Virtual Finance Mini-Conference

UCSC-BIU-BGU

February 24, 2021

Joint Zoom Meeting:

https://us02web.zoom.us/j/89035533873?pwd=MnczZUpGcVRKSTlnVGZtc2xoMEhxQT09

AGENDA

No.	Time	Presenter
1.	10:30 – 10:50 (Milan) 11:30 – 11:50 (Jerusalem)	**Giulio Anselmi** (UCSC) *Regulation and stock market quality: The impact of MiFID II provision on research unbundling*
2.	10:50 – 11:10 (Milan) 11:50 – 12:10 (Jerusalem)	**Aleksandra Baros** (UCSC) *Corporate Divestitures and Value Creation in Acquisition-centered Restructuring Programs*
3.	11:10 – 11:30 (Milan) 12:10 – 12:30 (Jerusalem)	**Tomer Shushi** (BGU) *Systemic risk measures for Exponential Dispersion Models*
4.	11:30 – 11:50 (Milan) 12:30 – 12:50 (Jerusalem)	**Sharon Peleg Lazar** (BIU) *Coco compensation - In search for a well-designed compensation package*
5.	11:50 – 12:10 (Milan) 12:10 – 13:10 (Jerusalem)	**Guy Kaplanski** (BIU) *Post-Fundamentals Price Drift in Capital Markets: A Regression Regularization Perspective*
6.	12:10 – 12:30 (Milan) 13:10 – 13:30 (Jerusalem)	**Meni Abudy** (BIU) *Cost of Behavior of Family Firm*

Our Presenters

Prof. Giulio Anselmi

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Regulation and stock market quality: The impact of MiFID II provision on research unbundling

In co-authorship with **Giovanni Petrella** (Università Cattolica del Sacro Cuore)

Abstract: This paper investigates the effects produced by the unbundling of analyst research costs required by MiFID II on market quality, as measured by stock liquidity and price efficiency. We find that the payment of an explicit price for research is associated with a reduction in analyst coverage in the EU. Unexpectedly, the reduction is stronger for large-cap stocks. For mid- and large-cap stocks analyst coverage in the EU is still greater than in the US. The reduction in analyst coverage observed in the EU is part of a downward trend that initiated prior to MiFID II and contributes to close the gap between the two regions. We also find no change in the bid-ask spread for small-, mid- and large-cap stocks, and a slight increase for micro-cap stocks. We observe no significant change in price efficiency. Taken together our findings seem to suggest that there was an overproduction of research in Europe with the previous regulatory regime. However, the growth of passive management and index funds may also explain the observed decrease in coverage.

Dr. Aleksandra Baros

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Corporate Divestitures and Value Creation in Acquisition-centered Restructuring Programs
(https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3710517)

In co-authorship with **Nihat Aktas** (WHU - Otto Beisheim School of Management) and **Ettore Croci** (Università Cattolica del Sacro Cuore)

Abstract: Divestitures often accompany acquisitions, representing on average 33% of the acquisition value. Relying on a global sample, we provide support for the efficient restructuring view of acquisition-related divestitures. On average, acquisition-related divestitures are associated with an increase of 2% in the total value creation around focal acquisitions. The value contribution of divestitures is higher in large acquisitions, and in countries with low employee protection. Examining returns for divestitures only, we find that those around acquisitions are not transactions with weak bargaining positions. Overall, the value contribution of divestitures varies with the synergistic potential of the acquisition-centered restructuring program.

Dr. Tomer Shushi

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Systemic risk measures for Exponential Dispersion Models

In co-authorship with **Jing Yao** (Heriot Watt University)

Abstract: Exponential dispersion models are well used and studied in quantitative risk management and actuarial science. One of the main interests is the risk measurement analysis of such models when facing extreme loss events. In this paper, we propose the multivariate conditional expectation risk measures and derive the explicit formulae for exponential dispersion models. In particular, our multivariate risk measures could facilitate a systemic risk measure with explicit expressions for exponential dispersion models subject to any pre-specified "systemic event."

Dr. Sharon Peleg Lazar

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Coco compensation - In search for a well-designed compensation package

In co-authorship with **Jens Hilscher** (UC Davis) and **Alon Raviv** (BIU)

Abstract: Contingent convertible bonds (coco) as part of a bank capital structure affects the sensitivity to risk of its equity-based compensation. Such incentives to change risk can be reduced if the coco is well-designed. Similarly, compensating executives with well-designed coco bonds can also reduce risk-taking. In practice, however, most coco bonds have characteristics that result in both stock and coco compensation having large sensitivities with respect to changes in asset risk. We show that a pay package combining both stock and coco can practically eliminate risk-shifting incentives and that it can be implemented with a bank's preexisting coco bonds.

Prof. Guy Kaplanski

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Post-Fundamentals Price Drift in Capital Markets: A Regression Regularization Perspective

In co-authorship with **Doron Avramov** (IDC) and **Avanidhar Subrahmanyam** (UCLA)

Abstract: Regression regularization techniques show that deviations of accounting fundamentals from their preceding moving averages forecast drifts in equity market prices. The deviations-based predictability survives a comprehensive set of prominent anomalies. The profitability applies strongly to the long-leg and survives value-weighting and excluding microcaps. We provide evidence that the predictability arises because investors anchor to recent means of fundamentals. A factor based on our fundamentals-based index yields economically significant intercepts after controlling for a comprehensive set of other factors, including those based on profit margins and earnings drift.

Dr. Meni Abudy

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Cost of Behavior of Family Firm

In co-authorship with **Efrat Shust** (Open University)

Abstract: The paper investigates whether family ownership affects cost behavior—an important determinant of profitability. We find that in response to changes in business activity, family firms adjust their costs in an opposite manner to non-family firms. This result is robust to alternative definitions of family firms. The result also holds for the subsample of firms that had switched ownership status (i.e., from family owned to non-family owned and vice versa). The findings emphasize the effect of family involvement on a firm's financial performance and profitability.

Looking forward to meeting you,
Best regards,

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