

The First International Moscow Finance Conference

ICEF.HSE.RU

November 18-19, 2011



LFE INTERNATIONAL LABORATORY
OF FINANCIAL ECONOMICS

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CONFERENCE PROGRAM

FRIDAY, NOVEMBER 18 (ROOM G-313, POKROVSKIY BULVAR, 11,)

09.50 **OPENING CEREMONY**

10.00 **PUBLIC LECTURE**

Macroeconomics with Financial Frictions: Endogenous Risk, Instability and Nonlinearities

*Presenter: Yuliy Sannikov
Princeton University*

Classical macroeconomic models with financial frictions, including work of Bernanke-Gertler-Gilchrist and Kiyotaki-Moore, have uncovered how macroeconomic shocks can be amplified through price effects. A shock to intermediaries balance sheets causes them to adjust risk exposures, leading to asset sales, price impact, and further deterioration of balance sheets. This feedback loop creates excess volatility, which is called endogenous risk. While classical models study linear approximations of these effects, recent research and experience suggest that equilibrium dynamics can be highly nonlinear. While normal times may be very stable, a large enough shock may put the financial system in an unstable regime, where amplification and endogenous risk are much greater.

11.20 **COFFEE BREAK**

11.50 **SESSION 1 "ASSET PRICING 1"**

Sources of Risk in Currency Returns

Presenter: Mikhail Chernov, London School of Economics (co-authors: J. Graveline and I. Zviadadze)

We quantify the risks in currency returns, as a first step towards understanding the high returns to carry trades. We develop and estimate an empirical model of exchange rate dynamics that incorporates Gaussian shocks to exchange rates with stochastic variance, crashes, or large moves, in exchanges rates, and jumps in the variance of Gaussian shocks to exchange rates. We use a joint dataset of excess currency returns and short-term at-the-money implied variances

for four currencies (AUD, CHF, GBP, and JPY). For each currency pair, we find that the probability of a large depreciation (appreciation) in the U.S. dollar is driven by the U.S. (foreign) interest rate. We also find that the variance of currency returns is itself subject to jump risk. Moreover, the probability of a jump in variance depends positively on the current level of variance. We are able to link jumps in currencies to important macro and political announcements, but cannot do the same for jumps in variance. The latter are associated with events broadly interpreted as economic uncertainty. Jumps may account for up to 25% of total currency risk, as measured by entropy. The model we estimate also has realistic implications for option valuation.

Discussant: Vladimir Sokolov, ICEF and LFE, Higher School of Economics.

Sentiment During Recessions

Presenter: Diego Garcia, Kenan Flagler Business School, University of North Carolina

This paper studies the effect of sentiment on asset prices during the 20th century (1905–2005). As a proxy for sentiment, we use the fraction of positive and negative words in two columns of financial news from the New York Times. The main contribution of the paper is to show that, controlling for other well-known time-series patterns, the predictability of stock returns using news' content is concentrated in recessions. A one standard deviation shock to our news measure during recessions changes the conditional average return on the DJIA by twelve basis points over one day.

Discussant: Patrick Kelly, New Economic School

Equilibrium Portfolios and Equity Premium with Wealth Heterogeneity and Uncertainty Aversion

Presenter: Dmitry Makarov, New Economic School (co-author A. Schornick)

We provide a unified theoretical explanation for the following salient patterns of household investments: a sizeable fraction of households do not participate in the stock market, with poorer households less likely to participate, and among the households that do participate, wealthier ones choose to invest a larger share of their wealth into risky assets than poorer ones. We develop a general equilibrium asset pricing model whose key ingredients are uncertainty aversion, wealth heterogeneity leading to

heterogeneity in uncertainty levels across the households, and wealth effect. Solving analytically for equilibrium, we obtain that the equilibrium portfolios are consistent with the above patterns. We also find that a (occurring endogenously) lower participation is associated with a higher equity premium. Finally, we compare our predictions with and without the wealth effect, and find notable differences in equilibrium portfolios, while the link between participation and equity premium is not affected.
Discussant: Stanimir Morfov, ICEF and LFE, Higher School of Economics

13.50 **LUNCH**

14.50 **SESSION 2 "RISK MANAGEMENT"**

Optimal Capital Allocation: VaR, C-VaR, Spectral Measures and Beyond in Russian Markets

Presenter: Dean Fantazzini, Moscow School of Economics at Moscow State University and Higher School of Economics

The problem of selecting the optimal capital allocation with Russian stocks is examined. Alternative risk measures, such as VaR, C-VaR and spectral measures, as well as different returns distributions are examined to find out which method provide the best capital allocation. In this regard, the use of volatility proxy measures plays a key role in any capital allocation strategy. An empirical comparison of several volatility measures is performed to assess their ability to describe and forecast the conditional variance and to provide the best capital allocation. The alternative models are compared out-of-sample using a set of the 24 most liquid Russian stocks. Loss measures, superior predictive ability tests and portfolio performance measures are then employed for model comparison.

