared to linear regressions, interactions and nonlinear effects substantially enhance the predictive performance.

Manager-oriented competition networks: a machine learning approach

Tian Han

University of Nottingham, United Kingdom

Knowing "who compete with whom" from a managerial perspective is critical to understanding the antecedents of managerial decisions and henceforth the performance consequences. Traditional competitor identification approaches in this regard collect data majorly from surveys or interviews, resulting in a clear difficulty of conducting large-scale analysis. In this study, I used a machine learning approach to predict the peer firms that are likely to be mentioned as competitors in a focal firm's corporate report, based on a number of competition indicators (i.e., product similarity, new co-mentions, search-based relatedness, stock co-movement, segment sales, and firm size closeness). The model is further used to construct competition networks that cover the vast majority of the US firm universe from 2003 to 2017. To verify the validity of the competition networks, I test and find that the M&A choices of firms are significantly influenced by the past decisions of their competitors. Further, I demonstrate the machine-learning-based competition networks (MLCN) outperform the textual-based network industry classification (TNIC) – a non-manager-oriented competition network but widely used in competition studies.

Recovering Missing Firm Characteristics with Attention-based Machine Learning

Heiner Beckmeyer, Timo Wiedemann

University of Münster, Germany

Firm characteristics are often missing. We set up an attention-based machine learning model borrowing ideas from state-of-the-art research in natural language processing to understand how characteristics relate to the cross-section of other – observed – firm characteristics and their historical evolution. Our model reconstructs firm characteristics with high accuracy and comfortably outperforms competing approaches. Revisiting the vast literature on risk factors in financial research reveals that disregarding the influence of missing observations likely overestimates the magnitude of factor premia. We also provide the recovered values for missing entries of firm characteristics for future research.

	<p>Accuracy of explanations of machine learning models for credit decisions Jose Manuel Carbo Martinez, Andres Alonso Robisco Banco de España, Spain</p> <p>One of the biggest challenges in the application of machine learning (ML) models in finance is how to explain their results. In recent years, innovative interpretability techniques have appeared to assist on this task, being still under discussion by the industry. In this article we propose a novel framework to assess how accurate these techniques are. Our work is based on the generation of synthetic datasets. This allows us to define the importance between the variables, so we can calculate to what extent the explanations given by these techniques match the ground truth of our data. We perform an empirical example where we apply two non-interpretable ML models to the synthetic datasets, such as XGBoost and Deep Learning, and then we explain their results using two popular interpretability techniques, SHAP and permutation Feature Importance (FI). We conclude that generating synthetic datasets shows potential as a useful approach for supervisors and practitioners who aim to test interpretability techniques.</p>
1:00pm - 2:00pm	<p>Lunch Location: Garden, Building C</p>
2:00pm - 4:00pm	<p>FRI2-01: Special Session - Bank of England: Banks' ownership, performance and credit Location: SG-I-1 Session Chair: Ieva Sakalauskaite, Bank of England, United Kingdom</p> <p>Future proof? Determinants and consequences of bank forecast performance Joel Harrison Suss^{1,2}, Adam Hughes¹ ¹Bank of England, United Kingdom; ²London School of Economics</p> <p>We study bank profit forecasting performance using a unique and rich dataset derived from regulatory returns. Banks tend to be optimistic, expecting higher returns than are subsequently realised. However, there is substantial variation in forecasting performance. We explore the determinants and consequences of forecasting ability, finding that managerial characteristics are important – female and longer tenured CEOs and senior leadership teams perform better. Furthermore, we find evidence to support the hypothesis that forecasting performance affects bank outcomes – poor forecasters subsequently have worse financial performance and higher risk of insolvency.</p> <p>Government ownership, dividend policy and the role of sovereign credit standing Davide Castellani¹, Elisa Giaretta¹, Raffaele Staglianò² ¹University of Bergamo, Italy; ²University of Messina, Italy</p> <p>We investigate the moderating role of sovereign credit standing – as proxy of the restrictions of the government in accessing capital markets - in the relationship between government ownership and dividend policy. Using a worldwide sample of 1,906 publicly listed firms that were targets of government equity investments over the period between 2002 and 2018, we find that when the credit rating of the government investor is sufficiently low, government equity ownership is positively associated with dividend payments. The results also hold after propensity score matching, subsampling and instrumental variable regression analyses. Our study forms the basis for a broader contribution to an institution-based perspective on dividend policy in firms with government ownership.</p> <p>The Collateral Channel and Bank Credit Arun Gupta¹, Vladimir Yankov¹, Horacio Sapriza² ¹Federal Reserve Board of Governors, United States of America; ²Federal Reserve Bank of Richmond, United States of America</p> <p>Our paper studies the role of the collateral channel for bank credit using confidential bank-firm-loan data. We estimate that for a 1 percent increase in collateral values, firms pledging real estate collateral experience a 12 basis point higher growth in bank lending with higher sensitivities for more credit constrained firms. Higher real estate values boost firm capital expenditures and lead to lower unemployment and higher employment growth and business creation. Our estimates imply that as much as 37 percent of employment growth over the period from 2013 to 2019 can be attributed to the relaxation of borrowing constraints.</p> <p>Measuring the effects of bank remuneration rules: evidence from the UK Ieva Sakalauskaite, Qun Harris Bank of England, United Kingdom</p> <p>In this paper, we study whether and how remuneration rules introduced after the Global Financial Crisis affected bankers' compensation using a unique regulatory dataset on remuneration sizes and structures of key risk takers in six major UK banks during 2014-2019. We find some evidence that requiring bankers' bonuses to be deferred for longer periods could potentially be associated with increases in total compensation and a lower proportion of bonuses being deferred. We also find that for bankers most affected by limits on their bonus to fixed pay ratios (the bonus cap), total pay growth does not necessarily decrease, but compensation shifts from bonuses to fixed remuneration.</p>

2:00pm - 4:00pm

FR12-02: Stock returns

Location: [SG-I-2](#)

Session Chair: **Javier Andres Mella**, Universidad de los Andes, Chile, Chile

Is the Asset Growth Anomaly attributed to Real Investment Growth or Accounting Distortions?

