

Annual Report

2012

Centre for Finance
University of Gothenburg



GÖTEBORGS UNIVERSITET



RESEARCH AND INNOVATION
FOR SUSTAINABLE GROWTH

Annual Report 2012

Centre for Finance

University of Gothenburg

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Research 2012 – Annual Report

Centre for Finance research catalogue

University of Gothenburg, March 2013

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1. Research at CFF

The research at the Centre for Finance (CFF) at the University of Gothenburg is focused on five main research areas: i) behavioural and experimental finance, ii) financial institutions, instruments and regulation, iii) private equity and venture capital, iv) corporate governance, and v) financial econometrics. Ongoing research projects address questions such as: i) Is algorithmic trading to the detriment for quality of financial markets? ii) What is the impact of venture capital on macro-economic growth? iii) What are the most important cognitive biases for the financial behaviour of individuals? iv) How will the new regulation for financial institutions affect systemic risk? v) What are the effects of incentive contracts on managerial behaviour? During 2012, roughly 20 people were actively involved in research projects at the Centre.

Research in Behavioural Finance covers a wide range of areas, including analysis of people's perception of risk, people's trust in financial institutions, positive and negative consequences of incentive systems, and development of bubbles in financial markets. Some projects make use of laboratory experiments to examine e.g. the behavioural effects of bonus and option compensation.

Corporate Finance and Corporate Governance research covers a large number of projects. Several studies deal with the classic issues of capital structure, dividend policy and investment decisions. Other studies are concerned with how corporate governance codes and regulation affect firm behaviour.

The research in Financial Institutions is to a large extent concerned with new banking regulation. There are also related projects on how the changing regulatory capital regimes will affect small-scale banking. Other projects examine credit risk models, clearing houses and systemic risks

Private Equity and Venture Capital research is primarily interested in valuation and financing of ideas and the impact of venture capital on economic growth. Other projects investigate whether the technology (patent) or the technologists (the know-how) are adding more value to a start-up company.

Financial Econometrics research at CFF focuses on the predictability of stock returns, the effect of algorithm trading on the quality of financial markets, and new methods for inference in long-horizon tests.

A more detailed report on past and present research activities, published and unpublished works, participation in conferences and current research projects is given below in Sections 2-5.

Research organization

The research activities at the Centre are organized in three levels. The primary level is the individual project, which of course may involve several people. The next level is the research group, which has regular informal meetings and discussions. Five such groups are active: Behavioural Finance/Economic Psychology, Banking and Financial Institutions, Private Equity/ Venture Capital, Corporate Finance and Governance, and v) Financial Econometrics.

A researcher may of course belong to more than one group. The research groups have one or two research leaders, and the research leaders form CFF's management team. The management team proposes research activities, conducts supervision of the different research projects, and plans and coordinates other CFF activities such as conferences and seminars. The team is also responsible for recruitment of researchers.

The third level is the centre's seminars, common to all researchers. The CFF seminars are typically reserved for invited speakers from the financial industry or other academic institutions. The lunch seminars are reserved for CFF researchers or researchers from other academic institutions who are interested in presenting work in progress. A list of seminars 2012 is given below (see Section 6).

An interdisciplinary centre

In October 2011, CFF officially became one of the interdisciplinary (across faculties) research centres within the University of Gothenburg. The objective of the research centres is to provide an organizational structure that enables interdisciplinary research. The faculties involved in CFF are the School of Business, Economics and Law, the Faculty of Social Sciences (Psychology) and The Faculty of Science/Chalmers (Mathematics). CFF has its administrative base at a "host department", which is the Department of Economics and Statistics.

The organization is built on the principle that the researchers, doctoral students and administrative staff keep their positions at their "mother departments" within the university. This structure has several advantages. First, it makes interdisciplinary research strategies possible without losing contact with the development in the different disciplines involved. Second, the arrangement is likely to facilitate collaborative efforts between the centre and other departments within the university. Third, the organization is likely to reduce the risks of CFF being isolated from other departments within the university. Fourth, it facilitates flexibility with respect to personnel.