Discussant: Branko Urošević, National Bank of Serbia and Faculty of Economics, University of Belgrade

An efficient method for market risk management under multivariate extreme value theory approach

Presenter: Miloš Božović, Center for Investments and Finance, Belgrade and University of Novi Sad

This paper develops an efficient multivariate extreme-value approach for calculating Value at Risk (VaR) and expected shortfall. It is based on the notion that some key results of the

univariate extreme value theory can be applied separately to a set of orthogonal random variables, provided they are independent and identically distributed. Such random variables can be constructed from the principal components of ARMA-GARCH conditional residuals of a multivariate return series. The model's forecasting ability is then tested on a portfolio of foreign currencies. The results indicate that the generalized Pareto distribution of peaks over threshold of residuals performs well in capturing extreme events. In particular, model backtesting shows that the proposed multivariate approach yields more precise VaR forecasts than the usual methods based on conditional normality, conditional t-distribution or historical simulation, while maintaining the efficiency of conventional multivariate methods.

Discussant: Dean Fantazzini, Moscow School of Economics at Moscow State University and Higher School of Economics

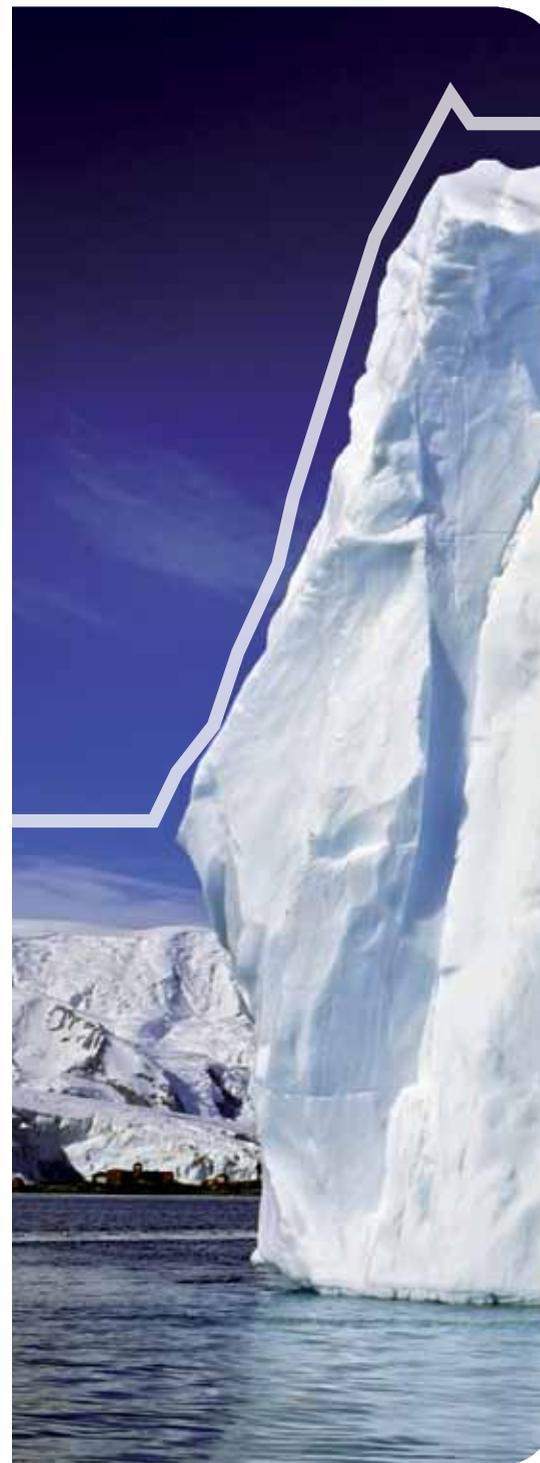
An Infinite-Dimensional Interest Rates Term Structure Model: Arbitrage-Free, Realistic and Practical

Presenter: Victor Lapshin, Laboratory of Financial Engineering and Risk Management, Higher School of Economics

We present a new infinite-dimensional model of interest rates term structure within the Heath-Jarrow-Morton framework and its infinite-dimensional extension by Filipovic. Usual term structure models (e.g. Nelson-Siegel) don't allow for consistent stochastic dynamics: these models will cause arbitrage when modified to include any stochastic dynamics of their parameters. Usual finite-dimensional stochastic models (e.g. Cox-Ingersoll-Ross or Hull-White) cannot offer a flexible enough snapshot yield curve. We "marry" the snapshot fitting possibilities of static models and the temporal variability of dynamic models at the price of going infinite-dimensional. The model is nevertheless fully practicable and applicable on the real data. We present evidence from the Russian bond market before and during the crisis.

Discussant: Miloš Božović, Center for Investments and Finance, Belgrade and University of Novi Sad

16.50 **COFFEE BREAK**



17.30 **PUBLIC LECTURE (ROOM G-114, POKROVSKIY BULVAR, 11)**

Banking at the Crossroads: How to deal with Marketability and Complexity?