PANAGIOTIS ARTIKIS, LYDIA DIAMANTOPOULOU, GEORGIOS PAPANASTASOPOULOS, JOHN SORROS

UNIVERSITY OF PIRAEUS, Greece

We study the effect of growth in firms' balance sheets on stock returns by decomposing asset growth into two components, one that captures real investment growth and one that captures accounting distortions and/or reduced efficiency. We show that these components play significant and complementary roles in driving the asset growth anomaly in European equity markets. The effect of the real investment growth (accounting distortions and/or reduced efficiency) component on stock returns, is found stronger in countries with higher (lower) degree of market efficiency, weaker (stronger) barriers to arbitrage, stronger (weaker) corporate governance and less (more) managerial discretion over earnings

The Directional Implied Higher Moments and the Cross-Section of Stock Returns

Mattia Bevilacqua¹, Iftekhar Hasan², Radu Tunaru³

¹University of Liverpool Management School; ²Gabelli School of Business, Fordham University; ³Business School, University of Sussex

This paper investigates the predictive power of the implied directional higher moments for excess equity returns across US individual stocks. The literature about exploiting options-related information and options-related risk measures to predict the US cross-section has been growing at a fast pace. We take a step further and decompose the implied cubic moment (ICM) and the implied quartic moment (IQM) and then we follow up the investigation of their predictive power for cross-sectional equity excess returns in the US market. We first show that decomposing the ICM measures provides new information when sorting US stocks in portfolios based on either the downside measure (ICMd) or the upside measure (ICMu) (or their ratio). Next, we show that the decomposed directional higher moments extracted from options are able to enrich the predictability of the US cross-section. We show that decomposing the ICM measures provides additional predictability power not achieved by the aggregate ICM. The significant predictive ability of the decomposed implied cubic moment is confirmed also after controlling for a set of stock and options-based common firm characteristics as well as for decomposed implied variance and variance risk premia. Additionally, we test the predictability of our measures in different volatility and market sentiment states. The usefulness of these new directional implied higher moments is stronger in low-volatility or market sentiment states. Finally, we test the role of the IQM in predicting the cross-section excess equity returns finding that its predictive ability is weaker compared to the ICM measures. Our cross-sectional analysis highlights the importance of implied moments and their components in modern asset pricing.

Extracting and evaluating density forecasts for stock index returns using option contract and historical index prices

Pierre Ngon A Mbara

University of Leicester, United Kingdom

This paper shows how to extract and evaluate density forecasts of stock index returns from option contract price and historical index prices. Option implied density forecasts are extracted using both theories of risk neutral valuation and the specification of a semi-parametric option pricing model. A novel approach is introduced to transform the option implied risk neutral density forecasts obtained into real-world density forecasts. The later are therefore calibrated through the transformation and accounts for the subjective attitude toward risk of investors. Historical densities are derived based on the specification of a model of conditional volatility and the distribution of the error terms of the data generating process. The Kullback Liebler information criterion (KLIC) is used in this paper as a measure of the distance between the true unknown density and the empirical densities derived for horizon one day ahead to sixty days ahead. Studying the extraction and the evaluation of density forecasts for stock indices based on the two sources of information mentioned above can be useful to academic, practitioners and policy makers such as central banks to understand the relevance of the type of information used for the forecasting exercise and the pertinence of the theoretical or empirical assumptions justifying the forecasting methodology. This paper suggests that historical density forecasts outperform both option implied risk neutral and real-world calibrated density forecasts.

Corporate Taxes, Partisan Politics, and Stock Returns

Javier Andres Mella

Universidad de los Andes, Chile

I investigate the effect of different measures of corporate taxes on stock returns. The results support the partisan politics cycle effect on equity returns. A high minus low (Hi-Lo) portfolio sorted by (Total Corporate Taxes/Total Assets) has an annual return of +3.8% during Republican presidential terms and -6.3% for

	<p>Democratic terms. Similarly, a high minus low portfolio sorted by (Marginal Tax Rate) has an annual return of +12.7% during Republican presidential terms and -6.4% for Democratic terms. Investors partially anticipate these results during the election period, i.e., increases in the probability of the Democratic candidate being elected are associated with negative returns for the (Hi-Lo) portfolio, which are significant for the 2016 election. The evidence is consistent with a cash-flow-based explanation, in contrast with a risk-based explanation.</p>
2:00pm - 4:00pm	<p>FRI2-03: Climate risk and ESG Location: SG-I-3 Session Chair: Jean-Louis Bertrand, ESSCA, France</p> <p>ESG and Systemic Risk George Marian Aevoae¹, Alin Marius Andries², Steven Ongena³, Nicu Sprincean⁴ ¹Alexandru Ioan Cuza University of Iasi, Romania; ²Alexandru Ioan Cuza University of Iasi, Romania and Institute for Economic Forecasting, Romanian Academy; ³University of Zürich, Swiss Finance Institute, KU Leuven and CEPR; ⁴Alexandru Ioan Cuza University of Iasi, Romania</p> <p>How do changes in Environmental, Social and Governance (ESG) scores influence banks' systemic risk contribution? We document a beneficial impact of the ESG Combined Score and Governance pillar on banks' contribution to system-wide distress analysing a panel of 367 publicly listed banks from 47 countries over the period 2007-2020. Stakeholder theory and theory relating social performance to expected returns in which enhanced investments in</p> <p>corporate social responsibility mitigate bank specific risks explain our findings. However, only better corporate governance represents a tool in reducing bank interconnectedness and maintaining financial stability. A similar relationship for banks' exposure to systemic risk is also found. Our findings stress the importance of integrating banks' ESG disclosure into regulatory authorities' supervisory mechanisms as qualitative information.</p> <p>ESG Risk Exposure: A Tale of Two Tails Runfeng Yang¹, Juan-Angel Jimenez-Martin¹, Massimiliano Caporin² ¹Complutense University Madrid, Spain; ²University of Padova, Italy</p> <p>Investing in ESG assets has now become the rule of thumb whenever investors want risk shield, especially during the COVID period. Since ESG investments are evidenced to have lower downside risk, how and to which extent the downside risk of a company is affected by its ESG activities is of particular interest to investors and regulators. This paper studies the ESG impact to the downside risk of companies in the US market by introducing a novel measure, the ESG risk contribution (DeltaCoESGRisk). DeltaCoESGRisk is a measurement based on the co-movement between the ESG risk factor (the realization of ESG activities in the market) and the downside risk. We show that when there is a sudden increase in the ESG risk factor, the downside risk of high-ESG companies becomes more positive. Such impact</p> <p>is positively correlated with the ESG performance and company size, and it varies among different sectors. In addition, during the COVID-19 crisis period, the ESG risk contribution is higher than at normal times. Our paper provides investors with a new method for ESG risk management. For regulators, our new measurement offers some references on evaluating the impact of ESG-related policies through quantifying the ESG risk contribution.</p> <p>The Big Three and Climate Change Innovation Bill B. Francis¹, Zenu Sharma², Maya Waisman³ ¹Rensselaer Polytechnic Institute; ²The Peter J. Tobin School of Business, St John's University; ³Fordham University</p> <p>This paper examines the role of the "Big Three" (i.e., Vanguard, Blackrock, and Statestreet Global Advisors) in motivating green innovation at polluting firms. Using data on firm level pollution and the engagements of "The Big Three" with individual firms, we find evidence that The Big Three focus their engagement effort on firms with high emissions in which these investors hold a significant stake. Consistent with this engagement influence being effective, we observe a strong positive association between Big Three ownership and subsequent green patents and citations among portfolio firms. We find that this pattern that becomes stronger with higher holdings and with more "pass" votes cast by the Big Three on climate change proposals, is impacted by attention to climate change through natural disaster and climate legislation.</p> <p>Physical Climate Risk & European Economies Miia Chabot, Jean-louis Bertrand Essca School of Management, France</p> <p>Physical climate risk is one of the biggest challenges facing economies in the coming decades. We show that the two components of physical risk have a significant and differentiated influence across economic sectors, and that this influence changes from quarter to quarter. We find that the expected increase in climate variability over the next few decades could generate a cumulative annual impact large enough to destabilise</p>