The steering group (the board of CFF) consists of representatives from the involved faculties. The steering group also has one representative and one substitute from the business community. The tasks of the steering group have bearing on the strategic management and the development of the Centre. This includes decisions concerning annual and long-term planning and the budget.

The Centre also has a scientific advisory board. The functions of the advisory board are to advise and give support to the steering group and the management team. This includes assessing progress, providing quality control and acting as a link to the international research community. The advisory board consists of Professors Sudipto Dasgupta, Hong Kong University of Science and Technology, Erich Kirchler, University of Vienna, Phil Molinoux, Bangor University, Anjan Thakor, Washington University, and Karin Thorburn, Norwegian School of Economics and Business Administration.

Recruitments during 2012-2013

In January 2013 Professor Erik Hjalmarsson joined CFF. Erik graduated from Yale University in 2005 and has since then been working at the Board of Governors of the Federal Reserve,

Winton Capital Management, and Queen Mary, University of London. Erik has published in e.g. Journal of Financial Economics, Journal of Financial and Quantitative Analysis, Journal of Banking and Finance, and Journal of Empirical Finance.

The Centre has also recruited Dawei Fang from Oxford University, who will start as a post-doc researcher at CFF in August 2013. Dawei's main research areas are contract theory and theoretical corporate finance. His working papers deal with compensation contracts in the venture capital industry and portfolio management, respectively. Thus, his research profile fits ongoing research at the Centre very well. Dawei will replace Oege Dijk, who has been offered a tenured position at University of Nijmegen

Research Resources

The researchers at the Centre have access to international company and market data via Thomson Datastream and Bureau van Dijk's Orbis. Company events can be collected from Bureau van Dijk's Zephyr and corporate governance information is available in Riskmetrics' Corporate Governance Quotient. Data on banks is available via Bureau van Dijk's Bankscope and information on investment funds is available in Morningstar.

In the finance lab all 15 stations have access to Bloombergs and Thomson Reuters. The finance lab is also equipped with partition walls etc such that it can be used for economic experiments.

2. Published works during 2012

Andersson, M., Gärling, T., Hedesström, M., Biel, A. (2012). Effects on stock investments of information about short versus long price series. *Review of Behavioral Finance* 4, 81-97.

Andersson, M., Biel, A., Gärling, T., Hedesström, M. (2012). Stock investors' preferences for short-term versus long-term bonuses. *Journal of Socio-Economics* 41, 137-142.

Bielecki, T., Cousin, A., Crépey, S., Herbertsson A. (2012). Dynamic Hedging of Portfolio Credit Risk in a Markov Copula Model, *Journal of Optimization Theory and Applications*.

Holmen, M., Nivorozhkin, E. (2012). Tender Offers versus Block Trades: Empirical Evidence. *Managerial and Decision Economics* 33, 511–529.

Lindblom, T., Willeson, M. (2012). Financial Crisis and EU Banks' Performance. In de Guevara, J. F., Pastor, J. M. (eds.), *Crisis, Risk and Stability in Financial Markets*. Houndmills, Basingstoke, Hampshire UK: Palgrave Macmillan

Oxelheim, L., Wihlborg, C., Zhang, J. (2012). How to Avoid Compensating CEO for Luck: The Case of Macroeconomic Fluctuations. In Thomas, R., Hill, J. (eds.), *Research Handbook on Executive Pay*. London, Edgar Elgar.

3. Unpublished works during 2012

Einar Bakke

Partial Adjustment to Public Information in IPO Pricing: Theory and Tests, manuscript, Centre for Finance, University of Gothenburg (with Tore Leite and Karin S. Thorburn).

'Cold' IPOs or Hidden Gems? On the Medium-Run Performance of IPOs, manuscript, Centre for Finance, University of Gothenburg.

Anders Biel

Near-sighted versus far-sighted stock portfolio construction, manuscript, Department of Psychology, University of Gothenburg (with Maria Andersson, Tommy Gärling, and Martin Hedesström).

