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## SIXTH ANNUAL PAUL WOOLLEY CENTRE CONFERENCE

6-7 June 2013

The annual Paul Woolley Centre conference took place on 6-7 June 2013 and was once again a huge success. This year the format was changed slightly to not include discussants and, instead of the usual four sessions, the conference this year comprised of five sessions.

- 1 Financial frictions and commodity prices
- 2 Regulation and market equilibrium
- 3 Market anomalies and limited arbitrage
- 4 Compensation and risk taking in the financial sector
- 5 Market design, liquidity and information.

Day one of the conference began with a session on "Financial frictions and commodity prices".

**Anna Pavlova** (London Business School and CEPR) began by presenting her paper, a joint work with Suleyman Basak (London Business School and CEPR), and entitled "A model of financialisation of commodities". Their paper contributes to existing literature looking at the relationship between institutional investor activity and commodity future markets, particularly the effects of financialisation, and they provide a model in which institutional investors care about their performance, relative to a commodity index. Pavlova spoke of their findings that supply and demand shocks specific to the commodity, whose futures is included in the index, spill over to all other commodity future markets. However, supply and demand shocks specific to the non-index commodity, effect that commodity market alone. However in the presence of institutional investors, they also find that prices and volatilities of all commodity futures go up and all effects are stronger in the index futures. Pavlova also spoke of their additional finding that

financialisation leads to an increase in correlations amongst commodity futures and the increase between index commodities exceed those for non-index commodities. In their paper they provide a plausible numerical illustration which concludes that financialisation accounts for 11 per cent to 17 per cent of commodity futures prices, with the rest being generated by fundamentals.

**Wei Xiong** (Princeton University and NBER) continued the session with the presentation of his joint work with Michael Sockin (Princeton University) entitled "Feedback effects of commodity future prices". Their paper provides a model with informational feedback effect to contrast the widely held view posits that when speculators drive up the futures price of a commodity, real demand must fall.

Their model builds on two practical observations: the first being that futures prices of key industrial commodities, such as copper and oil, became barometers of global demand as a result of the rapid economic expansion of emerging economies; and the second that complementarity exists in the production decisions of industrial producers because they need to trade produced goods. Therefore in the presence of both information frictions and production complementarity, an increase in commodity futures prices, even if driven by non-fundamental factors, signals strong global economic strength, and may therefore induce increased commodity demand.



**Anna Pavlova** (London Business School and CEPR)



**Wei Xiong** (Princeton University and NBER)



**Raman Uppal** (Edhec Business School and CEPR)



**Dimitri Vayanos** (LSE)

The second session of the day was dedicated to "Regulation and market equilibrium". **Jean-Charles Rochet** (University of Zurich, SFI and Toulouse School of Economics) started by presenting his joint paper with Hans Gersbach (ETH Zurich and CEPR) entitled "Capital regulation and credit fluctuations". Their paper is motivated by the scenario of regulators imposing counter-cyclical capital ratios on banks. To provide rational reason for these regulations they construct a model in which bankers cannot pledge the entire future revenues to investors, which in turn limits borrowing in both good and bad times. Complete markets do not sufficiently stabilise credit fluctuations, as banks allocate too much borrowing capacity to good states and too few to bad states. As a consequence, bank credit, output, capital prices or wages are excessively volatile. By imposing a stricter capital

ratio in good states, it's possible to correct the misallocation of the borrowing capacity, increase the expected output and it can also be beneficial to all agents in the economy. They also show that even when all agents are risk-neutral, counter-cyclical capital ratios are an effective stabilisation tool. Their paper concludes that capital ratios need to be based on ex ante equity capital in order to ensure this effectiveness.