	the economy. The new method and approach exposed in this paper identifies the most impacted sectors for which regulators can prioritise climate change adaptation policies.
2:00pm - 4:00pm	<p><u>FRI2-04: Regulations, innovation and risk</u> Location: SG-I-4 Session Chair: Igor Gianfrancesco, Università degli Studi di Bari Aldo Moro, Italy</p> <p>The Trimmed Conditional Value-at-Risk: An alternative measure of financial risk Vivian Cruz¹, Anthony Guido Romero², Andrés Mora³, Henry Laniado⁴ ¹EIA University, Colombia; ²Emory University; ³Andes University; ⁴EAFIT University</p> <p>The purpose of this paper is to propose a risk measure which is robust to extreme losses as the Median Shortfall, but at the same time being a coherent risk measure like the Expected Shortfall. This new measure is called the Trimmed Conditional-Value-at-Risk, which includes the Expected Shortfall and the Median Shortfall as specific cases of the proposed measure. The Trimmed Conditional-Value-at-Risk can be seen as an intermediate solution between the Expected Shortfall and the Median shortfall in terms of robustness and coherence. The proposed risk measure performs competitively during adverse scenarios such as in 2020 caused by the global pandemic. This is supported by the empirical evidence, where the new risk measure is compared to other traditional measures employed in the financial industry.</p> <p>Risk-Neutral Volatility Timing Arben Kita¹, Yue Zhang² ¹University of Southampton, United Kingdom; ²University of Southampton, United Kingdom</p> <p>We propose a new volatility-managed strategy that takes views on the markets' expectations of firm-level volatility and expected stock returns. Results indicate that forward-looking volatility-managed portfolios outperform the unmanaged portfolios in direct comparisons. The direct comparison results suggest that realised volatilities are suitable for scaling individual stocks while risk-neutral volatilities, especially Martin and Wagner's (2019) SVIXs, excel in scaling portfolios. These results hold across different portfolio sorts based on firms' leverage, size, credit rating, and industry. Firm-level volatility-managed portfolios scaled by firms' idiosyncratic risks and then grouped in portfolios yield higher utility for the mean-variance investors than the volatility-managed portfolios scaled by the aggregate market-level volatility information traditionally proposed in the literature.</p> <p>Interest rate risk in the banking book and internal capital: what implications from the new supervisory prudential regulatory framework? Igor Gianfrancesco¹, Domenico Curcio², Rosa Coccoza³, Grazia Onorato⁴ ¹Università degli Studi di Bari Aldo Moro, Italy; ²Università degli Studi di Napoli Federico II, Italy; ³Università degli Studi di Napoli Federico II, Italy; ⁴Università degli Studi di Bari Aldo Moro, Italy</p> <p>This paper contributes to the prior literature and to the current debate concerning the revision of the prudential supervisory framework to measuring interest rate risk in the banking book, which started in April 2016 with the publication of Basel Committee on Banking Supervision (BSBS)'s new standards. The objective of the paper is twofold. Firstly, we shed more light on the main innovation of the regulatory framework. Secondly, we focus on the appropriate amount of capital that banks should set aside against this specific risk, by further developing the back-testing procedure declined by Cerrone et al (2017). Using a sample of 30 Italian banks between 2006 and 2019 representative of the main less significant institutions that referred to simplified methodologies to calculate their exposure to IRRBB as suggest by Supervisors, we show the greater prudential intensity of the new regulatory framework that allows to avoid some distorting effects such as the risk neutrality phenomenon and leads on average to a higher risk exposure. However, according to the back-testing procedures used, historical and Monte Carlo simulations seem to provide an amount of internal capital more adequate than that obtained through the application of regulatory scenarios. Generally, the evidence obtained provide useful insight for properly measuring the amount of internal capital in adapting risk management policies to the supervisory guidelines, to cover interest rate risk suggesting the use of simulation techniques in ordinary condition and the criterion of most penalizing scenario within a stress test environment.</p>
2:00pm - 4:00pm	<p><u>FRI2-05: Financial institutions' behaviour and network</u> Location: SG-I-5 Session Chair: Grzegorz Halaj, Bank of Canada, Canada</p> <p>Has the Comprehensive Assessment made the European financial system more resilient? Silvia Calò¹, Wildmer Gregori², Marco Petracco³, Michela Rancan⁴ ¹European Stability Mechanism; ²Joint Research Centre European Commission; ³Joint Research Centre European Commission; ⁴Marche Polytechnic University, Italy</p> <p>What has been the contribution of the Comprehensive Assessment (CA) carried out by the ECB on banks' resilience? Implementing a difference-in-difference approach, we analyse a non-risk based measure defined as the ratio of Tier 1 capital over total assets of European banks' balance sheets during the years 2007-2018. This wide time span, compared to previous literature, allows a better analysis of CA's medium-term effects. We find that banks under the CA have a higher ratio, suggesting that the CA has contributed to foster</p>

banks' resilience. Importantly, this seems to have been achieved by banks increasing their capitalization level without shrinking their assets. In addition, this impact appears to be driven by banks located in countries where the regulatory environment and property rights are relatively less strong.