Presenter: Arnoud Boot, University of Amsterdam

The objective of this lecture is to address some key issues affecting the stability of financial institutions. The emphasis is on the microeconomics of banking: what type of incentives do financial institutions have in the current landscape? And what does this imply for regulation and supervision? The analysis is motivated by the proliferation of financial innovations and their impact on the financial services industry. A fundamental feature of more recent financial innovations is their focus on augmenting marketability. Marketability has led to a strong growth of transaction-oriented banking (trading and financial market activities). This is at least in part facilitated by the scalability of this activity (contrary to relationship banking activities). It is argued that the more intertwined nature of banks and financial markets induces opportunistic decision making and herding behavior. In doing so, it has exposed banks to the boom and bust nature of financial markets and has augmented instability. Building on this, we discuss the incentives of individual financial institutions. Issues addressed include: frictions between relationship banking and transaction activities that are more financial market focused, ownership structure issues, the impact of the cost of capital, the effectiveness of market discipline, and what configuration of the industry can be expected. We will argue that market forces might be at odds with financial stability.

The current "eurocrisis" is very much also a banking crisis. The intertwined euro/bank arrangements have enormously complicated the eurozone problems, and no easy solutions are available. The lecture concludes with proposals for institutional and regulatory changes that might be needed to deal with the complexity of financial institutions.

19.00 **BUFFET**

SATURDAY, NOVEMBER 19 (ROOM G-313, POKROVSKIY BULVAR, 11)

10.00 SESSION 3 “CORPORATE FINANCE”

Executive Pay and Outside Options

Presenter: Stanimir Morfov, ICEF and LFE, Higher School of Economics

This paper considers a principal-agent problem where aggregate shocks affect both firm's technology and agent's outside options. A calibrated version of the model is used to analyze CEO compensation, the provision of incentives, and the dynamics under the optimal contract. We further investigate the impact on pay-performance sensitivity and relative performance evaluation.

Discussant: Yuliy Sannikov, Princeton University

Investment and Financing Decisions of an Intrinsically Motivated Entrepreneur

Presenter: Carsten Sprenger, ICEF and LFE, Higher School of Economics (co-author: Branko Urošević)

There is empirical evidence that intrinsic motivation is highly relevant in entrepreneurial decisionmaking. So far its role has been mostly studied in the context of optimal employment contracts. The goal in this project is to investigate the role of intrinsic motivation for investment and financing decisions of entrepreneurs. Data from the Panel Study of Entrepreneurial Dynamics are used to test some of the model predictions.

Discussant: Arnoud Boot, University of Amsterdam

Takeovers under Asymmetric Information: Block Trades and Tender Offers in Equilibrium

Presenter: Sergey Stepanov, New Economic School

I study transfers of control in a firm having atomistic shareholders and one dominant minority blockholder (incumbent). A potential acquirer can try to negotiate a block trade with the incumbent. If the negotiations are successful, the control changes hands via a block trade. If the negotiations fail, the acquirer can launch a public tender offer. According to empirical evidence, both types of transactions occur in the market. However, the existing models that allow

for both types of control transfer ultimately obtain that the incumbent and the acquirer always negotiate a block trade in equilibrium. By introducing asymmetry of information about the acquirer's ability to generate value, I bring imperfections into the bargaining between the acquirer and the incumbent, which allows me to generate either a block trade or a tender over as the game outcome. In equilibrium, high ability acquirers take over the firm by means of a tender offer, intermediate ability acquirers negotiate a block trade, and low ability acquirers do not attempt any transaction. This result provides an immediate explanation for a generally higher target's stock price reaction to tender offers as compared to block trade announcements. The model also explains why takeover premiums are generally higher in countries with stronger legal protection of shareholders and predicts that better shareholder protection should result in a higher stock price reaction to block trade announcements as well. Finally, the model predicts how, for a given incumbent's share, the choice between a tender offer and a block trade is affected by the legal shareholder protection.

Discussant: Carsten Sprenger, ICEF and LFE, Higher School of Economics.

12.00 COFFEE BREAK

12.30 SESSION 4 “BANKING AND NETWORKS”

Social structure and propagation of depositors panic

Presenter: Roman Chuhay, ICEF, Dept. of Economics and LFE, Higher School of Economics (co-author: Huber Janos Kiss)

Empirical evidence suggest that social network effects are important regarding the decision-making of depositors. Contribution of our paper to the bank-run literature is twofold. First, we explicitly specify who can observe whom by considering underlying network of social contacts. Second, we allow depositors to re-diced upon observing the actions of their neighbors and effectively study multistage game. We identify ultimate proportion of depositors who withdraw money as a function of proportion of impatient depositors in the population. We also study how different network structures affect the probability of bank run.

Discussant: Dimitrios Tsomocos, Said School of Business

Liquidity Choice: A Structural Estimation of Interbank Network Effects and Key Players

Presenter: Christian Julliard, London School of Economics (co-authors: Kathy Yuan and Edward Dembee)

This paper studies whether structural properties of inter-bank networks affect individual bank's incentive to provide liquidity. Assuming liquidity provision is a public good, when a neighbouring bank has a lot of liquidity, an individual bank may choose to provide less. Following Ballester, Calvo-Armengol and Zenou (2005), we show that, at the Nash equilibrium, the outcome of each individual bank embedded in a network is proportional to its Katz-Bonacich centrality measure. This measure takes into account of the liquidity provision of both direct and indirect neighbours of each bank but puts less weight to banks with distant connections. We then bring the model to the data by using a very detailed dataset of interbank networks and casting our equilibrium model in a spatial error framework. After controlling for observable individual bank characteristics, aggregate risk and unobservable network specific factors, we find evidence for a substantial, and time varying, network risk.

