2nd INTERNATIONAL SYMPOSIUM IN FINANCE

ISF2019

KISSAMOS | CRETE | GREECE
27-29 JULY 2018

PARTNER INSTITUTIONS

University of East Anglia
NORWICH BUSINESS SCHOOL

UNIVERSITY OF LEEDS
Leeds University Business School

University of Essex
ESSEX BUSINESS SCHOOL

香港公開大學
THE OPEN UNIVERSITY OF HONG KONG
李兆基商業管理學院
Lee Shau Kee School of Business and Administration

Cyprus University of Technology

INTERNATIONAL HELLENIC UNIVERSITY

SPONSOR

BANK OF GREECE
EUROSYSTEM

2ND INTERNATIONAL SYMPOSIUM IN FINANCE

Scientific Committee

Ruth Aguilera (Northeastern University), Renée Adams (University of Oxford), Franklin Allen (Imperial College), Chris Brooks (University of Reading), François Degeorge (Swiss Finance Institute), Daniel Ferreira (LSE), Raghu Rau (University of Cambridge), Paola Sapienza (Northwestern University), Ian Tonks (University of Bristol), Geoffrey Wood (University of Essex)

Organising Committee

Nikolaos Vlastakis (University of Essex)
Raphael Markellos (University of East Anglia)
Konstantinos Bozos (University of Leeds)

www.isfinance.org
isf@uea.ac.uk
Kissamos, Crete, GR

WELCOME TO ISF2019

Dear ISF2019 participant,

We are delighted to welcome you for the second time in Greece, the lovely island of Crete, and the beautiful town of Kastelli-Kissamos. Building on the success of last year's event, our aim and aspiration for this *2nd International Symposium in Finance* was to once again bring together an excellent international assembly of academics researching within finance and related areas. The response to our invitation was once again overwhelming, resulting in a very high-quality academic programme. This year we have contributors from world-class European, Asian and US institutions and are therefore very proud to present this academic programme, comprising a fine mix of established and novel ideas, experienced but also young and enthusiastic scholars, research of theoretical as well as practical significance.

Our aim is to host a very successful symposium, where you will have the opportunity to discuss your work and exchange ideas, learn and network with peers from across the globe. The ethos of the symposium and our shared values are: *Interdisciplinarity, Impact, Sustainability, Boldness, Diversity, Collaboration and Collegiality*. We also aspire to offer an unforgettable experience of Crete. From our end, we shall do our best to ensure that you have a pleasant stay and that you get a good taste of the natural beauty, the rich tradition, the unique entertainment and of course the culinary surprises that Greece so openhandedly offers to all visitors.

We aspire that Crete - once the centre of the Minoan civilisation (c. 2700–1420 BC), the earliest known in Europe, and the birthplace of heroes, renaissance artists, Nobel laureates and world-class writers, will form a most suitable backdrop for the effective communication and exchange of novel ideas, the challenging and constructive debate, the warm and sociable interaction, all necessary for the success of any scholarly assembly.

Καλώς ήρθατε…

The organising committee

Nikolaos Vlastakis	Raphael Markellos	Konstantinos Bozos
University of Essex	University of East Anglia	University of Leeds

Symposium: sɪmˈpəʊzɪəm/ **1.** a conference or meeting to discuss a particular subject a collection of essays or papers on a particular subject by a number of contributors **2.** a drinking party or convivial discussion, especially as held in ancient Greece after a banquet (and notable as the title of a work by Plato). Origin: via Latin from Greek *sumposion*, from *sumpotēs* 'fellow drinker', from *sun*-'together'+ *potēs* 'drinker'

Detailed Academic Program

Friday 26 July 2019 - Tsatsaronakis Cultural Centre, Episkopou Siggelaki St. (click for location)

13:00	13:45	Registration/Coffee			
13:45	14:00	Welcome by the Organising Committee			
				Opening Talk	
14:00	14:30			**George Giaglis,** University of Nicosia *Blockchain: Is it Worth the Hype?*	
14:30	15:30	Parallel Sessions	1. **Asset Pricing** Chair: Apostolos Kourtis	2. Corporate Finance Chair: Aris Stouraitis	3. Financial Reporting and Accounting Chair: Georgios Voulgaris
			Luiz Vitiello Essex Business School *Option Pricing with Random Risk Aversion*	**Ioannis Tsalavoutas** Adam Smith Business School *Voluntary Disclosure of Corporate Political Spending and the Cost of Debt*	**Fanis Tsoligkas** Bath School of Management *Capitalisation of R&D under IFRS: A variance decomposition analysis*
			Wenjie Ding Cardiff Business School *Technical Analysis as a Sentiment Barometer and the Cross-Section of Stock Returns*	**Theodora Bermpei** Essex Business School *Local public corruption and bank lending activity in the United States*	**Dionysia Dionysiou** University of Stirling *Financial statement comparability and default risk*
			Mengyu Zhang Essex Business School *High Frequency Option Market Making and Commonality in Liquidity*	**Christoforos Andreou** Cyprus University of Technology *Financial Distress Risk and Stock Price Crashes*	**Diogenis Baboukardos** Essex Business School *The risk relevance of Integrated Reporting: Evidence from a variance decomposition analysis*
15:30	16:30	Parallel Sessions	4. Financial Markets Chair: Kevin Aretz	5. Corporate Finance Chair: Marie Dutordoir	6. Banking Chair: Nada Mora
			Athanassios Triantafyllou Essex Business School *Oil price uncertainty and the macroeconomy*	**Regina Opaleva** Frankfurt School of Management and Finance *Managerial Overconfidence and Access to Funding*	**Yurtsev Uymaz** Norwich Business School *Financial Misconduct and Bank Risk: Evidence from US Banks*
			Lucia Milena Murgia Norwich Business School *Forecasts Targeting and Financial Stability: Evidence from the ECB & Bank of England*	**Alexandros Sikalidis** Amsterdam Business School *Influences of Founding Family Ownership on Dividend Policy Under Mandatory Dividend Rules*	**Yangke Liu** Queen's Management School *Does Bank Deregulation Affect Stock Price Crash Risk?*
			Hossein Jahanshahloo Cardiff Business School *High Frequency Trading, Economists Affiliation, Geographical Proximity, and Price Discovery in the FX market*	**Timothy King** Kent Business School *Not so homogenous? Dynamic impact of CEOs' experiences on pay incentives*	**Sotiris Staikouras** Cass Business School *Banks' Equity Performance and the Term Structure of Interest Rates*
16:30	16:45	Coffee Break			

16:45	17:45	Parallel Sessions	7. Financial Markets Chair: Thanos Verousis	8. Corporate Finance Chair: Qie Ellie Yin	9. Banking Chair: Kostantin Zopounidis
			Elefteria Kostika Bank of Greece *Dynamic Linkages among Cryptocurrencies, Exchange Rates and Global Equity Markets*	**Eleonora Monaco** Catolica Porto Business School *Media Coverage, Trading Activity and Liquidity Effects Around Acquisition Announcements*	**Konstantinos Baltas** Essex Business School *Efficiency and Stability of Microfinance Institutions: Cross-country Evidence*
			Chong-Chuo Chang National Chi Nan University *The role of cash holdings during financial crisis*	**Zafeira Kastrinaki** Brunel Business School *Co-opted Boards and Financial Performance*	**Laima Spokeviciute** Southampton Business School *The Effects of Competitive Pressures on Failed Bank Resolution Costs*
			Mustabsar Awais Sheffield University Management School *Does Social Media Attention affect investors' trading behaviours?*	**Maria Fotaki** Athens University of Economics and Business *Corporate Governance and Ethics in the Era of Big Data*	**Konstantinos Baltas** Essex Business School *Assessing Bank Efficiency and Stability*
17:45	18:45	Parallel Sessions	10. Financial Markets Chair: Eleftehria Kostika	11. Corporate Finance Chair: Ioannis Tsalavoutas	12. Corporate Governance and CSR Chair: Genti Kostandini
			Anastasios Megaritis Essex Business School *Stock market volatility and jumps in times of uncertainty*	**Raphael Markellos** Norwich Business School *Nature Inc.*	**Maria Fotaki** Athens University of Economics and Business *Level, Consistency and Pace of Corporate Sustainability Performance*
			Frank Kwabi De Montfort University *Do central bank independence and transparency have varying impact on international finance?*	**Patricja Klusak** Norwich Business School *Corporate sensitivity to sovereign credit distress*	**Wanling Qiu** University of Liverpool *Abnormal returns and Dow Jones Sustainability Index listing: A generalised synthetic control approach*
			Serena Iacobucci University of Chieti-Pescara *Temporal orientation and risk propensity in earnings conference calls*		**Irini Voudouris** Athens University of Economics and Business *Revisiting the effects of effectuation on new venture performance*

19:30	Dinner at Pixida Restaurant. (see Social Program for details)