Choosing Pension Fund Investment Consultants

Aleksandar Andonov^{2,3}, Matteo Bonetti⁴, Irina Stefanescu¹

¹Board of Governors of the Federal Reserve System, United States of America; ²University of Amsterdam; ³CEPR; ⁴De Nederlandsche Bank

Public pension funds rely on the advisory services of investment consultants for asset allocation decisions, manager selection, and performance benchmarking. While prior research finds that consultants generally do not add value, pension funds have increased the number of consultants over time. We explore the factors underlying the hiring and firing of consultants and examine whether these decisions are made in the best interests of participants. We find that consultants are more likely to be hired by funds with high allocations to alternative assets and by funds with political boards. Pension funds are also more likely to hire consultants that have a discretionary asset management services arm, despite potential agency conflicts. Both hiring and firing depend on past performance, although we find weak evidence that performance improves subsequent to a consultant turnover. Overall, our evidence is consistent with pension funds hiring consultants to shift responsibility rather than improve performance.

Do sound financial systems improve the financing constraints of firms?

Alessandro Bitetto¹, Paola Cerchiello¹, Charilaos Mertzanis²

¹University of Pavia, Italy; ²Abu Dhabi University, United Arab Emirates

We use firm-level data to explore the effect of a country measure of financial system soundness on the individual firms' financing constraints in low- and middle-income countries. We measure financial system soundness using a data-driven approach and a dynamic factor model to synthesize the IMF's financial soundness indicators into a single index. Our financial soundness index captures the time varying, cross-country dependencies among the indicators and therefore provides a useful tool for monitoring financial stability and assessing the effects of macroprudential policies on firms' behavior. We subsequently examine the effect of our index on the financing constraints of 64,717 non-financial firms in 76 countries during 2010-2018. We include fixed effects to capture country, year and sector heterogeneity. We find that firms operating in countries with higher levels of financial system soundness are associated with lower financing constraints. The effect depends on the individual firm-specific characteristics. The results remain robust after applying various sensitivity tests and endogeneity analysis as well as accounting for various economic and institutional influences.

Interbank asset-liability networks with re sale management

Grzegorz Halaj¹, Zachary Feinstein²

¹Bank of Canada, Canada; ²Stevens Institute of Technology

Interconnectedness is an inherent feature of the modern financial system. While it contributes to efficiency of financial services, it also creates structural vulnerabilities: pernicious shock transmission and amplification impacting banks' capitalization. This has recently been seen during the Global Financial Crisis. Post-crisis reforms addressed many of the causes of the problems. But contagion effects may not be fully eliminated. One reason for this may be related to financial institutions' incentives and strategic behaviours. We propose a model to study contagion effects in a banking system capturing network effects of direct exposures and indirect effects of market behaviour that may impact asset valuation. By doing so, we can embed a well-established fire sale channel into our model. Unlike in related literature, we relax an assumption of an exogenous pecking order of how banks would sell their assets. Instead, banks act rationally in our model; they optimally construct a portfolio subject to budget constraints so as to raise cash to satisfy creditors (interbank and external). We assume that the guiding principle for banks is to maximize risk-adjusted returns generated by their balance sheets. We parameterize the theoretical model with confidential supervisory data for banks in Canada under the supervision of the Office of the Superintendent of Financial Institutions, which allows us to run simulations of bank valuations and asset prices under a set of stress scenarios.

2:00pm - 4:00pm

FR12-06: Asset pricing

Location: **SG-II-1**

Session Chair: **Andreea Liliانا Vladu**, European Central Bank, Germany

Investor behavior around targeted liquidity announcements

Giovanni Cardillo¹, Enrico Onali², Salvatore Perdichizzi¹

¹University of Bologna, Italy; ²University of Exeter, United Kingdom

We investigate how investors react to 12 announcements related to targeted longer-term financing operations in the Eurozone. We find that investors do not perceive these policies to benefit all Eurozone banks. However, banks in the periphery experience positive price reactions. The price reactions are higher for banks with high sovereign risk and derivative holdings. These findings suggest that investors perceive these policies to benefit banks with high funding costs and asset encumbrance. The price reactions predict which banks ultimately apply for funding, confirming that they reflect the potential effect of these policies on

the recipients of the funding rather than expectations on future policies and central bank interventions. An investigation of retail investor attention and net short positions of institutional investors suggests that the events considered elicit responses from both types of investors. Bootstrap analysis, placebo tests, and exclusion of confounding events, also support the validity of our inferences.

Quantitative Easing and the Functioning of the Gilts Repo Market

Mahmoud Fatouh¹, Simone Giansante², Steven Ongena³

¹Bank of England and University of Essex, United Kingdom; ²University of Palermo, Italy; ³University of Zurich, Switzerland

We investigate whether UK quantitative easing (QE) enabled recipient banks to increase liquidity, improves banks' incentives to intermediate, and reduces the cost of borrowing in the gilts repo market. Evidence is strong during stress times, when liquidity availability deteriorates significantly. When controlling for banks subject to the leverage ratio (LR) requirements, we find that while LR is reflected in the pricing of individual transactions, it does not lead to higher bank-level pricing or rationing of the amounts lent, even during stress times.

Forward-looking Market Risk Premium and Its Economic Implications

Emese Lazar¹, Shuyuan Qi¹, Radu Tunaru²

¹University of Reading, ICMA Centre for Finance; ²University of Sussex, United Kingdom

The forward-looking market risk premium (FMRP) is a function of the investors' risk aversion and the forward-looking volatility, skewness, and kurtosis of returns. The monthly FMRP for the U.S. equity market adequately reflects market conditions and it is always positive, when estimated from a stochastic volatility model with a mean-reversion variance process. We present evidence that the change in FMRP is negatively related to the future growth of real economic activity proxies. The future realized market excess returns decrease with the current FMRP in a bear market and increase with the current FMRP in a bull market.