**Raman Uppal** (Edhec Business School and CEPR) was up next with the presentation of his paper, co-authored with Adrian Buss (INSEAD), Bernard Dumas (INSEAD, CEPR, and NBER) and Grigory Vilkov (Goethe University Frankfurt), and entitled "Comparing different regulatory measures to control stock market volatility: a general equilibrium analysis". In their paper they are motivated to evaluate the effects of various regulatory measures including Tobin tax, short sale constraints and leverage constraints within a framework. They provide a dynamic, stochastic general equilibrium model of a production economy, in which they compare both the direct and indirect effects of different measures on financial and real sections. In the presence of heterogeneous beliefs amongst investors which generate excess volatility, they find that only the leverage constraint is effective in reducing stock-market volatility. This is accompanied by positive effects on the real sector including an increase in the levels of consumption growth and investment growth, and a decrease in their volatilities. However, they find that both the Tobin tax and short sale constraints actually increase volatility in financial markets and have a negative effect on the real sector. These negative effects include a decrease in the growth rates of output and investment and an increase in the volatility of consumption-growth.

The last session of day one was dedicated to "Market anomalies and limited arbitrage". **Jeffrey Pontiff** (Boston College) began with his paper "Does academic research destroy stock return predictability?", co-authored with R David McLean (University of Alberta and MIT Sloan School of Management). In their paper they conduct an out-of-sample study and post-publication return-predictability of 82 characteristics, such as book-to-market ratios that have been identified in published academic studies. The average out-of-sample decay due to statistical bias is about 10 per cent, but not statistically different from zero. The average post-publication decay, which they attribute to both statistical bias and price pressure from aware investors, is about 35 per cent and statistically different from both 0 per

cent and 100 per cent. Their findings point to mispricing as the source of predictability. Post-publication, stocks in characteristic portfolios experience higher volume, variance, short interest, and higher correlations with portfolios that are based on published characteristics. They also find that post-publication return declines are greater for characteristic portfolios consisting of stocks with low idiosyncratic risk, which is consistent with costly (limited) arbitrage.

**Andrei Shleifer** (Harvard Business School) spoke next with his paper "Expectations of returns and expected returns", which is co-authored by Robin Greenwood (Harvard Business School). By looking at six data sources between 1963 and 2011, they provide an empirical study on the time-series of investor expectations for future stock market returns. Their study finds that the six measures of expectations are highly positively correlated with each other, as well as with past stock returns and with the level of the stock market. However, the correlation between investor expectations and model-based expected returns are strongly negative. Shleifer also presented the calibration result on a simple behavioural model, in which fundamental traders require a premium to accommodate expectations shocks from extrapolative traders, but markets are not efficient.

**Christopher Polk** (FMG, LSE) closed day one of the conference with his paper, co-authored by Dong Lou (LSE) and entitled "Comomentum: inferring arbitrage activity from return correlations". In their paper they are motivated to empirically study whether arbitrageurs can have a destabilising effect on the financial markets, and also to propose a novel measure of arbitrage activity. They apply their insight to stock price momentum which is a classic example of an unanchored strategy that exhibits positive feedback, since arbitrageurs buy stocks when prices rise and sell them when prices fall. Comomentum, which is the measure proposed in this paper, is the high-frequency abnormal return correlation among stocks on which a typical momentum strategy would speculate. Polk and Lou show that during periods of low comomentum momentum strategies are profitable and stabilising, reflecting an under-reaction phenomenon that arbitrageurs correct. In contrast, during periods of high comomentum, these strategies tend to crash and revert, reflecting prior overreaction. This overreaction is a result of crowded momentum trading pushing prices away from fundamentals. In line with existing theory, which suggests that there is no destabilising



**Andrei Shleifer** (Harvard Business School)

arbitrage activity in anchored strategies, the authors find that a corresponding measure of arbitrage activity for the value strategy; co-value, positively forecasts future value strategy returns, and is positively correlated with the value spread, a natural anchor for the value-minus-growth trade.