Saturday 27 July 2019 - Molos Bay Hotel (click for location)

		Plenary Session 1 Chair: Eleni Kalotychou
09:00	09:30	**Sam Astill,** University of Essex *Robust Tests for Stock Return Predictability* Discussant: Kevin Aretz
09:30	10:00	**George Dotsis,** University of Athens *Bank Capital and the Modigliani-Miller Theorem When Loans Create Deposits* Discussant: Nada Mora
10:00	10:30	**Nada Mora,** Lebanese University *Geographic Funding Availability and Lending Diversification by Banks* Discussant: George Dotsis
10:30	11:00	Coffee Break
		Plenary Session 2 Chair: Nikos Vlastakis
11:00	11:30	**Dimitri Vayanos,** London School of Economics *A Preferred-Habitat Model of the Term Structure of Interest Rates* Discussant: Emre Ozdenore
11:30	12:00	**Emre Ozdenoren,** London Business School *Dynamic Coordination with Flexible Security Design* Discussant: Dimitri Vayanos
12:00	12:30	**Kevin Aretz,** University of Manchester *Switching Perspective: Corporate Distress, Asset and Financial Risks, and the Cross-Section of Bond Returns* Discussant: Apostolos Kourtis
12:30	13:00	Coffee Break
		Keynote Session Chair: Raphael Markellos
13:00	14:00	**Anna Pavlova**, London Business School *Keynote: The Rise of Asset Management: Implications for Asset Pricing and Corporate Finance*
14:00	15:30	Lunch at Molos Bay Hotel
17:00	18:30	Guided tour of Archaeological Museum of Kissamos and surrounding landmarks (see Social Program for details)
20:00		Dinner at Stimadoris Fish Restaurant (see Social Program for details)

Sunday 28 July 2019 - Molos Bay Hotel

		Plenary Session 3 Chair: Panayiotis Andreou
09:00	09:30	**Matthew Agarwala,** University of Cambridge *Carbon Accounting and the Measurement of Sustainability* Discussant: Georgios Voulgaris
09:30	10:00	**Qie Ellie Yin,** Hong Kong Baptist University *Product Market Competition, Cash Shortage and Financing Choices* Discussant: Evangelos Vagenas-Nanos
10:00	10:30	**Evangelos Vagenas-Nanos,** Adam Smith Business School *A run-down of merger target run-ups* Discussant: Qie Ellie Yin
10:30	11:00	Coffee Break
		Plenary Session 4 Chair: Neophytos Lambertides
11:00	11:30	**Apostolos Kourtis,** University of East Anglia *Risk Similarity in Mergers & Acquisitions* Discussant: Aris Stouraitis
11:30	12:00	**Marie Dutordoir,** University of Manchester *What is the role of institutional investors in corporate capital structure decisions? A survey analysis* Discussant: Panayiotis Andreou
12:00	12:30	**Aris Stouraitis,** Hong Kong Baptist University *What determines the return to bribery? Evidence from corruption cases worldwide* Discussant: Marie Dutordoir
12:30	13:00	Coffee Break
		Keynote Session Chair: Konstantinos Bozos
13:00	14:00	**Kathy Yuan,** London School of Economics *Keynote: Network Risk and Key Players: A Structural Analysis of Interbank Liquidity*
14:00	15:30	Lunch at Molos Bay Hotel
18:00	20:00	ArchaeoLab (see Social Program for details)
20:30	23:00	Dinner at Maria Beach Restaurant, Mavros Molos Beach (see Social Program for details)

PARALLEL SESSIONS: ABSTRACTS

Parallel Session 1: Asset Pricing
Chair: Apostolos Kourtis

P.1.1. Option Pricing with Random Risk Aversion

Luiz Vitiello, Ser-Huang Poon

Based on a standard general equilibrium economy, we develop a framework for pricing European options where the risk aversion parameter is random and correlated with wealth and the underlying asset price - all other assumptions are standard. Our results show that (i) the asset specific pricing kernel may become non-monotonic for certain levels of correlation, even though the pricing kernel itself is monotonic; (ii) the level of correlation shifts the (Black and Scholes) implied volatility up and down, but it does not change the shape of the implied volatility. This feature may help explain the differences between realised and forecasted volatilities based on implied volatilities, as these differences may be linked to the pairwise correlations of the risk aversion parameter, the underlying asset and wealth.

P.1.2. Technical Analysis as a Sentiment Barometer and the Cross-section of Stock Returns

Owain ap Gwilym, **Wenjie Ding**, Khelifa Mazouz, Qingwei Wang

Often deemed as "mumbo jumbo" by financial economists, technical analysis (TA) is puzzlingly popular among experienced traders over many decades. We explore a previously unexamined sentiment channel through which TA can add value. We use a spectrum of commonly used technical trading strategies to build a daily market sentiment indicator that is significantly correlated with other popular sentiment measures. We show that an increase in this TA sentiment indicator is accompanied by high contemporaneous returns and predicts high near-term returns, low subsequent returns and high crash risk in the cross-section. Further analysis suggests that simple trading strategies based on the TA sentiment yield substantial abnormal returns. These results are broadly consistent with the view that synchronization risk induces rational arbitrageurs to ride the mispricing before it is eventually corrected (Abreu and Brunnermeier, 2002, 2003).

P.1.3. High Frequency Option Market Making and Commonality in Liquidity

Mengyu Zhang, Thanos Verousis

We examine how commonality in liquidity varies across the trading day and its determinants by using 30 individual equity options trading at Chicago Board Options Exchange. Commonality in liquidity is greater at the beginning of the trading day but the pattern during the end of the trading day varies across liquidity measures. Our evidence shows that commonality in liquidity is strongly related to inventory risk, information asymmetry, high-frequency trading, and macroeconomic announcements. In particularly, the effects of high-frequency trading are related to inventory and asymmetric information explanations. One the one hand, market makers can act as high-frequency traders. As a result of shared capital, inventory, and information, a high-frequency market maker provides correlated liquidity to different options that increase commonality in liquidity. On another hand, the HFT clustering caused by informed traders can also contribute to liquidity commonality.

Parallel Session 2: Corporate Finance
Chair: Aris Stouraitis

P.2.1. Voluntary Disclosure of Corporate Political Spending and the Cost of Debt: Evidence from the Public Debt Market

Khadija Almaghrabi, **Ioannis Tsalavoutas**

The overturning of corporate spending restrictions by the US Supreme Court in 2010 has led to a huge increase in political spending by public firms. This has created a debate about whether the US Securities and Exchange Commission (SEC) should mandate detailed political spending disclosures. In fact, more than one million comment letters have been sent to the SEC in response to a petition that demanded that public firms should be required to disclose the use of corporate resources for political activities. Currently, the SEC has not mandated firms to disclose any form of political spending, and the debate continues to generate a lot of interest. Utilising a recently available measure of the level of voluntary political spending disclosure, we contribute to the debate by highlighting a potentially positive effect for firms disclosing political spending information within the public debt market. Specifically, the study shows that the voluntary disclosure of political spending reduces the cost of public debt. Moreover, sorting firms into different groups show that this effect holds irrespective of a firm-level political sensitivity or industry-level regulation.

P.2.2. Local Public Corruption and Bank Lending Activity in the United States

Theodora Bermpei, Antonios Kalyvas, Leone Leonida

We examine the effect of local (state-level) public corruption on the lending activity of US banks over the 1985-2013 period. We provide evidence that local public corruption exerts a negative effect on lending activity. However, this effect weakens for banks that use more relationship-based lending and engage in stronger monitoring effort. In further analysis we find that the negative effect of local corruption on lending activity is stronger for smaller banks, for banks that have single-state operations and during the pre-deregulation period (1985-1999). These results are robust to a series of tests such as the use alternative measures of local public corruption, controlling for credit demand conditions and instrumental variable estimations that address potential endogeneity. These findings provide evidence that local public corruption could facilitate information asymmetry in the lending market and could hinder local economic development by reducing access to bank credit.

P.2.3. Financial Distress Risk and Stock Price Crashes

Christoforos Andreou, Panayiotis C. Andreou, Neophytos Lambertides, Photis Panayides

This study documents a strong positive relationship between changes in firms' distress risk and stock price crashes. Interestingly, these changes in distress risk can predict stock price crashes as far as three months ahead in the future. The results also support that the crash-distress relationship is more pronounced when firms' information asymmetry is higher, as captured by firms' accounting opacity and stock liquidity. Furthermore, the forecast ability of distress risk changes is stronger 1) during investor sentiment-correction phases and 2) during heightened market risk. The findings of this study are of interest to investors who wish to take long-run positions in the stock market because stock price crash risk cannot be easily diversified away. In this vein, investors should be cautious of a firm's distress risk as temporal increases could be an early warning sign for forthcoming crash risk problems.