Effects of bonuses on timing of stock purchases, . manuscript, Department of Psychology, University of Gothenburg (with Maria Andersson, Anders Biel, and Martin Hedesström).

Anders Carlander

Beliefs in differences between professional and lay stock investors' proneness to judgmental biases, manuscript, Department of Psychology and centre for Finance, University of Gothenburg (with Daniel Petersson, Amelie Gamble, Tommy Gärling, and Martin Holmén).

Trust-Mediated Effects of Personal Services on Satisfaction with Banks, manuscript, Department of Psychology and centre for Finance, University of Gothenburg (with Amelia Gamble, Tommy Gärling, Jeanette Hauff, Lars-Olof Johansson and Martin Holmén).

Choices of Savings Options Related to Trust in Fund Managers' Competence, Benevolence, and Stability, manuscript, Department of Psychology and centre for Finance, University of Gothenburg (with Amelia Gamble, Tommy Gärling, Lars-Olof Johansson and Martin Holmén).

Oege Dijk

Charity, Incentives and Performance, manuscript, Centre for Finance, University of Gothenburg (with Martin Holmén).

Rank Matters: The impact of Social Competition on Portfolio Choice, manuscript, Centre for Finance, University of Gothenburg (with Martin Holmén and Michael Kirchler).

Amelie Gamble

Beliefs in differences between professional and lay stock investors' proneness to judgmental biases, manuscript, Department of Psychology and centre for Finance, University of Gothenburg (with Daniel Petersson, Anders Carlander, Tommy Gärling, and Martin Holmén).

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Tommy Gärling

Near-sighted versus far-sighted stock portfolio construction, manuscript, Department of Psychology, University of Gothenburg (with Maria Andersson, Anders Biel, and Martin Hedesström).

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Jeanette Hauff

Trust-Mediated Effects of Personal Services on Satisfaction with Banks, manuscript, Department of Psychology and Centre for Finance, University of Gothenburg (with Anders Carlander, Amelie Gamble, Tommy Gärling, Lars-Olof Johansson and Martin Holmén).

Alexander Herbertsson

A Markov Copula Model of Portfolio Credit Risk with Stochastic Intensities and Random Recoveries, manuscript, Centre for Finance, University of Gothenburg (with Tomasz R. Bielecki, Areski Cousin and Stéphane Crépey).

Parameter estimation in credit models under incomplete information, manuscript, Centre for Finance, University of Gothenburg (with Rüdiger Frey)

Pricing CDS index options in a nonlinear filtering model manuscript, Centre for Finance, University of Gothenburg (with Rüdiger Frey)

Martin Holmén

Do Antitakeover Devices affect the Takeover Likelihood or the Takeover Premium? forthcoming *European Journal of Finance* (with Eugene Nivorozhkin and Rakesh Rana).

Charity, Incentives, and Performance, manuscript, Centre for Finance, University of Gothenburg (with Oege Dijk).

Rank Matters. The impact of social competition on portfolio choice, manuscript, Centre for Finance, University of Gothenburg (with Oege Dijk and Michael Kirchler).

Ted Lindblom

Basel III and banking efficiency, manuscript, Centre for Finance, University of Gothenburg (with Magnus Willesson).

The Role of Trade Credit and the Cost of Capital, manuscript, Centre for Finance, University of Gothenburg (with Gert Sandahl).

Individual Investors' Portfolio Choice and Birthplace Bias, manuscript, Centre for Finance, University of Gothenburg (with Taylan Mavruk and Stefan Sjögren).

Viktor Lundberg

Performance management systems in Swedish savings banks, manuscript, Centre for Finance, University of Gothenburg.

Taylan Mavruk

Individual Investors' Portfolio Choice and Birthplace Bias, manuscript, Centre for Finance, University of Gothenburg (with Ted Lindblom and Stefan Sjögren).

How long is long-term--management behavior and incentives? manuscript, Centre for Finance, University of Gothenburg (with Evert Carlsson).

Keeping it real or keeping it simple? Distributional properties of ownership concentration measures, manuscript, Centre for Finance, University of Gothenburg (with Conny Overland and Stefan Sjögren).