Day two of the conference began with a session entitled "Compensation and risk taking in the financial sector". **Bruno Bias** (Toulouse School of Economics) began the session by presenting his paper "The (ir)resistible rise of agency rents", a joint work with Augustin Landier (Toulouse School of Economics). Their paper contributes to existing literature on principal-agents problems, by endogenising the rents that the agent can extract from the principal. The paper provides a model in which agents are allowed to choose more or less opaque and complex technologies. This choice is embedded in an overlapping generations model, so that agents compete with their predecessors. This structure allows the authors to study whether the presence of old-timers earning low rents, can keep the rent seeking of young managers in check. With dynamic contracts, long horizons help principals incentivise agents hence; old agents are imperfect substitutes for young ones. This mutes down competition between generations, especially if compensation deferral is strong. As a result, young managers can opt for more opaque and complex technologies and larger rents than their predecessors. Thus, in equilibrium, complexity and rents rise over time.

The second presentation was given by **Paolo Volpin** (London Business School). He presented a joint work with Viral Acharya (New York

University) and Marco Pagano (Università di Napoli Federico II) entitled "Seeking alpha: excess risk taking and competition for managerial talent". The paper provides a model in which managers are risk-averse and firms compete for scarce managerial talent ("alpha"). When managers are not mobile across firms, firms provide efficient compensation which allows for learning about managerial talent and for insurance of low-quality managers. When managers can move across firms, firms cannot offer co-insurance among employees. In anticipation, risk-averse managers may churn across firms or undertake aggregate risks in order to delay the revelation of their true quality. The result is excessive risk-taking with pay for short-term performance and an accumulation of long-term risks.

The closing session of the conference was dedicated to "Market design, liquidity, and information". **Emiliano Pagnotta** (New York University) presented his joint paper with Thomas Philippon (New York University) entitled "Competing on speed". Their paper is motivated by the observation that speed and fragmentation have reshaped the global securities markets. For instance, large-cap US stocks can now be traded in almost 50 venues and execution times are measured in milliseconds. The authors analyse these evolutions using a model where exchanges invest in trading speed, and compete for investors who choose where and how much to trade. Faster venues charge higher fees and attract speed-sensitive investors. Competition amongst exchanges increases investor participation, traded volumes, and allocative efficiency but can also lead to socially excessive levels of speed. Regulations that protect investors (eg, SEC's trade-through) lead to more fragmentation and faster speeds, but may reduce welfare. Independently

of technology and entry costs, the optimal design has a single operating exchange. Their model sheds light on the experience of European and US markets since the implementation of MiFID and Reg NMS.

**Peter Kondor** (Central European University) concluded the conference by presenting a joint work with Ana Babus (Imperial College London). The paper, entitled "Trading and information diffusion in over-the-counter markets", provides a model of trading and information diffusion in OTC markets, when dealers can engage in many bilateral transactions at the same time. The authors show that information diffusion is effective but not efficient. While each bilateral price partially reveals the private information of all dealers after a single round of trading, dealers could learn more, even within the constraints imposed by our environment. This is not a result of the dealers' market power but instead arises from the interaction between decentralisation and differences in dealer's valuation of the asset. The authors derive empirical predictions on the connection of transaction size, its cost and the opaqueness of the asset, and confront several explanations for the disruption of OTC markets with stylised facts from the empirical literature.

This article was written by **Luca Fornaro** and **Shiyang Huang**, the Paul Woolley Centre Scholars for 2012-13. Luca is no longer at LSE, having taken up a position at the Universitat Pompeu Fabra, but Shiyang has continued his scholarship for 2013-14

## The Paul Woolley Centre for the Study of Capital Market Dysfunctionalities

### Call for Papers

The Paul Woolley Centre (PWC) is now accepting submissions for its seventh annual conference on 5-6 June 2014. Submitted papers should address the key themes of the PWC, listed below, as well as related research questions.

PWC key research themes:

- Contracts and organisational structure
- Market frictions and asset prices
- Allocative efficiency and the macro-economy
- Policy implications.