Parallel Session 3: Financial Reporting & Accounting
Chair: Georgios Voulgaris

P.3.1. Capitalisation of R&D Under IFRS: A Variance Decomposition Analysis

Dimos Andronoudis, **Fanis Tsoligkas**

In this paper, we examine whether the capitalisation of research and development (R&D) influences investors' revisions of expectations regarding the present value of future earnings (earnings news) and present value of expected future returns (discount rate news). In particular, we employ the variance decomposition approach developed by Vuolteenaho (2002) and extended by Callen and Segal (2004) to examine whether or not capitalisation of R&D affects the extent to which returns are driven bycash-flow news and/orto discount rates news.

P.3.2. Financial Statement Comparability and Default Risk

Paul Andrè, **Dionysia Dionysiou,** Ioannis Tsalavoutas

We provide evidence that financial statement comparability facilitates improving the prediction accuracy of bankruptcy models including the theoretical BSM model, the Altman z-score and the Ohlson o-score. We provide a direct link between financial statement comparability and credit rating by showing that bankruptcy prediction models (i.e., KMV-Merton, Altman z-score and Ohlson o-score) act as an intermediate step between accounting comparability and credit rating agencies. We subsequently update the coefficients of z- and o-scores for the years 2017 to 2017, which leads to more accurate bankruptcy prediction z- and o-scores, that are more able to correctly predict bankruptcies in the next period, especially the updated o-score. We additionally incorporate financial statement comparability in our updated and new z- and o-scores and report that our updated and new measures have higher predictive ability to correctly forecast default compared to the scores without accounting comparability, especially when the updated o-score is used. Our updated coefficients scores can be widely used by the academic community when using the z- and o-scores, with or without the inclusion of comparability.

P.3.3. The Risk Relevance of Integrated Reporting: Evidence from a Variance Decomposition Analysis

Dimos Andronoudis, **Diogenis Baboukardos**, Fanis Tsoligkas

In recent years, corporate world has been witnessing a shift of the reporting logic from a fragmented one, in which the financial and non-financial impacts of firm activities are separately reported, to an integrated one, in which the interrelatedness of financial and non-financial reporting is emphasized. The relatively new concept of Integrated Reporting 1 (hereafter IR) calls for a single report which will comprehensively describe how a firm uses and maintains access to resources of its external environments (e.g., human, social and natural), and how it maintains or improves its assets (Cho et al., 2013; Eccles and Serafeim, 2011 and; FEE, 2015). IR is expected to enhance the information environment for investors by providing a more cohesive and efficient reporting about firms' ability to create value over the short, medium and long term (IIRC, 2013). According to KPMG (2013) "Integrated Reporting will enable the capital markets to … make efficient and forward-looking investment and other key decisions." Our study intends to provide empirical evidence about the risk-relevance of IR by following a value relevance approach which quantifies information with respect to firms' future benefits uncertainty.

Parallel Session 4: Financial Markets
Chair: Kevin Aretz

P.4.1. Oil price Uncertainty and the Macroeconomy

Athanasios Triantafyllou, Nikolaos Vlastakis, Neil Kellard

In this paper we empirically examine the impact of oil price uncertainty shocks on economic activity. We define the oil price uncertainty shock as the unanticipated component of oil price fluctuations. We find that the unanticipated component has a significantly negative and long-lasting impact on economic activity with its cumulative effect on US macroeconomy being much larger compared to that of popular uncertainty proxies like stock market volatility and Economic Policy Uncertainty. Unlike our measure of oil price uncertainty, the observable volatility and the price spikes in oil futures prices have a small and transitory effect on the real economy. Overall, our findings show that the US macroeconomy is significantly impaired when the degree of oil price unpredictability rises, while it is relatively immune to predictable fluctuations in the oil market.

P.4.2. Forecasts Targeting and Financial Stability: Evidence from the European Central Bank and Bank of England

Lucia Milena Murgia

The present study aims to investigate the conduct of monetary policy in the context of the European Central Bank and Bank of England1 from 2003 till 2018 Both institutions committed to an objective of price stability and inflation targeting framework. BOE committed to the inflation targeting framework in 1992, whereas the ECB joined the framework in 2003. The primary objective of the ECB monetary policy, as stated in the Art. 2 of the Statute of the ECB is maintaining price stability in the Eurozone and consequently enhancing economic growth and job creation. In the case of Bank of England, the government settled the 2% target, the Monetary Policy Committee is in charge of maintaining the level of inflation and price stability and give appropriate notice to the government when it misses the target.

P.4.3. High Frequency Trading, Economists Affiliation, Geographical Proximity, and Price Discovery in the FX market

Hossein Jahanshahloo, Konstantinos Bozos

We examine the influence of economist affiliation, quoting speed, and the geographical proximity on the contribution of dealers to price discovery around macroeconomic news announcements. We find that dealers with affiliated economists have a higher contribution to price discovery, while their contribution raises with increases in the research scope of their affiliated economists. We show this finding to be independent of market structure and information transparency medium. In line with existing empirical literature, we also find that high speed market participants have a higher contribution to price discovery. The effect of a dealers' quoting speed on the price discovery is considerably higher than that of economist affiliation. Finally, we find the locality of dealers and economists to macroeconomic news sources to produce an information advantage for dealers.

Parallel Session 5: Corporate Finance
Chair: Marie Dutordoir

P.5.1. Managerial Overconfidence and Access to Funding: Do Banks Help Managers to Avoid Investment Mistakes?

Falko Fecht, **Regina Opaleva**

Using unique data on German small and medium-sized enterprises (SMEs), we show that banks' lending decisions help their corporate clients to correct investment distortions associated with managerial overconfidence. We find a strong positive relation between CEO overconfidence measure inferred directly from the SME managers' sales forecasts and the probability of failure in loan negotiations with a bank. We show that SMEs with overconfident managers performed better when their loan applications were rejected than comparable firms with overconfident managers who were granted a loan. We conclude that banks' lending decisions provide valuable guidance to their corporate borrowers and complement studies examining the merits of banks as financial consultants.

P.5.2. Influences of Founding Family Ownership on Dividend Policy Under Mandatory Dividend Rules

Alexandros Sikalidis, Konstantinos Bozos, Antonios Chantziaras, Christos Grose

We examine the relationship between founding family ownership and dividend policy in an insider financial system under mandatory dividend rules. In a civil law insider institutional setting like ours, the concentration of management control in the hands of family members in combination with poor corporate governance makes the expropriation of minorities more likely for high levels of family ownership leading potentially to lower dividend payouts. We empirically demonstrate a U-shaped relationship between dividends and founding family ownership, akin to previously documented dividend patterns across Anglo-American firms, in line with the entrenchment and the family income hypotheses. We argue that family firms use dividends not only as a distribution device, but also as a corporate governance mechanism. Moreover, we demonstrate that asset growth and the cost of capital may condition how family firms choose to shift from their standard dividend policy and how they use the loopholes of mandatory dividend rules to waive the minimum dividend requirement.

P.5.3. Not so Homogenous? Dynamic impact of CEOs' Experiences on Pay Incentives

Timothy King, Abhishek Srivastav, Jonathan Williams

It is widely acknowledged that pay incentives shape the quality of an executive's decision-making and appetite for risk-taking. However, it is implicitly assumed executives exhibit homogenous responses to compensation risk-taking incentives. We contribute early evidence showing that CEOs managerial and salient life experiences affect dynamics between CEO pay and firm risk-taking. Specifically, cross-sectional heterogeneity in experiences explain the responsiveness of CEOs to incentives embedded in their compensation contracts. Exploiting positive and negative exogenous industry shocks, we demonstrate that experienced CEOs respond differently to pay incentives under contrasting industry conditions, which manifests as aggressive but prudent risk-taking.

Parallel Session 6: Banking
Chair: Nada Mora

P.6.1. Financial Misconduct and Bank Risk: Evidence from US Banks

Yurtsev Uymaz, Yener Altunbaş, John Thornton

In this paper, we examine the impact of financial misconduct on risk-taking in a sample of 960 publicly listed US banks over 1998-2015. We find that misconduct is associated positively with several measures of bank risk, and that greater risk-taking is more likely if banks have powerful CEOs and relatively poor balance sheets. We also find there is a significant interaction effect of misconduct with CEO power, and with executive boards and institutional investors whereby large and independent boards have a dampening effect on the channels through which misconduct impacts on risk, but the impact of powerful CEOs and institutional investors is to reinforce the adverse effects on risk-taking of misconduct. Bank risk measures do not distinguish between the different types of misconduct, but they do distinguish between single and repeat offender banks. Our results suggest that the misconduct by repeat offender banks with powerful CEOs warrants particular attention by bank regulators, investors, and corporate governance specialists.

P.6.2. Does Bank Deregulation Affect Stock Price Crash Risk?