Inflation (de-)anchoring in the euro area

Andreea Liliana Vladu³, Bruno De Backer², Valentin Burban¹

¹European Central Bank, Germany; ²National Bank of Belgium, Bruxelles; ³European Central Bank, Germany

We aim at measuring the degree of potential de-anchoring of inflation expectations in the euro area vis-a-vis the inflation objective of the European Central Bank (ECB). We start from a standard no-arbitrage affine term structure model for euro area inflation-linked swap (ILS) rates, which we adapt along the lines of Bauer and Rudebusch (2020) to allow for a shifting endpoint, π^* , i.e. we allow for the long-term mean of the short-term ILS rate to be time-varying. Based on this model, we find significant time-variation in π^* , which has on occasion been arguably below the objective of the ECB, sometimes reaching levels below 1.5%. However, enriching the model with inflation survey forecasts gleaned from Consensus Economics and the ECB's Survey of Professional Forecasters shows a more stable estimated π^* at levels close to 2%, suggesting that inflation expectations have been quite stable in the euro area and anchored with the ECB's inflation objective. We also show that allowing for a shifting endpoint changes the decomposition of ILS rates into inflation expectations and inflation risk premia, although accounting for survey forecasts in the model results in similar decomposition from a model with a fixed endpoint at close to 2%.

2:00pm - 4:00pm

FR12-07: Institutional Investors and Venture Capitalists

Location: [SG-II-2](#)

Session Chair: **Stefano Zedda**, Università di Cagliari, Italy

Institutional Shareholders' Temporary Distraction: Acute Pain or Chronic Pain? Evidence from Bank Loans

Jinhong Hu¹, Zhehao Jia², Yukun Shi¹

¹University of Glasgow, United Kingdom; ²University of Plymouth, United Kingdom

Shareholder attention matters for a corporate. Yet little is known about how it affects corporate financing costs. This paper examines the effect of the distracted attention to a particular firm on a firm's loan contract by adopting a distinct quasi-natural experiment that measures exogenous shocks to shareholder attention. Based on a tranche-level sample from 1985 to 2017 of US non-financial borrowers, we find there is a positive relationship between the distraction and the cost of bank loans. Distraction also increases lenders' concerns about risks that are reflected in a loan's contracting and participation. Further tests show that the effects of distractions are associated with institutional shareholder type. The variations of the effects are due to the changes in agency costs and signalling after each type of shareholder is distracted. Overall, this study contributes to the literature that shareholders' temporary distracted attention is chronic pain to a firm since it hurts a firm's access to long-term bank loan credits.

The Impact of VC Financing: Evidence from VC-Backed vs. Non-VC-Backed Firm, and the Probability to Go Public

Samuele Guido Sozzani, Andrea Carosi

University of Sassari, Italy

Studies on the effects of VCs financing on entrepreneurial firms are based on matched samples of VC-backed

with non-VC-backed firms upon a set of firm characteristics assumed to be desirable from the VC standpoint. However, the set of variables relevant to VCs in deciding whether to back a firm or not remains unobserved. In this paper, we contribute to the topic by introducing a matching procedure based on the firm probability to go public, when the IPO is one of the most desirable outcome for all VCs. This approach is reliable and the matched sample is similar to the treated one even on characteristics that were not considered in the procedure. In the preliminary evidence, we fail to find a positive screening effect while considering the TFP. Depending on the specifications of the model, the key coefficients are not always different from zero. The impact of VCs investment on the TFP is negative and statistically significant, which is not consistent with previous studies. However, we still find a positive and significant value adding effect when considering sales.

The Switching Dynamics of Independent Venture Capitalists: Theory and Evidence

Weiping Liang¹, Xiangyi Zhou¹, Yifan Zhou², Mohamed Shaban²

¹Xi'an Jiaotong University, Xi'an, China; ²University of Leicester, United Kingdom

This paper developed the existing switching dynamics theory of independent venture capital (IVC). Our model offers a theoretical framework to explain how the ownerships are switched among various IVCs over multiple rounds of venture capital financing. In detail, our theory explains how the key factors, firm quality and IVC reputation, drive the multiple optimal matching rounds between VCs and startup firms under information asymmetrical status. We test our model on a sample of 3355 rounds of lead IVC financing in the Chinese venture capital market from 2002 to 2014. Our empirical results are consistent with our theoretical analysis.

Diagnosing default syndromes: early symptoms of entrepreneurial venture insolvency

Michele Modina¹, Stefano Zedda²

¹Università degli studi del Molise; ²Università degli studi di Cagliari, Italy

In this study, a panel of 74,128 Italian SMEs was analyzed to verify whether any syndromes could be identified and defined through financial ratios. Defining relevant syndromes (i.e. the set of correlated signs and symptoms often associated with a particular disorder) can be of importance for assessing which specific intervention can solve a firm's difficulties.

To identify the main syndromes involved in company defaults, firstly,

financial data on defaulted firms for each of the main economic sectors were examined through a cluster analysis; the results obtained for each sector were then compared to verify whether syndromes recur across sectors. Finally, the effects of each syndrome were compared with possible default causes, as described by previous literature.

Results show that a significant share of corporate insolvencies is characterized by a set of recurrent signs and symptoms so that the main syndromes can be identified. The results also show that these syndromes recur across sectors, even if specific values characterize each sector.

The approach adopted in this study sets a new direction for the analysis of default risk, as the study shows that certain key syndromes can be defined and described, and the study suggests that different problems can induce different risk patterns. Further analyses of other samples could confirm whether the same syndromes recur over countries and over time.

This is the first study aimed at identifying and describing the syndromes affecting SMEs, conducted by means of balance-sheet ratios.