The deadline to submit papers is **Friday 14 March 2014**.

You can read more about the research of the PWC and see the full Call for Papers on the FMG website here: [lse.ac.uk/FMG](http://lse.ac.uk/FMG)

## THE GLOBAL REFORM OF FINANCIAL REGULATION AND ARCHITECTURE CONFERENCE

17 September 2013

The Global Reform of Financial Regulation and Architecture Conference was organised by **Ron Anderson** (LSE), **Malcolm Knight** (Deutsche Bank, Swiss Re and LSE) and **Jean-Pierre Zigrand** (SRC) with support from The Clearing House and the Economic and Social Research Council. The conference comprised of four sessions:

- 1 Regulatory reform and the efficiency of financial intermediation
- 2 Institutional connectedness and the soundness of markets
- 3 The competitive dynamics of financial intermediaries under the Influence of new prudential regulation and structural reforms
- 4 Reform of financial regulation and financial structure: where do we stand?

**Darrell Duffie** (Stanford University) delivered the day's keynote speech entitled "Replumbing our banking system: uneven progress". He began by illustrating the positive and negative effects of the regulatory responses that were intended to redesign the banking system's architecture after the financial crisis of 2007-09. In particular he discussed ring fencing in the US banking system and the effects of Section 23A on the ability of the Federal Reserve to provide indirect liquidity to affiliates of regulated banks. Subsequently, Darrell pointed out that the proliferation of Central Clearing Parties (CCPs) for OTC derivatives might give rise to an unnecessary increase in counterparty exposure. On the plus side, competition amongst CCPs could reduce requirements for collateral. Duffie continued by discussing the tri-party repo market and its fragility due to the heavy reliance of major dealers on short-term financing. Thanks to the current design of money-market funds, large institutional investors are prone to run in face of losses, leading to a liquidity shortage in the financial



**Darrell Duffie** (Stanford University)

system. Finally, he concluded by suggesting that tri-party repo clearing services probably should operate through a dedicated regulated utility given its systemic importance.

Session one began with a presentation by **Rafael Repullo** (CEMFI) who started by observing that Europe is going through a creditless recovery. Firms seem financially constrained and, although evidence in support of a supply (rather than demand) side generated credit freeze is still under discussion, Repullo suggested a common sense approach to the problem. As initially requested by the G20 group, credit should especially be made available to firms during recessions. The response of the Basel Committee, according to Repullo, has gone in the complete opposite direction; capital requirements have been made stricter which has exacerbated the credit crunch and lead to procyclicality. Repullo concluded his presentation with three simple policy recommendations: firstly the valuation of banks' assets by central banks should be more rigorous; secondly capital requirements should be softer, in order to avoid excessive rigidity in the credit system; and finally policy uncertainty should be eliminated.

**Paul Saltzman** (The Clearing House) then continued proceedings by chairing a panel

discussion on whether the response of non-bank institutions and markets support recovery. The panellists were: **Wilson Ervin** (Credit Suisse), **Jack Mahler** (OMERS Capital Markets) and **Peter Praet** (European Central Bank). Saltzman began by explaining that the panel discussion would be focused on the functions of banks (or shadow banks) such as credit creation, maturity transformation and liquidity provision. Praet



**Rafael Repullo** (CEMFI)

contributed to the debate by presenting the aforementioned banking system functions from the perspective of the information provision role of the financial market. He believes that information creation and transmission is a particularly relevant issue for Continental Europe banks, especially those whose capital market is heavily dependent on banks that generate large amounts of private and opaque information. On the European Central Bank health check, Praet said "The asset quality review is aimed to reduce a little this gap of information that paralyses the market." Jack Mahler highlighted how shadow banking can represent a response to the impossibility, induced by the economic crisis or by regulatory requirements, of providing some of the services that used to be at the core of banks' business model.