Viet Anh Dang, Edward Lee, **Yangke Liu**, and Cheng Zeng

This paper examines the effect of the deregulation of bank branch restrictions on nonfinancial firms' stock price crash risk. We find robust evidence that the intrastate branching deregulation leads to lower levels of firms' future stock price crash risk, consistent with branch reform improving bank monitoring efficiency and enabling banks to better constrain borrowers' bad-news-hoarding behavior. This mitigating effect is more pronounced for financially constrained firms and those that are more dependent on external finance and lending relationship. Our findings suggest that, as a law aimed at removing limits on bank branch expansion, bank deregulation also carries benefits for protecting shareholders' wealth of nonfinancial firms.

P.6.3. Banks' Equity Performance and the Term Structure of Interest Rates.

Elyas Elyasiani, Iftekhar Hasan, Elena Kalotychou, Panos Pouliasis, **Sotiris Staikouras**

Using an extensive global sample, this paper investigates the impact of the yield curve structure on bank equity returns. Decomposing the yield curve to its three constituents (level, slope and curvature factors), it evaluates the time-varying sensitivity of the bank's equity to these factors by using a diagonal dynamic conditional correlation multivariate GARCH framework. Evidence reveals that the empirical proxies for the three factors explain the variations in equity returns above and beyond the wide market effect. More specifically, shocks to the level have a significant positive impact on equity returns, shocks to the slope generate negative effects, while those on the curvature are less clear-cut. Bank size plays an important role in the sense that exposures are higher for SIFIs and large banks compared to medium and small banks. Moreover, banks exhibit greater sensitivities to all risk factors, specially, during the crisis and post-crisis periods.

Parallel Session 7: Financial Markets
Chair: Thanos Verousis

P.7.1. Dynamic Linkages among Cryptos, Exchange Rates and Global Equity Markets

Eleftheria Kostika, Nikiforos Laopodis

In this paper, we investigate the short- and long-run dynamic linkages between selected crypto currencies, several major world currencies and major equity indices. The results show that despite sharing some common characteristics, the cryptocurrencies do not reveal any short- and long-term stochastic trends with exchange rates and/or equity returns. The exception is with the Chinese yuan with which some turbulence is detected. Each cryptocurrency appears to follow its own trend in the global financial market and is independent of any influences from the exchange rates or the global stock markets, thus making them suitable for inclusion in global investment portfolios.

P.7.2. The Role of Cash Holdings During Financial Crisis

Chong-Chuo Chang

At present, no studies in literature have discussed the value of cash holdings in a financial crisis, i.e., whether cash holdings would help business through recession, crisis, and trough. This study collects as research samples the firms in countries where financial crises have occurred from 1994 to 2011. We examine whether a firm with higher cash holdings could quickly recover the operating performance after a financial crisis. To enhance the depth and contribution of this paper, we consider the financing constraints, corporate governance, and levels of financial development. Finally, the endogeneity problem is also controlled, and variables for different industry-adjusted operating performance and cash holdings are substituted to obtain more robust empirical results. We find that firm with higher cash holdings can quickly recover the operating performance after a financial crisis, and the results hold after accounting for the various robustness tests.

P.7.3. Does Social Media Attention Affect Investors' Trading Behaviours?

Junhong Yang, Mustabsar Awais

Social media has transformed the way market participants interact with each other. Using more than 32 million tweets and market microstructure dataset, this paper investigates the impact of social media attention (SMA) on investors' trading behaviours. Through a battery of experiments, we find that SMA is a unique proxy of individual investors' attention and is different from other direct proxies. Aggregate data suggest that SMA can predict the financial markets, i.e. higher SMA results in short term price pressures generated from more buys than sells. However, short-term price pressures are reversed the next day. In this paper, using social media heterogeneity, we test the information diffusion hypothesis. The empirical findings suggest that users with the extensive social network have a more significant impact on buying behaviours. Our study contributes to the emerging body of knowledge that investigates the impact of social media attention on financial markets and provides some useful insights for a diverse set of market participants, mainly – the individual investors.

Parallel Session 8: Corporate Finance
Chair: Qie Ellie Yin

P.8.1. Media Coverage, Trading Activity and Liquidity Effects Around Private Firm Acquisition Announcements: Evidence from UK Domestic Acquisitions

Louise Gorman, Theo Lynn, Eleonora Monaco, Riccardo Palumbo, Pierangelo Rosati

This study investigates the effect of media coverage on the trading activity and stock liquidity of target firms' shares around takeover announcements. We use the number of articles published in the four main UK broadsheet newspapers as a proxy for media coverage. Our dataset includes 350 UK domestic acquisition deals between 1996 and 2014. The results of our analysis suggest that media coverage is positively associated with trading activity and stock liquidity. This is consistent with the media playing a key role in mitigating information asymmetry in financial markets. This study contributes to the literature on stock market reaction to takeover announcements by investigating the effect of media coverage beyond the price run-up and by providing additional insights into the UK market, which traditionally attracts less attention than the US market.

P.8.2. Co-Opted Boards and Financial Performance: Insurance Industry Evidence

Mike Adams, Zafeira Kastrinaki

We examine the performance-effects of Chief Executive Officer (CEO) co-opted boards in United Kingdom (UK) property-casualty insurers. We report that board insiders appointed in the aftermath of CEO succession reduce profitability, but bolster solvency. Enhanced solvency also results when proportionately more inside directors are selected by a CEO who is a financial expert. We further find enhanced profitability-effects for insurance experienced outside directors, while large investors improve solvency. However, the internal or external origin of the CEO does not affect financial outcomes. We consider that our results could have commercial and/or public policy implications.

P.8.3. More Accountable, More Ethical, Yet Less Trusted: Misplaced Corporate Governance in the Era of Big Data

Maria Fotaki, Irini Voudouris, Spyros Lioukas, Stelios Zyglidopoulos

Firms in industries using emerging technologies, such as in the computing and data processing sub industry, confront grand governance, ethical and legitimacy challenges because of their fast growth along with their prominent, yet ambiguous future impact. In this paper, we investigate the corporate governance mechanisms of firms in the emerging computing and data processing industry as well as their ethical quotient, and in what ways they differ from those of their counterparts in non-emerging sectors. We also investigate the association of corporate governance and ethical performance with organizational legitimacy. Using data from 66 matched-pairs based in U.S. for the period 2009–2017, we show that firms belonging to emerging technology-based industry exhibit better corporate governance and stronger ethical identity. However, the applied governance and ethics at hand are not sufficient to secure organizational legitimacy. Our results confirm that governance effectiveness is contingent on firms' specific environmental context and suggest that 'good' governance mechanisms in one environment may be misplaced in a different one.

Parallel Session 9: Banking
Chair: Kostantin Zopounidis

P.9.1 Efficiency and Stability of Microfinance Institutions: Cross-country Evidence

Konstantinos Baltas, Jose Liñares-Zegarra

Over the last years, Microfinance institutions (MFIs) have evolved in different and complex ways to solve various market frictions with some of them providing a wide range of financial products and using different lending technologies to reach poor and underserved populations while others are highly specialized in specific types of lending. As a result, some MFIs are more efficient than others, but does this efficiency gains improve stability and therefore reduce risk? The complexity of the ownership structures (and profit orientation) in the MFI market makes the answer of this question less obvious than in the case of commercial banks. This paper tries to shed light on these issues and explores how the efficiency and stability can have together implications for the microfinance industry in the future.

P.9.2. The Effects of Competitive Pressures on Failed Bank Resolution Costs

Laima Spokeviciute, Kevin Keasey, Francesco Vallascas

Based on a sample of 1,040 failed bank Purchase and Assumption transactions that occurred in the period between 1986 and 2013, this paper tests how a shift in competitive pressures in the banking industry affects failed bank resolutions costs and how this effect is dependent on the relative size of the failing bank. By employing state bank branching deregulation through M&As as an instrument to test the shift in competition of individual states, we show that failed bank resolution costs reduced significantly after deregulation for those banks that were relatively similar by size to other banks in the market, whereas increased the costs for relatively small banks. We further our analysis by showing that the effect of deregulation disappears in times of economic distress.

P.9.3. Assessing Bank Efficiency and Stability

Konstantinos Baltas

In this paper I introduce a new banking efficiency indicator that includes efficiency and stability conditions. This indicator relies on the leverage as a proxy of a bank's risk and stability. Banks' leverage played an important role in the last financial crash as well as in the Basel III new regulatory rules. The results of the econometric investigation using a large sample of American commercial banks show that profit efficiency indicators including leverage are better predictors of future profits than current indicators including other measures of bank risk. This is particularly evident for the period during the 2007 - 2009 financial crisis.