4:00pm - 4:30pm

Afternoon Coffee Break / Networking

Location: [Garden, Building C](#)

4:30pm - 6:30pm

FR13-01: Special Session - European Central Bank: "Lending" banks vs firms

Location: [SG-I-1](#)

Session Chair: **Annalisa FERRANDO**, ECB, Germany

Lending by Servicing: How Shadow Banks Dampen Monetary Policy Transmission

Isha Agarwal¹, Malin Hu², Keling Zheng¹

¹University of British Columbia, Canada; ²Vanderbilt University, USA

	<p>Macroeconomics Dynamics of the Output Floor Marzio Bassanin¹, Ivy Sabuga², Jonathan Smith¹ ¹Bank of England, United Kingdom; ²International Monetary Fund</p> <p>Left or right: What is the relevant tail for credit? Jorge E Galan Banco de Espana, Spain</p> <p>Monetary policy surprises and firms' funding expectations Caterina Forti Grazzini, Annalisa Ferrando European Central Bank, Germany</p>
4:30pm - 6:30pm	<p>FRI3-02: Corporate social responsibility Location: SG-I-2 Session Chair: Maria Chiara Iannino, University of St. Andrews, United Kingdom</p> <p>Political Uncertainty, Corporate Social Responsibility, and Firm Performance Yi Hu¹, Carol Padgett¹, Chao Yin² ¹University of Reading, United Kingdom; ²The University of Edinburgh, United Kingdom</p> <p>Does Corporate Social Responsibility play a role in attracting Foreign Investment; Evidence from Saudi Arabia Hend Alregab taif university, Saudi Arabia</p> <p>The performance of socially responsible investments: A meta-analysis Lars Hornuf^{1,2,3}, Gül Yüksel¹ ¹University of Bremen, Germany; ²Max Planck Institute for Innovation and Competition; ³CESifo (Center for Economic Studies and Ifo Institute)</p> <p>Social Responsibility and Bank Resiliency Thomas Gehrig¹, Maria Chiara Iannino², Stephan Unger³ ¹University of Vienna, Austria; ²University of St Andrews, United Kingdom; ³St Anselm College, USA</p>
4:30pm - 6:30pm	<p>FRI3-03: Applications of AI techniques Location: SG-I-3 Session Chair: Michele Lenza, ECB, Germany</p> <p>Up the Political Ladder: The Role of Political Networks Xian Gu¹, Iftekhar Hasan², Linda Zhao³, Yun Zhu⁴ ¹Durham University Business School, United Kingdom; ²Fordham University; ³Wharton School, University of Pennsylvania; ⁴St. John's University</p> <p>Software validation and artificial intelligence in finance – a primer Imane Bakkar¹, Chiranjit Chakraborty¹, Carsten Jung², Marta Kwiatkowska³, Carl Taylor¹ ¹Bank of England, United Kingdom; ²Institute for Public Policy Research; ³University of Oxford</p> <p>Forecasting Realized Volatility With Wavelet Decomposition Ioannis Souropanis, Andrew Vivian Loughborough University, United Kingdom</p> <p>Random Forest Inflation Forecasts Michele Lenza^{1,3,4}, Ines Moutakacher², Joan Paredes¹ ¹ECB, Germany;; ²ENSAE; ³ECARES-ULB, Belgium;; ⁴CEPR</p>

4:30pm - 6:30pm	<p><u>FRI3-04: Asset Management</u> Location: SG-I-4 Session Chair: Yuri Katz, S&P Global, United States of America</p> <p>Advising the Advisors: Evidence from ETFs Jonathan Brogaard¹, Nataliya Gerasimova², Ying Liu³ ¹David Eccles School of Business, University of Utah; ²Department of Finance, Norwegian School of Economics; ³Shanghai University of Finance and Economics, China, People's Republic of</p> <p>On the optimal combination of naive and mean-variance portfolio strategies Nathan Lassance¹, Rodolphe Vanderveken², Frédéric Vrins³ ¹UCLouvain, Belgium; ²UCLouvain, Belgium; ³UCLouvain, Belgium</p> <p>Endogenous network cross markets Fan Gao, Daniel Ladley University of Leicester, United Kingdom</p> <p>Impact of transient shocks to productivity on long-term social discounting Yuri Katz¹, Victor Gluzberg² ¹S&P Global, United States of America; ²PTC, Israel</p>
4:30pm - 6:30pm	<p><u>FRI3-05: Corporate Finance: Banks vs Corporate capital</u> Location: SG-I-5 Session Chair: Vania SENA, University of Sheffield, United Kingdom</p> <p>Women on Board: Gender balance initiatives and their impact on board structure and firm performance Chiara De Amicis¹, Sonia Falconieri², Moez Bennouri³ ¹SKEMA Business School, France; ²Bayes Business School, United Kingdom; ³Montpellier Business School, France</p> <p>The Information Content of Convertible Bond Issues: Does Analyst Following Matter? Jörg Prokop, Matthias Walting, Franziska Kahlen University of Oldenburg, Germany</p> <p>Trust and Firm Financing: Forms of Trust and Institutional Quality Matter Ali Ogcem, Ruth Tacneng Limoges University, France</p> <p>Understanding the impact of digital finance on systemic risk: Evidence from US and EU financial industries Davide Vioto¹, Domenico Curcio², Igor Gianfrancesco³ ¹European Banking Authority, France; ²University of Naples Federico II, Italy; ³University of Bari Aldo Moro, Italy</p>
4:30pm - 6:30pm	<p><u>FRI3-06: Banks performance</u> Location: SG-II-1 Session Chair: Ettore Panetti, University of Naples Federico II, Italy</p> <p>Geographical variations in bank branch efficiency: organizational complexity, competition, and institutional environment Liping Lu¹, Celine Meslier², Dian Yuan³ ¹Renmin University of China, China; ²Université de Limoges, France; ³Zhejiang University of Finance and Economics, China</p> <p>Determinants of Bank Performance in Developed (G7) and Developing (E7) Countries and Role of Regulatory and Economic Environment Asma Nasim¹, Dr Muhammad ali Nasir², Dr Gareth Downing¹</p>

	<p>¹Huddersfield Business School, United Kingdom; ²Leeds university ,UK</p> <p>Savings, Efficiency and the Nature of Bank Runs Agnese Leonello², Caterina Mendicino², Ettore Panetti¹, Davide Porcellacchia² ¹University of Naples Federico II, Italy; ²European Central Bank</p>
4:30pm - 6:30pm	<p><u>FRI3-07: Capital regulation</u> Location: SG-II-2 Session Chair: Enzo Dia, University of Milano-Bicocca, Italy</p> <p>An Early Warning Index of Bank Failure Damiano Bruno Silipo¹, Giovanni Verga² ¹Università della Calabria, Italy; ²Università di Parma, Italy</p> <p>How did the banks finance the PPP loans in 2020? Michal Kowalik, Scott Schueller Boston Fed, United States of America</p> <p>Non-dilutive CoCo Bonds: A Necessary Evil? Yanxiong Gong, Andrea Gamba, Kebin Ma Warwick Business School, United Kingdom</p> <p>Monetary and Macroprudential Policies with a Dominant-Bank Oligopoly and Fringe Banks Enzo Dia¹, David VanHoose² ¹University of Milano-Bicocca, Italy; ²Baylor University</p>
6:30pm - 7:00pm	<p>SHUTTLE SERVICE: From the conference venue to the hotels' area</p>