Discussant: Alexey Belyanin, ICEF, Higher School of Economics

13.50 LUNCH

14.40 SESSION 5 “ASSET PRICING 2”

Continuous time option pricing with scheduled jumps in the underlying asset

Presenter: Sergey Gelman, ICEF and LFE, Higher School of Economics (co-author: Dmitry Storcheus)

This paper introduces a new model of continuous time option pricing, which explicitly accounts for scheduled jumps caused by quarterly earnings announcements in the underlying stock. We present the stock price process as the product of a geometric brownian motion and scheduled jump process with a uniform jump size. This simple specification allows for obtaining a closed-form analytical solution for the European call option price. Empirical tests using a vast number of options with different strikes and maturities on several US stocks during 1999-2008 show significant superiority of our model over Black-Scholes in terms of fitting option prices. Moreover, the suggested model turns

out to be no less precise as the Merton (1976) model with unscheduled jumps. Considering the parsimony and computational simplicity of our model compared to Merton (1976), we deem it preferable for application in the pricing of options on individual securities.

Discussant: Mikhail Chernov, London School of Economics

The Impact of maturity Financing Choices made by Primary Bond Dealers on Repo market Rates

Presenter: Vladimir Sokolov, ICEF and LFE, Higher School of Economics

Testing of the expectation hypothesis (EH) for very short interest rates has provided mixed results. My paper seeks to reconcile conflicting evidence on the EH for the US repo market by exploiting the fact that repo rates are affected by the demand/supply of bonds provided as collateral against repo agreements. My empirical investigation is organized around a theoretical model formulated by Duffie (1996) and Krishnamurthy (2002) on the relative “specialness” of bonds. This model demonstrates how variation in bond prices is related to variation in repo rates on collateralized loans against bonds. I hypothesize that this mechanism also works across different maturities of repo contracts and can explain variation in term repo rates relative to overnight rates. Using NY Fed data, I construct a factor measuring primary dealers' net financing in the overnight repo segment relative to their financing in the term repo segment and demonstrate that this variable was a significant forecaster of the repo market excess returns in the 2001-2008 period. The finding is robust to the inclusion of a Cochrane-Piazzesi factor, change in fed funds futures prices and a measure of dealers' overbidding at Fed's repo auctions.

Discussant: Diego Garcia, Kenan Flagler Business School, University of North Carolina

European bond ETFs – tracking errors and sovereign debt crisis

Presenter: Branko Urošević, National Bank of Serbia and Faculty of Economics, University of Belgrade (co-authors Mikica Drenovac and Ranko Jelic)

We examine effects of the new risk and return paradigm in the Euro sovereign bond market on the tracking performance of 31 Euro zone sovereign debt exchange traded index funds (ETFs),

during 2007-2010. The tracking performance was examined using traditional, OLS, and cointegration tracking error models. Overall, ETFs underperform their respective benchmarks. There are, however, some important differences across families of sample ETFs. In particular, ETFs with the highest tracking errors estimated using short term correlations tend to have lowest tracking errors based on cointegration metric. The results of our panel data analysis document significant changes in the sample ETFs' tracking performance during sovereign debt crisis. Our results also confirm that, as a result of the crisis, credit risk considerations have become an important determinant of the ETFs' tracking performance. We also find evidence for the importance of ETFs' replication methods and volatility of underlying indices for the tracking performance, irrespective of the error metric. In an environment of widening sovereign credit default swap (CDS) spreads and divergent yield trends, understanding the credit quality of various issuers together with the selection rules of benchmark indices is, therefore, crucial for understanding ETFs' performance.

Discussant: Sergey Gelman, ICEF and LFE, Higher School of Economics

16.40 COFFEE BREAK

17.00 SESSION 6 "LIQUIDITY AND MARKET MICRO STRUCTURE"

Robustness of equilibrium in Kyle model of informed speculation

Presenter: Alexey Boulatov, ICEF, Department of Economics and Centre for Advanced Studies, Higher School of Economics (co-author: Dan Bernhardt)

We analyze single-period Kyle (1983) model where the risk-neutral informed trader can use arbitrary (linear or non-linear) deterministic strategies, and the market makers can use arbitrary pricing rules. We call a Nash equilibrium robust if the first variations of all agents' expected payoffs with respect to a small variation of any agent's conjecture (including themselves) vanishes at equilibrium. In other words, all market participants are indifferent to small errors of beliefs of the others and themselves. Our notion of robustness is consistent and can be viewed as a particular case of the definition given in Stauber (2006, 2011). We show that the standard linear Nash equilibrium of Kyle (1983) is robust with respect to small "conjecture errors" of the

agents in a sense defined above. Moreover, we demonstrate that the only robust Nash equilibrium of Kyle (1983) model is a standard linear one.