Parallel Session 10: Financial Markets
Chair: Eleftheria Kostika

P.10.1. Stock Market Volatility and Jumps in Times of Uncertainty

Anastasios Megaritis, Nikolaos Vlastakis, Athanasios Triantafyllou

In this paper we empirically examine the predictive power of latent macroeconomic and financial uncertainty on US stock market volatility and jumps. We find that increasing macroeconomic uncertainty predicts a subsequent rise in volatility and price jumps in the US equity market. Our analysis shows that the latent macroeconomic and financial uncertainty measures of Jurado et al. (2015) have the most significant impact on US stock market volatility and jumps in the equity market when compared to the respective impact of popular observable uncertainty proxies. Our study is the first to show that the latent macroeconomic and financial uncertainty factors outperform the VIX when forecasting volatility for one month up to six-month forecasting horizon. We additionally find that latent macroeconomic uncertainty is a common forecasting factor for the volatility and jumps of the intraday returns of S&P 500 constituents. Overall, our empirical analysis shows that stock market volatility is significantly affected by the rising degree of unpredictability in the macroeconomy, while it is relatively immune to shocks in observable uncertainty proxies like Economic Policy Uncertainty.

P.10.2. Do Central Bank Independence Have Varying Impact on International Finance?

Frank Kwabi

In this study, we posit that countries that have high levels of central bank independence and transparency are able to attract foreign equity portfolio flow. We examine this central hypothesis and, amongst others, use an international dataset drawn across 42 countries over the period from 2001-2014. The results indicate that an independent and transparent central bank helps attract foreign equity investment. We also find that economic policy uncertainty increases asymmetric information and deters equity portfolio diversification. Further analysis shows that institutional quality interacts with central bank independence and transparency to play a complementary role in attracting foreign equity portfolio. Our results suggest that central bank independence and transparency impact on equity portfolio returns via monetary policy and therefore influence the international equity portfolio decisions of investors.

P.10.3. CEOs Temporal Orientation and Risk Propensity in Earnings Conference Calls: The Use of Language as Determinant of Financial Corporate Policies

Serena Iacobucci, Eleonora Monaco, Loreta Cannito, Riccardo Palumbo

During the last years a growing body of research examined how the role of managers-specific characteristics and managerial styles affect both corporate decision-making and corporate policies and, consequently, how these behavioral patterns reflect on company disclosure. In particular, previous studies highlight the economic consequences of managers' characteristics and styles, inter alia, on tax avoidance; earnings management practices cost of capital and firm riskiness. Both demographic characteristics and personality traits of CEOs have been discovered to be able to explain variation in the outcomes that even the traditional firm level determinants cannot explain. Specifically, researchers demonstrated that some factors, such as masculinity, ethics, overconfidence, narcissism, are strictly related to the implementation of specific and corporate policies, while both optimism and early life experience are able to explain both managerial risk-propensity and corporate risk.

Parallel Session 11: Corporate Finance
Chair: Ioannis Tsalavoutas

P.11.1. Nature Inc.

Raphael Markellos

P.11.2. Corporate Sensitivity to Sovereign Credit Distress: The Mitigating Effects of Financial Flexibility

Huong Vua, **Patrycja Klusak**

Under the pressure to maintain high credit ratings, corporate managers are increasingly concerned about the impact of sovereign risk on their corporate ratings. How do firms minimise the effects of sovereign risk on corporate credit ratings? Using 328 non-financials from 23 European countries, we investigate this issue empirically and find strong evidence for financial flexibility attained through conservative borrowing policies. Financially flexible (FF) firms receive higher ratings than financially inflexible (FIF) firms, especially after the 2010-2012 European sovereign debt crisis. Corporate ratings benefit from financial flexibility irrespective of the credit constraints faced by their country of domicile. Exploiting a quasi-natural experiment setting with a sovereign debt crisis as the exogenous shock and propensity score matching, these results are robust to various tests and specifications.

Parallel Session 12: Corporate Governance & CSR
Chair: Genti Konstandini

P.12.1. Level, Consistency and Pace of Corporate Sustainability Performance: The Role of Corporate Governance Mechanisms

Giorgos Papagiannakis, **Maria Fotaki**, Erifili-Christina Chatzopoulou

The proposed research focuses on the corporate sustainability field to explore how contemporary organizations can become more sustainable in a systematic and accelerating rate. While an increasing number of corporations worldwide try to redefine their business strategies and adopt practices that embrace not only financial but also environmental and social aspects, little is known about the factors that build up sustainability performance at a firm level or how this performance can be sustained over time. In this paper, we investigate the role of corporate governance as a key-factor of corporate sustainability. More specifically: 1) we explore the corporate governance mechanisms at the firm level that enable firms to embed sustainability principles in their strategies and operations, and achieve high levels of sustainability performance, and 2) we explore which corporate governance mechanisms affect the manner in which firms engage in sustainability practices, i.e., the consistency and the pace of sustainability performance. We focus on a specific manifestation of sustainability performance, i.e. the environmental product innovation of firms. Using data from the Asset4 ESG database, this research aspires to provide evidence on the necessary components of corporate governance that enable firms to advance and scale up their sustainability initiatives.

P.12.2. Abnormal Returns and Dow Jones Sustainability Index listing: A Generalised Synthetic Control Approach

Wanling Qiu, Charlie X. Cai

Listing on the Dow Jones Sustainability Index is seen as a gold-standard, verifying to the market that a firm is fully engaged with a corporate social responsibility agenda. Quantifying the impact of listing through a generalised synthetic control approach delivers a robustness to any industry level shocks as well as evolution in the competitive relationship between firms within the industry absent in existing works. Consistent with the pre-announcement hypothesis it is shown that cumulative abnormal returns on stocks added to the index are significantly positive in the three trading weeks prior to the official announcement. The post-listing correction result posited to date is also demonstrated to hold; for the three trading weeks subsequent cumulative abnormal returns are significantly negative. Considering periods straddling the listing date no significant abnormal returns are found. Whilst there are considerable gains to be made, they come pre-announcement date with only a very short-term correction seen in the days post announcement. Investors may gain from shorting announced new members.

P.12.3. Revisiting the effects of effectuation on new venture performance

Ioanna Deligianni, Panagiota Sapouna, **Irini Voudouris**, Ioanna Liouka

Effectuation has been conceptualized as a decision-making framework that guides entrepreneurial actions and behavior under conditions of uncertainty. As a decision-making logic, effectuation is defined as means-driven, emphasizing four main principles, i.e. the generation of new opportunities from available means (experimentation), the leverage of unexpected contingencies (flexibility), the establishment of pre-commitments with selected partners and the adoption of affordable loss as a selection criterion. In this study, we draw upon the regulatory focus theory and the concept of regulatory fit and develop a configurational theoretical framework predicting combinations of effectuation processes and contextual factors that lead to high new venture performance.

PLENARY SESSIONS: ABSTRACTS

Plenary Session 1
Chair: Eleni Kalotychou

PL.1.1. Robust Tests for Stock Return Predictability

Sam Astill, Stephen J. Leybourne, A.M. Robert Taylor

The predictability of stock returns has received a great deal of attention in both the financial and econometrics literature. In a typical application, researchers perform an Ordinary Least Squares (OLS) regression of stock returns on the first lag of the predictor variable. Such a strategy is, however, inappropriate when the predictor variable is highly persistent and its innovations are highly correlated with returns, both of which are common traits of the financial time series to which these techniques are often applied. Numerous analytical and simulation studies have shown that, under these conditions, the standard normal asymptotic distribution of the conventional t-statistic does not provide a good approximation to the actual finite sample distribution of the test statistic, see inter alia Elliot and Stock (1994), Mankiw and Shapiro (1986), Stambaugh (1999)…

PL.1.2. Bank Capital and the Modigliani-Miller Theorem When Loans Create Deposits

George Dotsis

This paper argues that banks should not be treated as intermediaries of loanable funds in order to determine optimal bank capital structure. This is because banks create deposits through lending. The Modigliani–Miller analysis cannot be applied to banks because when lending creates deposits the asset side of banks varies together with the liability side and equity behaves more like a sticky variable. In this setting, procyclical high leverage in the banking sector emerges almost mechanically. When banks increase equity through new issues or retained earnings, they contract deposits by an equal amount. An empirical study using data on the aggregate balance sheet of all US commercial banks confirms that asset growth is highly correlated with leverage growth and changes in the supply of banks' deposits have a significant impact on liquidity and safety premia. It is argued that adverse changes in deposits' convenience yields due to equity raising by banks could be counterbalanced with asset purchases from the central bank.

PL.1.3. Geographic Funding Availability and Lending Diversification by

Nada Mora

This study examines whether banks diversify lending when demographic variation in their home market affords them excess deposit funds. In particular, banks with a branch presence in areas with more seniors (as a fraction of the population) have access to a greater deposit base supplied by seniors, independent of local economic business activity and bank demand. As a result, this gives banks an exogenous incentive to diversify their lending portfolio outside their local area. This study finds support for this view based on annual data reported by U.S. banks since 1996 on the geographic location of their new small business lending. This study also finds that banks that geographically diversified lending pre-crisis (instrumented with seniors) performed better in the 2007-09 financial crisis and its aftermath. The findings highlight the importance of addressing the endogenous choice to diversify when evaluating its effects.