Participants' list

Last name	First name	Organisation	Country
Abuzayed	Bana	Qatar University	Qatar
Acosta-Smith	Jonathan	Bank of England	United Kingdom
Ahmad	Farooq	SKEMA Business School	France
Aichele	Martin	European Central Bank	Germany
Akin	Ozlem	Ozyegin University	Turkey
Al-Fayoumi	Nedal Ahmed	Qatar University	Qatar
Allard	Anne-Florence	University of Bristol	United Kingdom
Almustafa	Hamza	The Hashemite University	Jordan
Alonso	Andres	Banco de España	Spain
Alregab	Hend	Taif University	Saudi Arabia
Altunbas	Yener	Bangor University Business School	United Kingdom
Amess	Kevin	University of Nottingham	United Kingdom
Artikis	Panagiotis	University of Piraeus	Greece
Aziz	Saqib	Rennes School of Business	France
Batten	Sandra	Bank of England	United Kingdom
Beckmann	Lars	University of Muenster	Germany
Bertrand	Jean-Louis	ESSCA	France
Bertrand	Jeremie	IESEG School of Management	France
Bevilacqua	Mattia	University of Liverpool	United Kingdom
Bitetto	Alessandro	University of Pavia	Italy
Bocchialini	Elisa	University of Florence	Italy
Bonetti	Matteo	De Nederlandsche Bank	Netherlands
Breinlinger	Luise	LBMS Advisory Services GmbH	Austria
Caglio	Cecilia	Federal Reserve Board	United States
Caiazzo	Emmanuel	Università degli Studi di Napoli Federico II	Italy
Cakmakli	Cem	Koc University	Turkey
Cantu	Carlos	Bank for International Settlements	Mexico
Caporin	Massimiliano	University of Padova	Italy
Cappelletti	Giuseppe	European Central Bank	Germany
Cardillo	Giovanni	University of Bologna	Italy
Cave	Joshua	University of Leeds	United Kingdom
Centinaio	Alessandra	Università Carlo Cattaneo	Italy
Chakraborty	Chiranjit	Bank of England	United Kingdom
Charles-Cadogan	Godfrey	University of Leicester	United Kingdom
Chesini	Giusy	University of Verona	Italy
Christensen	Jens Henrik Eggert	Federal Reserve Bank of San Francisco	United States
Ciciretti	Rocco	University of Rome Tor Vergata	Italy
Cipra	Tomas	Charles University in Prague	Czech Republic
Cocozza	Rosa	Università degli Studi di Napoli Federico II	Italy
Comerio	Niccolò	LIUC - Università Cattaneo	Italy
Consiglio	Andrea	University of Palermo	Italy
Correa	Ricardo	Federal Reserve Board	United States
Covi	Giovanni	Bank of England	United Kingdom

Cruz	Vivian	EIA University	Colombia
Cuadros-Solas	Pedro J.	CUNEF University	Spain
Curcio	Domenico	University of Naples Federico II	Italy
Dalò	Ambrogio	University of Groningen	Netherlands
De Amicis	Chiara	SKEMA Business School	France
Del Prete	Silvia	Banca d'Italia	Italy
Della Corte	Valerio	Banca d'Italia	Italy
Di Casola	Paola	European Central Bank	Germany
Dia	Enzo	University of Milano-Bicocca	Italy
Dimitrov	Daniel	University of Amsterdam	Netherlands
Dell'Atti	Stefano	Università degli Studi di Foggia	Italy
Duygun	Meryem	University of Nottingham	United Kingdom
El Ghoul	Sadok	University of Alberta	Canada
Elgammal	Mohammed	Qatar University	Qatar
Elgazzar	Manar	University of Manchester	Germany
Fajardo-Baquero	Nicolas	Central Bank of Colombia & Universidad de los Andes	Colombia
Fatouh	Mahmoud	Bank of England	United Kingdom
Ferilli	Greta Benedetta	University of Salento	Italy
Ferrando	Annalisa	European Central Bank	Germany
Forti Grazzini	Caterina	European Central Bank	Germany
Francis	Bill B.	Rensselaer Polytechnic Institute	United States
Fukuda	Shin-ichi	The University of Tokyo	Japan
Galan	Jorge E	Banco de España	Spain
Gao	Fan	University of Leicester	United Kingdom
Garabedian	Garo	Central Bank of Ireland	Ireland
Gasparini	Tommaso	University of Mannheim	Germany
Gerasimova	Nataliya	BI Bergen	Norway
Gerba	Eddie	Bank of England	United Kingdom
Ghanbari	Negar	BI Norwegian Business School	Norway
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Giansante	Simone	University of Palermo	Italy
Giaretta	Elisa	University of Bergamo	Italy
Giuliana	Raffaele	Central Bank of Ireland	Ireland
Gong	Yanxiong	University of Warwick	United Kingdom
González Fernández	Ana Isabel	Universidad de Málaga	Spain
Grilo	Filipe	Faculdade de Economia do Porto	Portugal
Gu	Xian	University of Durham	United Kingdom
Guedhami	Omrane	University of South Carolina	United States
Guney	Yilmaz	Coventry University	United Kingdom
Gupta	Arun	Federal Reserve Board of Governors	United States
Halaj	Grzegorz	Bank of Canada	Canada
Han	Tian	University of Nottingham	United Kingdom
Harren	Jan	University of Muenster	Germany
Hasan	Iftekhar	Fordham University	United States
Hassan	Abul	KFUPM	Saudi Arabia
Hearn	Bruce	University of Bradford	United Kingdom