Session two began with **Hal Scott** (Harvard University) who presented "Connectedness and contagion". He first analysed the asset connectedness and liability connectedness witnessed during the past few years and then discussed in details the Basel response to contagion. He continued by providing empirical evidence related to liability connectedness on money market mutual funds and concluded with suggestions of how to deal with contagion. Among these suggestions, he emphasised the importance of a strong and clear lender of last resort. After a short discussion with the audience, **Ron Anderson** (LSE) chaired a panel discussion on financial infrastructure and resilience of the financial system. The panellists were: **Diana Chan** (EuroCCP), **Charles-Albert Lehalle** (Capital Fund Management) and

**Antoine Martin** (Federal Reserve Bank of New York). Martin concentrated his presentation on US repo markets and pointed out two main infrastructure weaknesses: the unwinding process (that may induce huge exposures for the clearing banks and conflict of interests) and the fire sale risk. Although the industry has already pushed forward internal reforms to deal with the unwind issue, no progress was made on fire sales except for the continuing risk. Chan continued Martin's presentation from the perspective of CCP and discussed the pros and cons of competition among CCPs. She agreed that the competition among CCPs would be dynamically efficient. Lehalle focussed his input to the session on features and failures of the market's microstructure. Firstly, he showed several well-known microstructure related events (such as the Flash Crash in May 2010 or the Hash Crash in April 2013) and the recent changes in market design due to post-crisis regulatory reform. Then he raised three microstructure related issues: operational risk, misleading information and collective runaway, and concluded his speech by suggesting potential solutions. During the audience question time which followed, the focus was on competitions among CCPs and Chan gave a detailed explanation of CCP operations and provided participants with her view on the role of central clearing in post-crisis financial markets.

**Jan-Pieter Krahnen** (House of Finance, University of Frankfurt and Member of the Liikanen Group) started session three with his presentation entitled "Interplay of business models and regulation in the financial industry:



**Peter Praet** (European Central Bank)

current challenges". He employed two cases to illustrate the dialectics of regulatory intent and expected business response. He first discussed the separation of proprietary trading and market making from universal banking and then spoke about the mandatory bail-in debt issuance with holding ban. Following Krahnen's presentation, **David Webb** (LSE) led the panel discussion on business models and the changing shape of the financial sector. The panellists were: **James Chew** (HSBC), **Rob Henrikson** (Swiss Re), **Carsten Kengeter** (LSE) and **Ben Langworthy** (Centrebridge Partners). During this session the speakers provided their insights on the prospective role of the banking sector in the global economy and discussed the impact of different regulatory frameworks on the diversification, segmentation



l-r: **Rafael Repullo** (CEMFI), **Paul Saltzman** (The Clearing House), **Wilson Ervin** (Credit Suisse), **Jack Mahler** (OMERS Capital Markets)



**Diana Chan** (EuroCCP)



**Charles Albert Lehalle** (Capital Fund Management)



**Hal Scott** (Harvard University)

or concentration of the financial industry. The practitioners' approach to credit creation and risk management was presented both from the perspective of a leading retail bank and of a private equity investment entity, while Henrikson mainly discussed the issues related to the (re) insurance business, its connection with the banking sector and its regulatory framework.

**Malcolm Knight** (Deutsche Bank, Swiss Re and LSE) chaired the final session of the day on "Reform of financial regulation and financial structure: where do we stand?" The panellists were comprised of experts from academia, financial press and regulators: **Darrell Duffie** (Stanford University), **Gillian Tett** (Financial Times) and **Paul Tucker** (Bank of England). While acknowledging the improvements in terms of transparency and discipline in the financial sector, the panellists remarked that Europe still faces severe problems when it comes to handling a fresh bank failure. While the US in comparison has made a big step by giving lawmakers the necessary tools to handle the bank failure, which is yet to be implemented in EU. When pressed by an audience member, the importance of interaction among national regulatory bodies was highlighted by the panellists. Tucker stated that the Bank of England, which supervises banks in Britain, would be prepared to "step aside" and allow the United States to wind down a global bank that has operations in London.