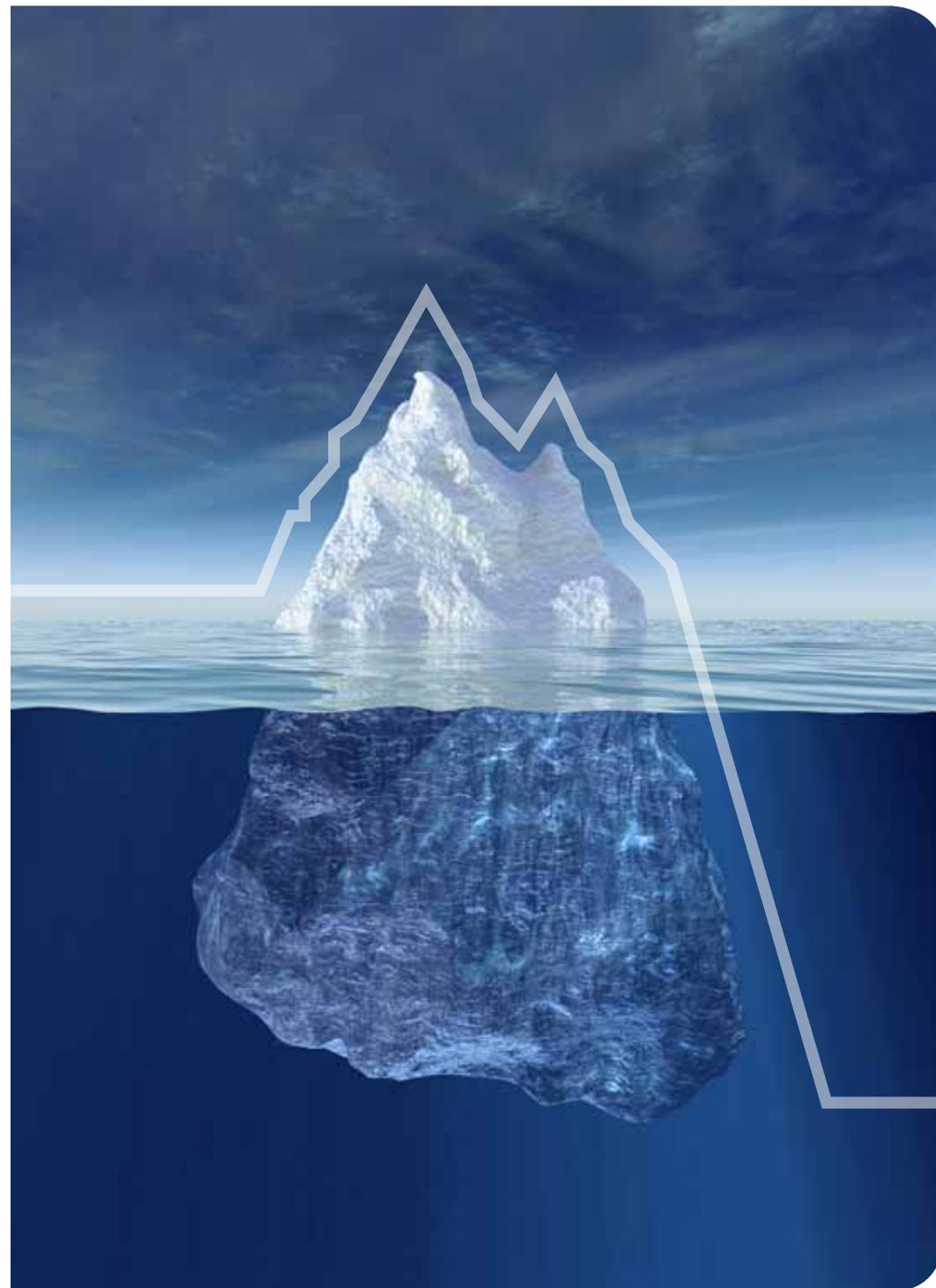
Discussant: Dmitry Makarov, New Economic School

Liquidity effects on asset prices, financial stability and economic resilience

Presenter: Dimitrios Tsomocos, Saïd School of Business, Oxford University (co-author Juan Francisco Martinez)

This paper analyzes the different channels of shock transmission in an economy affected by financial frictions. We distinguish between the liquidity and default effects on asset prices. Furthermore, we develop a framework in which we can assess financial stability policy under financial frictions. We introduce a simplified model of trade and financial intermediation that captures the effects of shocks on financial and real variables of the economy. Our results suggest that financial stability and economic resilience to adverse shocks should take into account default in the credit market as well as the liquidity of goods traded in the commodity market.

Discussant: Maxim Nikitin, ICEF, Higher School of Economics



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Arnoud Boot is professor of Corporate Finance and Financial Markets at the University of Amsterdam and director of the Amsterdam Center for Law & Economics (ACLE). He is a member of the Dutch Social Economic Council (SER) and the Bank Council of the Dutch Central Bank (DNB). He is also Research Fellow at the Centre for Economic Policy Research (CEPR) in London and at the Davidson Institute of the University of Michigan. Arnoud Boot holds a PhD in Finance from Indiana University. His main areas of interest are Corporate Finance, Bank Management, Asset-Liability Management, Credit-Risk Analysis, Corporate Governance, Public Sector Governance. Arnoud Boot has published among others in the Journal of Finance, American Economic Review, Review of Financial Studies and Journal of Money, Credit and Banking.