Investment allocation decisions, home bias and the mandatory IFRS adoption, manuscript, Centre for Finance, University of Gothenburg (with Mattias Hamberg and Stefan Sjögren).

Mohamed-Reda Moursli

Investor Protection and the Predictability of Dividends and Returns: Evidence from International Markets, manuscript, Centre for Finance, University of Gothenburg.

Stefan Sjögren

Why are Venture Capital Funds Necessary for Promoting Innovation in Monopolistic Markets? manuscript, Centre for Finance, University of Gothenburg (with Tamir Agmon and Shubhashis Gangopadhyay)

Savings and Innovation in the US Capital market: Defined Benefit Plans and Venture Capital Funds. Forthcoming; Book chapter C-LEAF. (with Tamir Agmon and Shubhashis Gangopadhyay)

Individual Investors and local bias in different stock markets. manuscript, Centre for Finance, University of Gothenburg (with Taylan Mavruk and Ted Lindblom)

Keeping it real or keeping it simple? Distributional properties of ownership concentration measures. manuscript, Centre for Finance, University of Gothenburg (with Conny Overland and Taylan Mavruk)

Nguyen Van Diem

Incentive contracts in foundation-owned firms, manuscript, Centre for Finance, University of Gothenburg

Jianhua Zhang

Asymmetry in Compensation Effects of Macro Shocks and Incentives to Invest in Operational Flexibility: An Industry Study, manuscript, Centre for Finance, University of Gothenburg (with Hsin-Hui Chiu, Lars Oxelheim, and Clas Wihlborg)

Macroeconomic Fluctuations as a Source of Luck in CEO Compensation, manuscript, Centre for Finance, University of Gothenburg (with Hsin-Hui Chiu, Lars Oxelheim, and Clas Wihlborg)

4. Presentations at scientific conferences, symposiums, workshops etc, 2012

Einar Bakke

Market for Ideas Workshop, Gurgaon, India, January 3-4, 2012
Paper: Are you buying the Chef or the Recipe?

FMA International, Istanbul, Turkey, June 6-9, 2012
Paper: 'Cold' IPOs or Hidden Gems? On the Medium-Run Performance of IPOs

Northern Finance Association, Niagara Falls, Ontario Canada, June 6-9, 2012
Paper: 'Cold' IPOs or Hidden Gems? On the Medium-Run Performance of IPOs

Oege Dijk

Workshop on Behavioural Finance, Stavanger, September 10.
Paper: Rank Matters: The impact of Social Competition on Portfolio Choice

Regional ESA Conference on Experimental Economics, Tucson, Arizona, November 16-17.
Paper: Rank Matters: The impact of Social Competition on Portfolio Choice.

The Nordic Conference on Behavioral and Experimental Economics, Bergen, September 28-29
Paper: Charity, Incentives and Performance.

Experimental Finance, Luxembourg, September 3-5.
Paper: Rank Matters: The Impact of Social Competition on Portfolio Choice.

Western Economics Association, San Francisco, June 28- July 2.
Paper: Charity, Incentives and Performance.

International Meeting on Experimental and Behavioral Economics (IMEBE), Castellón (Spain), March 8-10
Paper: Risky Competition: Does Social Comparison Induce Risk-Taking?

Tommy Gärling

38th annual conference of the International Association of Research in Economic Psychology (IAREP), Warsaw School of Social Sciences and Humanities, Wroclaw, Poland
Paper: Near-sighted versus far-sighted stock portfolio construction

3rd conference on experimental finance, Luxembourg School of Finance, University of Luxembourg
Paper: Near-sighted versus far-sighted stock portfolio construction

38th annual conference of the International Association of Research in Economic Psychology (IAREP), Warsaw School of Social Sciences and Humanities, Wroclaw, Poland.

Paper: Attitudes towards extended fiduciary duty among beneficiaries of pension funds in Sweden

Martin Holmén

Nordic Corporate Governance Network Annual Meeting, Reykjavik, Iceland
Paper: Charity, Incentives and Performance.