You can download conference materials on the FMG website: [lse.ac.uk/FMG](http://lse.ac.uk/FMG)

This conference was generously supported by The Clearing House and the Economic and Social Research Council (ESRC) [grant number ES/K002309/1].

This article was written by **Cheng Zhang** and **Luana Zaccaria**.



## NEW MEMBERS OF STAFF



**Juanita Gonzalez-Urbe**

joins the Department of Finance and FMG as a Lecturer in Finance, having received her PhD in Economics and Finance from the Columbia Graduate School of Business. Juanita's

research focuses on Empirical Corporate Finance, Entrepreneurial Finance, and Private Equity and Innovation.



**Igor Makarov** joins us as Reader in Finance from the London Business School, where he was Assistant Professor. Igor holds a PhD in Financial Economics from the MIT Sloan School of Management, having

previously studied in Moscow. In 2012 he won the prestigious NASDAQ OMX Award for the Best Paper in Asset Pricing, a prize he shared with co-authors Mikhail Chernov (LSE) and Alexander Gorbenko (LBS).



**Olivia Kelley** is our new Events Co-ordinator and PA to Paul Woolley. She comes to us from Sydney, Australia where she worked in events at the University of Sydney. She recently gained a PhD in Classical Archaeology from

the University of Sydney and has spent much of the past few years travelling around the Mediterranean looking at ancient ruins and enjoying the delights of the local cultures.



**Daniel Brewer** is the new part time Finance

Administrator for the FMG and Systemic Risk Centre (SRC). He has had a varied career to date, having worked as a secondary school teacher of mathematics, a TEFL

teacher in both Thailand and Italy and also a Systems Engineer for BAE Systems. He is currently studying towards the Chartered Institute of Management Accountants (CIMA) professional qualification. When not working or studying he likes to spend time on the Thames, rowing with Putney Town Rowing Club.

## VISITING SCHOLARS

The FMG has been fortunate to attract visitors from many prestigious institutions such as Stanford University, the University of Chicago, the Toulouse School of Economics and New York University. Visiting scholars stay for anything from between a week to an entire term, and during this time they form an important aspect of the FMG's research environment. For the 2013-14 academic year we are pleased to welcome our visiting scholar **Adrien Matray**.

Adrien is a PhD candidate in Finance at HEC-Paris under the supervision of David Thesmar. Before beginning his PhD he completed a MA in Economics at the Paris School of Economics in 2009 and a MA in Finance at the Ecole Polytechnique in 2008. His research focuses on the real effects of banking deregulation, behavioural economics and finance, entrepreneurship, household finance, and housing and testing macroeconomic theories using micro data. In behavioural finance he's especially interested in understanding how people evaluate risks and what are the biases

that could lead to systemic errors (such as overconfidence, bounded rationality, and availability bias). Adrien is applying these questions to both firms and households. His research on housing focuses both on "macro" questions (the effect of housing bubbles for firm costs, local employment) and on the effects for households, such as whether they understand the risks associated with ARM mortgages or how a decrease in their credit constraint interacts with biases such as bounded rationality or impatience. Adrien is visiting the FMG from September 2013 to September 2014.



**Adrien Matray**

## NEW RESEARCH STUDENTS



**Alex Clymo** is a 3rd year Economics PhD student who joins the FMG and Paul Woolley Centre as a recipient of a Paul Woolley Centre scholarship for 2013-14. His research focuses on financial regulation, monetary

policy, theoretical macroeconomics and heterogeneous agent modelling and he is currently collaborating on research with his supervisor – Wouter den Haan. Alex had this to say about the FMG:

"As a macroeconomist, I am very excited to be able to learn more about finance from everyone at the FMG. So many insights from finance, from the empirics and modelling of asset prices to financial intermediation, are becoming central to the evolution of macroeconomics, and I thus consider myself very lucky to be at the FMG."