Alexey Boulatov is professor at the International College of Economics and Finance, Centre for Advanced Studies and Department of Economics at the National Research University Higher School of Economics, Moscow. He holds a PhD in Finance from the Haas School of Business, University of California, and a PhD in Physics from the City University of New York. His main areas of interest are Micro-based analysis in Asset Pricing, Market Microstructure, Computational Finance, Informational Economics. Alexey Boulatov has published in the Journal of Banking and Finance, Review of Economic Studies, Journal of Risk and Insurance. He also has publications in Physics and Optics Refereed Journals, Including Physical Review Letters (PRL), Physical Review A, B and E, Journal of Applied Optics, Chemical Physics Letters.

Miloš Božović is director of the Center for Investments and Finance, Belgrade, and assistant professor at the University of Novi Sad. He holds a PhD in Economics from the Universitat Pompeu Fabra and a PhD in Physics from the University of Belgrade. His main areas of interest are Risk Modeling, Continuous-Time Finance, Derivatives, Asset Pricing. Miloš Božović has published in the New Journal of Physics, Physical Review, Europhysics Letters, Physica.

Mikhail Chernov is professor of Finance at the London School of Economics, Department of Finance. He obtained a PhD in Business Administration (Finance) from the Pennsylvania State University, following which he was an Associate Professor of Finance at Columbia Business School. His research covers the fields of Asset Pricing, Derivatives, Fixed Income and Financial Econometrics, with specific interest in Interest Rates and Options and their relationship to Macroeconomic Fundamentals. Mikhail Chernov has published in the Journal of Financial Economics, Journal of Finance, Journal of Financial Econometrics, Journal of Econometrics, Management Science, Review of Financial Studies, Journal of Business and Economic Statistics.

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Roman Chuhay is assistant professor at the International College of Economics and Finance and the Department of Economics at the Higher School of Economics and senior research fellow at the International Laboratory in Financial Economics.

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Dean Fantazzini is associate professor in Econometrics and Risk Management at the Moscow School of Economics at Moscow State University and the Higher School of Economics. He obtained a PhD in Economics from the University of Pavia (Italy). His main scientific areas of research are Copula Modeling for financial and Economic Applications, Financial Asset Pricing and Risk Management, Periodic Modelling of Economic and Financial Data, Government and corporate term structures estimation. Dean Fantazzini has published among others in the Journal of Financial Transformation, International Journal of Risk Assessment and Management, Journal of Financial Transformation, European Journal of Finance, Applied Financial Economics.

Diego Garcia is assistant professor of Finance at the Kenan Flagler Business School at the University of North Carolina. He received his PhD from the Haas School of Business. The research of Diego Garcia includes Financing and Investment Policies under Asymmetric Information, Agency Theory, Markets for Information, Informational Efficiency in Financial Markets, and Computational Approaches to Optimal Investment Problems. His articles have been published in the Journal of Economic Dynamics & Control, Economic Letters, Economic Theory and the Journal of Finance.

Sergey Gelman is assistant professor at the International College of Economics and Finance of the Higher School of Economics and senior research fellow at the International Laboratory in Financial Economics. He holds a PhD in Economics from the Universität Münster. His main research interests are Stock Price Dynamics around Takeovers, Identification of Structural Breaks and Regime Switching in Financial Time Series, Pricing of Derivatives in forefront of Anticipated Significant Events, Asset Pricing and Consumption Preferences. Sergey Gelman has published in the Journal of Empirical Finance, European Review of Economic History.

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Christian Julliard

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Christian Julliard is assistant professor in the Department of Finance (since Fall 2009), and a senior research associate of the Financial Market Group (FMG), at the London School of Economics. He is also a research affiliate of the International Macroeconomics and Financial Economics programmes of the Centre for Economic Policy Research (CEPR), and an associated editor of *Economica*.

He was awarded a PhD by the Department of Economics at Princeton University where he was also affiliated with the Bendheim Center for Finance and the Woodrow Wilson School of Public and International Affairs. His research interests span macroeconomics, finance, and the frontier of applied econometrics. His research has been published in top economics and finance journal such as the *Journal of Political Economy* and the *Review of Financial Studies*.



Patrick Kelly

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Patrick Kelly is assistant professor of Finance at the New Economic School. He holds a PhD in Business Administration with a concentration in Finance, from the W. P. Carey School of Business, Arizona State University. His main areas of interest are Market Efficiency, Investments, International Investments, Empirical Asset Pricing. Patrick Kelly has published in the *Review of Financial Studies*, *Journal of Banking and Finance*.



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Victor Lapshin is assistant professor at the Department of Economics and Department of Risk Management and Insurance and research fellow at the Laboratory of Financial Engineering and Risk Management. He holds a PhD (candidate of science) in Mathematics from the Moscow State University.

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Stanimir Morfov is assistant professor at the International College of Economics and Finance of the Higher School of Economics and senior research fellow at the International Laboratory in Financial Economics. He holds a PhD in Economics from the Universidad Carlos III de Madrid. His main scientific areas of research are Dynamic Contracts Theory, Corporate Governance, Pricing at Stock Markets, Executive Pay, Computation, Asset Pricing.