CBS summer workshop on Corporate Governance, Copenhagen, Denmark
Paper: Charity, Incentives and Performance.

Financial Management Association Annual European Meeting, Istanbul, Turkey
Paper: Do Option-like Incentives induce overvaluation? Evidence from experimental asset markets

20th annual Money, Banking and Finance Conference, Rome, Italy
Paper: Rank Matters: The Impact of Competition on Portfolio Choice.

Ted Lindblom

The European Association of University Teachers of Banking and Finance, Wolpertinger Conference, Malta

Paper: The Role of Trade Credit and the Cost of Capital

Paper: Basel III and banking efficiency

Viktor Lundberg

The European Association of University Teachers of Banking and Finance, Wolpertinger Conference, Malta

Paper: Performance management systems in Swedish savings banks

Taylan Mavruk

Young Scholars Nordic Finance Workshop, SHoF Stockholm

Paper: Individual Investors' Portfolio Choice and Birthplace Bias

Euroasia Business and Economic Society, Istanbul, Turkey

Paper: How long is long-term--management behavior and incentives?

Market for Ideas workshop, Gurgaon, India

Paper: On the contribution of innovation to the future consumption

Stefan Sjögren

Market for ideas Workshop, Gurgaon, India

Paper: VC-activity, universities and patent trolls

Nguyen Van Diem

National PhD workshop, SHoF Stockholm

Paper: Incentive contracts in foundation-owned firms

5. Ongoing research projects

Behavioral and Experimental Finance

Trust and affection.

Jeanette Hauff, Anders Carlander, Amelie Gamble and Tommy Gärling

The purpose of the project is to identify critical steps in the interaction zone between financial consumers and financial service providers. These critical steps will then be analyzed using knowledge and analytical tools at the academic research frontiers of marketing, financial economics, and psychology. From society's point of view, an increased knowledge of individuals' financial decision-making is important. From the perspective of the finance industry, the low involvement in financial services and the resulting passivity of the financial consumer is a frequently recognized obstacle to rational decision making. Why does choice of retirement saving not attract more attention when it entails one of the most important financial decisions people make? A traditional marketing framework based on the view that financial consumers make rational decisions does not seem sufficient. Recent academic research bringing in other views of the financial consumer is needed and will be drawn on. Using surveys and experiments the project will investigate (1) the role trust in financial institutions play in consumers' decision-making process and what factors account for the degree of trust they have, (2) whether and how affect-inducing narrative messages would increase consumers' involvement as well as accurate pre-decision information acquisition about financial products, and (3) to which extent such more accurate information acquisition would increase consumers' trust.

Behavioral Biases, Incentive Contracts, and Asset Market Behavior: Evidence from Agency Based Models

Tommy Gärling, Stefano Herzel, and Martin Holmen

It is well documented that individuals deviate from economic rationality in several ways. It has also been suggested that deviations from rationality can explain some of the documented asset market anomalies. However, what is not well understood is the degree of behavioral biases in the market necessary for an anomaly to exist. The efficient market hypothesis suggests that any price deviations from fundamental values should vanish due to arbitrage activity. In this project we will use agency based models and vary the fractions of "irrational" agents and rational arbitrageurs, respectively, in order to explore the degree of certain biases that is necessary to generate anomalies similar to the ones documented in real markets.

It has also been argued that anomalies such as herding and bubbles stem from the typical incentive contracts within financial institutions. For example, it has been argued that large bonuses lead to excess risk taking and asset market bubbles. However, since not all investors have bonus contracts, prices that deviate from fundamental values should be adjusted by arbitrageurs. In the second part of this project we will vary the fraction of agents with non-linear incentive contracts in order to explore the effect of bonus contracts on asset market behavior.