**Michael Punz** joins the FMG from the Department of Finance where he is a 2nd year PhD student. Michael had this to say about the FMG:

"As a member of the FMG I will benefit from interaction with other FMG researchers, professors and fellow students. I'm also looking forward to attending a lot of the excellent events organised by the FMG."



**Una Savic** is a 2nd year PhD student in the Department of Finance where she is under the supervision of Kathy Yuan. Una had this to say about the FMG:

"The FMG makes it very easy to interact, discuss and exchange research ideas with other PhD students and researchers. This makes it the perfect work environment for someone who is still exploring different fields and research topics."



**Seyed Seyedan** is a 2nd year Finance PhD student who is currently collaborating on research with Christian Julliard and Kathy Yuan. Seyed had this to say about the FMG:

"The FMG is a very good place to be, especially when, like me, you're at the beginning of your research path. On a daily basis, I get to communicate with people who are further along in the PhD process and I find this to be a great source of inspiration and advice."

## FMG SCHOLARSHIPS

The FMG is the proud host of, at current count, 23 LSE PhD students. Each is at a different stage in the PhD process but all make a huge contribution to the FMG and help to make it the friendly and energetic research environment that it is. We are therefore extremely pleased to be able to provide financial support to a few students, each year, as they pursue their postgraduate research.

Through the FMG students can apply for two funding programmes; The Paul Woolley Centre Scholarship and The Deutsche Bank Fellowship. Both programmes offer up to £18,000 per year to cover tuition fees, and research and living costs. Each programme has its own requirements for candidates to meet but each accepts applications from non-FMG students. As well as providing financial support, successful students

are also often provided with desk space in the FMG, giving them access to an impressive annual events programme, featuring speakers from top institutions, and enabling them to work closely with other FMG students and researchers.

Applications for the Paul Woolley Centre Scholarship 2014-15 and Deutsche Bank Fellowship 2014-16 will open on 18 December 2013 and close on 28 February 2014.

Keep an eye out for the official announcement which will be advertised around LSE and on the FMG website, [lse.ac.uk/FMG](http://lse.ac.uk/FMG), from early December.

In the meantime you can read more about both programmes here:

[lse.ac.uk/PWCscholarship](http://lse.ac.uk/PWCscholarship)  
[lse.ac.uk/DBfellowship](http://lse.ac.uk/DBfellowship)



## FMG EVENTS

Events that have taken place since the publication of the previous *Review* in August 2013 (Spring/Summer issue)

### Conferences

**Economic networks and banking conference**  
5 July 2013

**The global reform of financial regulation and architecture: how to balance safety and efficiency conference**  
17 September 2013

### Capital Markets Workshops

**Reaching for maturity**  
9 October 2013

Harrison Hong (Princeton)

**Long-term persistence**  
16 October 2013

Paola Sapienza (Kellogg School of Management)

**Private equity, technological investment, and labour outcomes**  
23 October 2013

Ashwini Agrawal (NYU Stern)

**Capital and labour reallocation inside firms**  
30 October 2013

Holger Mueller (NYU Stern)

**Learning from inflation experiences**  
6 November 2013

Stefan Nagel (University of Michigan)

**Asymmetric information and the pecking (dis) order**  
13 November 2013

Paolo Fulghieri (UNC)

**Good and bad uncertainty: macroeconomic and financial market implications**  
20 November 2013

Amir Yaron (The Wharton School)

**Collateral – motivated financial innovation**  
27 November 2013

Hongjun Yan (Yale)

**Entry and exit in OTC derivatives markets**  
4 December 2013

Pierre-Olivier Weill (UCLA)

**Costs and benefits of dynamic trading in a lemons markets**

11 December 2013

William Fuchs (Berkeley)

### Lunchtime Workshops

**Procyclical promises**  
9 October 2013

Jason Donaldson (FMG, LSE)