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Hu	Jinhong	University of Glasgow	United Kingdom
Hu	Malin	Vanderbilt University	United States
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Jackowicz	Krzysztof	Kozminski University	Poland
Jain	Anil Kumar	Federal Reserve Board	United States
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Jorge	Jose	Universidade Porto	Portugal
Karapetyan	Artashes	Essec	France
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Katz	Yuri	S&P Global	United States
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Kita	Arben	University of Southampton	United Kingdom
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Kowalik	Michal	Boston Fed	United States
Kowalski	Luke	University of Leicester	United States
Kremer	Manfred	European Central Bank	Germany
Lagasia	Valentina	University of Rome La Sapienza	Italy
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Leeuwenkamp	Aleksy	KU Leuven	Belgium
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Lenza	Michele	European Central Bank	Germany
Leoni	Silvia	University of Leicester	United Kingdom
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Maltritz	Dominik	University of Erfurt	Germany
Markovic	Ivan	KU Leuven	Belgium
Masala	Francesco	Italian Banking Authority	Italy
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Mateut	Simona	University of Nottingham	United Kingdom
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Mellios	Constantin	University Paris 1 Panthéon-Sorbonne	France
Meslier	Celine	Université de Limoges	France
Messer	Todd	Federal Reserve Board	United States
Migiakis	Petros	Bank of Greece	Greece
Morgan	Peter John	Asian Development Bank Institute	Japan
Mselmi	Nada	Université Paris Saclay	France

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Nasir	Muhammad Ali	University of Leeds	United Kingdom
Nasreddine	Aya	Université Paris Nanterre	France
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Nobile	Lorenzo	University of Salento	Italy
Nocera	Giacomo	Audencia Business School	France
Ogcem	Ali	Limoges University	France
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Otto	Tizian	University of Hamburg	Germany
Pal	Sarmistha	University of Surrey	United Kingdom
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Pasiouras	Fotios	Montpellier Business School	France
Perrazzelli	Alessandra	Bank of Italy	Italy
Perrin	Caroline	Université de Strasbourg	France
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Petrova	Milena	Syracuse University	United States
Pinto	Francisco	The University of Manchester	United Kingdom
Polański	Zbigniew	SGH Warsaw School of Economics	Poland
Ponce	Jorge	Banco Central del Uruguay	Uruguay
Poshakwale	Sunil	Cranfield University	United Kingdom
Previtali	Daniele	University of Naples Parthenope	Italy
Prokop	Jörg	University of Oldenburg	Germany
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Rancan	Michela	Marche Polytechnic University	Italy
Rodriguez	Norberto	Banco de la República	Colombia
Rohrer	Maximilian	Norwegian School of Economics	Norway
Romero	Jose Vicente	Banco de la República - Colombia	Colombia
Rossignolo	Adrian	University of Leicester	Argentina
Ruiz Ortega	Claudia	World Bank	United States
Sá	Ana Isabel	University of Porto, CEF.UP	Portugal
Sales	Elisa	Bank of Italy	Italy
Said	Yasmeen Hany	Misr International University	Egypt
Sakalauskaite	Ieva	Bank of England	United Kingdom
Salim	Kinan	INCEIF	Malaysia
Santulli	Rosalia	University of Genoa	Italy
Scip	Alex	University of Verona	Italy
Scopelliti	Alessandro Diego	KU Leuven	Belgium
Seifert	Jacob	University of Leicester	United Kingdom
Sena	Vania	University of Sheffield	United Kingdom
Seth	Rama	Copenhagen Business School	Denmark
Shaban	Mohamed	University of Leicester	United Kingdom
Sheenan	Lisa	Queen's University Belfast	United Kingdom
Silipo	Damiano Bruno	Università della Calabria	Italy
Sizova	Elizaveta	NHH	Norway

Sozzani	Samuele Guido	University of Sassari	Italy
Spaggiari	Martina	European Central Bank	Germany
Spaliara	Marina	university of Glasgow	United Kingdom
Sprincean	Nicu	Alexandru Ioan Cuza University of Iasi	Romania
Sun	Ariel	Cranfield University	United Kingdom
Sunon	Kamrul Hassan	University of Leeds	United Kingdom
Suss	Joel Harrison	Bank of England	United Kingdom
Takalo	Tuomas	Bank of Finland	Finland
Tipaldi	Riccardo	University of Salerno	Italy
Tobal	Martin	Banco de México	Mexico
Torricelli	Costanza	University of Modena and Reggio Emilia	Italy
Trovato	Giovanni	University of Rome Tor Vergata	Italy
Tripe	David	Massey University	New Zealand
Tunaru	Radu	University of Sussex	United Kingdom
Tykvova	Tereza	Universität St. Gallen (HSG) and Swiss Finance Institute (SFI)	Switzerland
Vadasz	Tamas	KU Leuven	Belgium
van Bommel	Jos	University of Luxembourg	Luxembourg
Vanderveken	Rodolphe Hadrien	UCLouvain	Belgium
Varal	Shiwani	University of Nottingham	United Kingdom
Vieito	João Paulo	Polytechnic Institute of Viana do Castelo	Portugal
Viola	Andrea	Università Cattolica del Sacro Cuore di Milano	Italy
Vioto	Davide	European Banking Authority	France
Viswanath Natraj	Ganesh	University of Warwick	United Kingdom
Vivian	Andrew	Loughborough University	United Kingdom
Vladu	Andreea Liliana	European Central Bank	Germany
Voigts	Victoria	Leibniz University Hannover	Germany
Walle	Yabibal Mulualem	German Institute of Development and Sustainability (IDOS)	Germany
Wang	Zining	King's College London	United Kingdom
Wiedemann	Timo	University of Münster	Germany
Wittke	Gerrit	University of Osnabrueck	Germany
Wu	Changjian	The University of Nottingham	United Kingdom
Xie	Fei	University of Delaware	United States
Xu	Yizhuo	The University of Sheffield	United Kingdom
Yu	Lijie	The University of Manchester	United Kingdom
Yüksel	Gül	University of Bremen	Germany
Zalewska	Ania	University of Bath	United Kingdom
Zedda	Stefano	Università di Cagliari	Italy
Zhang	Yue	University of Southampton	United Kingdom
Zhao	Tianshu	University of Birmingham	United Kingdom
Zhou	Yifan	University of Leicester	United Kingdom
Zicchino	Lea	Prometeia	Italy
Zikes	Filip	Federal Reserve Board	United States



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