Tournament Incentives, Social Competition, and Asset Market Behavior: An Experimental Approach

Oege Dijk, Martin Holmen, and Michael Kirchler

Economists have long posited that financial decision making is affected by tournament incentives (see e.g. James and Isaac, 2000). What we have found in

earlier work is that tournament outcomes may not necessarily be driven by tournament incentives per se, but instead tournament outcomes might be explained by social comparisons. That is, when we observe more risk taking in a tournament, it might not be because people are trying to win the tournament reward, but rather they are just being driven by social comparisons. In this project we will use laboratory market experiments to analyze the effect of tournament incentives and social competition, respectively, on asset market behavior.

Peeking inside a traders head

Oege Dijk and Michael Kirchler

With a novel incentive compatible revealed reasoning methodology we investigate stock market bubbles in the laboratory. We show that when reasoning based on past price movements dominate, price bubbles can form.

Corporate Finance and Corporate Governance

Causes and Consequences of Employee Representation on Corporate Boards

Tom Berglund, Martin Holmen, and Rakesh Rana

This project uses unique Swedish data to analyse reasons for, and consequences of having employee representation on corporate boards. The Swedish law, which allows employees to choose whether to be represented on the board or not, combined with the fact that there are many firms that have opted for, as well as opted against, employee representation, facilitates proper comparison of the two groups yielding insights into systematic factors behind the choice. We find that employees are less likely to be on the board if i) there are foreign board members, ii) the firm can be considered as high risk, and iii) the firm is labor intensive. We document that the fluctuation in employment is lower in firms with employee board representation than in those without. We also find that CEO changes are less likely if there are employees on the board. Alternative explanations for these findings are discussed.

Pyramid IPOs on the Chinese Growth Enterprise Market

Martin Holmén and Peng Wang

In this project we investigate Initial Public Offerings (IPOs) of high-tech firms on the Chinese Growth Enterprise Market (GEM). Almost half of the high tech IPOs on the GEM are set up in pyramid structures. The likelihood of a pyramid structure increases with the size of the IPO firm and state control. Our results do not suggest that pyramids are set up to overcome financial constraints. However, we document that pyramid IPOs are discounted before the IPO. The price to book ratio estimated at the subscription price is significantly lower for pyramid IPOs compared to stand-alone IPOs. Furthermore, the underpricing is higher and the oversubscription is lower for pyramid IPOs. We conclude that IPO investors are reluctant to invest in pyramid firms and demand a higher risk-premium which translates into a lower subscription price and higher underpricing.

Does local bias matter for the capital structure of firms?

Ted Lindblom, Taylan Mavruk, and Stefan Sjögren

In this project, we aim to analyze if the local bias of individual investors has any impact on the capital structure of firms. Particular interest is put on questions like: Are firms with more local shareholders more or less leveraged than firms with more remote shareholders? What does this mean for the firm value? To what extent – if

any – do local investors act as monitoring device? Does it matter whether investors are domestic or foreign? Are there systematic differences in local bias and the capital structure formation of local firms and multinational firms operating in Sweden

Our empirical analysis utilizes three sources of data: i) a questionnaire survey covering larger firms headquartered in Sweden, ii) semi-annual investor data (obtained from the Security Register Center of Euroclear Sweden) displaying all stockholdings by domestic and foreign investors in listed firms on the OMX (large, mid and small cap) exchange, but also on alternative minor stock markets and, iii) market prices obtained from Datastream.

Dividend policy and market segmentation in China

Yun Feng and Jianhua Zhang

This paper investigates the effects of the Chinese firm's dividend policy on the price differences between the firm's A and B shares in the period 1992-2009, as well as the two sub periods, 1992-2000, and 2001-2009. The empirical results indicate that cash dividends and stock dividends have different impacts on the price differences between the two classes of shares in the different periods when the investment restrictions for the domestic and foreign investors were gradually relaxed in this emerging financial market.

Financial Institutions, Instruments, and Markets

Survey of European savings banks: Effects from the Basel III proposals

Ted Lindblom, Magnus Ohlsson, and Bengt Pramborg

This survey aims to document effects from the new Basel III proposals, and views from the European savings banks community about the resulting future business environment. It will be based on a questionnaire containing three sections. The first one focuses on static effects for the respondent's bank from the new capital requirements known as Basel III (six questions). Section 2 focuses on the new liquidity requirements from Basel III (two questions), whereas the third section contains questions regarding the business environment due to regulatory changes (four questions).