Plenary Session 2
Chair: Nikolaos Vlastakis

PL.2.1. A Preferred-Habitat Model of the Term Structure of Interest Rates

Dimitri Vayanos, Jean-Luc Vila

We model the term structure of interest rates as resulting from the interaction between investor clienteles with preferences for specific maturities and risk-averse arbitrageurs. Because arbitrageurs are risk averse, shocks to clienteles' demand for bonds affect the term structure and constitute an additional determinant of bond prices to current and expected future short rates. At the same time, because arbitrageurs render the term structure arbitrage-free, demand effects satisfy no-arbitrage restrictions and can be quite different from the underlying shocks. We show that the preferred-habitat view of the term structure generates a rich set of implications for bond risk premia, the effects of demand shocks and of shocks to short-rate expectations, the economic role of carry trades, and the transmission of monetary policy.

PL.2.2. Dynamic Coordination with Flexible Security Design

Emre Ozdenoren, Kathy Yuan, Shengxing Zhang

Borrowers obtain funding for production by issuing securities backed by the current-period dividend and resale price of a long-lived collateral asset. Borrowers are privately informed about the collateral quality. A higher (lower) resale price lowers (increases) adverse selection and makes the as- set a good (lousy) collateral. Conversely, good (lousy) collateral has a high (low) resale price. When only equity is issued, this dynamic feedback between the asset price and collateral quality can lead to multiple equilibria. Optimal flexible security design eliminates multiple equilibria fragility and improves welfare through intertemporal coordination. When the security design is rigid, multiple equilibria reemerge.

PL.2.3. Switching Perspective: Corporate Distress, Asset and Financial Risks, and the Cross-Section of Bond Returns

Kevin Aretz, Shuwen Yangy

We offer evidence suggesting a significantly negative relation between firm-level distress risk and the cross-section of corporate bond returns, analogous to the often-negative relation between distress risk and stock returns found in prior studies ("distress anomaly"). Our evidence casts doubts on theories arguing that the distress anomaly arises due to shareholders shifting financial risk onto debtholders in distress. In accordance, proxy variables suggested by such theories do not condition the distress risk-bond return relation. More promising, however, are theories suggesting that the anomaly arises due to distressed firms having a low levered asset risk due to them owning valuable disinvestment options, with some of the proxy variables suggested by these theories conditioning the former relation.

Keynote Session
Chair: Raphael Markellos

KEYNOTE: The rise of asset management: Implications for asset pricing and corporate finance

Anna Pavlova

Assets under management total $85 trillion globally, and most of those funds are managed against benchmarks. Benchmarks are used to evaluate performance of portfolio managers. In a series of papers, my co-authors and I note that such performance evaluation affects the managers' portfolio choice. Deviating from benchmarks is risky for them. If a bet does not prove right, they end up underperforming the benchmark. To reduce such risk, a rational manager would allocate a fraction of his portfolio to mimic the benchmark. Importantly, his decision to hold benchmark stocks is irrespective of the risk and return of these stocks. As a result, firms inside the benchmark are effectively subsidized by the asset managers. Namely, a firm inside the benchmark values an investment project more than the one outside. The same wedge arises for valuing M&A, spinoffs, and IPOs. These findings are in contrast to the standard result in corporate finance that the value of an investment is independent of the entity considering it. A host of empirical evidence is consistent with the model's implications.

Plenary Session 3
Chair: Panayotis Andreou

PL.3.1. Carbon Accounting and the Measurement of Sustainability

Matthew Agarwala, Giles Atkinson, Pablo Munoz

The explosive growth of international trade – from 24-61% of gross world product in the last half century – means that traded goods and services now account for 20-33% of global greenhouse gas emissions. There are severe implications for the development, measurement, and enforcement of global carbon and sustainability policy. Who is responsible for emissions released along the global supply chain? Is it producing and exporting countries like India and China? Or are rich countries ultimately liable for the carbon footprint of high-consumption lifestyles? We expose multiple shortcomings of the current approach to carbon accounting. First, by confusing the location of emissions with the location of climate damages, it overlooks fundamental tenets of climate science. Second, by failing to address globalization, it distorts not only the ethical and legal underpinnings, but also the real-world efficacy of international climate policy. And finally, it has so far failed to reach its potential to inform sustainability theory, accounting, policy, and science. We develop a 57-sector 140 region Multi-Regional Input-Output (MRIO) model to address these shortcomings. We trace virtual carbon flows along each step of the global supply chain, and construct GHG accounts according to multiple attribution rules. In combination, this suite of accounts provides a more nuanced and holistic understanding of the carbon footprint of nations. We introduce a novel procedure for linking emissions to the location of climate losses and provide a global CO2e account that is fully consistent with sustainability theory and science. Results are reported in terms of contributions to national- vs global-level sustainability, and progress towards multiple Sustainable Development Goals.

PL.3.2. Product Market Competition, Cash Shortage and Financing Choices

Qie Ellie Yin

In response to intensified product market competition identified by the exogenous industrial deregulations and significant import tariff cuts, this paper finds that firms with different initial cash conditions react differently in choosing their financing methods, resulting from the interplay of different incentives. In anticipation of more competition from potential rivals, firms maintain their financial flexibility either by building up cash reserves if they are in short of cash, or by reducing debt issuance if they have plenty of cash. Moreover, firms with cash shortage aim at avoiding the higher financial risk in a competitive market: they rely more on unsecured debt with less loss in liquidation value, long-term debt with lower rollover risk, and private debt with less information leakage. In comparison, firms without cash shortage rely internal funds as their primary funding resources, and they deviate from those external funds with higher monitoring incentives, such as secured, long-term, and private debt, suggesting their incentive to substitute external monitoring with the competitive market discipline.

PL.3.3. A Run-Down of Merger Target Run-ups

Marie Dutordoir, **Evangelos Vagenas-Nanos**, Patrick Verwijmeren, Betty Wu

We show that run-ups in U.S. target firm stock returns preceding merger and acquisition (M&A) announcements have declined drastically over recent decades. The median target run-up declines from approximately 10% in the 1980s to approximately 2% after 2010. The negative trend in target run-ups cannot be fully explained by changes in deal or target characteristics associated with deal anticipation. However, it disappears after controlling for changes in the strength of U.S. insider trading regulation over the research period. When zooming in on these initial findings, we find that target run-ups reduce shortly after the enactment of more stringent insider trading rules. Moreover, the negative impact of insider trading rules on target run-ups is stronger for deals with a higher probability of provoking pre-announcement insider trading. Analyses of target shareholders' posterior probability of informed trading and a placebo test on M&A deals for Canadian firms corroborate our conclusion that more stringent insider trading regulation has reduced target run-ups. Our results suggest that U.S. insider trading rules are effective at curbing pre-announcement insider trading.

Plenary Session 4
Chair: Neophytos Lambertides

PL.4.1. Risk Similarity in Mergers & Acquisitions

Saif M. Al-Mutairi, **Apostolos Kourtis**

We propose a new measure of risk similarity between two firms. This employs forward-looking market-implied cost of capital estimates as proxies of systematic risk. We use the new measure to study how risk similarity affects merger formation and outcomes. Our empirical analysis provides evidence that firms with similar risk profiles are more likely to merge. The level of risk similarity is positively associated with the probability that an announced acquisition deal will be completed and negatively associated with the length of the period between deal announcement and completion. Mergers resulting from firms with high pre-merger risk similarity tend to lead to higher combined abnormal returns in the short term and higher operating performance and lower risk in the long term. Our results indicate that risk similarity in mergers is in line with shareholder preferences, leads to less suboptimal investment in the target and facilitates more efficient management of the acquired assets.

PL.4.2. What is the role of institutional investors in corporate capital structure decisions? A survey analysis

Stephen Brown, **Marie Dutordoir**, Chris Veld, Yulia Veld-Merkoulova

We survey institutional investors about their role in capital structure decisions and views on capital structure theories. Over 82% of investors believe they influence corporate capital structure decisions, especially for smaller, younger, and more financially constrained firms. Unlike corporate managers, investors consider agency costs of free cash flow important drivers of capital structure. Investors' responses also support pecking order and market timing theories. Most investors find financial constraints important, with components of the Kaplan–Zingales and Whited–Wu indexes dominating other proxies. Overall, our findings suggest a first-order impact of investor preferences on capital structure decisions.

PL.4.3. What Determines the Return to Bribery? Evidence from Corruption Cases Worldwide

Yan-Leung Cheung, P. Raghavendra Rau, **Aris Stouraitis**

We analyze a hand-collected sample of bribery cases from around the world to describe how the payment of bribes affects shareholder value. Our estimates indicate that a $1 increase in the size of the bribe is associated with an $8-11 increase in the value of the firm. Proxies for information disclosure appear significant in explaining the benefits that firms receive, with more disclosure associated with lower benefits. However, this result is driven by democratic countries. Information disclosure is not significant in autocratic countries. Firms paying bribes in democratic countries do not appear to receive larger benefits relative to the bribes they pay.