**Contingent capital structure**  
16 October 2013  
Jing Zeng (FMG, LSE)

**Self-fulfilling fire sales: fragility in collateralised short-term debt markets**  
23 October 2013  
John Kuong (FMG, LSE)

**Scale-specific risk in the consumption CAPM**  
30 October 2013  
Andrea Tamoni (Finance, LSE)

**On competitive nonlinear pricing**  
6 November 2013  
Thomas Mariotti (Toulouse School of Economics)

**CAPM, components of beta and the cross section of expected returns**

13 November 2013

Tolga Cenesizoglu (LSE)

**Lending in social networks**

20 November 2013

Vikrant Vig (London Business School)

**Dynamic equilibrium with rare disasters and heterogeneous epstein-zin investors**

27 November 2013

Georgy Chabakauri (FMG, LSE)

**Corporate news releases and equity vesting**

4 December 2013

Moqi Xu (FMG, LSE)

**Bank specialisation: evidence from the financing of exporters**

11 December 2013

Daniel Paravisini (FMG, LSE)

## London Financial Regulation Seminars

**The limits of surveillance and financial market failure: lessons from the Euro-crisis**

7 October 2013

Leif Pagrotsky (Minister in Swedish Social Democratic Cabinet)

**Banking ethics: a symposium**

14 October 2013

Michael Imeson (FT Live and The Banker), Ruth Plato-Shinar (Netanya Academic College) and Phil Davis (Brunel)

**Financial regulation and implications for banks and markets**

18 November 2013

Jan-Pierre Krahnen (House of Finance, University of Frankfurt)

**Sovereign contingent liabilities**

19 November 2013

Lee Buchheit (Cleary Gottlieb Steen &amp; Hamilton LLP)

**A framework for stress testing the UK banking system: a discussion paper**

2 December 2013

Vasileios Madouros (Bank of England)

**From financial fragmentation to integration in the European Union**

12 December 2013

Luc Everaert, Thierry Tresselt and Jianping Zhou (all IMF)

**A single resolution mechanism for the banking union**

16 December 2013

Emiliano Tornese (European Commission)

## PhD Seminars

All seminars are given by current LSE PhD students

**Unbanked households, competition and racial discrimination**

10 October 2013

Adrien Matray

**Is there really excess co-movement? Causal evidence from FTSE 100 index turnover**

17 October 2013

Christian von Drathen

**A search-based model of market fragmentation and liquidity**

21 October 2013

Ji Shen

**Idiosyncratic kurtosis and market microstructure invariance**

4 November 2013

Olga Obizheva

**The post-FOMC announcement reversal**

11 November 2013

Huaizhi Chen

**Trading, derivative security and asset price: asymmetric or symmetric information acquisition**

18 November 2013

Shiyang Huang

**Asymmetric risks of global momentum strategies**

25 November 2013

Victoria Dobrynsky

**Countercyclical foreclosure for securitisation**

2 December 2013

Jing Zeng

## Corporate Governance at LSE: Brownbag Seminars

**Bribes and firm value – evidence from anti-bribery regulation**

9 October 2013

Stefan Zeume (INSEAD)

## Paul Woolley Centre Brownbag Seminars

**The booms and busts of beta arbitrage**

29 October 2013

Dong Lou (FMG, LSE)

**A model of trading in the art market**

12 November 2013

Christophe Spaenjers (HEC Paris)



# FMG PUBLICATIONS

As is widely known, the FMG runs a successful and active Working Papers series, helping to showcase and disseminate the research of FMG staff and research associates. However, as well as publishing through the FMG, our staff are highly active at an international level, frequently having their papers published in many of the most recognised international journals in the field of financial research. Below is a summary of notable forthcoming and recently published papers in these top journals during 2013.

## Journal of Finance

### **Equilibrium subprime lending**

Igor Makarov and Guillaume Plantin  
68 (3) pp. 849–879

### **Borrow cheap, buy high? Determinants of leverage and pricing in buyouts**

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