Asset and liability management in Swedish counties and municipalities

Martin Holmen and Bengt Pramborg

We survey the financial management and risk strategies within the public sector. The survey was sent to all Swedish counties (21) and municipalities (289). 14 of the counties (67 percent) and 70 of the municipalities (31 percent) responded. The responses suggest that i) all counties and municipalities are more or less underfinanced, ii) the main objective is the real rate of the return, iii) relative performance measure are not frequently used, iv) typically relatively simple risk measures are used, and v) stress testing and probability measures are never used.

Rating asset backed securities using intensity based models

Alexander Herbertsson, Henrik Jönsson, and Wim Schoutens

We have developed an intensity based model for rating ABS-s. The model simultaneously incorporates default and prepayment curves into the calibration of the framework. Furthermore, the model includes a more realistic dynamic factor process which drives the intensities of the random default and prepayment times, as

opposed to the more static copula approach often used in the industry when rating ABS-s. Our framework also allows a big flexibility when choosing the parameterizations of the default and prepayment intensities.

Conditional Phase Distributions Associated with Multivariate Markov Chains

Tomasz Bielecki, Alexander Herbertsson, and Monique Jeanblanc

In this work we extend the theory of Multivariate Phase Type distributions to also study conditional versions of such distributions. We then apply the developed theory to counterparty credit risk and give both examples and numerical applications.

Private Equity and Venture Capital

Market for ideas

Tamir Agmon, Shubhashis Gangopadhyay, and Stefan Sjögren

In this research programme we ask questions as how government can speed up the adoption, and commercialization of revolutionary ideas? What role does venture capital play to spur growth? Which legal frames or product market conditions affect the valuation of innovations? How to price applications in a platform market?

Patent law regimes and the financing of ideas

Tamir Agmon, Shubhashis Gangopadhyay, and Stefan Sjögren

In this research the focus is on the innovative activity that takes place outside incumbents R&D activities. We recognize that different intellectual property law regimes both theoretically (e.g Romer 1990, Landes & Posner, 2003) and empirically (see Hall & Harroff, 2012 for an overview) do impact the incentives to innovate and commercialize ideas. We study the market for ideas (Silveira & Wright, 2005), where innovators aim to sell their ideas to special purpose financial intermediaries, the venture capitalist (VC). This market is assumed to not function as a regular market since what is traded is not property and the market actors therefore have other alternatives than to trade (see Agmon et al, 2012). We ask how intellectual property law regimes affect the innovative activity and risk capital financing. The general issue is if a strong or a weak intellectual property law regime makes a difference (e.g Merges 2011, Drahos 1999). In particular we do however ask if it matters if the approach to intellectual property is to treat it as property in the legal sense or as a regulation of competition, (see Martinson 2011, Andreasson 2010).

Financing innovation: Should you bet on the chef or the recipe?

Einar Bakke

Utilizing a Nordic Data Set of Venture Capital Exits we examine whether the technology (patent) or the technologists (the know how) is adding more value to a start-up company when exited. We are also interested in investors rent extraction and will also try to examine the use of angel financing.

IPOs and Over-The-Counter markets

Einar Bakke

This research project examines the connection between the Norwegian OTC (NOTC) market and firms listing on the Oslo Stock Exchange (OSE). About half of companies listing on the OSE have been listed and traded on the NOTC for more

than 3 months prior to listing on the regulated market. This raises several questions with regards to differences between listing on an Unregulated vs. Regulated market, as well as difference in IPO offer prices.

On the contribution of innovation to the future consumption

Tamir Agmon, Shubhashis Gangopadhyay, Taylan Mavruk, and Stefan Sjögren

In this project we examine the effect of innovation on consumption goods by studying the proportion of products that did not exist in the past and to what extent innovation made expenditure goods cheaper.