Keynote Session
Chair: Konstantinos Bozos

KEYNOTE: Network Risk and Key Players: A Structural Analysis of Interbank Liquidity

Edward Denbee, Christian Julliard, Ye Li, **Kathy Yuan**

We estimate the liquidity multiplier and individual banks' contribution to systemic liquidity risk in an interbank network using a structural model. Banks borrow liquidity from neighbours and update their valuation based on neighbours' actions. When the former (latter) motive dominates, the equilibrium exhibits strategic substitution(complementarity) of liquidity holdings, and a reduced (increased) liquidity multiplier dampening (amplifying) shocks. Empirically, we find substantial and procyclical network-generated risks driven mostly by changes of equilibrium type rather than net-work topology. We identify the banks that generate most systemic risk and solve the planner's problem, providing guidance to macro-prudential policies.

Detailed Social Program

Friday 26 July 2019

19:30 — Dinner at Pixida

Address: Telonio Beach Kissamos, 734 00
Phone Number: +30 2822 022850
Transportation: Short walk (10') from Molos Bay Hotel

Find Pixida on map:

The beer in the event is a kind contribution of Lyra Handcrafted Beer: https://www.lyrabeer.com

Event Menu (click on links for the traditional Greek recipe of each dish) *

Starters (set assortment to share):
- Home Baked Bread
- Pixida Mixed Salad
- Grilled Feta
- Cheese pies (Kalitsounia)
- Spinach Pie (Spanakopita)
- Smoked pork (Apaki)

Main Dishes (choose one of the following):
- Roast Chicken with Orange
- Kid stew (Tsigariasto), served with traditional pasta
- Chania courgette, potato and cheese pie (Boureki) (V)

Kids' Menu (choose one of the following):
- Meatballs with Chips
- Pork Skewers (Souvlaki)
- Pasta with tomato or Bolognese sauce
- Main menu options are also available as half-portions

Desserts (set assortment)
- Semolina halva with orange
- Fruits

Activities for kids will be available during the dinner

* Please note that some ingredients might be different. For any dietary requirements/allergies please consult the staff of the venue.

Saturday 27 July 2019

11:00 14:00 — Educational Workshop for Children by 'archaeolab' at Molos Bay Hotel

Address: Mayros Molos Beach, Kissamos, 73400
Phone Number: +30 2822 083446
Transportation: N/A

Find Molos Bay Hotel on map:

Info: Archaeolab is an experiential archaeology workshop aimed at different ages.

Children have the opportunity to create through archaeology, art and science and take home all the projects that they have made, as a souvenir! Every workshop lasts 3 hours. The program is suitable for children older than 3 years.

Day 1 Activities:

1) Mosaic Art, With Coloured Gypsum Stones!
2) Make Your Own Mandala Bag!
3) Famous Artists Gypsum Painting!
4) Make Your Own Grass Head!
5) How to Make A Magic Card- Paper Craft!

Saturday 27 July 2019 (cont.)

14:00 – 15:30 Lunch at Molos Bay Hotel

Address: Mayros Molos Beach, Kissamos, 73400
Phone Number: +30 2822 083446
Transportation: N/A

Find Molos Bay Hotel on map:

Buffet Lunch

- Spinach pie
- Aubergine Imam style
- Greek salad
- Caesar salad
- Beetroots and Artichokes in olive oil
- Tomatoes and fresh Peppers
- Grilled chicken chops
- Fried fish
- Meatballs Fricassee
- Grilled vegetables
- Coated potatoes
- Pasta Napolitana
- Spaghetti Amarticciana
- Swiss Rolls and Baba
- Fresh fruit

17:00 – 18:30 Guided tour of Archaeological Museum of Kissamos and surrounding landmarks

Address: Stratigou Tzanaki Sq., Kissamos
Phone number: +30 2822 083308
Transportation: Short walk (15') from Molos Bay Hotel

Find the Archaeological Museum of Kissamos on map:

Info: The archaeological Museum of Kissamos was founded in 2005 and is housed in the Venetian - Turkish monument known as Diikitirio ("Headquarters"). Exhibits: *Minoan findings* from the excavations at Nopigia (Geometric period, 9th-8th century BC). Pottery and ceramic findings from smaller local cities and settlements of the region, *Hellenistic inscriptions* and *sculptures* from Roman period (67 BC - 4th century AD). *Mosaic floors* with interesting pictorial representations from urban villas of the Grecoroman Kisamos, *amphorae* and *coins* coming from trade, findings from workshops, everyday objects and findings from tombs of Falassarna and Polirinia.

20:00 Dinner at Stimadoris Fish Restaurant

Address: Ir. Politechniou, Kissamos 734 00
Phone number: +30 2822 022057
Transportation: Short walk (15') from Molos Bay Hotel

Find Stimadoris on map:

The wine in the event is a kind contribution of Pnevmatikakis Winery: **http://cretanwinery.com/**

Event Menu (click on links for the traditional Greek recipe of each dish) *

Starters (set assortment to share):

- Seashore (seaweed) Salad
- Boiled Greens Salad (V)
- Yellow Split Pea puree (Fava) (V)
- Greek Style Green Beans (V)
- Greek Salad
- Herb pies (Kalitsounia) (V)
- Greek Eggplant salad
- Grilled Octopus
- Marinated Anchovies

Main Dishes (choose one of the following):

- Grilled Fresh Seabream Fillet
- Greek Style Fish Soup (Psarosoupa)
- Fried Calamari (served with French Fries)
- Grilled mushrooms and vine leaves stuffed with rice (V)
- Mushroom Risotto (V)

Kids' Menu:

- Main menu options are available as half-portions

Desserts (set assortment)

- Fruit Selection
- Tsikoudia

Activities for kids will be available during the dinner

* Please note that some ingredients might be different. For any dietary requirements/allergies please consult the staff of the venue.

Sunday 28 July 2019

11:00 – 14:00 Educational workshop for children by 'archaeolab' at Molos Bay Hotel

Address: Mayros Molos Beach, Kissamos, 73400
Phone Number: +30 2822 083446
Transportation: N/A

Find Molos Bay Hotel on map:

Info: Archaeolab is an experiential archaeology workshop aimed at different ages.

Children have the opportunity to create through archaeology, art and science and take home all the projects that they have made, as a souvenir! Every workshop lasts 3 hours. The program is suitable for children older than 3 years.

Day 2 Activities:

1) Plaggones: Clay Dolls of Ancient Greece!
2) Ebru Art: Make your Own Note Book Cover
3) Make your Own Dino Fossils!
4) Dino Gympum Painting!
5) Snail House Craft & Snail Care Instructions!

14:15 – 15:45 Lunch at Molos Bay Hotel

Address: Mayros Molos Beach, Kissamos, 73400
Phone Number: +30 2822 083446
Transportation: N/A

Find Molos Bay Hotel on map:

Buffet Lunch

- Moussaka
- Fresh beans in olive oil
- Tomatoes and fresh Peppers
- Beetroots and Artichokes in olive oil
- Pork with Mountain Tea Sauce
- Shrimps "Saganaki"
- Fried Calamari
- French Fries,
- Steamed Zucchini,
- Rice
- Pasta Napolitana
- Spagghetti with cream and parmesan
- Greek Salad
- Fresh Greens
- Cabbage and carrot
- Fresh Lettuce
- Tiramisu
- Tarts with cream and fruits
- Fresh fruit

18:00 – 20:00 Private exhibition of 'Archaeolab' at Molos Bay Hotel

Address: Mayros Molos Beach, Kissamos, 73400
Phone number: +30 2822 083446
Transportation: N/A

Find Molos Bay Hotel on map:

Info: Archaeolab is an experiential archaeology workshop aimed at different ages, to those who want to know the world of archaeology.

Activity: Cook Like the Minoans
Learn about the Minoan diet and how to cook Minoan foods! Replicate the way ancient Cretans cooked their meals in clay cookware, in an open fire! Know about the Minoan meals and drinks and learn how to prepare them! The menu is based on archaeological evidence.

20:30	23:00	Dinner at Maria Beach	Event Menu (click on links for the traditional Greek recipe of each dish) *

Address: Mavros Molos Beach, Kissamos
Phone number: +30 2822 022610
Transportation: Short walk (2') from Molos Bay Hotel

Find Maria Beach on a map:

BANK OF GREECE
EUROSYSTEM

The event is kindly sponsored by the Bank of Greece

Starters (set assortment to share):

- Barley rusk with Greek salad and cheese (Dakos)
- Vlita green salad
- Meat Balls
- Split pea puree
- Aubergine dip
- Grilled bread with olive oil and oregano

Main Dishes (choose one of the following):

- Moussaka
- Stuffed Aubergines with cheese and vegeta-bles (Imam) (V)
- Rabbit Stew with Onions
- Parchment roasted pork hock with orange and honey
- Lamb with cheeses and vegetables in clay pot (Kleftiko)

Kids' Menu (choose one of the following):

- Meatballs with Chips
- Pork Skewers (Souvlaki)
- Pasta with tomato (V) or Bolognese sauce
- Main menu options are also available as half-portions

Dessert (set assortment): Fruit -Tsikoudia

Activities for kids will be available during the dinner

* Please note that some ingredients might be different. For any dietary requirements/allergies please consult the staff of the venue.