Yuliy Sannikov is professor of Economics at the Princeton University, Department of Economics. He holds a PhD in Business Administration from the Stanford Graduate School of Business, California. His main research interests include Game Theory, Contract Theory, Corporate Finance, Security Design, Incentives, Macroeconomics and Finance, Computation. Yuliy Sannikov has published among others in the Journal of Finance, Econometrica, American Economic Review, Review of Economic Studies.

Vladimir Sokolov is assistant professor at the International College of Economics and Finance of the Higher School of Economics and senior research fellow at the International Laboratory in Financial Economics. He holds a PhD in Economics from the University of Notre Dame. Main research interests of Vladimir Sokolov are International Economics, Financial Economics, Monetary Economics, Foreign Exchange Markets, Exchange Crises and Exchange Rate Management, Bond Markets, Derivative Financial Instruments, Macroeconomics of the Banking Sector. His research has been published in the Pacific Economic Review, Economic Policy, Journal of the New Economic Association.

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Dimitrios Tsomocos is a reader in Financial Economics at the Saïd Business School University of Oxford and fellow in Management at St. Edmund Hall. He is also a senior research associate at the Financial Markets Group at the L.S.E.

He holds a PhD from Yale University. Dimitrios Tsomocos' current research focuses on Banking and Regulation, Incomplete Asset Markets, Systemic Risk, Financial Instability and Issues of New Financial Architecture. Dimitrios Tsomocos has published among others in the Journal of Financial Stability, Economic Theory, International Game Theory Review, Journal of Mathematical Economics, Journal of World Economics Review, Greek Economic Review, Journal of Economic, Annals of Finance.

Branko Urošević is associate professor of Financial Economics and Operations Research at the Faculty of Economics of the University of Belgrade and Chairman of the Board of Dunav Dobrovoljni penzijski fond, the largest pension fund in Serbia. He is also a special advisor for research to the Governor of the National Bank of Serbia. Branko Urošević holds a PhD in Physics from Brown University, USA, and a PhD in Finance from the Haas School of Business, University of California at Berkeley, USA. He conducts research in the cross section of Asset Pricing and Corporate Finance, Banking, Risk Management, the role of Informational Asymmetry on the formation of share prices, and issues related to Real Estate Finance and Economics. He has published in the leading general sciences, economics and management journals such as the Journal of Political Economy, Economic Theory, Management Science and Journal of Real Estate Finance and Economics. He is an associate editor of the Journal of Economic Dynamics and Control.

FOR NOTES:



THE INTERNATIONAL LABORATORY OF FINANCIAL ECONOMICS

The International Laboratory of Financial Economics (LFE) has been established in 2010 at the International College of Economics and Finance (ICEF) of the Higher School of Economics (HSE) in collaboration with the London School of Economics (LSE). Its main goal is to support research at best international standards. Many research projects have a particular focus on emerging financial markets. The core research team consists of Moscow based researchers who hold a PhD degree from recognized European and US universities with an affiliation to ICEF or HSE, as well as international fellows. The Laboratory is headed by Christian Julliard (LSE) and Carsten Sprenger (ICEF). A particular feature of the Laboratory is its close cooperation with LSE. The LSE Academic Director of the Laboratory Christian Julliard and invited experts are crucial in the design of the research program of the Laboratory, the choice of research projects to be supported, in giving advice on the projects conducted in the framework of the LFE.

The laboratory helps to create an intellectual environment for fruitful research in financial economics and provides research support to the resident researchers and international fellows. LFE serves to broaden the interaction and contacts of its resident researchers with the international scientific community. To this end,

LFE organizes an annual academic conference on research in finance and invites researchers to the joint LFE-ICEF research seminar.

Laboratory researchers regularly present their work at international conferences and publish in recognized peer-reviewed international journals in finance and economics. Many papers are previously disseminated in the ICEF Working paper series. Research assistants form an integral part of the team of the laboratory. As a rule, these are students enrolled at the two-year Master's Programme in Financial Economics of ICEF or advanced students in ICEF's Bachelor Programme. This helps students who are interested in research to get experience in economic research and to raise their academic profile. In addition, results of the research find their way into the courses and student seminars at ICEF. The laboratory benefits from the library and data resources available at the Higher School of Economics and should facilitate the purchase of new datasets. Currently, the work of the laboratory is funded by the Center of Fundamental Research of HSE and ICEF.

The laboratory has three priority areas of research:

- Finance, banking and the macroeconomics
- Efficiency of financial markets, and
- Corporate finance and governance.

The International College of Economics and Finance (ICEF) is a unique college, that was established in 1997 thanks to the combined efforts of the London School of Economics and Political Science (LSE), one of the world's leading centers of education and scientific research in economics, and the National Research University Higher School of Economics (HSE). Today ICEF in academic cooperation with the LSE offers a unique in Russia and Eastern Europe double degree Bachelor's programme and international Master's programme in Financial Economics.