6. Seminars

CFF Seminars 2012

January 30

Ulla Andersson

Vänsterpartiet

Dela bankerna - minska riskerna

February 8

Finn Johnsson

Corporate governance and how to meet it with effective board work

March 14

Torgeir Høien

Skagen Fonder

Meddling with money: are we heading for steady inflation, deflation or double-digit inflation?

March 28

Roine Vestman

SIFR

Limited stock market participation among renters and home owners

April 25

Priyantha Wijayatunga

Umeå School of Business and Economics (USBE)

Statistical dependence and causal inference

May 2

Sophie Nachemson-Ekwall

Stockholm School of Economics

Corporate governance in financial capitalism - dealing with institutional investors and shorttermism

May 9

Dick Sweeney

Goergetown University

Sovereign defaults, waves of defaults and chronic defaulters: the message from Europe

May 16

John Thornton

Bangor Business School

Mergers and European bank performance

May 23

Matteo Ploner

University of Trento

Keep it or sell it? An experimental analysis of the disposition effect

May 29

Panel Discussion

Corporate governance codes and regulation: do they have any real effects?

Members of Panel:

Sudipto Dasgupta, Hong-Kong University of Science and Technology

Åsa Nisell, Swedbank Robur Fonder

Anjan Thakor, Washington University, St Louis

Karin Thorburn, Norwegian School of Economics

October 3

Erik Blomberg and Niklas Palm

Nordea

Basel III: effects and adverse effects - on derivatives and the economy at large

October 10

Gerd Gigerenzer

Max Planck Institute

Simple heuristics that make us smart

October 17

Ola Kvaløy

University of Stavanger

No guts, no glory: excessive risk-taking in tournaments

October 24

Gudrun Johnsen

Reykjavik University

The fall of the Icelandic financial system in 2008

November 7

Johanna Palmberg

Entreprenörskapsforum

The performance effect of corporate board of directors

November 14

Ola Björkmo

QQM

The fund management industry

November 21

Georg Wernicke

University of Mannheim

Ink that sticks! Media outcry about excessive executive compensation and the reputation of outside directors

December 5

Nicolas Hassbjer

vice chairman HMS

Growth management

CFF Lunch Seminars 2012

February 3

Lars Hassel

Umeå University

Economic Value of ESG (ESG: Environment, Social, and Governance)

February 10

Nhan Le

University of Colorado

Do large cash holdings help or hinder firm performance recovery?

March 2

Evert Carlsson

CFF

Household finance

March 9

Martin Weber

University of Mannheim

Does skewness matter? Evidence from experimental asset markets

April 20

Oege Dijk

CFF

Charity, incentives and performance

April 27

Andreas Stephan

Jönköping International Business School

The impact of private equity on firm performance: evidence from Sweden

May 11

Einar Bakke

CFF

"Cold" IPOs or hidden gems? On the medium-run performance of IPOs

October 5

Taylan Mavruk

CFF

Individual Investors' Portfolio Choice and Birthplace Bias

November 30

Ettore Croci

Università Cattolica, Milan

The corporate governance endgame –an economic analysis of minority squeeze-out regulation in Germany

7. Visiting Researchers

Professor Tamir Agmon from the College of Management, Tel Aviv, Israel, April–
May and September
Visiting Professor Programme

Professor Tomasz R. Bielecki from Illinois Institute of Technology, Chicago, USA,
12-19 July
Invited by Alexander Herbertsson

Professor Damiano Brigo from Imperial College, London, UK, 16-21 July
Invited by Alexander Herbertsson

Professor Stéphane Crépey from Université d'Evry, Paris, France, 9-21 July
Invited by Alexander Herbertsson

Professor Shubhashis Gangopadhyay from India Development Foundation and Shiv
Nadar University, India, May and September-October
Visiting Professor Programme

Professor Stefano Herzel from University of Rome, Italy, May
Visiting Professor Programme

Professor Michael Kirchler from University of Innsbruck, Austria, five visits during
the year.
Visiting Professor Programme

Professor Richard Sweeney from Georgetown University, U.S., May
Invited by Martin Holmen

Professor John Thornton from Bangor University, Wales, May
Invited by Ted Lindblom