LOCAL INFORMATION

Kissamos (Kastelli) is a modern seaside town, 36km east of Chania, with a population of around 5,000. The local economy is based mainly on agriculture – with its renowned olive oil and wine- and tourism. The visitor to Kissamos can experience local life and tradition, from the everyday to the special cultural events organized during the summer season.

It is a friendly, well-organized and self-sufficient town with all the required facilities, such as banks, post-office, health centre, supermarkets and stores, tavernas, cafes and bars. It also has a very pleasant seaside promenade lined with tavernas, cafes and bars open from the morning till late at night.

Sightseeing

The archaeological museum of Kissamos, situated in the central square Stratigou Tzanakaki, is a recently renovated listed building, housing a treasure trove of local archaeological finds from the Hellenistic and Roman periods – most notably very impressive mosaics. There is also a delightful street called Skalidi that runs through the centre of the old section of the town with traditional arched buildings and small local tradesmen and shops.

One and a half kilometres from the centre of the town is the picturesque fishing port with two tavernas and a little further is the larger commercial port that links Kissamos by a ferry service to Kythera, the Peloponnese and Piraeus. From this port, there is also a daily cruise to the stunning island of Gramvousa and the lagoon of Balos. Between the two ports is the surprising little 10th century church (reconstructed in 1947) St. John Damiali, built into the rockface and opposite a tunnel leading to Damiali beach – a pebbly cove with crystal clear water that will enchant you.

History

Kissamos was also known as Kastelli and got its name from the Venetian fort that used to stand in the town. Predating that time, "Cisamon" is mentioned by Pliny and "Kissamos Town" by Ptolemy. The town flourished during the Roman period and much evidence of this has been uncovered, with Roman baths, villas with mosaic floors, cemeteries, an aqueduct and the remains of the fortress walls. In the museum there are archaic, classical and Hellenistic objects, pots, statues, glass containers, coins etc. Roman Kissamos also had a famous theatre which was noted by Onario Belli in the late sixteenth century, and the famous archaeologist B. Theofanidis has established Seli, an area just outside of the town of Kissamos, as a base for King Agamemnon.

During the first Byzantine period Kissamos retained its power and the diocese was established. During the Venetian occupation the diocese of Kissamos was received into the universal church, as mentioned by a Latin bishop in 1307. During the Turkish occupation Kastelli actively participated in all revolutionary attacks against the Turks and sought with Mother Greece. Also, during World War II the town, and the whole area of Kissamos, was active in the resistance against the occupying Nazis.

(source: https://www.cretanbeaches.com/en)

A few short spots of Crete:
See for yourself, feel for yourself (2min 30sec)
Crete: Incredible Hospitality (2min 30sec)
Crete: Incredible History (2min 10 sec)
Kissamos Official Clip (2min 30sec)

Access to Kissamos:

By car from Chania airport (CHQ): Follow the road towards Souda to the highway of Chania - Kissamos and then continue westwards.

By car from Heraklion. Follow the national road towards Rethymno and Chania. Continue straight towards Kissamos (Kastelli). After 170km and about 2.5 hours you will be at your destination.

By bus from Chania or Chania Airport (CHQ):: INTERCITY "KTEL" BUSES from Chania, with an hourly connection during the summer months and quite frequent itineraries during the rest of the year. Trip lasts about 1:00 hr (from Chania) or 1:30 (from Chania Airport). For bus times and tickets visit: www.e-ktel.com/en/

By taxi from Chania or Chania Airport (CHQ): Several taxi and private car hire companies operate at the airport. You can book in advance or just walk up to the taxi rank once outside the Airport terminal. Fares are around €70-€80 each way.
https://www.mrtaxi.gr/
https://taxi4crete.gr/
https://www.cretetaxivan.gr/

Radio Taxi Kissamos (local Taxi company): + 30 28220 24024

Emergency Numbers:

- *European Emergency Number:* 112
- *Police:* 100
- *Tourist police:* 28210 73333 in Chania. Their job is to ensure that standards are maintained and that tourists do not get ripped-off. However, this is a rare thing in Crete….
- *Fire brigade:* 199
- *Ambulance:* 166
- *ELPA National Car Breakdown Service:* 10104 (Most car rental companies have a contract with either ELPA or another rescue service)

Hospitals: There are hospitals in the main cities. Emergency treatment is provided but you might have to provide the details of your health insurance back to your home country. The hospital will normally recover all costs directly from them. There are plenty of excellent doctors in Crete, many of whom have done some of their training abroad and will speak one or more foreign languages fluently. Most of the doctors are specialists.

Consulates and embassies: There are a few delegations in Heraklion: Germany +30 2810 226288, Austria +30 2810 222213, Switzerland +30 2810 223379, United Kingdom +30 2810 224012, Netherlands +30 2810 346202, Denmark +30 2810 240582. Germany also has an honorary consulate in Agia Marina near Chania +30 28210 68876.

ISF2019 Mentoring Program

Pair	Mentor	⇆	Mentee
1.	**Matthew Agarwala** University of Cambridge		**Wenjie Ding** University of Cardiff
2.	**Panayiotis Andreou** Cyprus University of Technology		**Sam Astill** University of Essex
3.	**Kevin Aretz** University of Manchester		**Christoforos Andreou** Cyprus University of Technology
4.	**Konstantinos Bozos** University of Leeds		**Diogenis Baboukardos** University of Essex
5.	**William de Lucy** Amplify Trading		**Luiz Vitiello** University of Essex
6.	**Thanos Verousis** University of Essex		**Mustabsar Awais** University of Sheffield
7.	**George Dotsis** University of Athens		**Chong-Chuo Chang** National Chi Nan University
8.	**Marie Dutordoir** University of Manchester		**Alexandros Sikalidis** International Hellenic University
9.	**George Giaglis** University of Nicosia		**Theodora Bermpei** University of Essex
10.	**Elena Kalotychou** City University of London		**Maria Fotaki** AUEB
11.	**Timothy King** University of Kent		**Serena Iacobucci** Università "G. D'Annunzio", Chieti
12.	**Genti Kostandini** University of Georgia		**Patricja Klusak** University of East Anglia
13.	**Elefteria Kostika** Bank of Greece		**Konstantinos Baltas** University of Essex
14.	**Apostolos Kourtis** University of East Anglia		**Mengyu Zhang** University of Essex
15.	**Frank Kwabi** De Montfort University		**Yangke Liu** Queen's University Belfast
16.	**Neophytos Lambertides** Cyprus University of Technology		**Anastasios Megaritis** University of Essex
17.	**Raphael Markellos** University of East Anglia		**Erifili Chatzopoulou** AUEB
18.	**Emre Ozdenoren** London Business School		**Eleonora Monaco** Universidade Católica Portuguesa
19.	**Anna Pavlova** London Business School		**Laima Spokeviciute** University of Southampton
20.	**Sotiris Staikouras** City University of London		**Regina Opaleva** Frankfurt School
21.	**Aristotelis Stouraitis** Hong Kong Baptist University		**Wanling Qiu** University of Liverpool
22.	**Ioannis Tsalavoutas** University of Glasgow		**Yurtsev Uymaz** University of East Anglia
23.	**Mike Tsionas** Lancaster University		**Hossein Jahanshahloo** University of Cardiff
24.	**Evangelos Vagenas-Nanos** University of Glasgow		**Athanasios Triantafyllou** University of Essex
25.	**Dimitri Vayanos** London School of Economics		**Dionysia Dionysiou** University of Stirling
26.	**Irini Voudouris** AUEB		**Zafeira Kastrinaki** Brunel University London
27.	**Georgios Voulgaris** University of Warwick		**Fanis Tsoligkas** University of Bath
28.	**Kathy Yuan** London School of Economics		**Lucia Milena Murgia** University of East Anglia
29.	**Constantin Zopounidis** Technical University of Crete		**Qie Ellie Yin** Hong Kong Baptist University

Please find a list of symposium mentor and mentee pairs. You are encouraged to contact each other beforehand and meet up during the symposium (see the Index for contact information).

The role of the mentor is to share their experience and provide general information, guidance and support during the symposium in an informal manner. Mentors may also help with networking, introductions with other delegates and tips on how to present and participate in the sessions.

The objective of the mentoring program is to make the symposium more sociable and useful for colleagues that may not have much experience with academic conferences and networking activities.

Index