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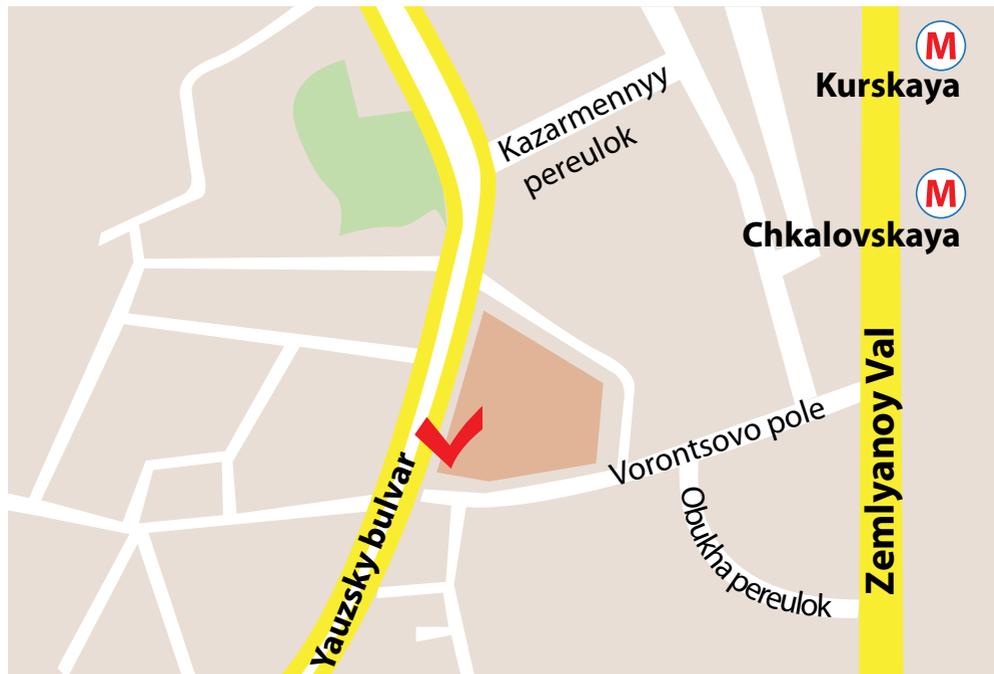
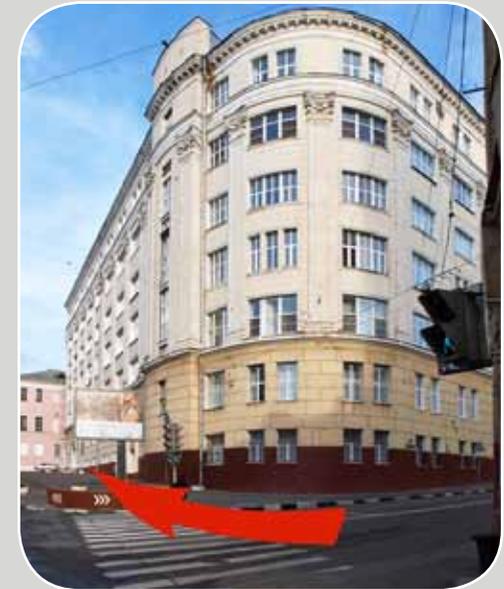
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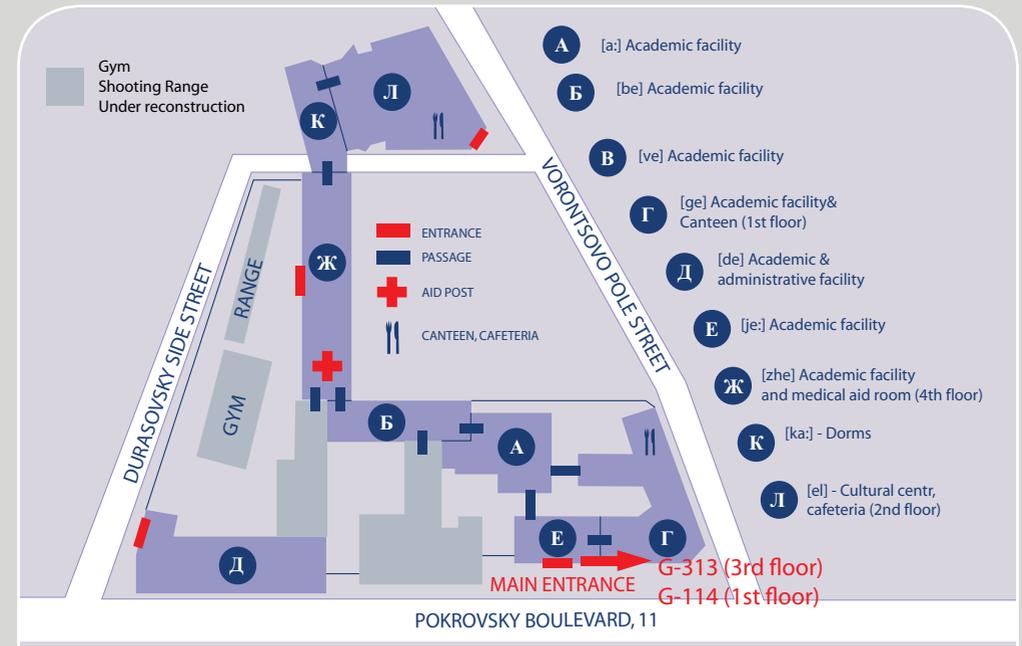
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HSE MAIN ENTRANCE



HSE CAMPUS MAP





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